



Australian Government
Productivity Commission

Gambling

Productivity Commission Draft Report

October 2009

This is a draft report prepared for further public consultation and input.

The Commission will finalise its report after these processes have taken place.

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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

Opportunity for further comment

You are invited to comment on this draft report in writing and/or by participating in the public hearings, as shown below. Anyone interested in participating in a public hearing should contact Roberta Bausch on (02) 6240 3221.

Written responses should be sent to the Commission by **Friday 18 December, 2009**. If possible, please provide submissions by email (gambling@pc.gov.au).

For those participating in the public hearings, the Commission would appreciate receiving advance copies of submissions or a brief summary of the main discussion points at least 2 working days prior to the relevant hearing date.

The final report will be prepared after hearings have been held and submissions received, and provided to the Australian Government by 26 February, 2010.

Public hearing date and venues

Location	Date	Venue
Melbourne	Thursday 26 November, 2009 Commencing 9.00 am Friday 27 November Commencing 9.00 am	Rattigan Room, Productivity Commission Level 28, 35 Collins Street
Sydney	Tuesday 1 December, 2009 Commencing 9.00 am Wednesday 2 December, 2009 Commencing 9.00 am	Surry Room, Medina on Crown 359 Crown Street Surry Hills
Adelaide	Tuesday 8 December, 2009 Commencing 9.00 am	Barossa Room, Stamford Plaza 150 North Terrace

Brisbane	Monday 14 December, 2009 Commencing 9.00 am	Wills Room Mercure Hotel 85-87 North Quay
Canberra	Tuesday 15 December, 2009 Commencing 9.00 am	Hearing Room Productivity Commission Level 2, 15 Moore Street

Commissioners

For the purposes of this inquiry and draft report, in accordance with section 40 of the Productivity Commission Act 1998 the powers of the Productivity Commission have been exercised by:

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]

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- B The expenditure share of people experiencing problems**
- C Pre-commitment systems**
- D Scoring in the Canadian Problem Gambling Index**
- E Self-exclusion programs and exclusion on welfare grounds**
- F Survey of clients of counselling agencies**
- G Restrictions on access to cash and credit: evidence**
- H Australian gambling cases**
- I The link between accessibility and gambling harms**
- J Counselling services**

Abbreviations

ACCC	Australian Competition and Consumer Commission
ACMA	Australian Communications and Media Authority
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
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

- Gambling is an enjoyable pursuit for many Australians and Government policies need to balance the sizeable benefits for recreational gamblers against the significant harm it causes some people.
- Most policy interest centres on people playing regularly on 'riskier' forms of gambling, particularly the 'pokies' (gaming machines).
- Excluding people whose only form of regular playing is on Lotto or 'scratchies' (essentially 'safe' forms of gambling), only around 15 per cent of Australian adults gamble regularly.
 - Roughly one in ten of those would be classified as 'problem gamblers', with an additional 15 per cent experiencing 'moderate risks'.
- About 5 per cent of adults play weekly or more often on gaming machines.
 - Around 15 per cent of this group are 'problem gamblers' and their share of total spending is estimated to range around 40 per cent.
 - A further 15 per cent of pokie players face 'moderate risks'.
- While precision is impossible, estimates of the number of problem gamblers lie in a range around 125 000, with the estimated number of gamblers at moderate-risk ranging around 290 000.
 - Their prevalences expressed as shares of the adult population are misleading, given that most of the population do not gamble regularly.
- The significant social costs associated with problem gambling mean that even policy measures with modest efficacy will often be worthwhile.
 - Rough, but conservative, calculations suggest that even a 10 per cent sustained reduction in harm could provide a gain to society of nearly half a billion dollars annually.
- Over the last decade, state and territory governments have put in place an array of regulations and other measures intended to reduce harms to consumers.
 - Some have been helpful, but some would have had little effect, and some have imposed unnecessary burdens on the industry.
- A more coherent and effective policy approach is called for. There is a particular need for targeted harm minimisation policies that can effectively address the high rate of problem gambling among regular gaming machine players. Most gamblers would not be affected by this approach.
- Most recreational gamblers play at low intensity, but the machines allow losses of up to \$1200 an hour.
 - The bet limit should be lowered to one dollar per button push (equating to losses of around \$120 an hour), with much lower limits on how much cash can be fed into machines at any one time. Recreational players would be minimally affected.
- Shutdown periods for gaming rooms in hotels and clubs are too brief and occur at the wrong time. They should be extended and commence earlier.

Key points continued

- There should be a progressive move over the next six years to a universal pre-commitment system for gaming machines, using technologies that allow all consumers in all venues to set binding limits on their future play.
 - Safe default settings would apply, but players could opt out, with periodic checking of their preference to do so.
- With effective pre-commitment, many other regulations on gaming machines could be modified, or be removed as they become redundant.
- Effective harm minimisation policy for gaming machines will inevitably erode gaming revenues. In the longer run, however, technological changes may attract a wider base of consumers, offsetting this.
- Other measures would have modest effects in reducing harms, but are also low cost.
 - Better information in venues would help, but school-based education could have perverse effects and should not be extended without review.
 - Relocating ATMs away from gaming floors, and lower daily cash withdrawal limits on ATMs, would help some gamblers, but removing ATMs from venues poses costs and risks, and jurisdictions should await an evaluation of Victoria's impending ban.
 - Statutory provisions to enable gamblers to seek redress through the courts for egregious behaviour by venues appear necessary.
- Help services for problem gamblers have worked well overall, but
 - they relate to people who have already developed major problems and are thus not a substitute for preventative measures
 - there is a need for enhanced counsellor training and better service coordination, and to reach the 85 per cent of problem gamblers who do not seek help.
- Some regulations have poor outcomes for gamblers and providers alike
 - Liberalising the domestic supply of online gaming, accompanied by strong harm minimisation, would divert consumers from risky overseas sites.
 - A new national approach to wagering that encouraged competition would lead to better outcomes for punters. But it needs to be accompanied by a nationally-set levy on betting suppliers to ensure adequate funding of the racing industry, whose existence underpins the wagering market.
- Governments have improved policy-making and regulation 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 reform the institutional arrangements underpinning 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.

That was a decade ago. Since then, there have been significant changes in the gambling industries and their regulatory environment, with a much greater policy focus on harm 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 (CoAG) accordingly asked the Commission to provide an ‘update’ on its 1999 ‘information’ report, with a focus on problem gambling.

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 which policies are likely to be most effective in reducing the harms associated with gambling, while preserving most of the benefits. This is a complex task for public policy. While regulation is clearly called for, its coverage and design require particular care to ensure that the potential benefits exceed the costs, and that account is taken of what is often imperfect evidence.

Gambling is a sizeable industry

Gambling is a normal and enjoyable recreational pursuit for many. Around three in four Australians gambled in the last year. Gambling takes many forms, including Lotto and ‘scratchies’ (the most popular in terms of participation rates), gaming machines, table games (like roulette and blackjack), wagering and, the nascent but rapidly growing, online gaming.

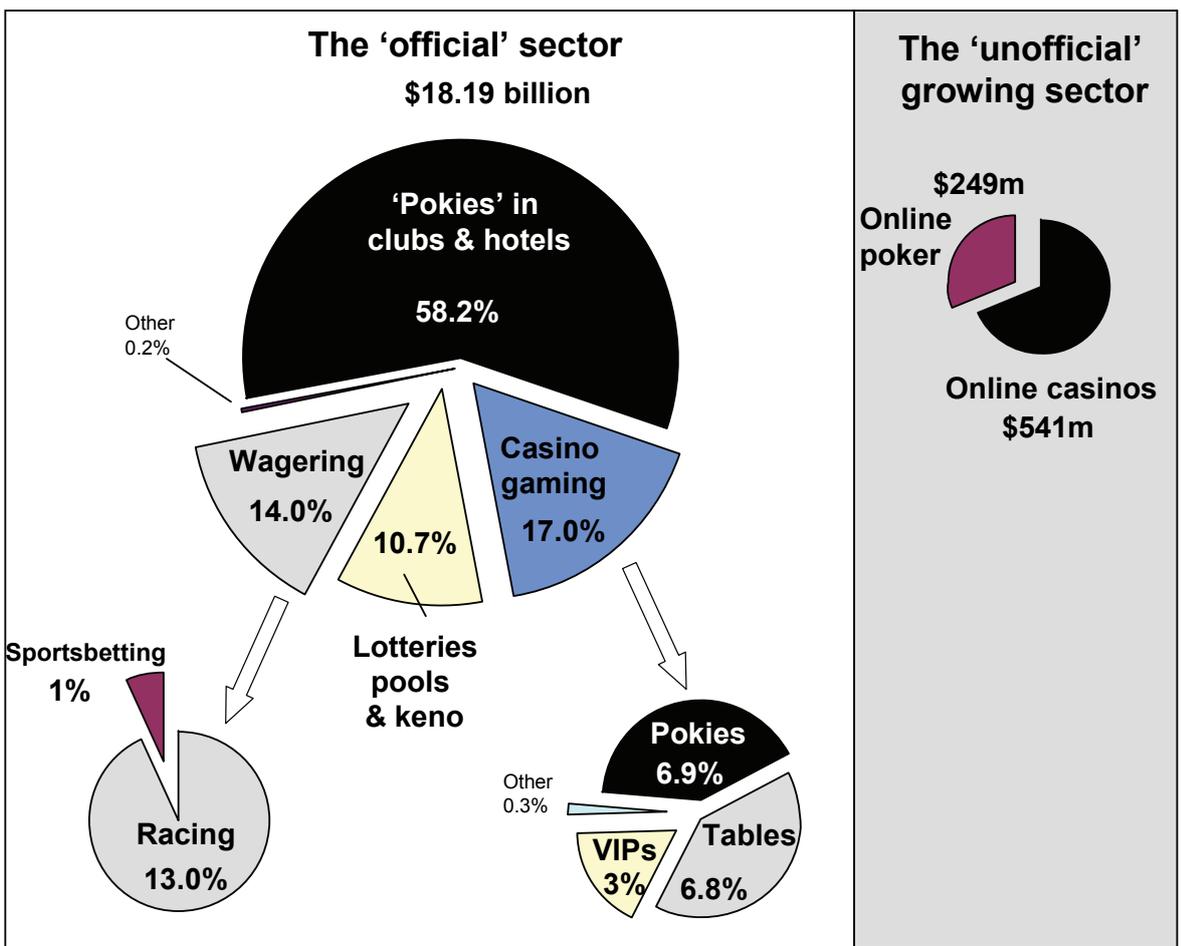
Gambling is a large industry, and significant to the hospitality industry, given its importance as an attractor of customers and revenue. Around 67 000 people are directly involved in the gambling industry, and its sales (player expenditure or losses) were around \$18 billion in 2006-07 — about the same as alcohol sales. 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.

Electronic gaming machines are the dominant source of gambling revenue (figure 1), though most Australians do not play on them at all. (Around 70 per cent of adults did not use them in the last year.)

The spectacular growth of gambling in the 1990s — associated with the sudden liberalisation of gaming machines — has subsided, and there is reduced participation across the industry as a whole. Gambling is now a mature industry, growing at a rate similar to most others (figure 2). Its growth has also been affected by its regulatory environment, including caps on machines and bans on smoking inside venues.

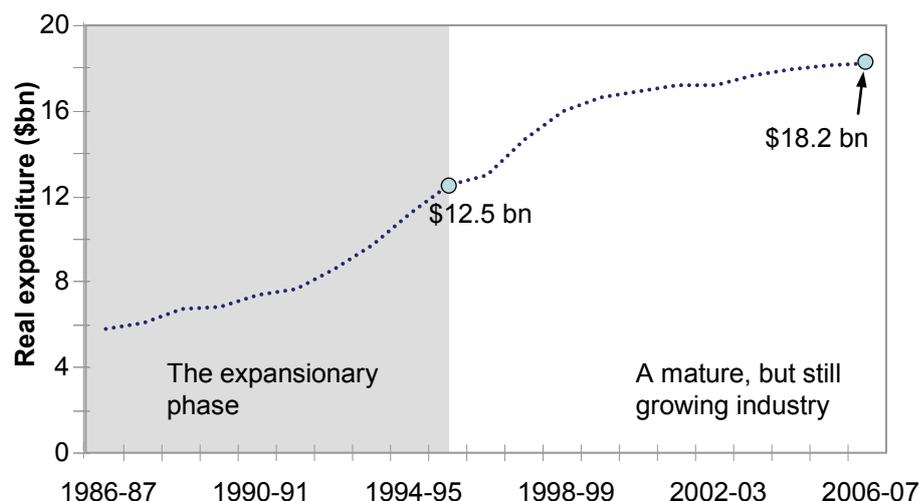
Figure 1 A multifaceted industry, with a 'hidden' side



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. Gaming machines still dominate gambling and growth rates in real spending are stronger for those people who continue to play on them. For example, in Victoria, average 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.
- Casinos increasingly face strong competition in attracting globally footloose high-rollers as Asian competitors develop new, large facilities.
- Sports wagering has been growing rapidly.
- While illegal and invisible in official records, online gaming appears to have grown very rapidly, and could amount to four per cent of gambling expenditure.

Figure 2 **A maturing industry**



Gambling remains an important source of profits and taxes for venues and governments respectively, which shapes their incentives. Not surprisingly, casinos are typically the most dependent on gambling. However, despite their broader functions in the community, clubs and hotels offering gaming also derive the majority of their revenue from that source — almost all of it from gaming machines. Several large clubs are actually more dependent on gambling than casinos. That said, venues of all kinds have been diversifying their activities to reduce their dependence on gambling revenue.

Gambling taxes still amount to around 10 per cent of state and territory own tax revenue. However, governments' 'dependence' on gambling for revenue has also fallen slightly.

While some think of gambling as a ‘low tech’ industry, this is far from accurate. Gambling is one of the most sophisticated service industries in Australia, deploying (increasingly) advanced information technologies, complex systems for probity checking and customer tracking, and advanced technological developments in gaming machines and online services (underpinned by large R&D budgets). The gaming machine of the late 2000s differs considerably 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 increased potential for losses in a given period of play. The gaming machines of the future will be substantially different again, as they converge with the online environment. (Those technological developments offer the prospect of better gambling experiences for consumers, but also new ways of providing effective harm minimisation.)

Another side to the gambling industry

Many gambling forms cause no harm

The majority of people gamble with enjoyment and without harm, and many gambling forms are benign. 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 taxed to meet governments’ revenue imperatives), governments have a limited role in regulating these gambling forms.

The potential for significant harm from some types of gambling is what distinguishes gambling from most other enjoyable recreational activities — and underlines the communities’ 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 sentiment unlikely to be replicated for any other legal recreational pursuit.)

Harm associated with gambling may be experienced by many people and to different degrees. Yet for some — ‘problem gamblers’ — those harms are intense and damaging, not only to themselves but also to their families and other related parties.

Just as in other areas of product safety, where the information exists, risks are best assessed for:

-
- 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)
 - those who regularly engage in a risky activity or use a risky product, and not for the broad group people who never or only occasionally use them (for example, people who eat unhealthy foods are often compared with those who infrequently do so).

Reflecting this, most policy interest centres on people playing *regularly* on *riskier* forms of gambling.

How extensive are the harms?

Excluding people whose only form of regular playing is on Lotto or scratchies (essentially ‘safe’ forms of gambling), only around 15 per cent of Australian adults participate regularly in any form of gambling. But roughly one in ten among this group would be classified as problem gamblers, with an additional 15 per cent experiencing moderate risks.

While precision is impossible, estimates of the number of problem gamblers in Australia lie in a range around 125 000, with the estimated number of gamblers at moderate-risk ranging around 290 000. (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.) People at moderate-risk are still important for public health policy — just as in relation to alcohol use and body weight — in that they involve higher likelihood of harm and the potential for progression to more serious problems.

These current prevalence estimates translate to around 0.75 per cent and 1.7 per cent of the adult population for problem and moderate risk gambling respectively. That looks small. However, to put these figures in context, around 0.15 per cent of the population are admitted to hospital each year for traffic accidents. Small prevalence rates do not mean small problems. The evidence suggests continuing large costs to society associated with problem gambling (box 1).

The numbers of people who have ever experienced problems with their gambling — so called ‘lifetime’ prevalence — are considerably higher than annual prevalence rates.

Moreover, as emphasised above, most problem gamblers are regular players (indeed, most are regular gaming machine players). Accordingly, problem gambling prevalence rates expressed as shares of the adult population are misleading

measures of the real risks when most of the adult population do not gamble regularly on any risky form, or do not gamble at all.

And 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.

Box 1 The benefits of gambling are high, but so are the costs

In its 1999 inquiry, the Commission examined the costs and benefits qualitatively and quantitatively. At that time, the costs were large, somewhere between \$1.8 billion and \$5.6 billion. They arise from a multitude of problems:

- suicides
- relationship breakdown
- bankruptcy
- lowered productivity and job loss
- depression and anxiety — although some may be depressed before their problems develop, gambling can exacerbate pre-existing conditions
- crime (noting that gambling is one of the most common single motivations for fraud).

Many of these problems ripple throughout the community to family members, friends and work colleagues, but they also tie up police, courts and health resources. For every single problem gambler, the Commission found 5 to 10 others were affected.

The 1999 report also identified large benefits — of somewhere between \$4.4 billion to \$6.1 billion. These are predominantly consumer benefits and were lower than might customarily be measured, because the spending of problem gamblers does not indicate real ‘value’ to them. Large expenditures on a service usually indicate a high degree of sustained enjoyment, but problem gamblers find it hard to control their spending, and many would like to have better control, or even exclude themselves from venues. Problem gamblers typically face large financial losses — the precipitating factor for many of the other problems they face. The overall net social benefits of gambling were estimated at that time to be between a net cost of \$1.2 billion to a net benefit of \$2.6 billion.

The Commission has not undertaken a detailed re-assessment of the impacts of problem gambling. There is now widespread agreement that both the benefits and the costs are very large. However, it has used the basic parameters of the 1999 report, applied updated prevalence rates and taken account of changes in the population and the economy to get some approximate estimates for 2008–09. These continue to suggest benefits of many billions of dollars, but also substantial costs that run into the billions of dollars. (A 10 per cent reduction in harm could generate benefits from around \$450 million to \$1.3 billion annually depending on the assumptions.) As discussed in the text, the continued importance of the costs suggests significant dividends from effective harm minimisation policy — which would raise the net benefits of the industry.

It is likely that problem gambling rates have fallen over the last decade, though this is a tentative conclusion and the origins of the apparent reduction are not certain (box 2). But, as in several other areas of risk (for instance, traffic fatality rates), there remains a general acceptance by governments *and* the gambling industry that the problems remain of an order that warrant continued policy attention.

Box 2 Is problem gambling declining?

It is likely that the prevalence rate of problem gambling has fallen over the last decade, though the extent of the reduction is hard to estimate given 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 using different methodologies and at varying times
- the definition of problem gambling has changed, so that crude comparisons of the 1999 numbers with those apparent now would overstate the real reduction
- problem gambling is a phenomenon that many people try to conceal
- it is hard to precisely measure the prevalence of relatively uncommon conditions, so that estimates will fluctuate from year to year because of sampling error.

A reduction in prevalence is also consistent with what might be expected:

- Some natural adaptation could be expected after the sudden exposure of all adults to riskier forms of gambling in the 1990s. Many people who initially developed problems have resolved them.
- 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.

A focus on ‘pokies’ — where most harms arise

This report focuses on appropriate policies for gaming machines.

- They account for the biggest single slice of overall gambling expenditure in Australia — around 65 per cent of the total, compared with 14 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.
- They also account for around 75–80 per cent of ‘problem gamblers’ and are found to pose significant problems for ordinary consumers.
- They are widely accessible throughout the community in all jurisdictions except Western Australia.

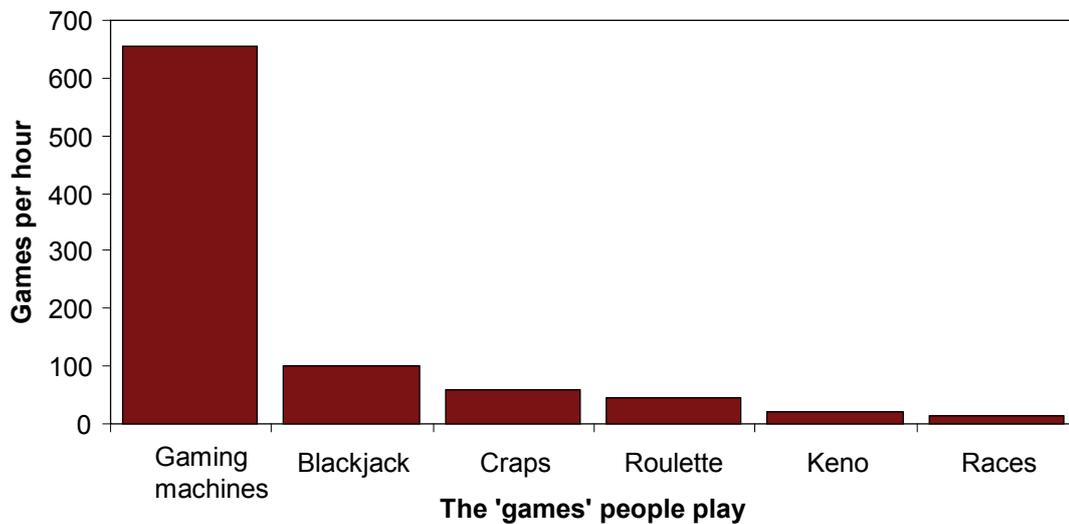
-
- Regular gaming machine players (those playing at least once a week) are estimated to spend around \$7000–8000 per annum, a sizeable share of household incomes, and a key source of harm to some.

The Commission, using the latest data, estimates that among those who regularly gamble on gaming machines, 15 per cent are problem gamblers with an additional 15 per cent at ‘moderate risk’. Indeed, as problem gamblers spend so much, they figure disproportionately in overall spending. While obtaining accurate estimates of gambling expenditure is difficult, the Commission estimates that problem gamblers’ share of total Australian gaming machine losses range around 40 per cent, with some estimates raising the possibility that the share is as much as 60 per cent and, in the most conservative case, still above 22 per cent. Moderate risk gamblers account for an additional significant share. Even taking the lowest estimates, it is evident that a sizeable proportion of industry (and taxation) revenue come from these two groups of gamblers.

People can face problems with their gambling without being seen as ‘problem’ gamblers, or as suffering mental illness. (We do not refer to consumers experiencing problems with other products as ‘problem consumers’.) In the case of gaming machines:

- many people who do not fit the strict criteria for problem gambling are found to experience significant harms. For example, of those people who said that gambling had affected their job performance, some 60 per cent were not categorised as ‘problem gamblers’
- there are consumer vulnerabilities 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). People often have faulty beliefs — some think Elvis is not dead — 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 about their gambling losses, they found the losses added to only one fifth of the real total based on industry numbers.)
- 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).

Figure 3 **Indicative speeds of play^a**



^a These attempt to indicate play in actual settings. Actual play can be faster or slower.

A decade of policy action, with mixed outcomes

Gambling is one of the most regulated industries in Australia. Governments act both 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 which people can gamble, when and where they can do it, 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 largely successful in resolving people’s difficulties (though there is still room for improvement — see later). Some states have developed effective warnings and there are other promising prospective policies, such as pre-commitment in Victoria.

Nevertheless, the current regulatory environment:

- has questionable effectiveness in reducing harm (box 3)

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- 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.

Box 3 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 requirements for:

- short periods of machine shutdowns. These typically occur in the middle of the night. They allow premises to be cleaned and maintained, but produce few obvious harm minimisation benefits
- a lower maximum bet limit — from \$10 to \$5. That means that the value of bets laid per hour will have fallen from a maximum of \$12 000 to \$6 000. That entails a reduction in expected maximum player losses from \$1200 to \$600 an hour, which remains very high. (And some jurisdictions have maintained the limit at \$10.)
- a reduced 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). 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, though arguably many of the different standards are equally ineffectual.

The need for regulation and other policy measures has not waned, but these 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, ‘back-of-the-envelope’ calculations suggest that such a package could provide substantial benefits.

- Even under highly conservative assumptions, a sustained 10 per cent reduction in the costs associated with problem gambling would generate benefits to society of around \$450 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 consumers 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. But an excessively high standard of proof about what would reduce consumer detriment from gambling risks policy paralysis in an area where there are demonstrably large community costs 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. There are good precedents for precautionary policy action in areas involving people’s safety. (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 that ensued.)

What needs to be done?

The problems experienced by gamblers — many just ordinary consumers — 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 consumers 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 consumers vulnerable to harm
 - change the broader aspects of that environment that can lead to adverse outcomes for 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 at each of these levels. 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.

Changing gaming machines

Changes to gaming machines 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 loss rates and more disclosure

Most people play on gaming machines infrequently, for relatively short periods of time and with low intensity. 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 higher rates than this — up to expected losses of around \$1200 per hour. That is not commensurate with any other form of everyday entertainment. Many of those who play like this have a very high likelihood of experiencing problems. The Commission has seen evidence of gamblers losing more than \$65 000 over 100 hours of gaming machine play in just one month — equivalent to a loss of around \$650 per hour.

Box 4 A tale of two playing styles*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 — about 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 — the 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

Gaming machines allow gamblers to ramp up their spending, even on apparently ‘cheap’ one cent pokies. By playing many more lines and credits per line, and pressing the button at its maximum speed (every three seconds), she could lay bets of up to \$12 000 in an hour, resulting in expected losses to players of \$1200 an hour.

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, the Commission recommends that the maximum intensity of play should be markedly reduced, with a maximum \$1200 of bets per hour and expected losses of around \$100 an hour. Most recreational gamblers already play within these bounds, so the effects on many gamblers should be small.

In addition, the Commission recommends that players should be limited to putting in \$20 until the credits in the machine fall below that amount (compared to a current limit of \$10 000 in some jurisdictions). A recreational gambler betting 45 cents per button push — as described in box 4 — could expect around 40 minutes of play before needing to put in another \$20 note. However, someone playing fast with the one dollar per button push recommended by the Commission, could expect ten minutes of play before they would have to put in another \$20 bill. This would usefully provide small ‘breaks in play’ and reminders of playing intensity — which may be particularly important for people playing for long durations.

These amendments to existing regulatory limits would lower the intensity of play, with the prospects of reducing the progression to high intensity play and problems. Some problem gamblers may play longer as a result, but their behaviour in venues

will be more conspicuous, which may help identify them for appropriate interventions.

There could be scope to repeal these arrangements if the introduction of pre-commitment — described below — has its intended effects.

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.

A more lateral proposal is that, past some sufficiently high expenditure level, the *expected* loss rate on gaming machines could be set to zero. People could still lose, but by definition, this would limit their losses significantly, even if they were frequent, heavy, gamblers. The Commission is seeking feedback on the practicality of such an approach.

Some alternative machine design changes proposed by participants to address harm would effectively make machines slow and boring. They would probably reduce people’s risks, but would also eliminate the prospect of enjoyable gaming.

Pre-commitment remains the key

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 guilt are commonplace among regular gaming machine gamblers. The essential element of an effective pre-commitment system is the capacity of gamblers to set a binding spending limit that, when exceeded, no longer enables them to play (or only to play at a significantly reduced level). This is consistent with consumer sovereignty, since each gambler has the choice about what limits are appropriate for him or her.

The Commission has developed a detailed set of standards for an effective system of pre-commitment. In particular, pre-commitment should:

- be a ‘universal’ scheme, applying to all gaming machines and venues, with gamblers able to set binding limits that would be portable between them. (Otherwise, they would be able to subvert their own intentions.)
- involve a ‘safe’ default limit, and the scope for people to generally set other limits and features of play
- enable players to ‘opt-out’ if they do not want to set or be constrained by limits, but with periodic testing of their choice

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- still give occasional players the opportunity to spend small amounts without being part of the pre-commitment system.

Such detail matters. Many proposed models of pre-commitment would not be effective because they fail to address the need for portable limits or other essential features. Such models would impose costs on venues and players for few beneficial effects.

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 circumscribed ‘self-exclusion’ (the capacity to bar oneself from gambling altogether).

Realistically, most state and territory governments could not quickly implement the kind of pre-commitment system that is needed. Rapid Australia-wide implementation would also require the premature retirement of a significant share of the stock of gaming machines — an unreasonable burden on gaming venues. For these reasons, the Commission has proposed a progressive move to an effective system over the next six years.

Technology will help the adoption of pre-commitment

There is a technological shift towards networked gaming for its commercial advantages to the industry itself. Were this to occur, it would provide a vehicle for delivering pre-commitment at an even lower incremental cost. Unlike the circumstances around the time of the Commission’s 1999 inquiry, gaming machine technologies are emerging as an ally of harm minimisation strategies. (In the meantime, some jurisdictions may be able to implement pre-commitment earlier, given their existing central monitoring systems and their widespread use of loyalty cards.) It should not be presumed that the costs of introducing a pre-commitment system would be met by venues alone, with consumers the likely long run bearers of the costs through what are estimated to be small reductions in the rate of return on gaming machines.

A major advantage of pre-commitment is that, if properly designed, it has the potential to make redundant other 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.

Given the findings about the large share of gaming machine expenditure accounted for by higher risk gamblers, if the Commission’s proposed measures are effective, this will inevitably involve revenue losses to the venues. However, the longer run adoption of new technologies may expand the appeal of gaming machines and their use by recreational gamblers, eventually offsetting these revenue losses.

Dealing with accessibility

Had there been full knowledge at the time about the harmful effects of substantially increasing accessibility to gaming machines in the 1990s, a different model of liberalisation, with less widespread accessibility, may well have been seen as appropriate. (Western Australia did not follow the approach of other jurisdictions and appears to have far fewer gambling problems.) However, it would obviously be difficult and impractical for any government now to significantly reverse long-standing arrangements.

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

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. Given evidence that higher risk gamblers represent a much greater share of people playing late at night — a time when they are also often under the influence of alcohol — the Commission proposes that regulated shutdowns for gaming rooms in hotels and clubs should be extended and commence earlier.

Changes to gambling venues

While venues will typically wish to act ethically, they have muted incentives to address the problems faced by consumers, as this would mean 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. The Commission has put forward several options.

A statutory 'cause of action'

The outcomes of previous legal cases have exposed inadequacies in the capacity for successful common-law actions when venues breach appropriate standards of behaviour. The Commission sees grounds for establishing a (circumscribed) capacity for consumers to seek compensation and for the imposition of penalties on venues. Given the difficulty for venues in identifying some problem gamblers, the Commission has recommended a capacity for a 'cause of action' that would only apply when the standard of patron care was demonstrably poor. For instance, this might include a venue operator discouraging self-exclusion or enticing a known problem gambler to play.

While in principle, a statutory cause of action could also cover the improper use of inducements to gamble, the Commission considers that inappropriate inducements should be prohibited throughout all jurisdictions and gambling forms. (Some jurisdictions already have measures in place.)

Complaint mechanisms

Consumers (and venue staff) have limited and poorly marketed access to 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 if breaches have occurred. The regulator could not mandate any financial remedies for consumers (which instead would be pursued through the statutory cause of action above).

Limited and contingent regulation of automatic teller machines (ATMs)

Repeat visits to ATMs and large withdrawals are symptomatic of consumers experiencing problems with their gambling, whereas recreational gamblers tend to withdraw smaller amounts. Strong regulatory responses are afoot, including a soon to be implemented ban on ATMs inside gaming venues in Victoria.

It is uncertain how effective 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. It 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 continued play (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 upfront costs of relocating ATMs (estimated at around \$60 million if undertaken nationally) and inconvenience for venue patrons who want safe and immediate access to cash.

The Victorian initiative should help resolve the uncertainties over the costs and benefits of removing ATMs. Given concerns over the costs of a ban, the fact that gamblers may be able to subvert it, and the risks of unintended impacts, the Commission considers other jurisdictions should wait for the results of an evaluation of the policy in Victoria. Nevertheless, the Commission proposes reductions in daily cash withdrawals from ATMs/EFTPOS in gaming venues. This should act as a targeted measure against impulsive, excessive spending, while being less costly to implement.

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

Winnings!

Notwithstanding the long-run inevitability of losses for regular gaming machine gamblers, some gamblers will occasionally have big wins 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 (and security risks if the win is big enough.) The Commission proposes that venues be required to reimburse patrons through cheque payment or direct account crediting for a ‘big’ win (over \$250, as in Queensland). This would provide a consistent approach to this issue, which currently varies across jurisdictions and would overcome some perverse outcomes associated with some of the current measures.

Information and education

There are good grounds for more effective, visible and better located warnings in venues about the risks of gambling. 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 model — which has been subject to market testing — provides a useful template for other jurisdictions.

However, the Commission has reservations about the benefits of school-based gambling education, which 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 behaviours they were intended to avert. Given those risks, governments should not extend school-based programs without further careful assessment.

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 reasonably good 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 \$1 677 to \$262, and 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 option 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)

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- 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 about their finances
 - mostly, problem gamblers do not need prolonged treatment
 - it is hard to recruit problem gamblers for treatment because of the stigma of the condition. Only around 15 per cent of problem gamblers seek help in any one year.

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

- 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 and wagering

Online wagering and sportsbetting is now more common, providing consumers with better prices and convenience than physical venues. Aside from its impacts on arrangements to support the racing industry and the difficulties in taxing an industry that is footloose across state boundaries (see later), this form of online gambling has now been accepted as 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* (IGA), 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.

Is the ban working?

By eliminating local supply, the short-run effect of the ban has been to limit development of online gaming in Australia. (There is significant spending offshore, reflecting the fact that the Australian Government cannot effectively enforce a ban on foreign suppliers.)

There is a case for attempting to ban online gaming because of its potentially higher risks for consumers. In its unregulated form, online gaming is available 24 hours a day, allows credit betting, has no intrinsic 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 (including those under age), and may not have any regulatory oversight to ensure probity.

On the other hand, online gamblers tend to have higher incomes (reducing the financial risks), their gambling is more likely to be observed by their families (compared with the often anonymous social setting of a club or hotel), and they receive a record of their transactions if they gamble using credit cards. In that context, the overall risks for online gambling would seem lower than supposed.

In any case, the risks posed by more freely available online gambling have to be set against the benefits of the medium, which includes better odds and improved products (such as interactive games). And, regardless of the arithmetic of pain versus gain, a ban is probably unsustainable anyway:

- technical means for achieving a ban on overseas sites lack feasibility or cost-effectiveness, so supply of offshore gaming cannot be significantly constrained
- online suppliers with high integrity are increasingly signalling their probity through self-regulatory measures, overcoming consumers' initial concerns about offshore gaming. So ultimately, Australians will be able to gamble online, but may not be protected by the full range of harm minimisation measures.

Accordingly, the long-run consequence of prohibition may be higher problem gambling risks and a loss of commercial opportunities and tax revenue in Australia. As with other forms of gambling, there are strong grounds for ameliorating its harms, while trying to preserve its benefits for recreational gamblers.

Managed liberalisation would have long-term benefits

In that light, the Commission recommends that the Australian Government repeal the IGA, and allow online gaming, subject to a strict regime of consumer protection. This should include pre-commitment and automated monitoring of players' behaviours, accompanied by targeted harm minimisation interventions. State and territory governments and licensed online gaming suppliers had already developed such a regime 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 will need to periodically review the effectiveness of the harm minimisation measures adopted for online gaming and of the responsible regulator.

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 (s. 92), Western Australia could not prevent Betfair, a Tasmanian betting exchange, from supplying online wagering to 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 using new legislation would not serve consumers 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 providing no compensation to the industry that actually supplies the events on which people lay bets. The Commission recommends a national response, based on a levy on wagering gross revenue. (Some alternative levies — such as one based on turnover — would frustrate the development of competition in wagering.) A national, independent authority should determine the size of that levy, leaving existing state-based racing authorities to distribute it among the clubs.

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 direct government intervention, a greater commitment to using evidence for policy, and greater coherence (so that different forms of gambling are more often covered by just one regulator). There is also better dialogue between

jurisdictions, with the formation of the Ministerial Council on Gambling (MCG). However, some systemic problems remain.

Governance arrangements still have deficiencies when assessed against a best-practice model in some jurisdictions. 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, some of the variations in jurisdictional regulations are not well justified. This is especially so in the fractured arrangements for gaming machine standards.

A more general concern is the lack of transparency of decision-making, proper consultation, and the timely divulgence and collection of information and research findings. Some of what is available is of questionable value. For example, some data on the use of, and outcomes from, help services are of poor quality.

And, while a lot of research has been done, too little of it has been directed at priority policy areas or proper evaluation of harm minimisation measures. 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 has recommended 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 have its own research capabilities and could have a role in coordinating and strengthening policy evaluations by states and territories.

A cohesive, forward-looking approach

The Commission is proposing a comprehensive package of reforms to gambling regulation, with the aim of making gaming machines safer for consumers, while not detracting unduly from the medium's entertainment value. A package of measures is more likely to be effective than any single measure alone. The proposals also look to the future, given that some measures cannot be implemented immediately and since 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 (such as better warnings) and for beneficial reforms in other segments that would serve to liberalise gambling (such as wagering and online gaming).

Draft recommendations and findings

Chapter 3 The policy framework

DRAFT FINDING 3.1

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 excessive costs.

Chapter 4 The prevalence of problems with gambling

DRAFT FINDING 4.1

There are many people not categorised as ‘problem’ gamblers who, nevertheless, say they are harmed by their gambling.

DRAFT FINDING 4.2

There are estimated to be between 90 000 and 170 000 Australian adults suffering significant problems from their gambling in a year (0.5 to 1.0 per cent of adults), and between 230 000 and 350 000 people with moderate risks that may make them vulnerable to problem gambling (1.4 to 2.1 per cent of adults).

DRAFT FINDING 4.3

Around 15 per cent of Australian adults gamble regularly (excluding Lotto and ‘scratchies’). While imprecise, it is estimated that around one in ten of this group would be classified as problem gamblers, with around an additional 15 per cent experiencing moderate risks.

DRAFT FINDING 4.4

About 5 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. Altogether, around one third of regular gaming machine players face significant risks.

DRAFT FINDING 4.5

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

DRAFT FINDING 4.6

While far from certain, problem gambling prevalence rates appear to have fallen somewhat. It is unclear how much this reflects natural adaptation or the impact of government policy, though both are likely to have contributed:

- *adult population prevalence rates can be misleading about the extent of problem gambling — the key concern is the proportion of regular gamblers who have problems.*

Chapter 5 Counselling and treatment support services

DRAFT RECOMMENDATION 5.1

Building on existing initiatives, governments should:

- ***place greater emphasis on campaigns that (i) highlight potential future financial losses associated with problem gambling and (ii) make the community aware of behaviours indicative of problem gambling, to encourage earlier help-seeking and interventions by family and friends***
- ***provide information and a one-item screening test, as part of other mental health diagnostics, for optional use by health professionals and counsellors to assist them to recognise and refer people experiencing gambling problems. Screening should be targeted at high-risk groups, particularly those presenting with anxiety, depression, high drug and alcohol use***
 - ***with subsequent evaluation of the effectiveness of this measure***
- ***promote self-help and the option for brief treatments, as such relatively low cost interventions can increase self-recovery of people experiencing problems with gambling.***

DRAFT FINDING 5.1

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

DRAFT FINDING 5.2

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

DRAFT RECOMMENDATION 5.2

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

DRAFT RECOMMENDATION 5.3

Governments should work to provide stronger formal linkages between gambling counselling services and other health and community services.

DRAFT RECOMMENDATION 5.4

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

DRAFT RECOMMENDATION 5.5

A nationally consistent and publicly available dataset, including agreed outcome measures, would improve the evidence base on gambling help services. The collection of data could be coordinated by the Commission's proposed gambling policy research centre (draft recommendation 15.3) or the Australian Institute of Health and Welfare.

The Commission seeks feedback on the need for a national accreditation system for problem gambling service providers.

Chapter 6 Gambling information and education

DRAFT RECOMMENDATION 6.1

Governments should draw on the Victorian model for gambling warnings:

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

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

DRAFT FINDING 6.1

Little evidence has been collected about the effect of school-based gambling education programs on students' gambling behaviour. This is concerning, as there is some risk of negative as well as positive behavioural impacts.

DRAFT RECOMMENDATION 6.2

Given the risk of adverse outcomes, governments should not extend school-based programs without first assessing the impacts of current programs.

DRAFT RECOMMENDATION 6.3

As gaming machines and networks are replaced, governments should require any new equipment to be compatible with systems that can provide player statements and dynamic warnings.

Given the potential for growth in online, mobile phone and television-based quizzes, competitions and auctions — particularly with convergence of online and broadcasting technologies — there are sound reasons for increased regulatory oversight of such gambling. However, it is not clear who should have responsibility. The Commission seeks views on this matter.

DRAFT RECOMMENDATION 6.4

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

Chapter 7 Pre-commitment strategies

DRAFT RECOMMENDATION 7.1

Governments should modify existing self-exclusion arrangements so that:

- *self-exclusion applies to all venues in a jurisdiction, triggered by a single, simple application by the gambler concerned*
- *people who have self-excluded would be placed on a state-wide database*
- *venue staff request identification from gamblers collecting cheques for major prizes.*

As in Victoria, there should be confiscation of prizes won by persons shown to be in breach of self-exclusion orders.

DRAFT RECOMMENDATION 7.2

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, being able to self-exclude through remote means.*

DRAFT RECOMMENDATION 7.3

Governments should ensure a more coherent approach to the diverse set of existing provisions for self-exclusion periods and revocation by requiring that:

- *self-exclusion agreements run for a minimum of six months*
- *people signing deeds of exclusion be able to reverse their agreement within 24 hours*
- *agreements for periods of three years or less cannot be revoked until at least six months after their starting date, while agreements for periods of more than three years cannot be revoked until at least one year after their starting date*
- *revocation only be permitted after evidence of attendance at a counselling service and the judgment by an appropriate professional about the capacity for the person to safely gamble*
- *people seeking revocation should, after a successful application, face a period of up to three months before it takes effect*
- *subject to evidence and due process, there 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.*

DRAFT RECOMMENDATION 7.4

Governments should implement by 2016 a universal pre-commitment system for gaming machines that:

- *provides a means by which players could set personally-defined pre-commitments and, at a minimum, a spending limit, without being subsequently able to revoke these*
- *encourages gamblers to play within safe spending and time limits by specifying default limits*
- *enables gamblers to opt-out, with periodic checking of their preference to do so*
- *applies to all gaming machines in all venues in a jurisdiction*
- *allows occasional gamblers to stake small amounts*
- *avoids identity fraud*
- *is not complicated for gamblers to understand and use*
- *does not unduly affect the enjoyment of those selecting safe playing options*
- *presents few obstacles to future innovation in the presentation and design of the system.*

DRAFT RECOMMENDATION 7.5

In advance of the full implementation of the pre-commitment system, governments should:

- *determine the exact limits and other options available in the default and opt-out modes of the system, and the design of the interfaces with gamblers*
- *market test and trial the appropriate set of user-controlled options and ensure technical standards that would enable a common system to be deployed across Australia*
- *give priority to the development of national standards that would permit machine manufacturers to sell machines during the transition period that would be network-compliant when the system was ‘switched on’*
- *develop approaches to ensure probity in the system, deter tampering with cards or other pre-commitment devices, and ensure the system meets national privacy regulations*
- *determine marketing of, and information provision about, the pre-commitment system to consumers.*

The Commission seeks feedback on the appropriate detailed aspects of the design of a pre-commitment systems meeting the broad criteria in recommendation 7.4, including:

- the viability of using one-off small denomination cash cards for occasional gamblers to use on machines, with only minimal identification requirements
- the capacity to configure machines to play in a low-intensity 'safe mode' if no pre-commitment method is being used
- any requirements that might apply to players who opt out of pre-commitment
- measures to avoid identity fraud
- the appropriate transition to a pre-commitment system and the capacity of some jurisdictions to provide systems prior to 2016.

Chapter 8 Venue activities

DRAFT RECOMMENDATION 8.1

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*
- *introducing a mechanism for gamblers and venue staff to make complaints to the relevant gambling regulator about venue conduct contributing to problem gambling. This mechanism should be promoted to gamblers within venues and to staff through their responsible gambling training.*
- *enabling 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.*

The Commission invites participants to comment on penalties or disciplines that gambling regulators could impose on venues for breaches of mandatory harm minimisation measures.

DRAFT RECOMMENDATION 8.2

Governments need to enhance gamblers' capacity to obtain judicial redress against gambling providers that behave egregiously. This could include 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.

The Commission seeks views on whether a new statutory cause of action should be established and what criteria would be appropriate.

DRAFT RECOMMENDATION 8.3

Governments should enhance existing training requirements by:

- ***preparing problem gambler identification and intervention guidelines for venues, including a short list of commonly agreed indicators of problem gambling***
- ***requiring gambling venues to provide staff training on these guidelines and on the process for lodging complaints about a venue.***

DRAFT RECOMMENDATION 8.4

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 or food to a patron who is gambling.

Chapter 9 Access to cash and credit

DRAFT FINDING 9.1

While causality is hard to demonstrate conclusively, 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.

DRAFT FINDING 9.2

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 seek to subvert the ban. An evaluation of the Victorian ban on ATMs should provide useful evidence.

DRAFT RECOMMENDATION 9.1

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

- ***Cash withdrawals from ATMs/EFTPOS facilities should be limited to \$200 a day.***

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- *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/EFTPOS facilities.*

The Commission seeks views on the practicability of exempting casinos from draft recommendation 9.1 in relation to their high rollers and international visitors.

DRAFT RECOMMENDATION 9.2

Other than for online gambling, and for high rollers and international visitors in casinos, governments should prohibit the use of credit cards for gambling.

DRAFT RECOMMENDATION 9.3

Governments should require venues to pay any gambling prize above \$250 by cheque or direct credit to the gambler's account, except for winnings by high rollers and international visitors in casinos.

DRAFT RECOMMENDATION 9.4

Governments should impose the following cheque-cashing requirements on gambling venues, other than casinos in respect of high rollers and international visitors:

- *winners' cheques should not be allowed to be cashed*
- *self-drawn cheques should have the same limits as in draft recommendation 9.1.*

Chapter 10 Accessibility of gaming machines

DRAFT FINDING 10.1

The prohibition on the casino in Canberra from operating modern gaming machines is not warranted. Permitting the casino to operate gaming machines within the existing ACT cap, subject to the application of appropriate regulatory harm minimisation measures, is not likely to increase accessibility or increase gambling harms.

DRAFT RECOMMENDATION 10.1

Drawing on the Queensland approach, governments should introduce a shutdown period for gaming machines in all hotels and clubs that commences earlier, and is of longer duration, than currently.

The Commission seeks feedback on the period of shutdown that would best target problem gambling, with least side-effects on recreational gamblers.

Chapter 11 Game features and machine design

DRAFT 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).

DRAFT RECOMMENDATION 11.1

In all jurisdictions, the maximum bet limit on gaming machines, other than those in high roller or VIP rooms at casinos, should be set at one dollar.

DRAFT 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.

DRAFT RECOMMENDATION 11.2

In all jurisdictions, the maximum amount of cash that can be inserted into a gaming machine should be \$20, with no further cash able to be inserted until the maximum credit on the machine falls below \$20.

- ***This restriction should not apply to gaming machines in high roller or VIP rooms at casinos.***

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.

- *Expected hourly expenditure should be shown as a range, from the minimum based on a low intensity rate of play to the maximum permitted within the machine’s parameters.*
- *The percentage cost should be calculated as 100 minus the return to player percentage.*

The Commission seeks feedback on the use of loss-limited gaming machines as an appropriate harm minimisation measure. It seeks views on the specific option outlined in chapter 11, and in particular, on design features that could make it practically implementable. It also seeks views on any other option that would have essentially the same harm minimisation benefits.

In view of the limited research on the effects of jackpots on gaming machine play, the Commission seeks further views and information about whether any changes are warranted and, if so, what form they should take and the likely associated costs and benefits.

Chapter 12 Online gaming and the Interactive Gambling Act

The Australian Government should repeal the Interactive Gambling Act, and in consultation with state and territory governments, should initiate a process for the managed liberalisation of online gaming. The regime would mandate:

- *strict probity standards, as for online wagering and venue-based gambling*
- *high standards of harm minimisation, including:*
 - *prominently displayed information on account activity, as well as information on problem gambling and links to problem gambling resources*
 - *the ability to pre-commit to a certain level of gambling expenditure, with default settings applied to new accounts, and the ability to opt-out, with periodic checking of a gambler’s preference to do so*
 - *the ability to self-exclude*

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- *automated warnings of potentially harmful patterns of play.*

The Australian Government should evaluate the effectiveness of these harm minimisation measures, as well as the regulator overseeing the national regulatory regime, on an ongoing basis.

DRAFT RECOMMENDATION 12.2

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 13 Developments in the racing and wagering industries

DRAFT FINDING 13.1

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 field legislation overcomes this problem, but 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.

DRAFT RECOMMENDATION 13.1

The Australian Government should work with state and territory governments to develop a national funding model for the racing industry. This model should be underpinned by national legislation and should replace state and territory based arrangements.

The key element of this model would be a single levy, universally paid on a gross revenue basis:

- *The levy should replace all other product fees currently paid by the wagering industry, but need not affect other funding channels, such as sponsorship of race meetings.*
- *The levy should be set and periodically reviewed by an independent national entity with the object of maximising long-term consumer interests.*

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- *In setting the levy, the entity should engage in public consultation, and the bases for its decisions should be detailed in a public document.*

DRAFT RECOMMENDATION 13.2

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

DRAFT FINDING 13.2

There are grounds for state and territory governments to cooperate when setting taxes on wagering revenue, in order to avoid destructive tax competition. However, the increased capacity for competition from lowly-taxed offshore online suppliers will, in any case, increasingly limit the capacity to tax wagering activity.

DRAFT FINDING 13.3

Tote-odds betting should not be prohibited as there are better ways of dealing with the risks it involves.

DRAFT FINDING 13.4

Offering inducements to wager through discounted prices is not necessarily harmful, and may primarily serve to reduce switching costs between incumbent wagering operators and new entrants. 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.

DRAFT FINDING 13.5

The arguments for renewing TAB retail exclusivity are not compelling.

The Commission seeks feedback on the feasibility of a direct distribution model, whereby a levy is paid by wagering operators directly to racing clubs, rather than through state racing authorities.

The Commission seeks further feedback on whether credit betting should be extended to other betting providers and, if so, whether the proposed restrictions are appropriate and what minimum credit threshold would strike the right balance.

Chapter 14 Regulatory processes and institutions

DRAFT RECOMMENDATION 14.1

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.*

DRAFT RECOMMENDATION 14.2

The relevant minister for gambling should have an explicit responsibility for minimising harm from gambling.

DRAFT RECOMMENDATION 14.3

Governments should strengthen consultation processes and incorporate the views of stakeholders, including gambling providers, manufacturers and consumer representatives, into the process of policy development. 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.

DRAFT RECOMMENDATION 14.4

Given the potentially adverse social impacts and the costs to business related to gambling policy, governments should routinely undertake regulatory impact analysis for all major regulatory proposals and make them publicly available at the time government decisions are made public.

DRAFT RECOMMENDATION 14.5

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

- *Variations should be based on legitimate concerns for harm minimisation 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.*

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 will not be possible, greater clarity of the expectations of jurisdictions would reduce costs for manufactures and venues.

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 the community.***

Chapter 15 Gambling policy research and evaluation

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

- ***conducting prevalence surveys at the same time and using a common set of core questions***
- ***making de-confidentialised unit records of gambling surveys available in a public domain data archive, at no cost to users.***

Governments should publicly provide timely data on:

- ***gaming machine numbers, expenditure and tax revenue by type of venue (club, hotel, casino) and related information on other forms of gaming, such as table games***
- ***wagering expenditure and tax revenue by type of wagering (racing and sports)***
- ***lotteries expenditure and tax revenue***
- ***self-exclusion information, such as the number of self-exclusion agreements for each year that are current, have lapsed, been revoked, or breached.***

DRAFT RECOMMENDATION 15.3

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 an advisory panel, with representation from the community, industry, other experts and all governments*
- *coordinate evaluations, surveys and reviews nationally*
- *establish guidelines, methodologies and processes for research and evaluations undertaken by state and territory governments*

The Commission invites feedback on the likely merits or drawbacks of involving New Zealand in a proposed centre for gambling policy research and evaluation.

DRAFT RECOMMENDATION 15.4

In the event that governments do not implement draft recommendation 15.3:

- *the Australian Government's Department of Families, Housing, Community Services and Indigenous Affairs should administer the work of Gambling Research Australia*
- *the functions of Gambling Research Australia should be made to align wherever possible with those proposed in draft recommendation 15.3*
 - *with particular emphasis on evaluating the effectiveness of harm minimisation measures and facilitating improved evaluation by jurisdictions.*

The Commission seeks feedback on the suitability of different parties for evaluating and reviewing gambling programs, regulations and legislation. In particular, views are sought on ways to balance the appropriateness of reviewers and evaluators, considering both their expertise in gambling regulation and policy, and the importance of minimising any potential for conflicts of interest.

Chapter 16 Transitions

DRAFT RECOMMENDATION 16.1

As far as is reasonable and practical, regulatory changes should be introduced with advance warning, and implemented at the same time, to reduce costs to venues, gaming machine manufacturers and others.

The Commission has set out in very broad terms a framework for implementation of the draft recommendations. It seeks feedback on the transition and coordination issues for the Commission's consideration for the final report.

1 Introduction

Gambling remains a contentious issue on many fronts. On the one hand, it is a product that most Australians consume with enjoyment and yet, on the other, it arouses ambivalence about its overall community benefits, given the widespread 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 maintain the enjoyment that many people experience from gambling, while attempting to address the considerable harms it poses? That question is difficult to answer, but is fundamentally about the nature and impacts of gambling policies. It is the main focus of this report.

Whatever the particular aspect of gambling, the Commission's goal is to make policy recommendations that improve the wellbeing of the community as a whole. In some cases, that implies increased regulation of gambling; 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?

On 24 November 2008, 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 28 February 2010 to enable more time for participants' submissions and the Commission's data gathering.

This is a very different report to the one that resulted from the Commission's 1999 review (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, the current inquiry stems from a COAG decision on 3 July 2008 (COAG 2008), and is intended to provide policy recommendations for consideration by all Australian jurisdictions, with a particular focus on harm minimisation.

The Commission's earlier inquiry also took place in an environment that was very different from today, occurring just after a period of significant liberalisation 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 widespread community disquiet.

Currently, gaming industries and particularly the EGM market have matured from liberalisation. 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 challengers 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, many of the most promising options for harm minimisation remain largely unexploited.

Under its terms of reference, the Commission can 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. The terms of reference also ask the Commission to undertake research into the effectiveness of harm minimisation measures, and have a particular emphasis on the need to address the best ways forward in this area. Accordingly, the Commission concentrates on assessing different policy approaches to reduce consumer detriments associated with gambling. The Commission also considers several major regulatory, taxation and competition matters that affect consumers and the industry, as well as relevant technological developments.

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 gamblers must lose and that gambling is intended to be a recreational activity, distinguishes gambling 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), it 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, or when gambling behaviours do not emulate the enjoyment of a recreational activity. 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 overwhelming bulk of expenditure.

A focus on gaming machines

In this inquiry, the Commission has placed particular emphasis on EGMs, since:

- these account for around three quarters of instances of severe problem gambling
- even the average recreational gambler has faulty beliefs about how they work
- they have certain specific characteristics that can cause difficulties — 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 three seconds)
- they are widely accessible throughout the community in all states and territories, excepting Western Australia, to an extent greater than in most other countries where gambling has been legalised.

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

There have historically always been concerns about the safety of EGMs, and this has been 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 leisure time. This tension is apparent in the report of the 1974 Western Australian 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, those should be kept distinct from (apparently) scientific assessments of the harmful and beneficial effects of gambling. Some of the evidence about the impacts of gambling appears to reflect unacknowledged moral judgments. Such evidence has been given little weight in this report.

Technological trends require a long term 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 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 industry and consumers.

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

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

The inquiry has attracted significant public interest from all stakeholders, with over 260 submissions received thus far. Around 15 per cent have come from industry stakeholders, with an additional 50 per cent from individual clubs, community groups or people supporting the club movement. Welfare and community agencies concerned about gambling comprised around 15 per cent, while governments (including local government and the states and territories) accounted for nearly 10 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 the 1999 inquiry, the Commission has not conducted a national prevalence survey in this inquiry. As discussed in chapter 4, the principal instrument for measuring problem gambling has changed since the Commission's last inquiry, making it hard to make comparisons with the past.

Moreover, unlike in 1999, there is now a significantly amount of survey-based information about prevalence rates and gambling available. All jurisdictions (bar Western Australia) have undertaken prevalence studies and other surveys. The Commission sought and analysed detailed information from these (noting that they also cover a range of policy-relevant issues other than problem gambling prevalence rates). The prevalence numbers from these studies have limitations for national assessment purposes, given that they have been undertaken at different times using different questionnaires and, above all, involve inevitable statistical imprecision. However, carefully interpreted, they have provided a useful picture of gambling behaviours among Australians, and of the extent and source of harm experienced by them. Ultimately, precise numbers about prevalence have been unnecessary, given general acceptance that they are of an order that warrant continuing policy attention.

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 receiving counselling, to help inform us 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 issues.

Given the intensive round of visits and roundtables, the Commission did not hold an initial set of public hearings, but will hold hearings to discuss responses to this draft report.

1.3 How is this draft report organised?

Figure 1.1 sets out the structure of this report. The first two chapters provide important background to the inquiry, particularly assessing 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.

The severity of the problems many people experience with gambling is discussed in chapter 4. This chapter provides an update on the prevalence of problem gambling and examines some of the difficulties in estimating prevalence accurately.

The core part of the report relates to policies that can reduce harm from gambling, with the emphasis on EGMs (chapters 5 to 11). 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 5)
- the role of information and education — including warnings — in promoting genuinely informed gambling and a greater awareness of the risks (chapter 6)

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- the capacity for gamblers with potential control problems to pre-commit to limits on spending or time, among a range of other options (chapter 7)
 - changes to the nature of gambling venues and their incentives, to reduce the risks posed by gambling (chapter 8)
 - the link between access to finance and problem gambling, and the scope for regulation to effectively limit harm by changing that link (chapter 9)
 - the scope to reduce problems by changing the accessibility of gambling (chapter 10)
 - changes to the design of gaming machines — relating to the intensity of play, information about the ‘price’ of playing, game features and player returns (chapter 11).

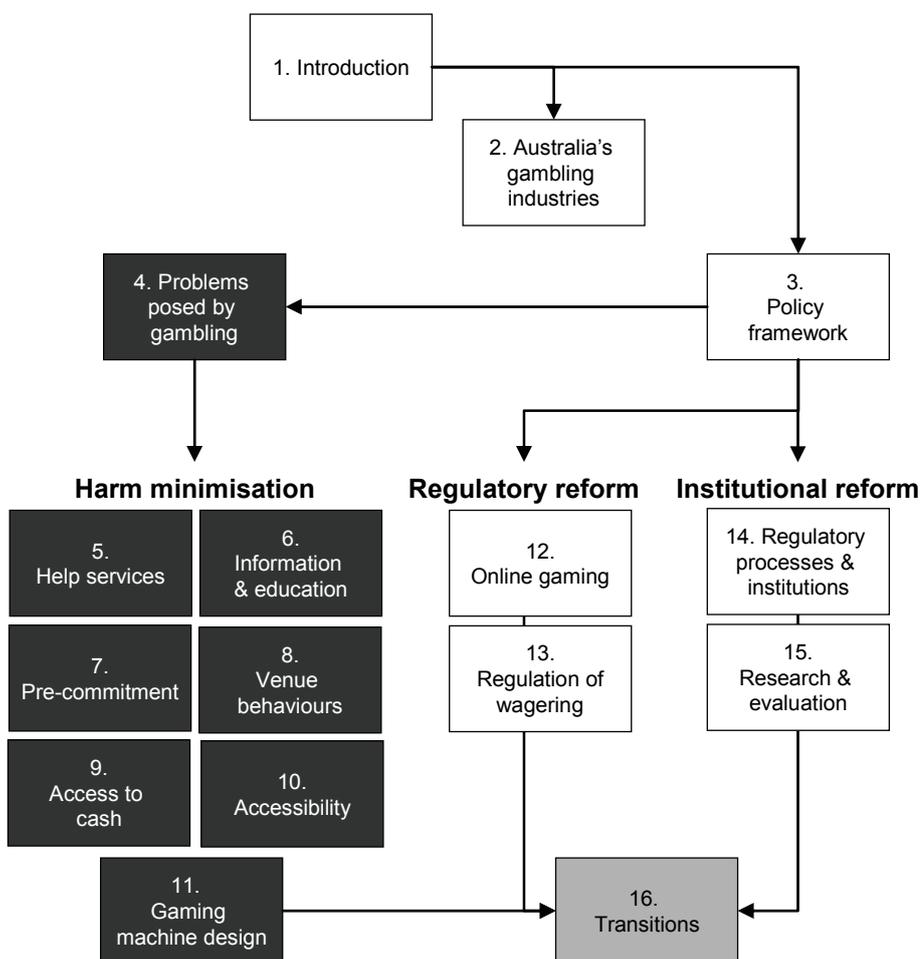
While gambling raises many tax and regulatory issues, the Commission has concentrated on two contemporary areas of controversy where governments should act.

- 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 12 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 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 13).

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 14 and 15 set out arrangements that are likely to lead to better policies in future.

Governments would not be able to implement immediately everything the Commission has proposed in this report, even if they agreed with them all. Moreover, some recommendations are interdependent. Accordingly, chapter 16 addresses the appropriate long-run policy transitions and the key interdependencies that should be factored into the implementation process.

Figure 1.1 The structure of this report



1.4 What happens next?

The Commission is seeking further comment on the draft report. It is calling for public submissions and will hold public hearings in November/December 2009 to provide interested parties the opportunity to discuss the draft report.

The Commission will present its final report to the Australian Government on 28th February 2010 for COAG's consideration. The timing of its public release will be determined by Government.

2 A snapshot of the gambling industry

Box 2.1 Key points

- The strong growth of the gambling industry during the 1990s appears to be over.
 - Around \$18.2 billion was spent/ lost by consumers on Australian gambling products in 2006-07. In real terms, this is an increase from almost \$16 billion in 1998-99 and almost \$7 billion in 1988-89.
 - Gambling also made up a smaller percentage of household consumption expenditure in 2006-07 than in 1998-99.
 - Limited data suggest that participation rates for gambling have declined.
 - The strong expenditure growth in the 1990s was largely due to the liberalisation of gaming. The growth associated with this regulatory change is now slowing.
- Gambling expenditure is dominated by hotel and club electronic gaming machines, although growth in the EGM sector has slowed.
 - Australians spent around \$10.1 billion on EGMs in clubs and hotels and around \$1.3 billion on EGMs in casinos in 2007-08.
 - While EGM expenditure had slowed prior to the introduction of state smoking bans for gaming machine areas, these bans provoked a sizeable immediate drop in EGM expenditure in each jurisdiction. These bans were introduced relatively recently and, generally, real EGM expenditure growth has not yet returned to pre-ban levels.
 - The reductions in the number of machines observed in some jurisdictions have not always led to reductions in EGM expenditure.
 - While the data suggest that EGM usage is less common than in 1999, average real expenditure per EGM user appears to have risen since 1999.
- Growth in casino gaming revenue has slowed in the last ten years. Competitive pressures from overseas were also of considerable relevance 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 be worth 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. More detailed treatments of online gaming and racing and wagering are presented in chapters 12 and 13 respectively.

2.2 The state of the Australian gambling industry

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

Gambling expenditure

Gambling consumption expenditure is measured as the net losses of gambling consumers, or the gross profits of gambling operators (prior to fees and taxes). The most recent available data show that around \$18.2 billion was spent by consumers on Australian gambling products in 2006-07. This is equivalent to around 3 per cent of household final consumption expenditure (table 2.1). However, some of this gambling expenditure was spent by international tourists — around \$538 million was spent in international VIP programs at Australian casinos.¹ By comparison, Australian expenditure on footwear and clothing was around \$20 billion, with \$11 billion spent on alcoholic beverages from retail outlets (ABS 2008).

Considerable expenditure in each state and territory

Expenditure measures provide an accurate depiction of the size of the gambling industry in each state, but they are likely to be only indicative of the gambling habits of state residents. This is because it is not possible to decipher how much was spent by local residents as opposed to 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

¹ Allen Consulting Group (2009b) estimate that in 2007-08, international VIP programs at Australian casinos accounted for around \$553 million of gaming expenditure (18 per cent of casino gaming revenue). Subsequently, the Productivity Commission calculated an estimate of \$538 million for 2006-07 (18 per cent of casino gaming revenue).

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 or to the amount of its household final consumption expenditure. This is likely to reflect the ‘export’ of gambling services to non-state-residents — either as gambling tourists, or as patrons of online wagering operators who are licensed in the Northern Territory.

Table 2.1 Gambling expenditure by jurisdiction, 2006-07^a

Total, proportional to household final consumption expenditure (HFCE), per capita and per participant

<i>State</i>	<i>Expenditure</i>	<i>Expenditure as proportion of household consumption^b</i>	<i>Average expenditure per adult</i>	<i>Average expenditure per gambling adult^c</i>
	\$m	%	\$	\$
New South Wales	7 369	3.7	1 397	2 025
Victoria	4 704	3.2	1 172	1 605
Queensland	3 012	2.7	954	1 272
South Australia	1 152	2.8	934	1 334
Western Australia	1 008	1.8	630	Unavailable
Tasmania	300	2.5	799	940
Northern Territory	392	6.3	2 559	3 505
ACT	250	2.2	952	1 306
All states	18 187	3.1	1 131	—

^a Gambling includes all gaming, wagering and lotteries. ^b Household consumption is defined as household final consumption expenditure (HFCE). ^c Productivity Commission calculations. Gambling adults participated in some form of gambling (gaming, wagering or lotteries) in the last 12 months. Gambling participation data refer to different years for each state and territory: 2001 for ACT; 2006 for NSW; 2005 for the Northern Territory; 2006-07 for Queensland; 2005 for South Australia; 2006 for Tasmania; 2008 for Victoria.

Source: Office of Economic and Statistical Research, Queensland Treasury (2008); Productivity Commission calculations are based on data from: Office of Economic and Statistical Research (2008); Productivity Commission (1999); Australian Institute for Gambling Research (2001); NSW Office of Liquor, Gaming and Racing (2006); Charles Darwin University (2006); Queensland Government (2008); South Australian Department for Family and Communities (2006); Centre for Gambling Research (2004a); Hare (2009).

Estimates of the average expenditure per gambling consumer in each state indicate a range from \$940 per year in Tasmania to \$3505 per year in the Northern Territory (table 2.1). Again, these estimates may reflect the spending of interstate or international tourists. The estimates are based on the best available data on gambling participation and expenditure, and are less reliable than other estimates presented due to simplifying assumptions.

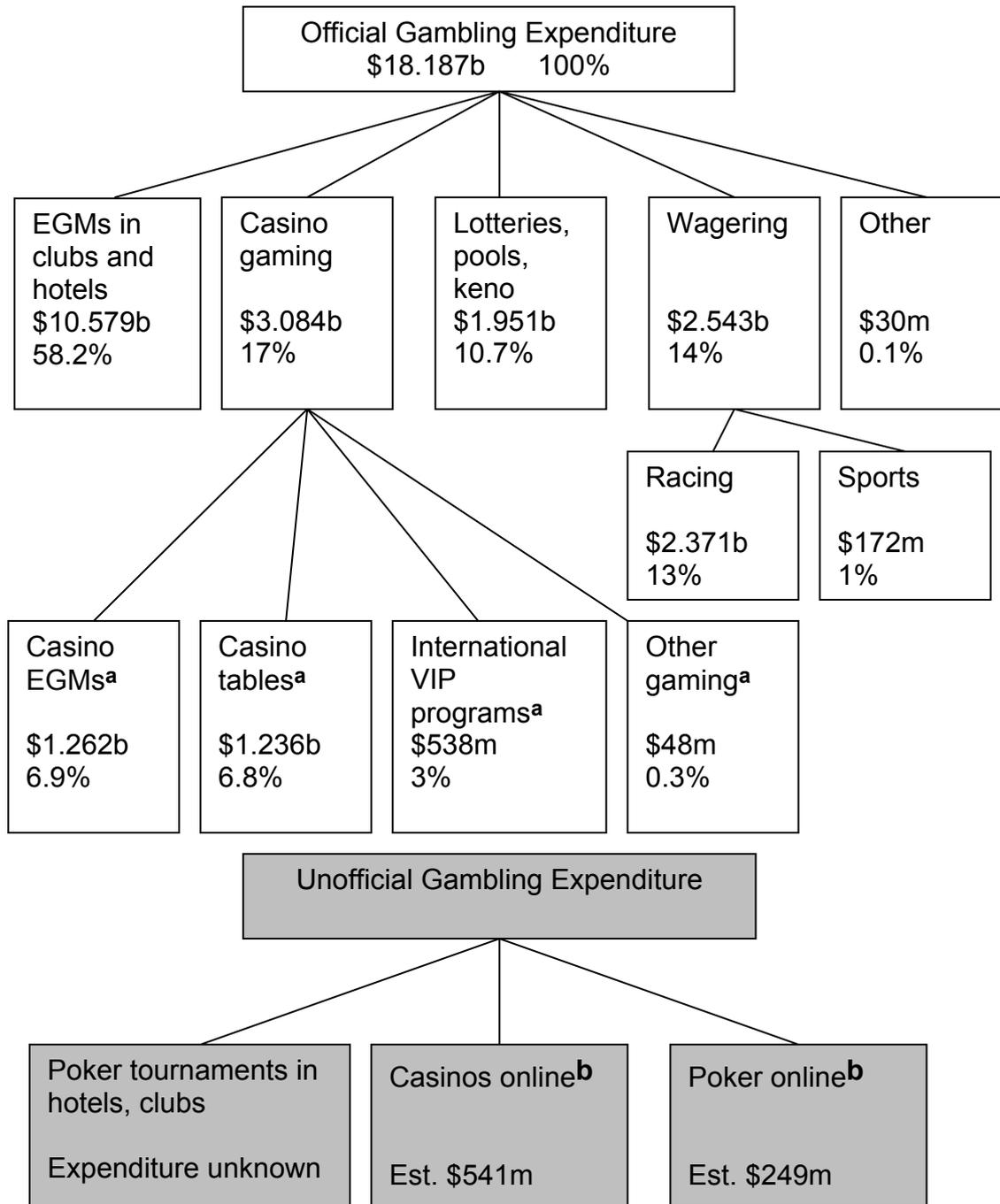
Expenditure on different forms of gambling

The gambling services available in Australia can be broadly classified as gaming, wagering, lotteries and other minor forms of gambling (box 2.2). As was the case ten years ago, gaming has a dominant share of expenditure compared to other gambling services (figure 2.1). EGMs in clubs and hotels accounted for 58 per cent of gambling expenditure in 2006-07 — this compares to 52 per cent in 1997-98, and 29 per cent in 1987-88 (PC 1999, p. 9). The next largest forms of gambling by expenditure are casino gaming, wagering, lotteries, and then other minor forms of gambling.

Box 2.2 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.
- **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.
- **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.
- **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.
- **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.

Figure 2.1 **Expenditure on major forms of gambling, 2006-07**
 Expenditure amount in dollars and as a percentage of total gambling expenditure^a



^a Productivity Commission calculations based on 2006-07 aggregate revenue from OESR (2009) and 2007-08 revenue shares from Allen Consulting Group (2009b). ^b iBus Media (sub. 178).

Data source: Office of Economic and Statistical Research (2008); iBus Media (sub. 178); Allen Consulting Group (2009b).

Gambling services are delivered in a variety of ways. The considerable size of EGM expenditure has meant that both the club and hotel industries are dominant in gambling (figure 2.1). However, reliable data are not always available at the venue or operator level. For instance, it is difficult to collect data for online gaming, since these activities are not legally sanctioned in Australia and are 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 (iBus Media, sub. 178).

An industry matured?

The 1990s saw very rapid overall growth in gambling provision and expenditure, in the lead up to the Productivity Commission's 1999 inquiry. Several submissions have 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)

ClubsAustralia suggests that 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 statistical evidence is generally consistent with a maturing market (at least within the existing regulatory constraints). For instance, after rising in popularity during the 1990s, gambling has become less pervasive among the population since 1999 (table 2.2). While the data in this area are fairly sparse, participation rates for gambling (across all forms) appear to have fallen in most jurisdictions. The actual number of participating gamblers has been fairly stable during this time in each jurisdiction.

Table 2.2 Gambling participation

Gambling participants by number and as proportion of the adult population

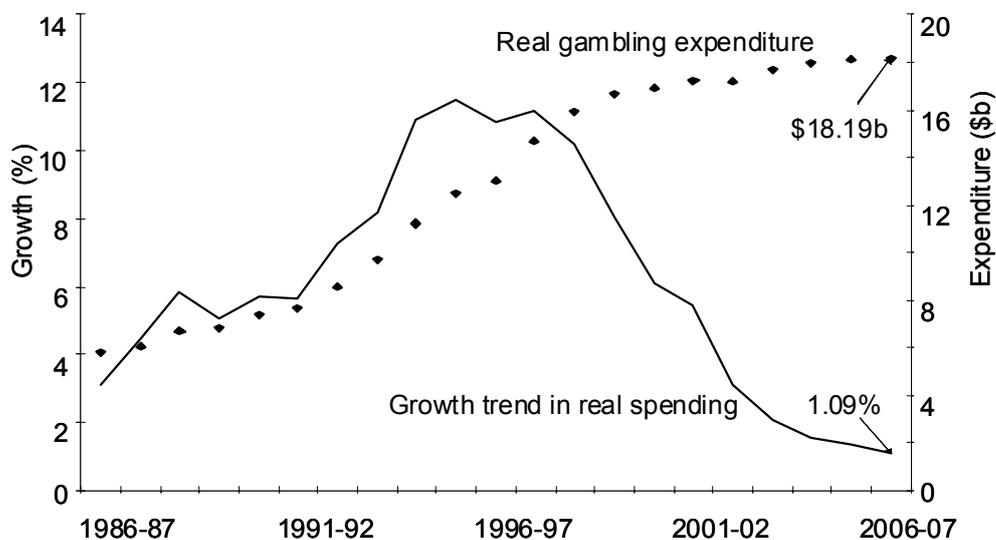
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
	m (%)	m (%)	m (%)	000 (%)	m (%)	000 (%)	000 (%)	000 (%)
1999	3.9 (80)	2.9 (81)	2.2 (86)	878 (77)	1.1 (84)	269 (77)	107 (80)	186 (80)
2000	—	—	—	—	—	—	—	—
2001	—	—	2.3 (85)	—	—	—	—	175 (73)
2002	—	—	—	—	—	—	—	—
2003	—	2.9 (77)	—	—	—	—	—	—
2003-04	—	—	2.3 (80)	—	—	—	—	—
2004	—	—	—	—	—	—	—	—
2005	—	—	—	842 (70)	—	—	106 (73)	—
2006	3.6 (69)	—	—	—	—	317 (85)	—	—
2006-07	—	—	2.3 (75)	—	—	—	—	—
2008	—	3.0 (73)	—	—	—	—	—	—

Source: Office of Economic and Statistical Research (2008); Productivity Commission calculations are based on data from Office of Economic and Statistical Research (2008); Productivity Commission (1999); Australian Institute for Gambling Research (2001); NSW Office of Liquor, Gaming and Racing (2006); Charles Darwin University (2006); Queensland Government (2008); South Australian Department for Family and Communities (2006); Centre for Gambling Research (2004a); Hare (2009), ABS (2008).

The rate of growth in real gambling expenditure has also slowed during the 2000s. In 2006-07, the five year trend growth in real expenditure was around 1 per cent, compared to over 10 per cent during the 1990s (figure 2.2). And in terms of household consumption expenditure, gambling represented around 3.1 per cent in 2006-07, declining from 3.7 per cent in 1999.

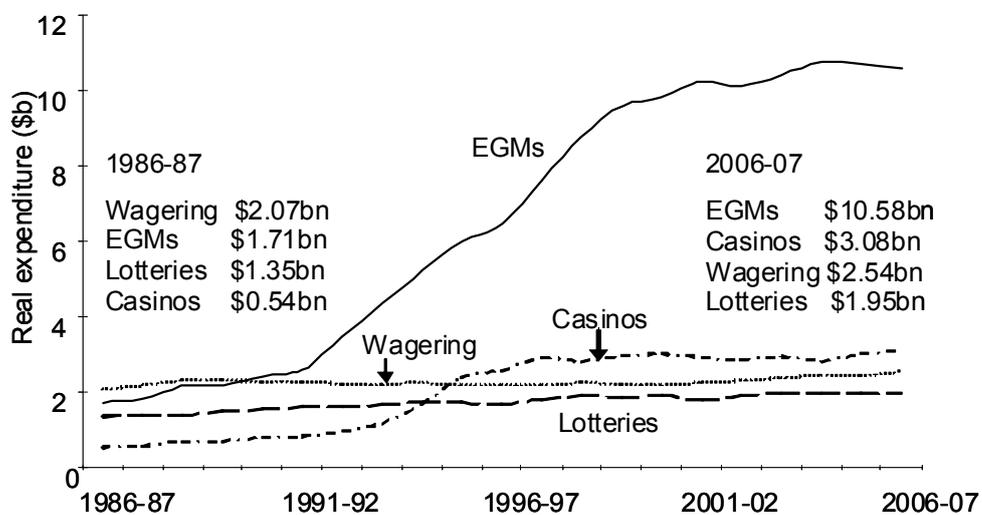
More particularly, the gaming sector — which had expanded strongly during the 1990s — has subsequently experienced slower growth (figure 2.3). Both the EGM and casino gaming segments grew rapidly during the 1990s due to regulatory liberalisation in several states and territories. This liberalisation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

Figure 2.2 Real gambling expenditure and growth over time



^a Growth percentages are based on five year moving average. Expenditure is in 2006-07 dollars.
Data source: Office of Economic and Statistical Research (2008).

Figure 2.3 Real expenditure and growth by form of gambling^a



^a Expenditure is in 2006-07 dollars.
Data source: Office of Economic and Statistical Research (2008).

Table 2.3 Five-year average growth rates by form of gambling^a

Growth in real expenditure

	1996-97	1999-2000	2006-07
	%	%	%
EGMs in hotels and clubs	17.8	12.8	0.7
Casino gaming	25.0	10.4	1.1
Lotteries	0.7	1.5	1.9
Wagering	-0.7	-0.3	2.5

^a Growth percentages are based on five year moving average. Expenditure is in 2006-07 dollars.

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

In terms of expenditure, the 1990s was a period of transformation in the gambling industry. The subsequent decade has been more stable in terms of aggregate expenditure levels. The result is a considerably larger industry, in which expenditure is dominated by electronic gaming machines.

Several issues relevant to recent gambling expenditure are analysed later in this chapter, with particular regard to the EGM, casino and wagering segments of the industry.

Gambling tax revenue

Expenditure on Australian gambling services does not simply accrue to businesses, with a significant portion taken in statutory fees and taxes. These generally include licence fees, community contributions, and taxes on gambling revenue or profit. Tax regimes are specific to each form of gambling, also differing considerably between states (see FaHCSIA 2009a). Thus, trends in expenditure for different forms of gambling are also relevant to state government revenue.

In total, state taxes accounted for 27 per cent of gambling expenditure in 2006-07 (table 2.4). Gambling provides around 10 per cent of own-state taxes across Australia. The states which rely more heavily on gambling tax revenue are not necessarily those with the largest industries — this is indicative of differing tax regimes. In 1997-98, gambling services provided an average of 11.7 per cent of state taxes, but due to the introduction of the GST to gambling services in 2000, it is not possible to make a direct historical comparison (PC 1999, p. 19.7).

Table 2.4 Gambling taxation revenue by state and territory, 2006-07

<i>State</i>	<i>Tax revenue</i>	<i>Average tax revenue per adult</i>	<i>Tax revenue as proportion of total own-state tax revenue^a</i>
	\$m	\$	%
New South Wales	1 656	314	9.4
Victoria	1 535	382	13.1
Queensland	817	259	9.6
South Australia	430	348	13.2
Western Australia	326	204	5.7
Tasmania	82	217	10.9
Northern Territory	63	408	17.0
ACT	56	213	6.0
All states	4 963	309	10.1

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

Source: Office of Economic and Statistical Research (2008); ABS (2008) *Taxation Revenue, Australia*, Cat. no. 5506.0.

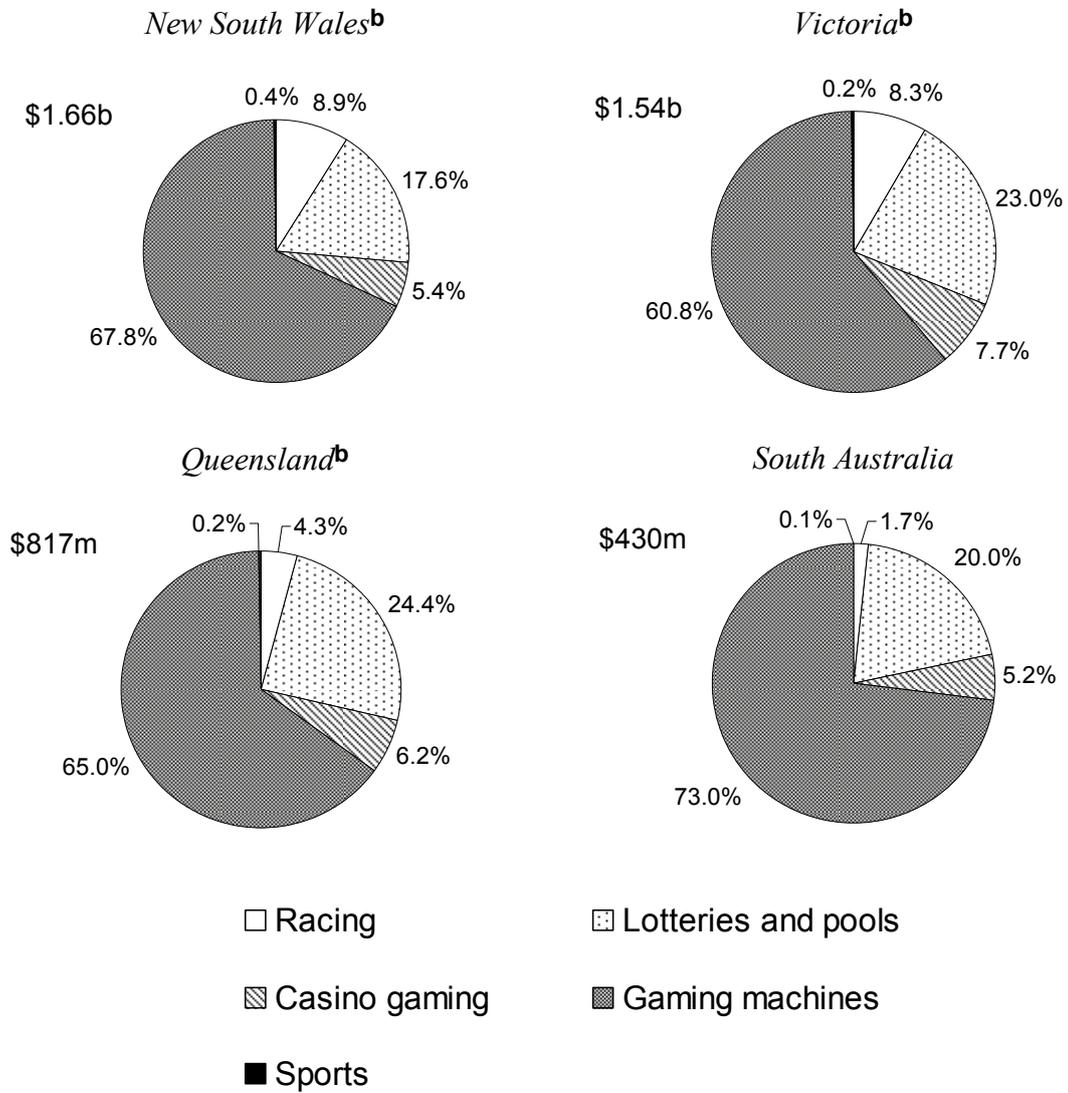
Jurisdictions with the largest gambling industries, as measured by aggregate expenditure, also record the largest amounts of gambling tax revenue. However, per capita gambling tax revenue does not vary in accordance with per capita expenditure. For instance, gambling consumption was \$225 more per adult in NSW than in Victoria, even though Victoria's industry contributes \$68 more tax revenue per adult. This is because 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).²

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 states. 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 — both NSW and Western Australian lotteries are also state-owned.

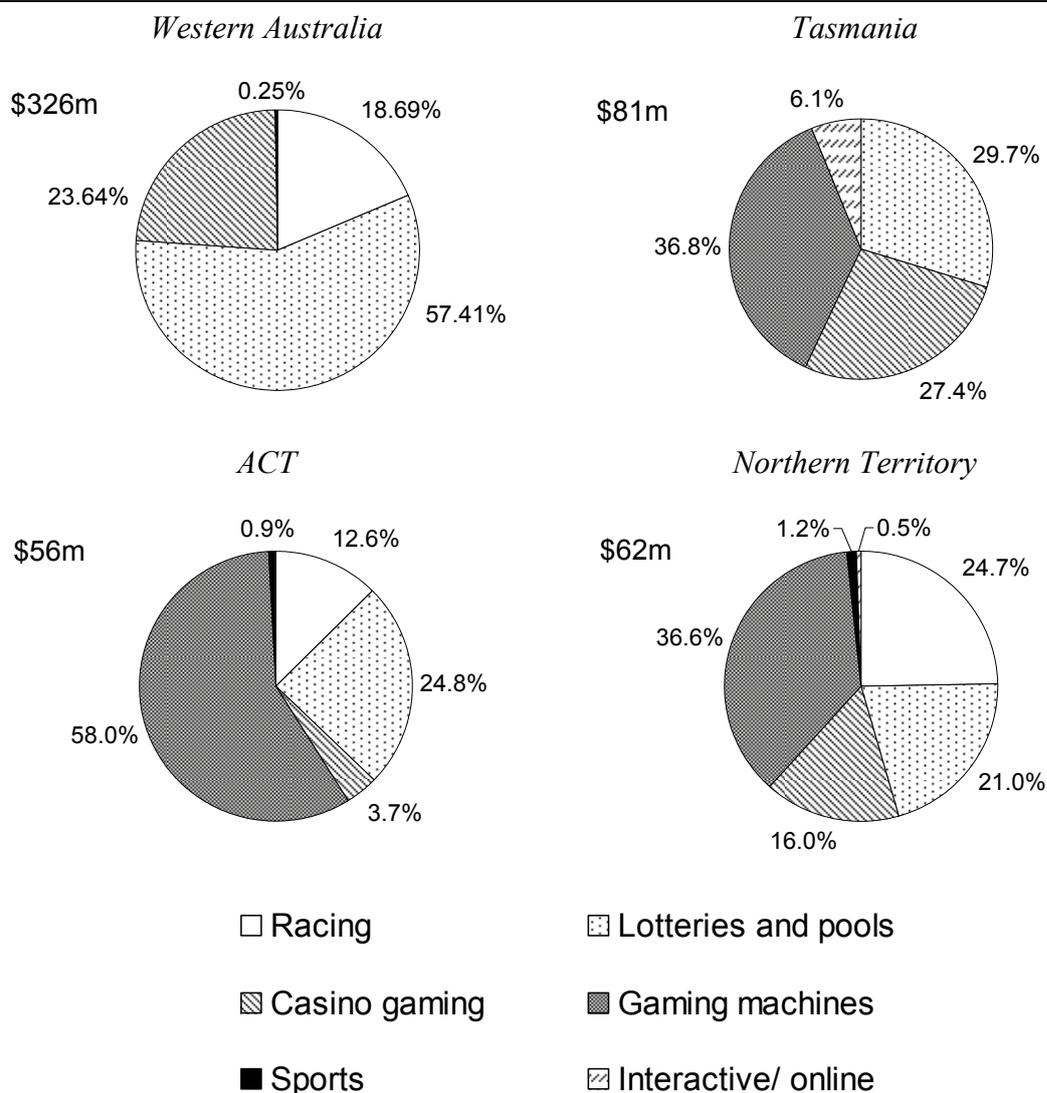
² Around 99 per cent of the gambling tax revenue collected from Tasmanian casinos is derived from EGMs (Tasmanian Gaming Commission 2008).

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).

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. This is due to the recent establishment of Betfair’s betting exchange operations in 2006. 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. The tax revenue from online bookmakers is categorised as either racing or sports betting in figure 2.4, rather than as interactive gambling.

Changes in gambling tax revenue

The Commission noted that in 1997-98, the rates of taxation for gambling services were notably higher than for most goods and services, but still lower than for tobacco, alcohol and petrol (PC 1999). The 1990s had been 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, 2008).
 - 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 abolished in NSW, ACT, South Australia.
- 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 2.5).

Table 2.5 Gambling tax revenue

Budget estimates and nominal budget forecasts in nominal

	2007-08 ^a	2008-09 ^a	2009-10 ^b	2010-11 ^b	2011-12 ^b	2012-13 ^b
	\$m	\$m	\$m	\$m	\$m	\$m
New South Wales	1570	1610	1684	1762	1857	1976
Victoria	1586	1625	1642	—	—	—
Queensland	889	931	1006	—	—	—
South Australia	420	393	401	418	446	472
Western Australia	235	237	248	258	268	274
Tasmania	89	92	96	98	100	103
ACT	52	52	53	55	57	59
Northern Territory	68	74	71	—	—	—

^a Budget estimate. ^b Forward estimates.

Source: State and territory budget papers.

Employment and businesses in the gambling industry

The gambling industry is a major employer across Australia, employing around 67 000 staff directly involved in gambling activities (figure 2.5). A further 105 000 non-gambling staff are employed in casinos, hotels and clubs that offer gaming, while almost 50 000 are employed in the racing industry.

Clearly, many people employed in gambling venues are involved in non-gambling sources of income, such as entertainment or food and beverage service. They may also be employed in support services such as security or cleaning. However, even many non-gambling jobs are likely to be somewhat reliant on gambling revenue.

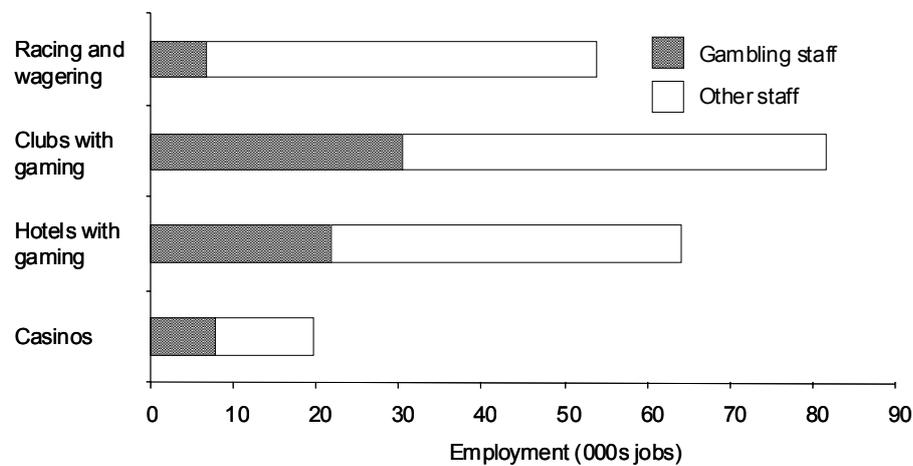
The extent to which businesses depend on gambling revenue differs across the gambling industry. The importance of particular forms of gambling for each venue also differs.

- Among hotels, 73 per cent had some gambling facilities — 78 per cent of those had EGMs (ABS 2005). For hotels with gambling facilities, 28.3 per cent of their revenue was derived from EGMs in 2004-05.
- For casinos, gaming income was 78 per cent of revenue in 2007-08, with EGMs making up 41 per cent of gaming revenue (Allen Consulting Group, 2009b).
- Among clubs, 87 per cent had gambling facilities and 94 per cent of those had EGMs in 2004-05 (ABS 2005). Gambling income was around 61 per cent of revenue, 98 per cent of this from EGMs.

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

It is unclear how many businesses may be providing gambling services in Australia, as estimates vary considerably. For instance, ABS (2006) estimated 5370 gambling businesses in 2004-05. Industry estimates for 2005-06 place the figure at around 15 000 (Australasian Gaming Council 2008 p. 15). The disparity is likely to reflect differences in sources and methods.

Figure 2.5 Employment related to some forms of gambling^a



^a Other staff includes: persons employed in the racing industry not involved in TAB or bookmaking wagering; casino, club and hotel staff who are not licensed gaming staff. Number of jobs includes both part-time and full-time jobs.

Data source: Australian Hotels Association (sub. 175); Clubs Australia (sub. 164); Australian Racing Board (sub. 213); Allen Consulting Group (2009b); ABS (2005), *Clubs, Pubs, Taverns and Bars, 2004-05*, Cat. no. 8687.0.

2.3 EGMs in clubs and hotels

In the last decade, EGMs have remained the dominant segment of the gambling industry, 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 larger than ten years ago

(table 2.6). 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 NSW (NSW Government, sub. 247).

Table 2.6 Real expenditure on electronic gaming machines in clubs and hotels^a

<i>Venue</i>	<i>Real expenditure on EGMs</i>			
	<i>1998-99</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>
	\$ million	\$ million	\$ million	\$ million
<i>Hotels and Clubs</i>				
NSW	4 764	5 551	4 789	4 772
Victoria	2 670	2 712	2 695	2 707
Queensland	1 035	1 788	1 858	1 861
South Australia	604	845	782	751
Tasmania	54	120	121	125 ^a
Northern Territory	33	68	74	79
ACT	201	197	183	175
Australia	9 361	11 281	10 502	10 470 ^a

^a Expenditure in 2008-09 dollars. ^a Productivity Commission estimates.

Source: Office of Economic and Statistical Research (2008); Tasmanian Gaming Commission (2008); Western Australia Department of Racing, Gaming and Liquor unpublished data; NSW Office of Liquor, Gaming and Racing (2008); Victoria Commission for Gambling Regulation (2009); South Australia Office of the Liquor and Gambling Commissioner (2008); Queensland Department of Employment, Economic Development and Innovation, unpublished data.

In 2007-08, casinos accounted for around 11 per cent of national EGM expenditure, whereas NSW clubs and hotels alone accounted for around 41 per cent (tables 2.6 and 2.7). Western Australia's casino-based EGM industry is comparable (in terms of expenditure) to the club and hotel based industry of the ACT.

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, in 2008, 32 per cent of casino revenue was derived from EGMs.³

³ Productivity Commission calculations based on ABS 2005 and Allen Consulting Group (2009b).

Table 2.7 Expenditure on electronic gaming machines in casinos

Venue	Nominal expenditure on EGMs	
	2007-08	2008-09
	\$ million	\$ million
<i>Casinos</i>		
NSW	189	199
Victoria	352 ^a	— ^b
Queensland	325	337
South Australia	57	60
Western Australia	193	208
Tasmania	109	98 ^a
Northern Territory	86	92
Australia	1 299	—

^a Productivity Commission estimates. ^b Data unavailable.

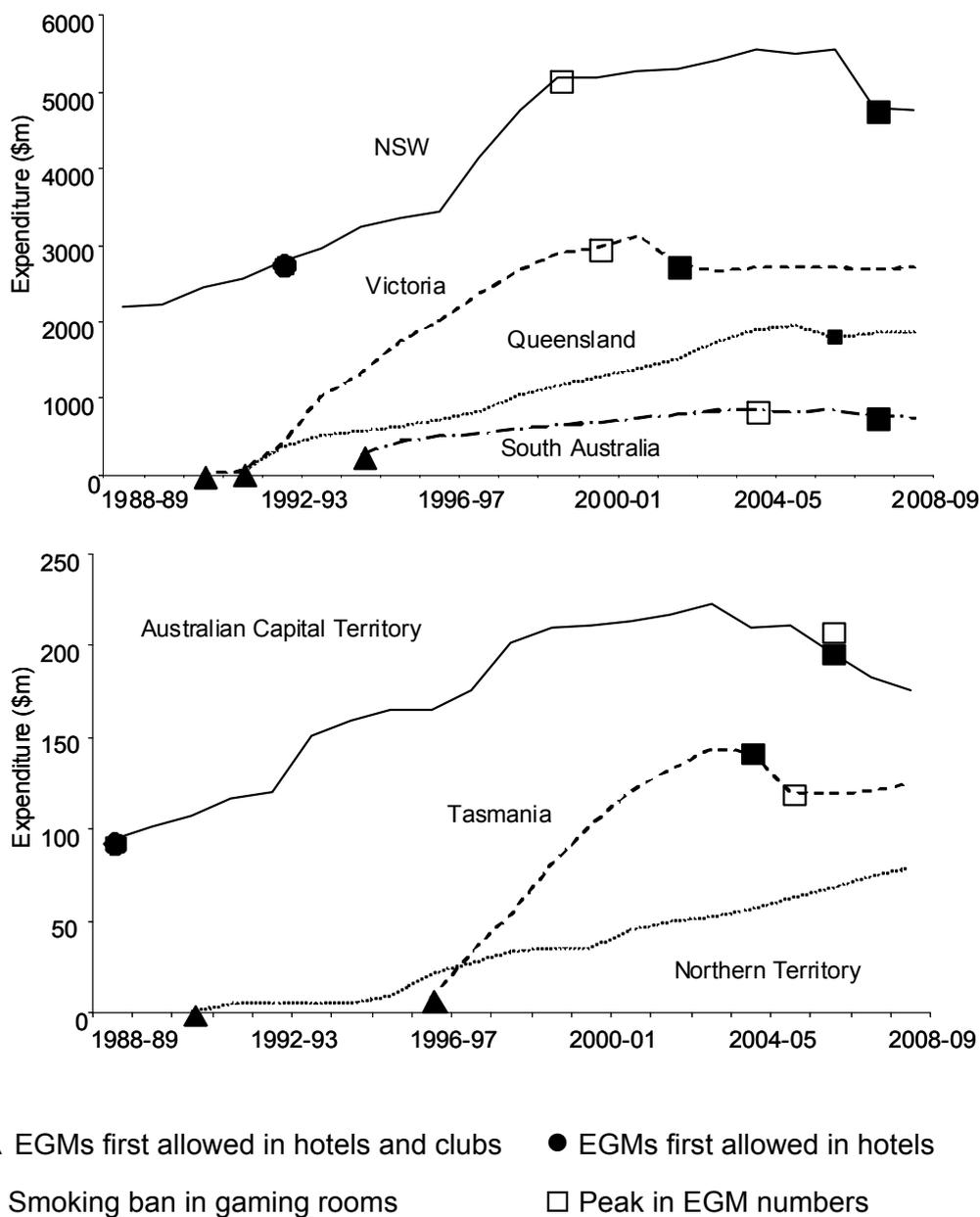
Source: Australian Casino Association (sub. 214); Allen Consulting Group (2009b); Office of Economic and Statistical Research (2008); Tasmanian Gaming Commission (2008); Western Australia Department of Racing, Gaming and Liquor unpublished data; NSW Office of Liquor, Gaming and Racing (2008); Victoria Commission for Gambling Regulation (2009); South Australia Office of the Liquor and Gambling Commissioner (2008); Queensland Department of Employment, Economic Development and Innovation, unpublished data.

Trends in real EGM expenditure

Real growth in aggregate expenditure on EGMs was rapid in the years immediately after liberalisation (figure 2.6). Since the last Productivity Commission (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.

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 NSW and in Victoria than it was ten years ago.

Figure 2.6 Real expenditure on electronic gaming machines in hotels and clubs, 1988-89 to 2008-09^a



^a Expenditure is in 2008-09 dollars.

Data source: Office of Economic and Statistical Research (2008); Tasmanian Gaming Commission (2008); Western Australia Department of Racing, Gaming and Liquor unpublished data; NSW Office of Liquor, Gaming and Racing (2008); Victoria Commission for Gambling Regulation (2009); South Australia Office of the Liquor and Gambling Commissioner (2008); Queensland Department of Employment, Economic Development and Innovation, unpublished data.

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 (for example, see NSW Government sub. 247, SACES 2005b, SACES 2008a). It is important to note that in most jurisdictions, growth in EGM expenditure had slowed prior to the implementation of smoking bans. The smoking bans, however, are associated with sudden drops in EGM expenditure of considerable magnitudes. In fact, each state that has instituted a full ban on smoking in gaming areas has experienced a drop in expenditure for that financial year (table 2.8).

A precise quantification of the ongoing effects of smoking bans is difficult to ascertain from the available annual data, given that little time has passed since the bans' introductions in most jurisdictions, and that other policy changes may have also had a bearing on EGM growth rates. However, growth rates are lower in the years following smoking bans. In Victoria, where smoking bans have been operating for six years, the growth of real EGM expenditure has remained close to zero. Queensland and Tasmania have shown some initial signs of recovery, although it is not yet clear whether this will be sustained.

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

	NSW	Victoria	Queensland	South Australia	Tasmania	ACT
	%	%	%	%	%	%
5 years prior	0.4	17.6	8.3	7.0	25.8	1.2
4 years prior	2.4	12.7	9.7	5.7	18.6	1.5
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	—
4 years after	—	-0.1	—	—	—	—
5 years after	—	-0.6	—	—	—	—
6 years after	—	0.5	—	—	—	—

^a Expenditure is in 2008-09 dollars. ^b Partial smoking ban implemented. ^c Productivity Commission estimate.

Data source: Office of Economic and Statistical Research (2008); Tasmanian Gaming Commission (2008); Western Australia Department of Racing, Gaming and Liquor unpublished data; NSW Office of Liquor, Gaming and Racing (2008); Victoria Commission for Gambling Regulation (2009); South Australia Office of the Liquor and Gambling Commissioner (2008); Queensland Department of Employment, Economic Development and Innovation, unpublished data.

Shrinking EGM participation

The evidence also suggests that EGM participation has reduced somewhat. In 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 (table 2.9). While this seems to be the case in all states and territories, it is based on very limited observations.

Table 2.9 EGM participation^a

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

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
	%	%	%	%	%	%	%	%
1999	39	45	41	41	16	36	33	37
2000	—	—	—	—	—	—	—	—
2001	—	—	34	—	—	—	—	38.1
2002	—	—	—	—	—	—	—	—
2003	—	33.5	—	—	—	—	—	—
2003-04	—	—	32.2	—	—	—	—	—
2004	—	—	—	—	—	—	—	—
2005	—	—	—	30	—	—	27	—
2006	31	—	—	—	—	29	—	—
2006-07	—	—	30	—	—	—	—	—
2008	—	21.4	—	—	—	—	—	—

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
	'000	'000	'000	'000	'000	'000	'000	'000
1999	1880	1595	1063	467	219	126	44	86
2000	—	—	—	—	—	—	—	—
2001	—	—	918	—	—	—	—	91
2002	—	—	—	—	—	—	—	—
2003	—	1259	—	—	—	—	—	—
2003-04	—	—	931	—	—	—	—	—
2004	—	—	—	—	—	—	—	—
2005	—	—	—	361	—	—	38	—
2006	1614	—	—	—	—	108	—	—
2006-07	—	—	938	—	—	—	—	—
2008	—	879	—	—	—	—	—	—

^a EGM participants are people who had played EGMs at least once during the year.

Source: Office of Economic and Statistical Research (2008); Productivity Commission calculations are based on data from Office of Economic and Statistical Research (2008); Productivity Commission (1999); Australian Institute for Gambling Research (2001); NSW Office of Liquor, Gaming and Racing (2006); Charles Darwin University (2006); Queensland Government (2008); South Australian Department for Family and Communities (2006); Centre for Gambling Research (2004a); Hare (2009); ABS (2008).

While the proportion of the population playing EGMs is less than in the 1990s, the average EGM player today is likely to be spending more than ten years ago, with spending greatest in NSW (table 2.10). The increase is evident across Australia, although data are not available for all years. These estimates are likely to underestimate expenditure for all jurisdictions except for Western Australia, due to the exclusion of EGM expenditure in casinos.

Around three quarters of those who play gaming machines do so less than weekly — 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, with, for example, those in NSW estimated to spend around \$7000 to \$8000 per year.

Table 2.10 EGM expenditure per EGM participants^a

Real annual expenditure per person who played EGMs at least once during the year

	NSW	VIC	QLD	SA	WA ^b	TAS	NT	ACT
	\$	\$	\$	\$	\$	\$	\$	\$
1999	2 645	1 745	1 034	1 341	541	535	779	2 386
2000	—	—	—	—	—	—	—	—
2001	—	—	1 448	—	—	—	—	2 333
2002	—	—	—	—	—	—	—	—
2003	—	2 156	—	—	—	—	—	—
2003-04	—	—	1 868	—	—	—	—	—
2004	—	—	—	—	—	—	—	—
2005	—	—	—	2 317	—	—	1 564	—
2006	3 428	—	—	—	—	1 109	—	—
2006-07	—	—	1 906	—	—	—	—	—
2008	—	3 073	—	—	—	—	—	—

^a Expenditure in 2008-09 dollars. EGM participants are people who had played EGMs at least once during the year. For all jurisdictions except Western Australia, expenditure only refers to EGMs in clubs and hotels and does not include expenditure on EGMs in casinos. ^b Expenditure refers to EGMs in Burswood Casino only.

Source: Productivity Commission calculations are based on data from Office of Economic and Statistical Research (2008); Productivity Commission (1999); Australian Institute for Gambling Research (2001); NSW Office of Liquor, Gaming and Racing (2006); Charles Darwin University (2006); Queensland Government (2008); South Australian Department for Family and Communities (2006); Centre for Gambling Research (2004a); Hare (2009); ABS (2008).

EGM industry structure and policy

Ownership structures and the rights to EGM income streams are relevant to several issues, including policy implementation. 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 NSW 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 instance, in NSW, 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 Queensland, a progressive levy on EGM revenue takes between 3.5 and 35.9 cents in the dollar, channelling it towards the public healthcare system. 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 (see FaHCSIA 2009a).

Growth and shrinkage of EGM numbers

Throughout the 2000s, several policy initiatives have centred on the numbers of operational EGMs. It is not straightforward as to whether changes in EGM numbers have directly affected EGM expenditure (see chapter 10). 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 198 303 EGMs — 13 777 more than in 1999 (table 2.11). NSW is the exception, with the number of machines 2.5 per cent lower than in 1999.

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, NSW, 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 NSW 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	1500	97 500 hotels and clubs		99 000	no cap
	operating	1500	23 700	71 865	97 065	99 672
Victoria	cap limit	2500	13 750	13 750	30 000	30 000
	operating	2500	13 685	13 594	29 779	29 611
Queensland	cap limit	no cap	20 000 ^a	no cap ^a	no cap	no cap
	operating	3 502	18 757	23 052	45 311	32 394
South Australia	cap limit	995	12 086 in hotels, clubs ^b		13 081 ^b	no cap
	operating	946	11094	1555	13 595	12 912
Western Australia	cap limit	1750 ^c	None	None	1750 ^c	no cap
	operating	1750	N/A	N/A	1750	1 180
Tasmania	cap limit	3680 ^d	2500 in hotels, clubs		3680 ^d	no cap
	operating	1280	2199	173	3652 ^d	2 492
Northern Territory	cap limit	no cap	no cap ^e	no cap ^e	no cap	no cap
	operating	828	422	744	1994	1 252
ACT	cap limit	None	5200 in hotels, clubs ^f		5200	5200
	operating	N/A	72	5085	5157	5 013
Australia	operating	12 306	69 929	116 068	198 303	184 526

^a At the time of writing, a cap for Queensland clubs of 24 705 EGMs is before State Parliament. 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. ^b Club and hotel EGMs are being progressively reduced to 12 086, which will then become a cap. ^c EGMs include 150 machines in the members-only area of the Burswood casino. ^d Not including TT line ferries, which have 46 EGMs. ^e A cap for Northern Territory clubs and hotels of 1190 is before State Parliament. ^f ACT hotels/ taverns only have access to class-B EGMs, whereas clubs are allowed class-C machines.

Source: Productivity Commission (1999); NSW Government sub. 247; Victorian Government sub. 251; Queensland Government sub. 234; South Australian Government sub. 225; Western Australian Government sub. 139; Tasmanian Government sub. 224; Northern Territory Government sub. 252; FaHCSIA (2009a).

EGM numbers and expenditure

The NSW Government instituted its entitlement scheme in 2002 just as EGM numbers had grown to a peak of around 101 000. Since then, the number of EGMs in NSW has fallen below 1999 levels — during which time, NSW continued to experience some growth in EGM expenditure. In 2008, the NSW EGM cap was also

lowered to 99 000, which would ensure that EGM numbers will remain below 1999 levels.

Several other trends may be relevant to growth in EGM expenditure notwithstanding the reduction in EGM numbers in NSW. For instance, consolidation has occurred in the NSW hotel and club industries (NSW Government, sub. 247). Between 1998 and 2005, 105 clubs had amalgamated and 184 clubs had ceased trading (NSW Government, sub. 247; IPART 2005). These movements may have concentrated the EGM market into more viable venues with higher expenditure per machine.

In 2004, the South Australian Government initiated its policy objective of reducing the number of EGMs by 3000 machines (box 2.3). As in NSW, 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 2.3 Scaling back EGM numbers in South Australia

The objective of reducing EGMs by 3000 has not yet been achieved, as it is to be achieved in stages. The first phase of reducing machine numbers was during the rollout of entitlements. This resulted in a direct scaling back of machine numbers, reducing the state-wide number of EGMs by 2168.

- Licensed for-profit venues with 21–28 machines were awarded only 20 entitlements.
- Licensed for-profit venues with 29 or more machines were awarded 8 fewer entitlements than their current stock of machines.
- Non-profit institutions and clubs were exempt from the first phase of reductions.

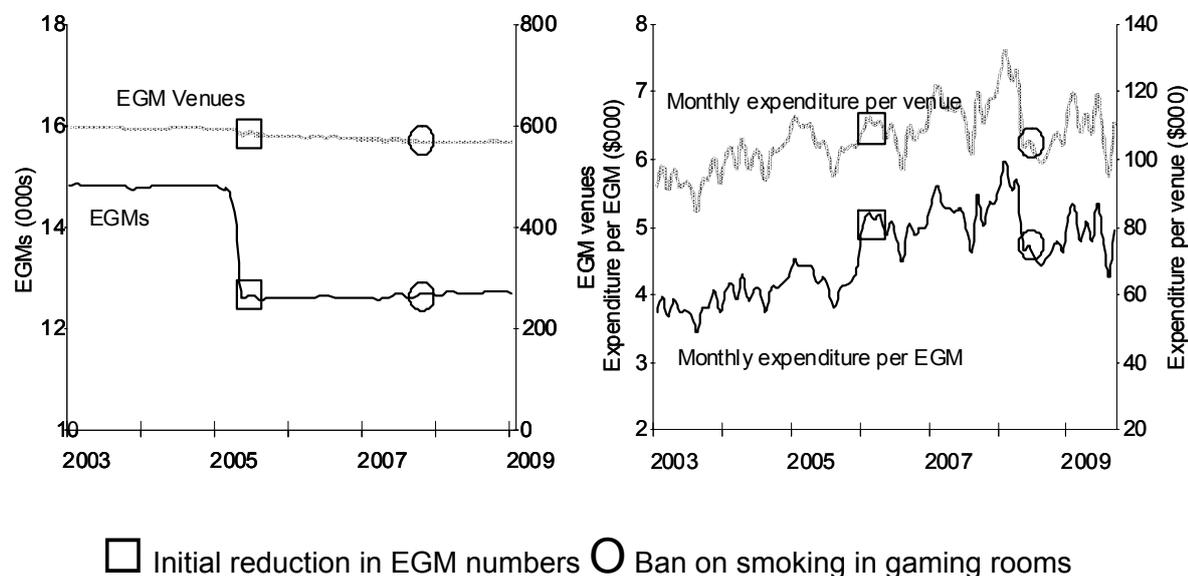
Entitlements may be traded among licensed venues during designated trading rounds. These trading rounds are also used as the second phase of reductions in gaming machine numbers, designed to remove 832 machines state-wide.

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

Once the policy objective of 12 086 machines is met, 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 (2009).

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 (2009).

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	99 234
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	55 144.20	56 502.76

^a Expenditure in 2008-09 dollars.

Data source: Productivity Commission estimates based on: Office of Economic and Statistical Research (2008); Productivity Commission (1999); NSW Government sub. 247; Victorian Government sub. 251; Queensland Government sub. 234; South Australian Government sub. 225; Western Australian Government sub. 139; Tasmanian Government sub. 224; Northern Territory Government sub. 252; FaHCSIA (2009a); 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. 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.

Casino industry structure

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 NSW, ACT and Victoria. A further six casinos opened between 1992 and 1996, including one on Christmas Island. Since the closing of the Christmas Island casino in 1998, the industry stabilised at 13 casinos — underpinned by ongoing exclusivity arrangements in all but two jurisdictions (table 2.13).

In the last decade, events in the casino industry have resulted in a more concentrated ownership structure (see table 2.13 for current ownership). 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, in that Tabcorp and Skycity have 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 federal government through the *Casino Legislation Ordinance 2005*.⁴ 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 federal 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 US in 2006, effectively closing the US market for online casinos such as Lasseters.⁵ Lasseters ended its online operations in October 2008, citing the loss of the US market (Lasseters 2008).

⁴ 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.

⁵ 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.

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.

Casino industry performance

In 2007-08, Australian casinos earned around \$3.17 billion in gaming revenue — \$1.29 billion from EGMs, \$1.27 billion from table games, and the remainder from international VIP programs (Allen Consulting Group, 2009b). Excluding VIP expenditure, this roughly equates to \$106 000 of expenditure per casino EGM (compared to \$56 000 per EGM in clubs and hotels), and \$833 000 per gaming table.

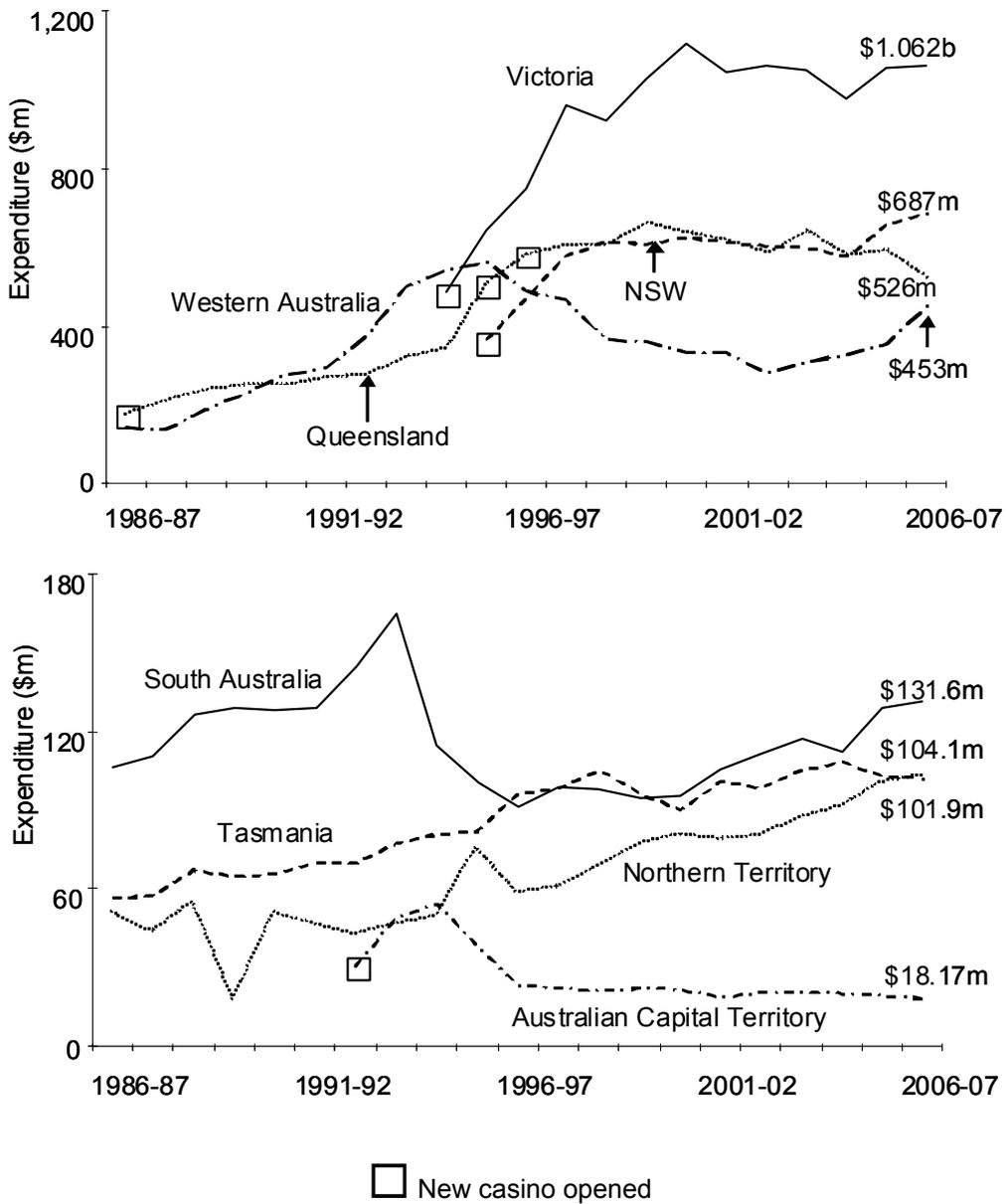
Recent casino expenditure trends

Most jurisdictions have seen fairly stable levels of casino expenditure in the last decade (figure 2.8). The opening of new casinos during the 1990s resulted in historically rapid growth. However, no new casinos had opened during the 2000s, and casino expenditure in most jurisdictions has stabilised somewhat.

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 electronic gaming machines and 1098 gaming tables (PC 1999, p. 13.21). This compares with the latest count of 12 232 gaming machines and 1525 tables (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 in casinos over the last decade — by comparison, EGM numbers in clubs and hotels had increased by 7 per cent.

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 2.14). 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 2009).

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



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

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

Table 2.14 Australian casino revenue by source

	1999-00	2002-03	2005-06	2007-08
	\$m	\$m	\$m	\$m
Gaming	2397	2531	2859	3168
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	3038	3145	3618	4049

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

Taxes and fees

Casinos Australia-wide paid gaming taxes of \$552.2 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.

- NSW, 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 10 per cent and for tables between 30 and 35 per cent.
- 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 2.15). Community fund levies are also applied in some jurisdictions as distinct from other taxes.

Table 2.15 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	4 per cent gaming revenue	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 Productivity Commission calculates an estimated annual amount using straight line depreciation. Licence fees are calculated using 2006-07 revenue.

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

International competitive pressures

In 2007-08, of the nearly 50 million visits to Australian casinos, 2.4 million were from international tourists. (Australian Casino Association, sub. 214; Allen Consulting Group 2009b). International VIPs accounted for \$553 million in casino revenue in 2007-08 (around 18 per cent of casino gaming revenue).

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 2006, its industry of 24 casinos received the equivalent of \$9.8 billion (Macau Government Information Bureau 2007). 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 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.

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 2009 (Marina Bay Sands)

and 2010 (Resorts World Sentosa), after a total construction bill of around US\$12 billion (Daily Edge 2009).

Other competition

Several submissions have 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 are easily found using a single internet search, offering 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 (see chapter 12).

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.

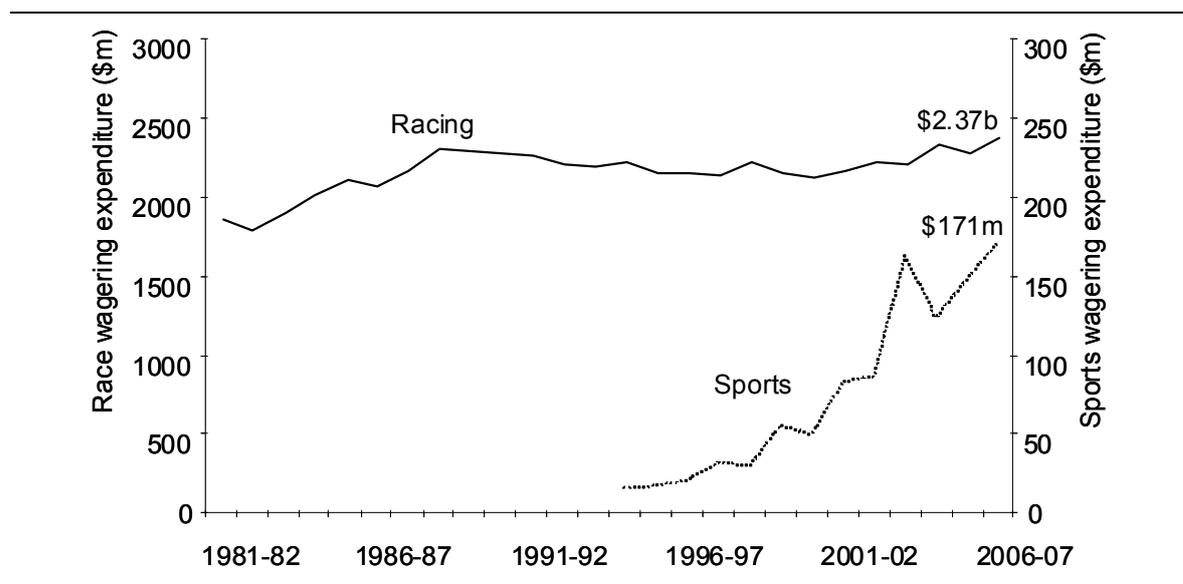
By their nature, it is difficult to estimate how much is *spent* on this form of gambling, especially since many tournaments provide free entry with the aim of recouping revenue through beverage sales. It is estimated that the two leading organisers of poker events in hotels and clubs have a combined total of 800 000 members (iBus, sub. 178, p. 13).

2.5 The wagering industry

Wagering in Australia is largely based on either horse 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 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.

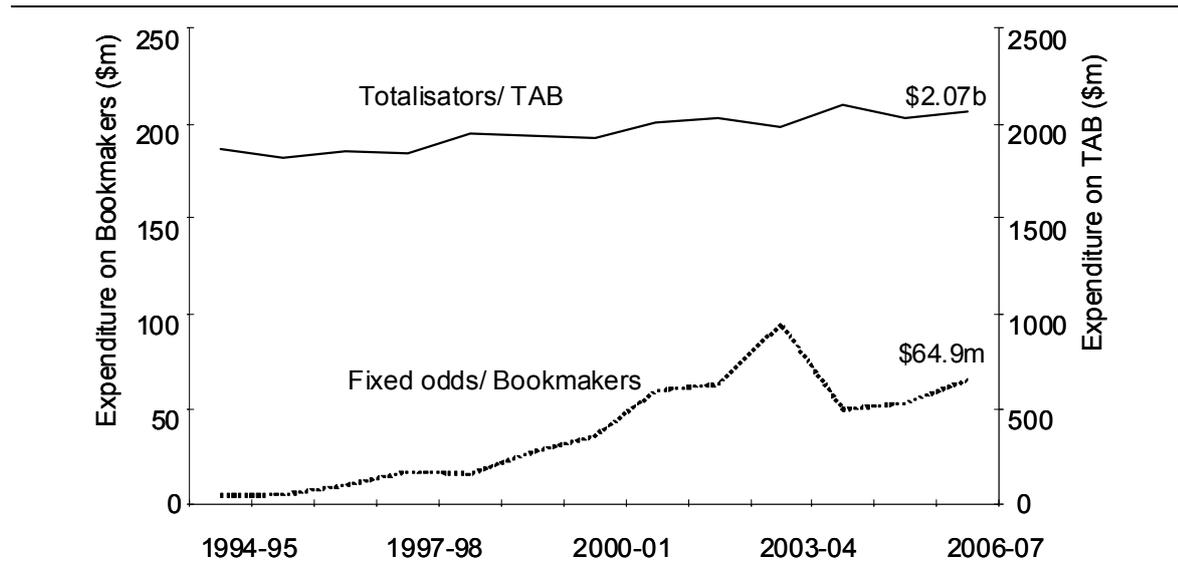
Data source: Office of Economic and Statistical Research (2008)

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 had grown steadily but not dramatically in this period.

In real terms, the expenditure on wagering services from bookmakers and fixed-odds wagering operators had grown 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.⁶

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



^a Expenditure in 2006-07 dollars. 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 2.16 and 2.17). 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.

Other estimates suggest that the pervasiveness of online wagering appears to have grown strongly in the 2000s, although evidence is limited. Tabcorp alone reported

⁶ 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.

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 — one person may be responsible for several online accounts from different providers (see chapter 12).

Table 2.16 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
2000	—	—	—	—	—	—	—	—
2001	—	—	—	—	—	—	—	23.3
2002	—	—	—	—	—	—	—	—
2003	—	28.2	—	—	—	—	—	—
2003-04	—	—	16.4	—	—	—	—	—
2004	—	—	—	—	—	—	—	—
2005	—	—	—	18.6	—	—	19	—
2006	20	—	—	—	—	26	—	—
2006-07	—	—	16	—	—	—	—	—
2008	—	16.4	—	—	—	—	—	—

Source: Office of Economic and Statistical Research (2008); Productivity Commission calculations are based on data from Office of Economic and Statistical Research (2008); Productivity Commission (1999); Australian Institute for Gambling Research (2001); NSW Office of Liquor, Gaming and Racing (2006); Charles Darwin University (2006); Queensland Government (2008); South Australian Department for Family and Communities (2006); Centre for Gambling Research (2004a); Hare (2009).

Table 2.17 Sports wagering participation

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	8	5	3	8	9	6	6	4
2000	—	—	—	—	—	—	—	—
2001	—	—	—	—	—	—	—	5.9
2002	—	—	—	—	—	—	—	—
2003	—	5.6	—	—	—	—	—	—
2003-04	—	—	4.4	—	—	—	—	—
2004	—	—	—	—	—	—	—	—
2005	—	—	—	4.2	—	—	6	—
2006	5.9	—	—	—	—	5	—	—
2006-07	—	—	5	—	—	—	—	—
2008	—	4	—	—	—	—	—	—

Source: Office of Economic and Statistical Research (2008); Productivity Commission calculations are based on data from Office of Economic and Statistical Research (2008); Productivity Commission (1999); Australian Institute for Gambling Research (2001); NSW Office of Liquor, Gaming and Racing (2006); Charles Darwin University (2006); Queensland Government (2008); South Australian Department for Family and Communities (2006); Centre for Gambling Research (2004a); Hare (2009).

Competitive pressures

Economies of scale are inherent in totalisator wagering because greater size totalisator pools effectively lower the costs of wagering. Across Australia, totalisators continue to operate on exclusive licences, except for in Tasmania and for sports wagering in the ACT (table 2.18). Totalisator exclusivity does not preclude competition from non-totalisator wagering operators — as such, 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 NSW state government rejected attempts to merge the NSW TAB pool with that of SuperTAB (Tabcorp 2005). However, in May 2007, agreements were made to combine the SuperTAB pool with the New Zealand totalisator pool (Tabcorp 2007). 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 2.18 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	No exclusivity
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 2.19).

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 2.20).

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 (UK Gambling Commission 2008). 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 2.19 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 2.20 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).

Taxes and fees

The rise of corporate bookmakers and the betting exchange helped to push issues of taxation and product fees into prominence. The taxation of wagering in Australia and the funding of racing industries has historically centred on the so-called

‘Gentlemen’s Agreement’, which has entailed wagering operators taking bets on races across Australia, while:

- paying taxes only to their licensing state
- paying fees only to the racing industries in their licensing state.

This system favoured racing industries in states who were net ‘importers’ of interstate racing products rather than those who were net ‘exporters’. For instance, under the agreement, if a wager were placed in NSW on a race taking place in Victoria, then the wagering operator would not pay any fees to the Victorian racing industry. It would, however, pay a percentage of that wager to the NSW racing industry.

Another important aspect of the system was that it did not make provisions for off-course corporate bookmakers to pay fees to the racing industry. The Gentlemen’s Agreement effectively ended on 1 July 2008 when NSW implemented the Race Fields Legislation, which required product fees to be paid by all wagering providers for the use of NSW races. Bookmakers and betting exchanges were required to pay product fees equal to 1.5 per cent of their wagering turnover from NSW races.

In November 2008, Racing Victoria instituted a similar system whereby it solicits product fees from wagering companies, regardless of their jurisdictional location. All bookmakers, totalisators and betting exchanges that used Victorian races would be required to pay product fees equal to 10 per cent of wagering gross revenue, or 15 per cent for thoroughbred races in October and November.

Reactions in the wagering and racing industries to the ending of the Gentlemen’s Agreement have been largely positive, at least in principle:

... wagering operators have been ... essentially ‘free riding’ on the resources, time, effort and money invested by NSW racing industry participants to conduct and promote the racing events. To allow such ‘free-riding’ is inconsistent with economic principles, competition policy and sound market practice (Racing NSW, sub. 228).

Betfair has been at the forefront of calls to do away with the Gentleman’s Agreement and replace it with a more equitable model that is better placed to sustain racing into the future (Betfair, sub. 181, p. 17).

Objection has been raised by bookmakers and by Betfair to the amount charged by the NSW Race Fields Legislation. The matter is currently before the High Court of Australia. This issue is dealt with more fully in chapter 13.

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 key criteria for policy should be the overall wellbeing of the community:
 - 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.
- Public health and consumer policy frameworks provide the best basis for coherent gambling policies, emphasising the importance of policies that address the gambling environment as well as gamblers' behaviours
 - The framework for gambling policy needs to recognise that it goes beyond ameliorating the harms to people suffering severe harm from their gambling.
- Even harm minimisation measures with modest efficacy may produce worthwhile net benefits so long as they do not also inadvertently generate excessive costs
 - Approximate calculations suggest that a ten per cent reduction in the harm related to problem gambling could yield a gain of around \$450 million annually, and an accumulated gain of billions of dollars.
- There are pervasive uncertainties about which gambling policies can effectively reduce harm. 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 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 ambivalence of the public and politicians 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, and 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.

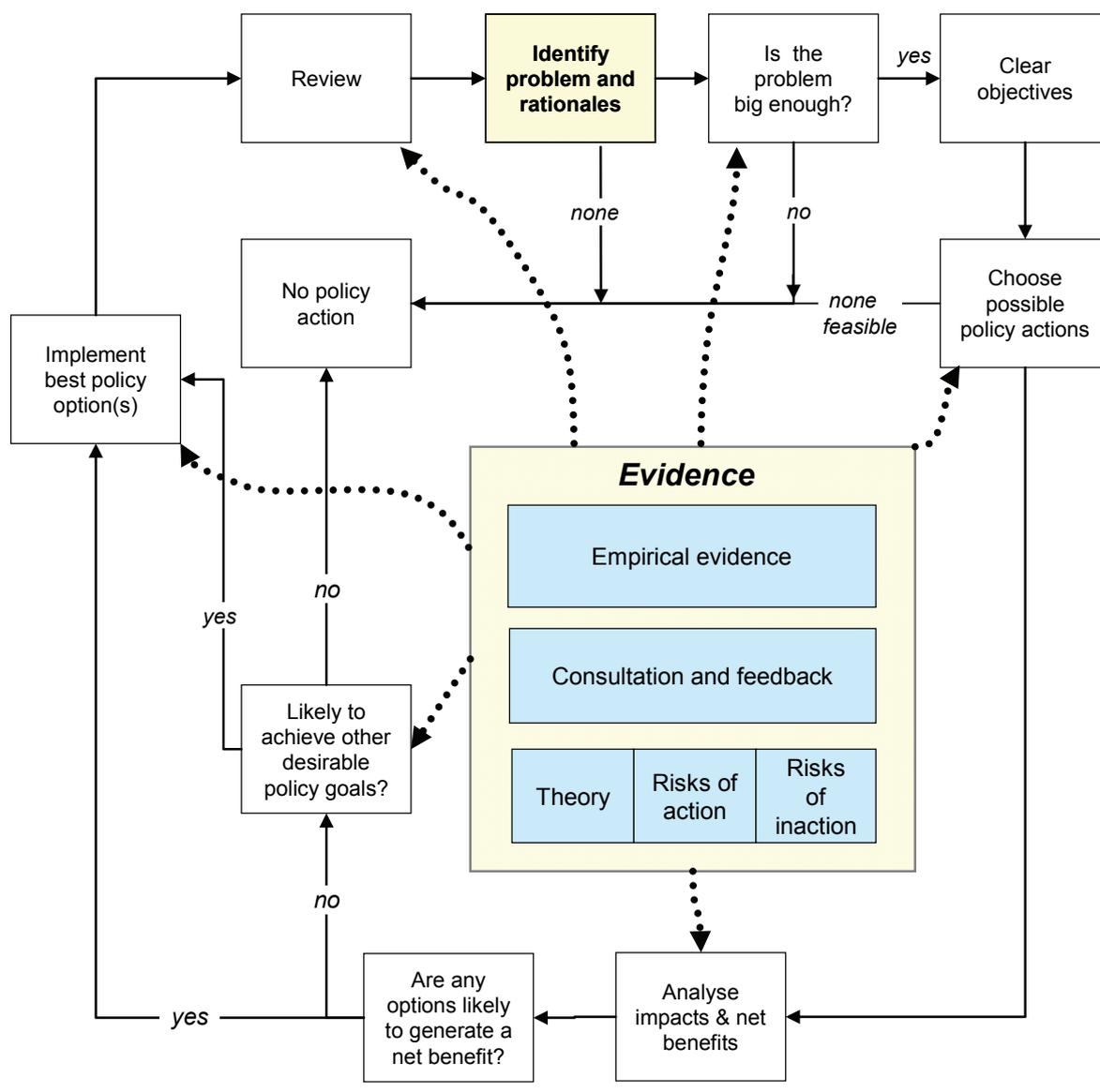
Given the breadth of the regulatory roles of government generally and the number of governments and agencies involved, the policy environment in gambling is highly complex. As outlined in chapter 1, this report does not aspire to assess the adequacy of government regulations and policies across all governments 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
- 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 3.6)
- 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)
- 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 14).

Figure 3.1 Steps to good policy



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 15).

The Commission has used this framework in assessing problems affecting Australia’s gambling industries and in determining policy options. We also use this framework, where relevant, in assessing the effectiveness of the processes used by governments when making and evaluating gambling policy (chapters 14 and 15).

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
- ensuring the probity of suppliers
- raising tax revenue
- meeting community norms
- dealing with the vulnerabilities of consumers and communities in general arising from legalised gambling, and problem gamblers specifically
- reforming legacy regulations.

The benefits of gambling

Many people enjoy gambling and the venues where it takes place (box 3.1). In aggregate, the majority of Australians who do not experience problems with their gambling would lose an entertainment worth potentially billions of dollars to them were they no longer able to gamble (as shown in the Commission's 1999 report). 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.

Apart from direct gains to consumers, there may be gains to others in the community, such as business owners, wage earners and taxpayers (from taxes imposed on foreigners). However, in aggregate and net terms, these economic gains will be much smaller than the benefits to consumers from gambling. This is because many of the apparent benefits would still be present were the gambling industries to be smaller. This reflects the fact that someone working in the industry does not have 'Only to be employed in the gambling industries' stamped on their forehead. It is often not well understood that unemployment and labour force participation — and therefore jobs — are not determined by the industry structure of a country, but by more aggregate factors, such as the wage determination process and the business cycle.

Box 3.1 **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 percent 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.)

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 recent decades, without any obvious effect on unemployment rates. Consequently, while there are many jobs (and wages earned) *in* the gambling industry (chapter 2), that does not mean that those jobs were *created* in any net sense, since the people concerned would have been employed in other industries were the gambling industries smaller.

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. Of course, abrupt changes in industry structures associated with regulatory changes can cause unemployment over the shorter run — and this is one factor when considering the desirability of 'cold turkey' or more gradual policy changes.

There can be benefits if, at the margin, employees in the gambling industries get higher wages than they would have, had they been employed in other businesses. 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.

This report does not undertake extensive analysis of the overall benefits of gambling because such benefits are obviously not a ‘problem’ requiring any counteracting policy responses. As such, the importance of such benefits can be lost in debates about gambling. As noted by HunterCoast Marketing:

For example, 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 12 and 13).

The key policy relevance of such benefits is that optimal harm minimisation policies are balancing acts, which seek to extract as many gains as possible from reduced harms from gambling with as little detriment as possible to its positive features. (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.)

But the subsidiary goal of limiting any negative impacts does not mean there will be no such impacts, and indeed, in some cases a policy that causes detriment to the industry and the benefits enjoyed by recreational gamblers may be preferred to the one that does less, so long as there are commensurately greater gains from effective harm minimisation. (Industry viability is not an end in itself, and the size of the industry should be determined by offsetting costs and benefits and nothing else.) Three gambling experts have also highlighted the 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 3.1. 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 either policy 1, 2, 3 or the status quo.

In fact, 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 some ordinary consumers, and may indeed, enhance their enjoyment.¹

Table 3.1 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

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 has 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

¹ For example, McDonnell-Philips (2006, p. 321) found that some non-problem gamblers thought that various harm minimisation measures would *increase* their enjoyment.

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.

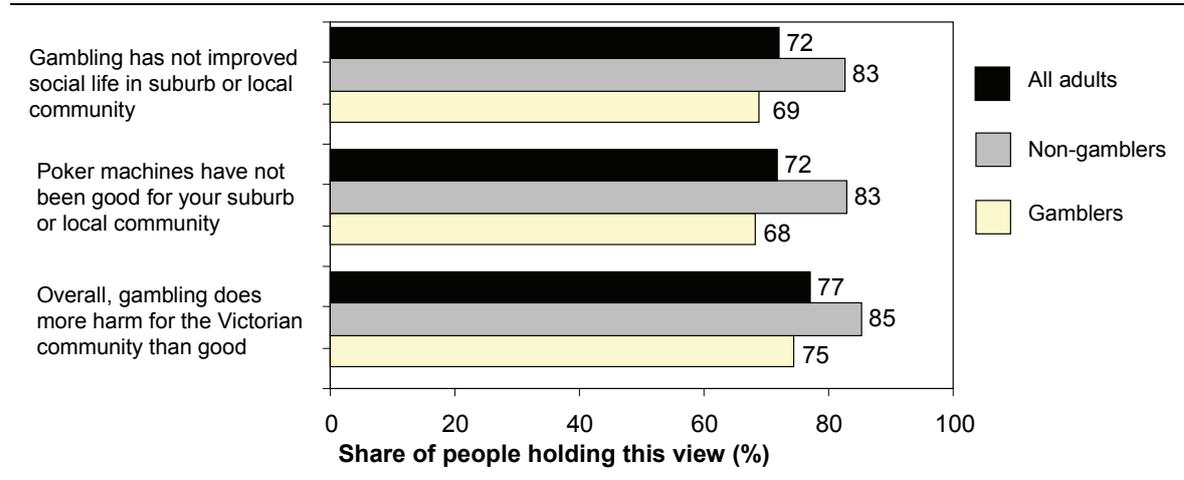
Community norms may reasonably provide a rationale for some restrictive regulations, such as in relation to access by children. However, in many other cases it can be very difficult to substantiate that the apparent 'norms' have sufficiently widespread support to justify them. In addition, such norms tend to evolve over time, so that what might be justified at one time is not at another.

Vulnerabilities of consumers

Consumers face a variety of problems with some goods and services (PC 2008) and this is particularly true of gambling. There is evidence (chapter 4) of widespread and persistent consumer misconceptions about certain 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).

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).

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 has 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).

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 4), Australian researchers and help professionals have rarely characterised difficulties with gambling as a medical problem (Professor 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 it requires policies specifically directed at it, such as help services.

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.

‘Cleaning out the closet’: policy and institutional reform to address policy failures

A major basis for adaptations or amendments to gambling policy is to address the flaws in existing policy 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 from which others can learn. However, this requires good and transparent evaluation, which has 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 downplay the cost of variations (chapter 14)
- jurisdictions have conducted different prevalence surveys at different times, which complicate interjurisdictional comparisons that may have been useful in understanding the nature of the problems people experience from gambling, a basis for more effective policy (chapter 4 and chapter 15)
- there has been little coordinated learning about the best way of assisting problem gamblers through help and treatment services (chapter 5).

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 14.

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 gambling is based, the existing arrangements may be coloured by the more questionable objective of industry support. We take that issue up in chapter 13.

A further manifestation of differential industry treatment is policy in relation to online gambling, which is inconsistent with the treatment of venue-based gambling regulated by state and territory governments (chapter 12).

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. A possible rationale for the treatment of clubs is that they are not-for-profit, ‘member-owned’ bodies that might have stronger incentives to address consumer problems associated with gambling than for-profit businesses. The Commission also received many submissions from clubs — or those supported by club gambling revenue, stressing their role in sustaining local communities — through sponsorship of local community and sports groups. However, the arguments for the present concessional treatment of clubs are not straightforward, because these concessions involve forgone tax revenue. Government could have used this forgone revenue to fund services valued by the whole community and not just those selected by club management, a point also made by McMillen (sub. 223, pp. 13–14).
- Casinos are also subject to varying rules in relation to taxation and machine caps — but they represent a much smaller share of aggregate spending, are more often aimed at different customers (high-rollers and tourists) and, due to their destination nature, are not as ubiquitous as hotels and clubs.

Throughout this report, the Commission assesses whether harm minimisation measures should apply in the same way to casinos, clubs and hotels. But, beyond that issue, the report does not examine the concessional treatment of clubs compared with other venues. The Commission is considering many of the complex issues associated with the competitive neutrality effects of taxation and the regulation of clubs as part of its concurrent inquiry into the not-for-profit sector (PC 2009, forthcoming).

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.

For example, many see policy in this area through the lens of personal responsibility applied to other issues. From this perspective, there is a weaker rationale for government initiatives to address adverse consequences flowing from individuals’ decisions, with consumers expected to exercise self-control and to take

responsibility for their actions when gambling. While diffident about gambling and seeking to control it further many in the community 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 (chapter 8) has partly reflected the significance courts assign to personal responsibility. Eroding the presumption of self-responsibility would substantially increase the risks of vexatious litigation and reduce the incentives for people to act prudently.

However, there may still be grounds for litigation if venue behaviours breach an appropriate standard (chapter 8). And, while sometimes the presumption of ‘self responsibility’ may reduce the merit of litigation, that need not diminish the merit of regulation. In particular, a pure ‘self-responsibility’ model ignores:

- the general vulnerabilities of consumers, which may be accentuated by particular aspects of the gaming environment and its technologies (chapter 4)
- 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)
- the fact that irresponsible behaviour may have damaging consequences for society as a whole
- 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 — particularly poorly educated and disadvantaged young men — have systematically higher risks of persistent harmful behaviours
- the potential for regulation to reinforce, rather than undermine, self-responsibility. For example, some of the measures explored by the Commission in relation to gaming machines are designed to ‘irritate’ impulsive people (while not affecting others), increasing their incentives for self-regulation.

Accordingly, while there are reasonable social expectations that people take responsibility for their own behaviour, that expectation does not limit the need for significant regulation of gambling.

In that context, the three main frameworks shaping policy are the medical, public health and consumer-focused models (figure 3.3).

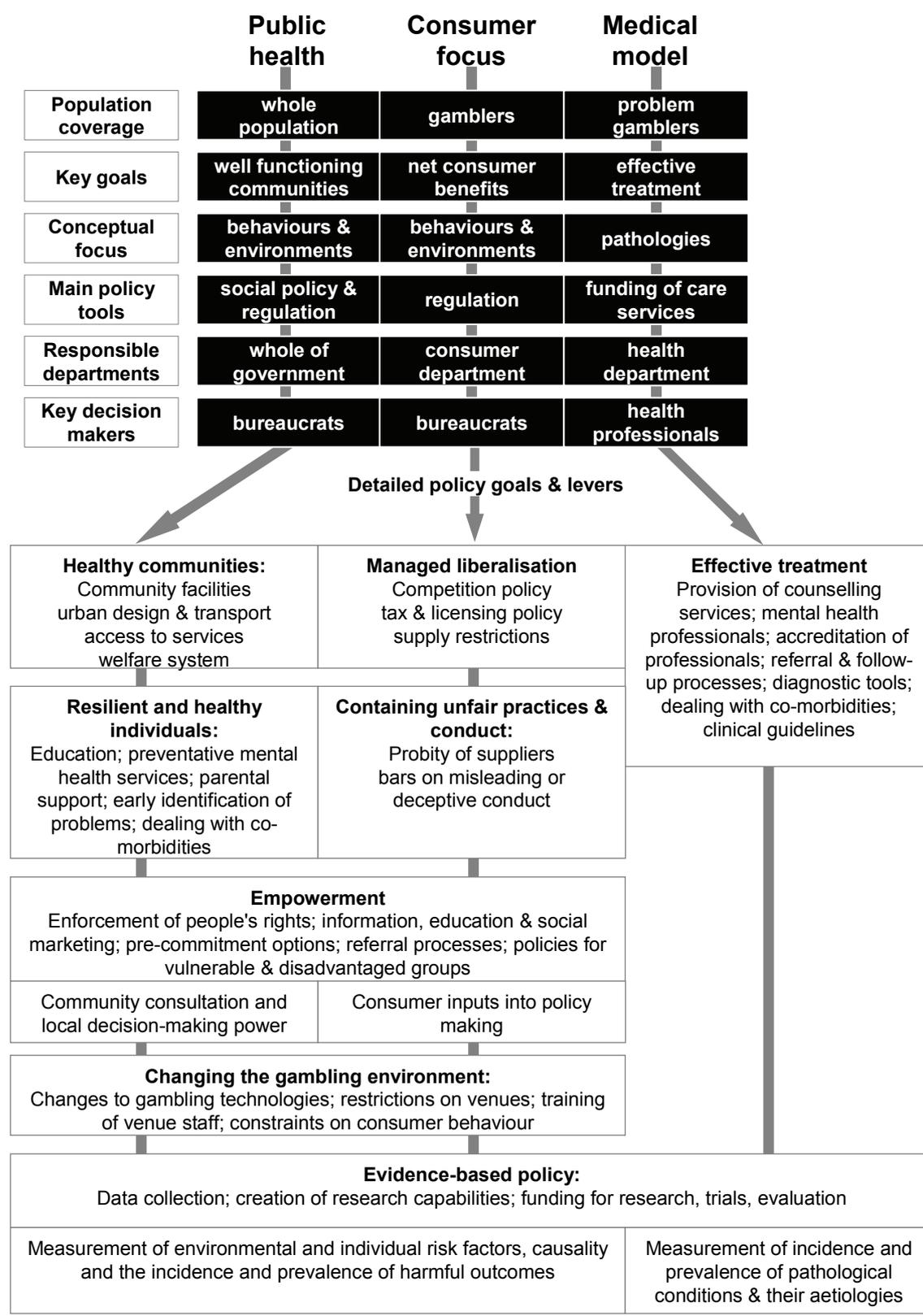
The medical model

This concentrates on the effective treatment of people who already have some ‘dysfunctional’ 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 5), 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 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.’²

Many researchers and policy analysts have placed policy responses to gambling within a public health framework (Korn and Shaffer 1999; Messerlian et al. 2005; IPART 2004). This was also true of many participants in this inquiry (box 3.2).

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 generally 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 latter 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).

² 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.

Box 3.2 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. no. 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. no. 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. no. 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)

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:

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- providing communities and individuals with richer opportunities for interactions with each other and for leisure.³ 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 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 safe and inviting venues
 - providing people with useful factual information so people can make more informed decisions. 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, or the capacity to seek control over a family member's problem gambling through third-party exclusions
 - 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)
 - 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
 - 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
 - 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
 - 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.

³ 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.

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 often centre on ‘harm minimisation’ strategies, allowing supply, but mitigating its harmful effects.

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 our 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, which in turn requires:
 - preventing 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
 - 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 derives 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 The size of the ‘prize’

As emphasised throughout this report, careful targeting of harm minimisation measures should avoid reducing the pleasurable aspects of gambling for consumers, while offering the potential for large gains by alleviating the harms to some gamblers. But how big could that prize be?

Understanding the magnitude of the costs of gambling problems provides an indication of the size of the prize from effective harm minimisation policies (so long as these do not overly reduce the recreational benefits of gambling). Gambling problems impose many costs, including burdens for family members from the financial and social impacts of problem gambling behaviours, and costs for the society generally from increased fraud, provision of help and welfare services and other impacts. Some of these costs are discussed in chapter 4. Delfabbro (2009) has recently summarised their nature and qualitative importance, and they were partly quantified in the Commission’s 1999 report. That report estimated total social costs of between \$1.8 and \$5.6 billion (PC 1999, p. 9.11), with an additional loss of \$2.7 billion due to ‘excess’ spending by problem gamblers (p. C.25).

Since then, there have been several offsetting pressures on these aggregate costs. On the one hand, the prevalence rate of problem gambling has probably declined somewhat (chapter 4). On the other:

- the adult population has grown from around 14 million to nearly 17 million over this period
- household income has risen significantly. The value of avoiding adverse social and health outcomes typically rises with income, suggesting that the social costs of gambling have probably risen roughly in proportion with that income
- gambling expenditure (player losses) has nearly doubled.

The Commission has not undertaken any further detailed research in this area as the exact numbers are not relevant to the need for policy action.⁴ However, a ‘thought-experiment’ was conducted to explore the order of magnitude of the gains from a 10 per cent reduction in the harms from problem gambling (box 3.3).

⁴ In the context of the large literature on the subject, the Commission has not provided a comprehensive assessment of the adverse social impacts. Stakeholders have not disputed their importance.

Box 3.3 Some 'back-of-the envelope' calculations

Two main factors determine the overall costs of problem gambling. The first is the size of the social costs *per* problem gambler. Using the results from the Commission's 1999 report as the base for social costs, rising inflation and real household income per capita will have pushed these social costs up by around 70 per cent in nominal terms over the decade. That suggests social costs in 2008–09 of between \$10 500 and \$32 600 per problem gambler (denoted by *S*), up from between \$6100 and \$19 000 in 1997–98 (PC 1999, p. 9.11 and where problem gambling was measured by the SOGS 5+ criterion).

The second important factor stems from the fact that some proportion (*P*) of problem gamblers' spending does not genuinely reflect a benefit to them, given the difficulties they face in controlling their gambling. By 2008–09, gambling expenditure (*E*) was around \$18.9 billion, up from \$10.8 billion in 1997–98. For any given assumption about the expenditure share of problem gamblers (*Sh*), it is then possible to estimate the value of expenditure by problem gamblers and the loss that implies for them ($Sh \times P \times E$).

Given an estimate of the adult population (*POP*) and the appropriate problem gambling prevalence rate (*R*), then the overall costs in 2008–09 of problem gambling can be estimated as $C = (R \times POP \times S) + (Sh \times P \times E)$.

However, that number is just the cost for one year, while problem gambling, and its associated costs 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. Given that people care less about costs tomorrow than costs today, these long-run future losses have to be discounted to their 'present value'. Taking all these factors together, the 'present value' of the costs of gambling in constant 2008–09 prices at a given prevalence rate are:

$$PV_C = C \times \frac{(1 + \text{discountrate})}{\{\text{discountrate} + 1 - (1 + \text{productivity})(1 + \text{popgrowth})\}}$$

where *discountrate* is the long-run discount rate (an interest rate); *productivity* is the average rate of productivity growth (which will determine how income per capita moves over time) and *popgrowth* is the long-run average rate of population growth.

The gain from a sustained 10 per cent reduction in harm is therefore one tenth of PV_C . The Commission has taken a conservative approach, using estimates of the variables that give an overall low measure of the cumulative costs of problem gambling. This included assuming a small spending share by problem gamblers (of just 20 per cent); the lowest estimate of the social cost per gambler; a relatively high real discount rate (7%); a low annual population growth rate (0.25%) and a low real annual productivity growth rate (1.5%). Moreover, the Commission applied a low estimate for the long run problem gambling prevalence rate. (The estimate assumed a CPGI8+ rate of 0.5 per cent and a CPGI3–7 rate of 1.3 per cent, which equates to around a 1 per cent SOGS rate).

These calculations suggest a net benefit from a 10 per cent sustained reduction of problem gambling of around \$450 million a year, and an accumulated benefit of around \$9 billion (in present value terms). In the case of gaming machines alone, the benefits of effective harm minimisation are slightly less. When the calculations are restricted to just this group, the gains from a 10 per cent reduction are around \$350 million per year and \$7.4 billion in accumulated benefits. Although rough calculations, they provide a useful indicator of the scale of potential benefits from even modestly effective harm minimisation.

Even conservative estimates suggest that a small temporary reduction in problem gambling could produce sizeable welfare gains for Australians. The thought-

experiments suggests that a ten per cent sustained reduction in the harm associated with problem gambling could yield a gain of around \$450 million dollars and accumulated benefits of billions of dollars. These estimates ignore any of the costs faced by recreational or low risk gamblers, although the evidence suggests that, in aggregate, these may be high (chapter 4). Accordingly, even harm minimisation measures with modest efficacy may produce worthwhile net benefits so long as they do not also inadvertently generate excessive costs.

DRAFT FINDING 3.1

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 excessive costs.

3.6 Evidence-based policy in gambling

Good policy relies on more than plausible rationales. It requires reasonable empirical or theoretical grounds that a policy would have its desired impacts without excessive costs. Some see evidence in relatively narrow terms as the empirical demonstration that a particular policy will work. However, strictly applied, a requirement for ‘hard’ evidence of this kind would cripple social policy.

It is mostly impractical for cost, time or ethical reasons to run true experimental trials of social policies. And, while such trials are sometimes claimed to be the ‘gold standard’, in reality their outcomes depend on the 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. However, wider application of early childhood education through the Head Start program was not as effective.

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 typical ‘gold standard’ in medical research).⁵ While the trials have provided useful insights, they have relatively narrow policy relevance and have had some limitations:

⁵ These have related to pre-commitment (chapter 7) and to the impacts of certain features of gaming machines, such as note acceptors and spin rates (chapter 11).

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- 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.
 - The trials of pre-commitment in South Australia and Queensland (chapter 7) 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 voluntary pre-commitment system. Accordingly, they have limited relevance to many alternative designs of pre-commitment systems, such as mandatory card systems.

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 3.4).

Evaluation evidence based on ‘before-policy, after-policy’ outcomes may have more (cost-effective) potential to assess the magnitude of policy effects. The drawbacks of this approach are that it requires that governments implement the policy before the evidence is collected and that it requires that no other extraneous effects contaminate the analysis. On the other hand, it will often help guide the wider adoption of that 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 14 and 15).

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. (We explore this issue in greater depth in chapter 11.)

Box 3.4 How could a good 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 groups of 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 one dollar coins only 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 probably address many of the above deficiencies, providing valuable insights into likely player behaviours after changing machine characteristics.

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

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

- *Are there good theoretical grounds to expect an initiative 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 10)
- *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 6)
- *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. Costing also helps 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

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- *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 one dollar bet limit on EGMs, a key question would be how often do different groups of people bet more than one dollar? (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, re-locating 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 regulation 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.

However, it is worth emphasising that 'evidence' often needs to be interpreted carefully. Two common difficulties in the gambling area are:

- 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 9). 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

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- 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 4). 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.

What is 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 (as was the case under the National Competition Policy)

A major area where governments are particularly concerned about false negatives is public safety. 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 exceed 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 a 5 per cent or higher 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 potentially 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:

- 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 15).

So where should the balance lie?

Estimates from prevalence studies suggest that a significant share of regular gamblers experience gambling problems and that higher risk gamblers account for a significant share of total spending (chapter 4). 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 is, 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 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.

4 The prevalence of problems with gambling

Key points

- Based on available survey data, there are around 90 000 to 170 000 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).
- Around 15 per cent of Australian adults gamble regularly (after omitting Lotto and 'scratchies'). Roughly one in ten of this group would be classified as problem gamblers, with an additional 15 per cent experiencing moderate risks.
- 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 overall likely range for moderate risk and problem gamblers is 42 to 75 per cent.
- Gaming machines pose substantial risks for regular players. Around 5 per cent of adults play gaming machines regularly (weekly or more often). While imprecise, around 15 per cent of this group would be classified as problem gamblers, with an additional 15 per cent or so experiencing moderate risks. Altogether, around one-third of regular gaming machine players face significant risks.
- While far from certain, problem gambling prevalence rates appear to have fallen somewhat:
 - it is unclear to what extent this reflects natural adaptation or the impact of government policy or actions by venues.
- Measuring the number of people experiencing sustained harmful outcomes helps determine the appropriate scale of treatment services, but measuring lower intensities of problems is relevant to harm minimisation and consumer policies
 - the proportion of gamblers finding it hard to control their gambling is up to ten times greater than conventionally defined problem gambling rates
 - around 50 per cent of gaming machine gamblers have false beliefs about how gaming machines work, which pose risks to them
 - despite low prevalence rates of harms in lower risk groups, the actual number of people affected in these groups can be even greater than those categorised as problem gamblers. Lower risk groups account for 90 per cent of people rating themselves as having some kind of problem.

Gambling regulations, counselling support services and other harm minimisation measures are costly for government and those businesses supplying gambling services and equipment. Ultimately, those costs fall on taxpayers and gamblers. There must 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 explores the evidence about the prevalence of problem gambling, but also of other harms and difficulties that gamblers experience when gambling.

4.1 Gambling problems or problem gambling?

Problem gambling is a highly abstract and contested construct, with differences in its conceptual underpinnings and in the resulting measures of prevalence and severity. 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 or amelioration of the *detriment* people face when they or others gamble (chapter 3). This is a social, rather than a psychiatric, perspective on people's problems, and is increasingly promoted in an Australian context (for instance, Svetieva and Walker 2008). The implication is that what should be measured in prevalence studies is actual harm, not people's mental states per se:

... 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 or methods for measuring problem gambling rates (or, in the United States, as 'compulsive' or 'pathological' gamblers). There are two difficulties raised by social scientists about 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

- Another, perhaps stronger, difficulty is that the psychiatric approach places attention on the problem gambler as a person with mental characteristics that make them vulnerable in an otherwise generally benign gambling environment. The psychiatric approach risks concentrating policy attention on targeted venue interventions and treatment services, when other policy interventions that alter the environmental risks are also important.

That said, problem gambling is probably best characterised as *both* a consumer and psychiatric issue.

On the one hand, notwithstanding the potential vulnerabilities of the individual, some problems arise from the nature of the product itself. When that occurs for consumers 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.

On the other hand, the evidence shows that problem gamblers often resolve their problems after counselling and treatment (chapter 5), whereas treatment would generally not be advocated for consumers experiencing detriment. The evidence also indicates 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 (Potenza 2007). That has implications for treatment providers as they must sometimes deal with the problems, false cognitions and drives associated with gambling problems, as well as other serious co-morbidities.

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 percent 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 seven 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.

² For example, McIntyre et al. (2007); Jackson (2009); Pietrzak and Perry (2006); Pietrzak et al. (2005, 2007).

What is ‘harm’?

Gamblers may face multiple problems, as suggested in the taxonomy in box 4.1. 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.

Box 4.1 Potential harms come in various forms

The harms that may arise from gambling include:

- poor information or misunderstandings about a product that causes them 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
- 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)
- theft, domestic violence or other illegal behaviours stemming from excessive gambling
- spending more than they can afford, making it hard for them to meet the costs of essentials or leading to bankruptcy
- pre-occupation with gambling at the expense of doing their job properly
- damaged relationships and reduced status in the community
- adverse personal impacts associated with gambling, such as feelings of guilt, anxiety, depression, helplessness or the desire to commit suicide.

It is also important to distinguish harm now from (possible) harm later. A 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. For instance, high and rising levels of a person’s spending on gambling, increasingly impaired control, or false cognitive beliefs about gambling, may not always be harmful at a given point in time, but may be useful indicators of likely future problems. Accordingly, an appropriate objective of gambling screens is to identify environmental circumstances or individual behaviours that are the precursors to likely future harms. An analogy is 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, questions posed in a

gambling screen may still be valid if they provide information about the future risks of harm, even if the current level of harm experienced is low.

However, in the gambling area, there are limited data that could thoroughly test whether a set of apparent environmental or behavioural risk factors are associated with future harm. Ideally, a longitudinal study would be undertaken that would identify those factors with the best capacity for predicting future harm. As it stands, the current assessment of risk factors rests on the judgment of experts (which is useful, but incomplete). It also rests on the reasonable, if largely untested, view that people displaying weak symptoms of harm (for instance, sometimes feeling guilty) are at risk of higher future harms. (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.)

Even if there is a broad consensus that problem gambling involves significant harm to gamblers, precisely defining, measuring and interpreting it poses substantial challenges.

4.2 “What is ‘the’ number?” — measuring problem gambling

That there are significant numbers of problem gamblers is widely accepted by governments, industry and community groups. 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 both the imprecision of psychological screens used to identify them (box 4.2) and the population surveys that implement these. The practical and conceptual dilemmas in measuring problem gambling 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.³

³ The SA Centre for Economic Studies and the Department of Psychology, University of Adelaide (2005).

Box 4.2 Problem gambling screens

Problem gambling is 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 month, 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.

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. 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 4.7.)

The ambiguities about problem gambling raise two important issues:

- how to define a case meaningfully
- false positives and negatives.

4.3 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 gambling-related problems for several reasons.

There is no gold standard

For one thing, there is no agreed ‘gold standard’ against which population screens 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 other aspects associated with harm, such as criminal convictions or harms that may be exaggerated or concealed (such as relationship breakdown or lower job productivity). In any case, a clinical assessment is rooted in the notion of gambling problems as a psychiatric disorder, whereas clinically-defined ‘problem gambling’ is only a subset of gambling problems.

Harms are hard to measure and to aggregate

There are many forms of harm, some of which are hard to measure and confirm because of their subjective nature (such as guilt, anxiety or despair). 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.

Problem gambling as a continuum

Problem gambling is often characterised on a continuum of increasing severity. At one end, recreational gamblers gain clear benefits from gambling and the social environment in which gambling is offered. 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 screens can give such different measures of problem gambling and why the range of estimates provided by the Commission in section 4.5 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.⁴ 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 For instance, a person who just progresses from overweight to obese does not have a sudden jump in their risks of morbidity and mortality.

Why just one construct?

The difficulties in determining cases of ‘problem gambling’ also partly reflect the desire to have just one integrated measure of problems, when in fact there are a multitude of problems of different kinds (not just of varying progressivity) experienced by gamblers. The critical point is that their policy relevance defines a ‘case’. In that context, ‘cases’ are best described as any cluster of outcomes or symptoms that are potentially amenable to policy intervention. Different measures of cases will be appropriate for different kinds of policies.

To illustrate this, the evidence from treatment and counselling services is that their clients have severe problems, showing up as a cluster of highly adverse outcomes and particular behaviours. A high score on an integrated measure of problem gambling, such as the CPGI or SOGS, can pick up both the severity and breadth of the problems. In that instance, the right prevalence measure is probably CPGI 8+ or SOGS 10+, as this will guide 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.

However, this is not the only group that is policy relevant. Much of the debate about where to draw the line about what constitutes problem gambling is premised — often implicitly — on the view that only problems that warrant counselling or ‘treatment’ are policy relevant. In the consumer policy arena this is tantamount to saying that the only appropriate detriments that should be measured for policy purposes are those where a consumer suffers extreme injury.

Unlike gambling prevalence studies, 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 Commission 2008, pp. 215ff). 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.

In fact, just as for consumers generally, there are many kinds of detriments experienced by gamblers that are policy-relevant, and that should, accordingly, be measured. At least some of these problems are not progressive problems lying on a continuum. For example, either a person has misconceptions about independence of random draws or they do not. Accordingly, it is possible to count such cases with ease without the ambiguities that afflict an integrated measure of problem gambling.

Without attempting to be exhaustive, some of the relevant problems include:

- difficulty remembering losses, which is relevant for other policies, such as player activity statements and player information displays. The data from the Australian Household Expenditure Survey shows that people significantly underestimate their gambling spending
- problems controlling money or time spent gambling when immersed in play (or under the influence of alcohol or drugs), but where the outcomes are adverse and regretted later (table 4.1). And, as shown later, even though moderate risk gamblers are rated as non-problem gamblers, more than one in ten of these say that they often/always spend more than they can afford and a significant share report financial problems for their household as a result of their gambling (section 4.4). 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
- misconceptions about gambling, such as a belief that gaming machines run ‘hot’ or ‘cold’. This is relevant to machine design, disclosure to players and general education, potentially including children. In general, faulty cognitions among regular gaming machine players are very common and differ little between the low risk (CPGI 1) to problem gambling risk groups (table 4.2). For instance, around 50-70 per cent of gaming machine players believe that winnings occur in cycles. Faulty cognitions are less widespread among gamblers as a whole and tend to increase with risk status. Either way, the prevalence of faulty cognitions is much higher in the populations concerned than problem gambling prevalence rates. For instance, the prevalence of the faulty view that wins and losses run in cycles was around 5.5 per cent of the Queensland adult gambling population — around ten times more than the problem gambling prevalence rate
- lost money on fraudulent internet sites, which is relevant to regulation of the online environment and player education.

Counting such cases would not provide a measure of ‘problem gambling’ as conventionally defined. Nevertheless, addressing the harms associated with such cases is relevant for policy, especially where policy measures are already being considered for more severe problems. (A range of other detriments often experienced by non-problem gamblers are also addressed in the next section.)

Table 4.1 Who suffers from 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	
	%	%	%	%	%	%
Difficulty resisting gambling	4.4	1.7	15.5	49.3	78.4	88.8
Difficulty limiting the size of bets	2.5	0.9	7.6	28.3	79.5	80.3
Gambling after reaching limit	4.1	1.4	17.4	41.0	84.3	87.1
Difficulty limiting the amount spent	3.4	1.1	10.2	38.7	87.5	83.0
Difficulty stopping play	4.0	1.7	13.1	40.1	85.1	86.8
Difficulty limiting time	2.8	1.1	10.1	25.5	71.6	84.1
Desire to gamble is too strong	1.2	0.2	2.6	16.8	64.3	65.2

^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, 4.0 per cent of all gamblers report sometimes, often or always finding it difficult to stop playing. The categories of gamblers — recreational, low risk, moderate risk and problem gambler are CPGI categories. To put these numbers in perspective, 0.6 per cent of gamblers were rated as problem gamblers. So, as shown in the last column, around 87 per cent of people having difficulties stopping play are non-problem gamblers.

Source: Based on analysis of unit records from the 2006–07 Queensland prevalence survey.

Table 4.2 Faulty cognitions among gamblers

Category of faulty cognition	All gamblers (share of risk group)			
	Recreational	Low risk	Moderate risk	Problem gambling
	%	%	%	%
<i>Queensland prevalence survey 2006-07</i>				
After losing many times in a row you are more likely to win	4.6	9.5	20.3	33.1
You could win more if you use a certain system/strategy	7.9	15.9	24.6	31.5
<i>Only gaming machine gamblers (share of risk group)</i>				
<i>South Australia 2005</i>				
Winning and losing on poker machines occur in cycles	53.9	68.9	71.5	59.7
Certain way to play to give you better chance of winning money	17.0	30.9	24.0	27.9
Bad to play machine that has recently paid out	45.0	47.2	53.4	60.0
Consider good at picking winning machines	8.2	18.2	12.8	18.3

^a The low risk to problem gambling groups in the South Australian case relate to regular gamblers only (not necessarily regular EGM gamblers). Recreational gamblers are non-regular gamblers who play EGMs. In the Queensland data, the faulty cognitions relate to all gambling forms and for all gamblers. The percentages 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 of 1 to 10. 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.

4.4 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.⁵

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 (figure 4.1). 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 considerable 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 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 cent⁶ — are misidentified as problem gamblers, then this can considerably inflate the measured prevalence rate. So, to give a concrete example that is 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 4.1).

⁵ 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.

⁶ 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 4.1 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. 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 can still matter

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 4.1 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.⁷ The remaining Australian prevalence surveys that have used the CPGI have modified the screen scoring and labels,⁸ which may increase the false negative rate for the problem gambling classification (Jackson et al. 2009).

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 4.3). 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
- increased the numbers in the no risk population, but by a negligible degree.

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). However, regardless of that, it is hard to justify

⁷ These are the prevalence studies undertaken in Tasmania 2007, the Northern Territory in 2005 and the 2007 Victorian Risk and Protective Factors Study.

⁸ These are the Queensland prevalence studies for 2001, 2003–4 and 2006–07; the Victorian 2003 study, the South Australian 2005 study and the NSW 2006 study.

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 4.3 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, A C 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 survey⁹

- people in jails or other non-sampled institutions have high rates of problem gambling, as do people with disconnected phones (Williams and Wood 2004b, p. 12).¹⁰

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.¹¹ 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 (2008, pp. 61–66) review of Australian gambling research identifies considerably higher levels of problem gambling among 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

⁹ 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.

¹⁰ 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 (2004b p. 20) 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.

¹¹ For instance, the 2005 South Australian survey defines regular as fortnightly or more.

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.¹² 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). In the Commission's survey of clients of counselling services, around 60 per cent of problem gamblers said that they would refuse to participate in a population screening survey or would conceal their problems (with similar results to those found in the previous inquiry PC 1999, p. 6.36). 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 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

¹² 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.)

unaffordable loss).¹³ 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 harmed by their gambling, suggesting that false positives are not a major issue (table 4.3).¹⁴

Table 4.3 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.

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).

¹³ 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 percent 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.

¹⁴ 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).

Recent state prevalence surveys confirm that many people outside the ‘problem gambling’ group say they have experienced problems across multiple dimensions (tables 4.4 to 4.7). 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).

However, despite low prevalence rates of harms in the non-problem gambling group, the actual number of people affected in this group can be large, and, indeed, can be greater than those categorised as problem gamblers. This reflects the fact that the number of people harmed 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 harmed.

To illustrate, around 0.65 percent of non-problem gamblers in Queensland say that they often or always find it difficult to resist gambling (a very low prevalence), while around 50 per cent of problem gamblers say this (a high prevalence). However, there are around 2.2 million people in the lower risk group and around 14 000 categorised as problem gamblers. That means that, respectively, there are around 14 300 non-problem gamblers and 7 000 problem gamblers experiencing this difficulty. Accordingly, over 65 per cent of the people experiencing this difficulty are from non-problem groups.

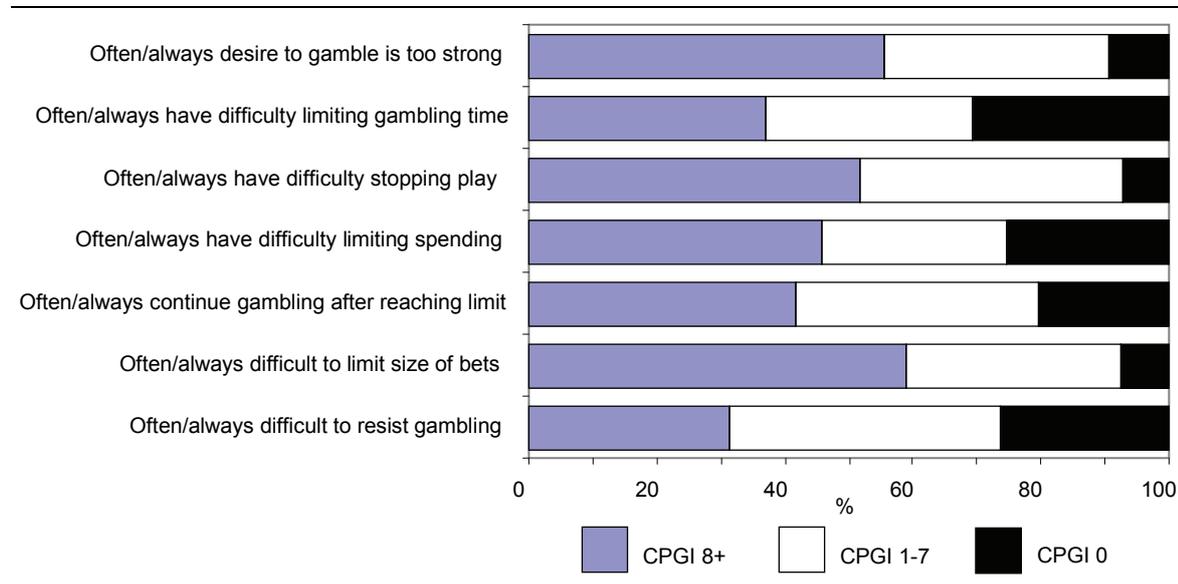
This pattern is repeated more generally:

- 90 per cent of those people rating themselves as having some kind of problem
- 50 per cent of those who wanted help for their gambling
- around 60 per cent of people experiencing adverse job performance effects
- 50 per cent of people often or always having difficulties stopping gambling
- 65 per cent of people experiencing a gambling-related health problem (using the more reliable and comprehensive Queensland data, noting that the Queensland surveys relate to all gamblers, not just regular ones).

Moreover, even people rated as zero-risk gamblers can face problems. So, for example, while only around 0.2 per cent of such gamblers find it often or always difficult to limit their gambling time, they account for around 30 per cent of all gamblers experiencing this problem (figure 4.2).¹⁵

¹⁵ The Queensland prevalence surveys have been the only ones to ask all gamblers the CPGI and a range of other questions about their gambling behaviours, providing a unique window on problems for notionally zero-risk and non-regular gamblers.

Figure 4.2 Even people screened as having ‘zero risk’ do not see gambling as problem free



^a The graph shows the proportion of people with a given control problem who are either CPGI 0–7 and CPGI 0 (‘recreational’ gamblers).

Data source: Queensland 2006–07 prevalence survey.

Table 4.4 Broad indications of problems^a

Indicator	Low risk	Moderate risk	Problem gambling	Share of affected people who are CPGI 0-7
	%	%	%	%
Sometimes to always thought had a gambling problem				
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
Wanted help for gambling problems	1.4	6.3	47.6	46.3
Tried to get help for problems	0.7	2.2	28.4	37.2
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 Where not explicitly sourced, the indicators are from the large-scale Queensland 2006–07 prevalence survey. 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 scale for Tasmania is from ‘sometimes’ to ‘almost always’ — the unmodified CPGI scale.

Source: Tasmanian, Queensland, NSW and South Australian prevalence surveys.

Table 4.5 Harms to jobs and health^a

<i>Indicator</i>	<i>Low risk</i>	<i>Moderate risk</i>	<i>Problem gambling</i>	<i>Share of affected people who are CPGI 0-7</i>
	%	%	%	%
Affected health				
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
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 Where not explicitly sourced, the indicators are from the large-scale Queensland 2006–07 prevalence survey. 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. 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 4.6 Financial harms^a

<i>Indicator</i>	<i>Low risk</i>	<i>Moderate risk</i>	<i>Problem gambling</i>	<i>Share of affected people who are CPGI 0-7</i>
	%	%	%	%
Often/always bet more than can afford				
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
Sometimes to always caused financial problems for the household				
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
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'.

Source: Tasmanian, Queensland, NSW and South Australian prevalence surveys.

Table 4.7 Psycho-social harms^a

<i>Indicator</i>	<i>Low risk</i>	<i>Moderate risk</i>	<i>Problem gambling</i>	<i>Share of affected people who are CPGI 0-7</i>
Often/always felt guilty about gambling	%	%	%	%
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
Often/always criticised about gambling				
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
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 Where not explicitly sourced, the indicators are from the large-scale Queensland 2006–07 prevalence survey. 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. Results are less reliable for low prevalence items. ^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.

DRAFT FINDING 4.1

There are many people not categorised as ‘problem’ gamblers who, nevertheless, say they are harmed by their gambling.

4.5 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 the SOGS screen for problem gambling, whereas recent prevalence surveys have used the CPGI. As we discuss later, the results from the two screens 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 4.8 and 4.9), 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

around 0.7 per cent and an average of 0.75 per cent. (Results for different jurisdictions vary.) Assuming this average applies to the whole population, then that suggests around 125 000 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 90 000 and 170 000 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 4.3 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).

In that case the average Australian prevalence rate would be around 2.5 per cent, implying around 410 000 moderate to severe problem gamblers. When statistical uncertainties are considered, this implies there would be around an additional 230 000 to 350 000 moderate risk gamblers (an average of 290 000), and between 340 000 to 490 000 in the combined group.

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 4.8 Estimates of the prevalence of problem gambling^a
Australia, 1995–2008^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
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	2.08	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
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	1.90	1.53	0.37	..	..	..
SA	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	..	..	..	1.40	0.86	0.54
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 quite commonly the whole group scoring 3 or more are 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.

Source: Based on PC calculations and data from Australian prevalence studies.

Table 4.9 Summary of prevalence rates, June 2009

Risk category	Prevalence rate			Adults affected		
	Average	Lower	Upper	Average	Lower	Upper
	%	%	%	Number	Number	Number
Problem gambler	0.75	0.53	1.01	125 000	88 000	169 000
Moderate-risk	1.71	1.37	2.12	287 000	230 000	355 000
Combined higher risk	2.46	2.02	2.93	412 000	339 000	491 000

^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 4.8. 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 4.8.

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 3 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’.

DRAFT FINDING 4.2

There are estimated to be between 90 000 and 170 000 Australian adults suffering significant problems from their gambling in a year (0.5 to 1.0 per cent of adults), and between 230 000 and 350 000 people with moderate risks that may make them vulnerable to problem gambling (1.4 to 2.1 per cent of adults).

How do prevalence rates look for individual states and territories?

Table 4.8 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 10).

The risks should relate to people who gamble

The prevalence rates above relate to the entire adult population. Yet, as noted in chapter 2, around 20 per cent or more of adults do not gamble at all in any given year. The risks associated with an activity should be assessed for people engaged in that activity. For instance, few people in the population die from mountaineering accidents, but the fatality rate among mountaineers is relatively high.

The point is that from a policy perspective, the prevalence rates of gambling problems need to be assessed for those who actually gamble (table 4.10).

Overall, problem gambling prevalence rates among *gamblers* are around 25 per cent higher than those implied by the adult rates (around 0.9 percent for CPGI 8+ and 3.0 per cent for CPGI 3+).

Assessing risks for only those engaged in gambling is important, 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 85 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 pose few harms), only around 15 per cent of adults gamble weekly or more (table 4.11). 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 10 per cent using the CPGI 8+ criterion and around 15 per cent for moderate-risk gamblers.

Table 4.10 Prevalence of problem gambling among gamblers

Australia, 1995–2007^a

Jurisdiction	Year	Gambling share of the population	SOGS	SOGS	SOGS	CPGI	CPGI	CPGI
			5+	5-9	10+	3+	3-7	8+
		%	%	%	%	%	%	%
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
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	2.60	2.52	0.08	..	..	..
ACT	2001	72.9	2.62	2.00	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
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	2.51	2.03	0.48	..	..	..
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	71.7	..	..	..	1.96	1.20	0.75
WA	1999	84.3	0.83	0.83	0.00	..	..	..
Average	..	78.0	2.12	1.70	0.42	3.05	2.13	0.91

^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. The study for Victoria in 2007 is excluded since the gambling share was not known at the time of the draft. If included, it would slightly increase the average results for CPGI estimates.

Source: Based on PC calculations and data from Australian prevalence studies.

Table 4.11 Problem gambling prevalence among regular gamblers

Various jurisdictions 1995–2007^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	1997	..	..	..	..	..	..	..	..
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
ACT	1999	24.3	8.5	..	..	4.6	18.5	..	..
ACT	2001	26.1	7.3	..	..	5.2	22.5	..	..
QLD	1999	16.6	6.0	..	..	4.1	14.7	..	..
QLD	2001	..	..	..	..	..	..	..	..
QLD	2003	..	..	..	..	3.1	..	7.6	19.8
QLD	2006	..	..	..	..	2.8	..	5.9	13.8
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	18.3	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	..	7.2	18.7	1.0	..	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. 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. These data exclude the surveys from Victoria in 2007 and 2008 due to lack of sufficient data availability.

Source: Based on PC calculations and data from Australian prevalence studies.

So, though problem gambling is indeed low in the total adult population — an observation frequently made by industry representatives — it is high among those who gamble regularly. Another corollary of this is that there is high likelihood of encountering problem gamblers in venues. This is simply because there is a higher

likelihood of encountering a regular in a venue and regulars have a higher propensity to be problem gamblers.

In other words, while problem gamblers may account for only one per cent of the total adult population, they may account for twenty or more 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).

Some forms of gambling are riskier than others

Different gambling forms pose varying risks for people, with gaming machines posing the greatest problems. Around one-third or less Australians play gaming machines in any given year. 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 (Hale 2009.) Overall, around 5 per cent of Australian adults play weekly or more. Accordingly, weekly gaming machine gambling is rare. Yet, depending on the survey source, problem gambling rates among regular EGM players lie between 7 and 32 per cent (with an average of around 16 per cent).¹⁸ And, if moderate risk gamblers are included, the range is between 18 and 45 per cent (an average of 30 per cent).¹⁹ This highlights a continuing theme in this chapter — risks should be appraised for the most exposed groups.

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 also 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:

- the evidence from counselling agencies shows that around 80 per cent of presentations relate to problems on gaming machines

¹⁸ With the range based on the 10 and 90 percentile values.

¹⁹ These estimates suggest that the numbers of problem gamblers playing regularly on poker 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 reflects two factors. First, one set of estimates relate only to regular gaming machine play, so someone can be a problem or moderate-risk gambler and not play regularly on gaming machines. Second, the estimates of the prevalence of problems among regular gaming machine players are derived from a smaller group of studies, reflecting data limitations. For instance, estimates based on regular EGM play could not be produced for the 2008 Victorian prevalence study. We will consider any additional data available as part of the final report.

-
- the greater the extent of the problem, the more likely it is related to EGMs. For example, in the Queensland 2006-07 prevalence survey, around 30 percent of non-problem recreational gamblers played gaming machines; around 75 percent of low risk gamblers; 85 percent of moderate risk gamblers and around 95 percent of problem gamblers. Association is not proof of causation, but the pattern is 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 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). Given Tasmania has a very much lower share of adults gambling regularly on gaming machines than other jurisdictions, it could be expected that the share of people experiencing problems as a result of gaming machines would be higher in other jurisdictions
 - 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 4.4)
 - 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 (see later) — are likely to exacerbate the risks
 - 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.

DRAFT FINDING 4.3

Around 15 per cent of Australian adults gamble regularly (excluding Lotto and 'scratchies'). While imprecise, it is estimated that around one in ten of this group would be classified as problem gamblers, with around an additional 15 per cent experiencing moderate risks.

About 5 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. Altogether, around one third of regular gaming machine players face significant risks.

Box 4.4 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 both datasets used (the Queensland 2006–07 prevalence study and the South Australian 2005 prevalence study), playing gaming machines had between a 6 and 17 fold higher risk of problem gambling (using the CPGI 8+ rating) than lotteries, which is in excess of the relative risks for racing and table games. The differences between the South Australian and Queensland data probably reflects the fact that the CPGI was conducted for all gamblers in the latter case, but only for at least fortnightly gamblers in the former case.

<i>Gambling form</i>	<i>Risk of CPGI 8+ from playing this form alone compared to playing lotteries only</i>	
	<i>South Australia</i>	<i>Queensland</i>
	<i>Risk ratio</i>	<i>Risk ratio</i>
<i>Gaming machines</i>	17.5	5.9
<i>Casino table games</i>	1.9	2.3
<i>Racing</i>	1.9	1.7
<i>Lotteries</i>	1.0	1.0

Source: PC calculations using the 2005 South Australian and 2006–07 Queensland prevalence surveys.

4.6 Comparison of gambling problems with other public health concerns

While gambling is a serious social concern, its prevalence is much lower than some other contemporary public health concerns, such as smoking, excessive alcohol consumption, and obesity (table 4.12). On the other hand, problem gambling has a much higher prevalence than heroin use or hospitalisations resulting from traffic accidents. When moderate and problem gambling risk groups are combined, it has around the same prevalence as use of meth/amphetamines.

The fact that gambling problems are more widespread than some other problems and less so than others is not the key consideration when allocating (scarce) resources to minimise harms or in determining the priorities for regulation. 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.

4.7 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.

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.²⁰

²⁰ 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.

Table 4.12 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</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 health ^c	3.4	AIHW 2007
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	0.75	This chapter
Moderate gambling problems	1.7	This chapter
Hospitalisation rates for traffic accidents ^e	0.15	AIHW 2008
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 over drinking 43 (males) or 29 (females) standard drinks or more per week. ^d Relates to proportion of the population aged 14 and over. ^e 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 2007, *National Drug Strategy Household Survey, First Results*; Berry J. and Harrison J. 2008, *Serious Injury Due To Land Transport Accidents, Australia, 2005-06*, Injury Research and Statistics Series Number 42. Cat. No. Injcat 113, AIHW.

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. 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 8. 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, they have incentives to be prudent in undertaking radical actions, knowing that if they make policy mistakes, they will see 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 a range of 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.

On this basis, 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 five prevalence surveys confirm the implications that frequent and longer duration playing result in very large annual expenditures by problem gamblers — averaging somewhere between \$16 000 to \$32 000 annually — depending on the method and the year of the study. 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 4.3).

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. That would not, by itself, be symptomatic of the role of problem gamblers. However, as noted in appendix B, as spending rises, so too does the risk of problems.

The share of total spending accounted for by:

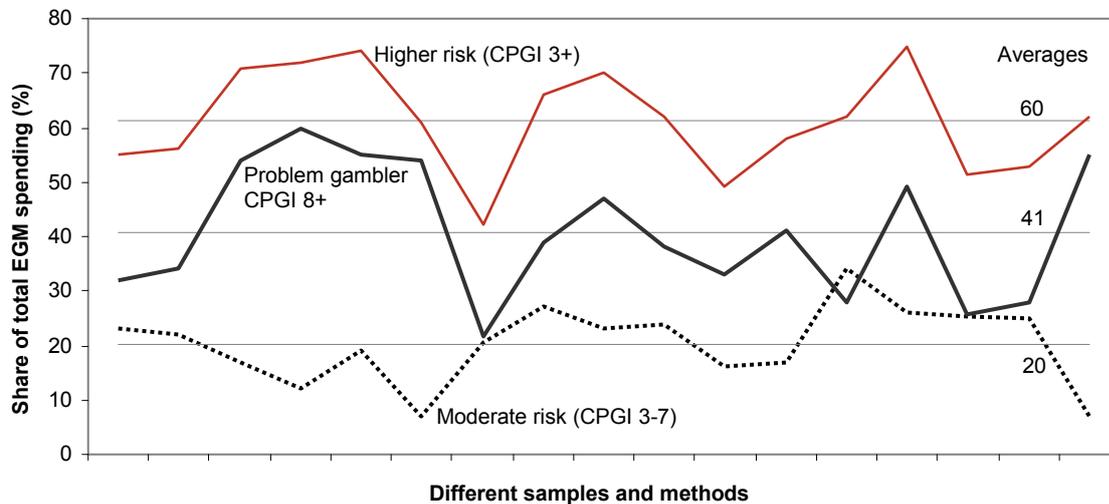
- problem gamblers (those rated as CPGI 8+) was 41 per cent (with the range from the minimum to maximum being 22 to 60 per cent, and with 80 percent of the estimates being between 27 and 55 per cent)
- moderate risk gamblers (CPGI 3–7) was 20 per cent (with the range from the minimum to maximum being 7 to 34 per cent, with 80 percent of the estimates being between 10 and 26 per cent)
- higher risk gamblers (the two measures combined or CPGI 3+) was 61 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 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.²¹

²¹ Based on prevalence surveys by Tremayne et al. (2001, p. 114); Young et al. (2005, p. 46) and PC (1999, p. 7.46).

Figure 4.3 Higher risk gamblers account for a large share of gaming machine revenue

Australian jurisdictions 2003–2007



^a The results are from analysis by the Commission of unit record data from five recent prevalence surveys from South Australia, Victoria, NSW, Queensland and Tasmania.

Data source: Appendix D.

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 (2004b) 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 2005.)

Shares of gaming machine spending by other groups

A major emphasis of this chapter is that problem gambling is a subset of a broader set of problems consumers experience when gambling. In that context, the expenditure shares of consumers who experience specific problems are also relevant to policy. The Commission has not explored this issue systematically, but as an illustration, around 60 per cent of total spending is accounted for by EGM players

with certain kinds of faulty cognitions (those who believe that wins and losses occur in cycles and that it is bad to play machine that has just paid out). On the other hand, people who believe in systems when playing gaming machines account for a relatively modest share of spending (around 15 per cent — possibly reflecting that this is a relatively rare faulty cognition).

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.²²

Williams and Wood (2004a) 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).²³ 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 (Ministry of Social Affairs and Health 2007). While the screen used is different, the latter implies a significantly lower share than the Canadian results.

DRAFT FINDING 4.5

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

4.8 Has problem gambling prevalence declined?

Some participants have suggested that problem gambling prevalence rates have declined, while others have disputed this. For example, Clubs Australia (sub. 164, p. 85) considered that:

²² From Tremayne et al. (2001, p. 114); Young et al. (2005, p. 46) and PC (1999, p. 7.46).

²³ 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).

... 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)

The Australasian Gaming Council (sub. 230, p. 33) and UnitingCare Australia (sub. 238, p. 18) were more cautious, but also suggested that prevalence rates have probably fallen.

A series of prevalence studies — summarised in table 4.8 — form the basis for the assessment that problem gambling prevalence rates have declined. Unfortunately, these data suffer significant limitations for that purpose.

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 centigrade from Fahrenheit. In that context, use of unadjusted data does not adequately substantiate a falling trend (as in figure 4.1 in Clubs Australia, sub. 164, p. 86).²⁴

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 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 0.55 per cent — on the face of it, an indicator that problem

²⁴ In addition, Clubs Australia was sceptical about the validity of SOGS as a measure of problem gambling. That would, if accepted, make it an unreliable basis for detecting any trends.

gambling was lower. 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 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.

So can anything be inferred?

Notwithstanding these various limitations in comparing studies over time, on balance, 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, and to 0.47 per cent in 2006–07. While each of the discrete reductions may not be 'statistically significant', the likelihood of finding two successive falls when, in fact, none has really occurred is much lower.

Moreover, the idea underlying the usual test of statistical significance is an acute aversion to error — of saying there has been a reduction (or a rise), when in fact there has not. 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. On the basis of the existing estimates and their imprecision, therefore it is *likely* that prevalence rates have fallen in that state, even though there remains a small possibility that they have not.

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.

While indicative only, the adjusted data suggest a slight downwards trend (figures 4.4 and 4.5).²⁵ The lack of certainty reflects the fact that there are multiple sources of potential error: misspecification of the model; misspecification of the procedure used to adjust CPGI scores; and sampling and non-sampling errors in the original prevalence data.

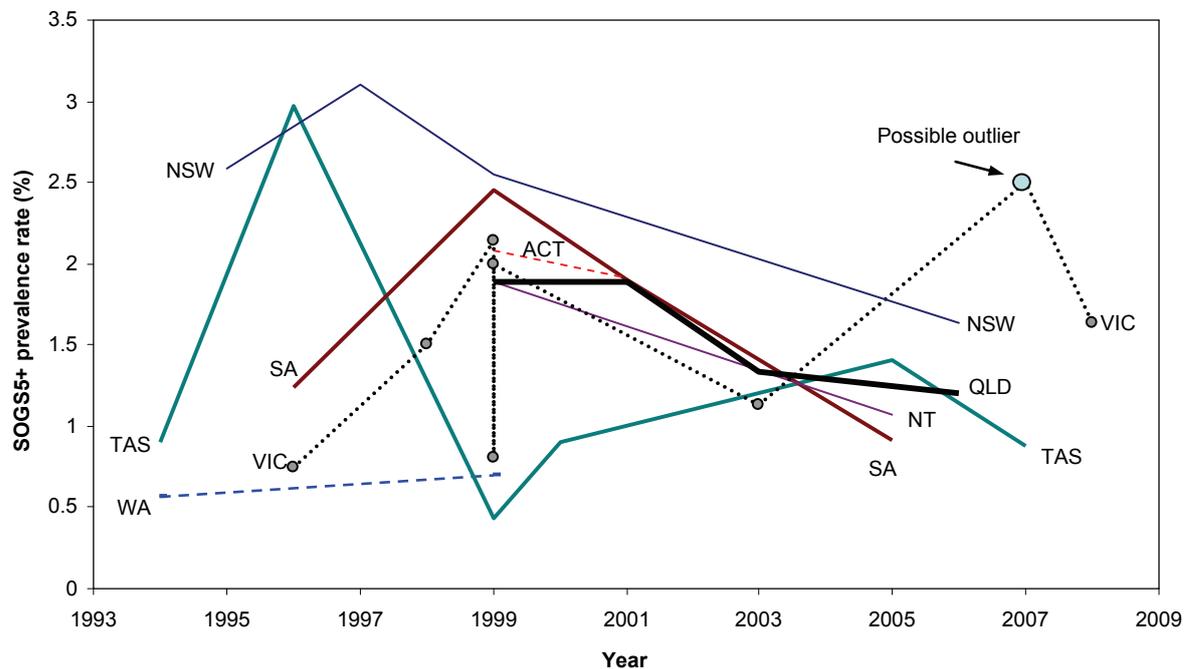
Other indicators of trends in the prevalence of specific problematic behaviours are more ambiguous. Table 4.13 shows results for five indicators for three jurisdictions. While the data are incomplete for some jurisdictions, in six of the nine cases there is an upward trend in the presence of problems.

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 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
- over time, people adapt to gambling and the novelty wanes (as shown by declining participation rates), lowering the proportion of exposed adults. As governments and venues make people aware of the problems, 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 re-commence problematic gambling — ‘innoculation’ (box 4.5 and figure 4.6).

²⁵ More formal modelling also suggested that a reduction was possible, though far from certain.

Figure 4.4 Problem gambling prevalence rates^a



^a Overall 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 4.8.

Table 4.13 Other indicators are more ambiguous

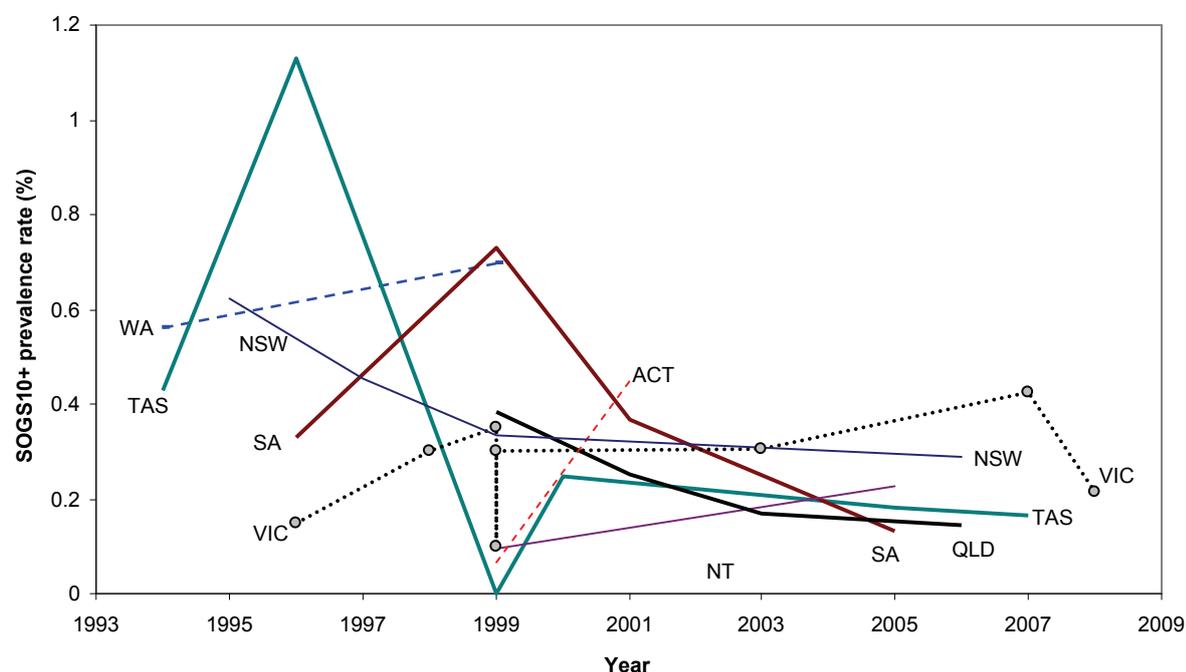
Share of gamblers

	<i>Wanted help for gambling problems</i>	<i>Tried to be excluded from venue</i>	<i>Rarely to always thought might have a problem with gambling</i>	<i>Criticised by others for gambling</i>	<i>Often or always felt guilty</i>
	%	%	%	%	%
QLD 2001	..	..	2.5	..	..
QLD 2003	0.50	0.90	2.1	0.9	0.64
QLD 2006-07	0.55	1.10	2.1	1.1	0.66
SA 1999	..	..	1.4	1.3	1.8
SA 2001	..	..	0.9	1.7	1.4
SA 2005	..	..	1.9	1.0	0.7
TAS 2000	..	..	1.2	..	..
TAS 2005	..	..	1.5	..	..
TAS 2007	..	..	1.5	..	..

^a These are based on the prevalence studies used in table 4.1, 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.

Source: State and territory prevalence surveys for these years.

Figure 4.5 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 4.8.

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).

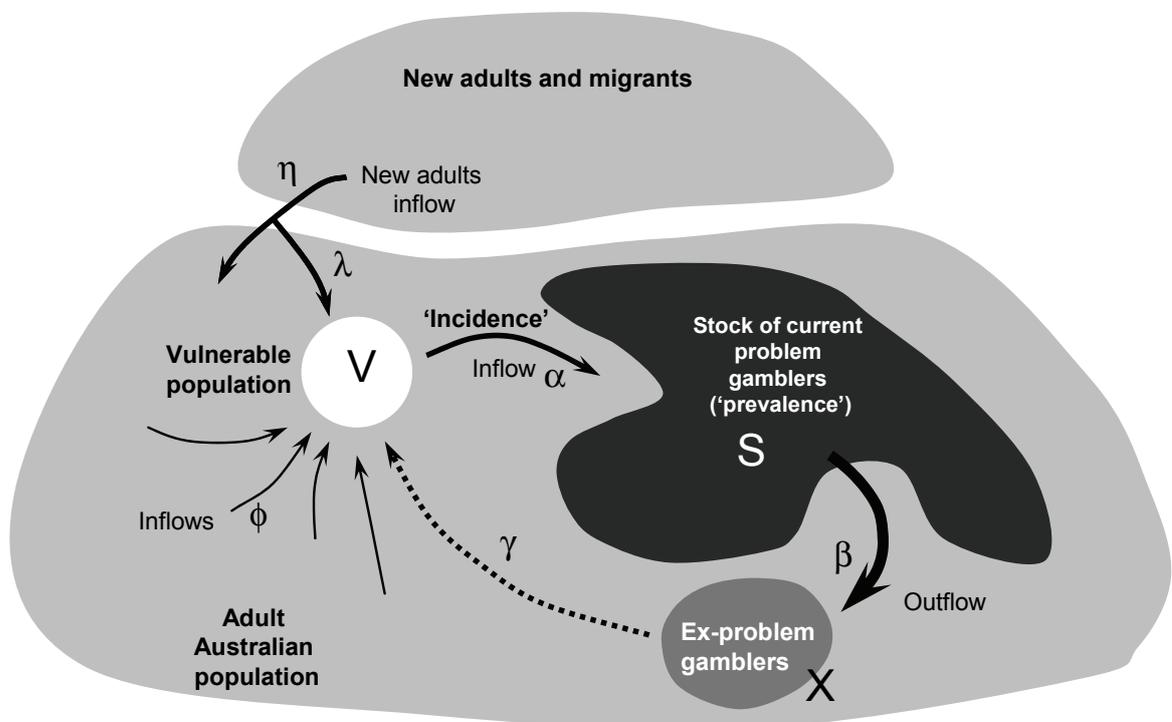
However, even in the simple model shown in figure 4.6, little is known about the magnitude, stability or determinants of the parameters that lead to the observed prevalence rate. The model suggests that prevalence rates should fall before reaching a floor. But even that ‘floor’ is subject to continuing influences. 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,²⁶ as may other research targeted at environmental risks and incidence.

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:

²⁶ The baseline study was conducted in 2008.

- it exaggerates the reduction in risks of actually gambling, since some of the reduction in the adult prevalence rates stem from lower participation in gambling (section 4.5)
- 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 (though some evidence suggests these might be falling too — box 4.5)
- the problems that remain are still significant and warrant continued policy action. The absolute numbers of affected people are still large — and larger still when the ripple effects of problem gambling on relatives and friends are considered.
- given the framework set out in box 4.5, reductions are unlikely to continue without environmental changes

Figure 4.6 **Stocks and flows suggest falling prevalence rates**



Source: Productivity Commission.

Box 4.5 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 6.6). 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).

While far from certain, problem gambling prevalence rates appear to have fallen somewhat. It is unclear how much this reflects natural adaptation or the impact of government policy, though both are likely to have contributed:

- *adult population prevalence rates can be misleading about the extent of problem gambling — the key concern is the proportion of regular gamblers who have problems.*

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 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.

5 Counselling and treatment support services

Key points

- Only a small share of people experiencing problems 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 and believing they can handle the problem themselves are the main reasons why gamblers do not seek professional help.
- Interventions should cover the full continuum of gambling problems and not just focus on 'treatment'.
 - Governments should place greater emphasis on community awareness, to 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 appear to 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 a minimum standard of specific training for problem gambling counsellors.
- Funding sources for gambling help services currently are too narrow in coverage of gambling forms.
- Nationally consistent data is much needed. 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 5.1)
- the effectiveness of the ‘treatments’ used to assist problem gamblers, and whether there are preferred approaches (section 5.2)
- whether there are benefits in increasing the qualifications or training of counsellors (section 5.3)
- the appropriate nature and degree of coordination of specialist services and the wider health system (section 5.4)
- the adequacy of funding arrangements (section 5.5).

The need for better evidence as a basis for decision-making about help services is a key theme (section 5.6).

5.1 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 between 90 000 and 170 000 problem gamblers, and excluding clients seeking help for someone else's gambling problem (around 4 000 people), this suggests a help seeking rate of between 8 and 15 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 experiencing problems primarily 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 NSW and Tasmania, show the most commonly reported length of time experiencing problems with gambling is 2 to 5 years (25 per cent in NSW and 32 per cent in Tasmania). Seventeen per cent of males and 12 per cent of females in NSW report having experienced problems for more than 15 years.
- Most clients do not receive prolonged periods of treatment. NSW, 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 NSW, 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. (Department of Justice 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 as a result of crime solely related to problem gambling. (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 2009, table 5.1). 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 5.1 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 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 5.1).

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'?

Many participants called for more of a public health approach to problem gambling, with a focus on addressing problems earlier. UnitingCare Australia, for example, said:

Responding to gambling harm requires an integrated range of responses, best described by application of a 'public health' approach to reducing gambling harm. 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. (sub. 238, p. 7)

As shown in figure 5.1, gambling problems lie along a continuum of increasing severity. The public health model focuses on the prevention of problems associated with gambling and promotion of wellbeing generally. This is in contrast to the medical approach which focuses on the *treatment* of the relatively small group of people suffering severe harm from gambling. As Shaffer and Korn put it:

By understanding the distribution and determinants of gambling problems in the general population and among the subgroups, there is opportunity to develop effective strategies to protect the vulnerable people, foster healthy gambling where appropriate, and improve the quality of community life. (2002, p. 204)

Under the public health model, strategies are applied across the continuum of problems, including identifying the behavioural and environmental factors that could lead to future problems.

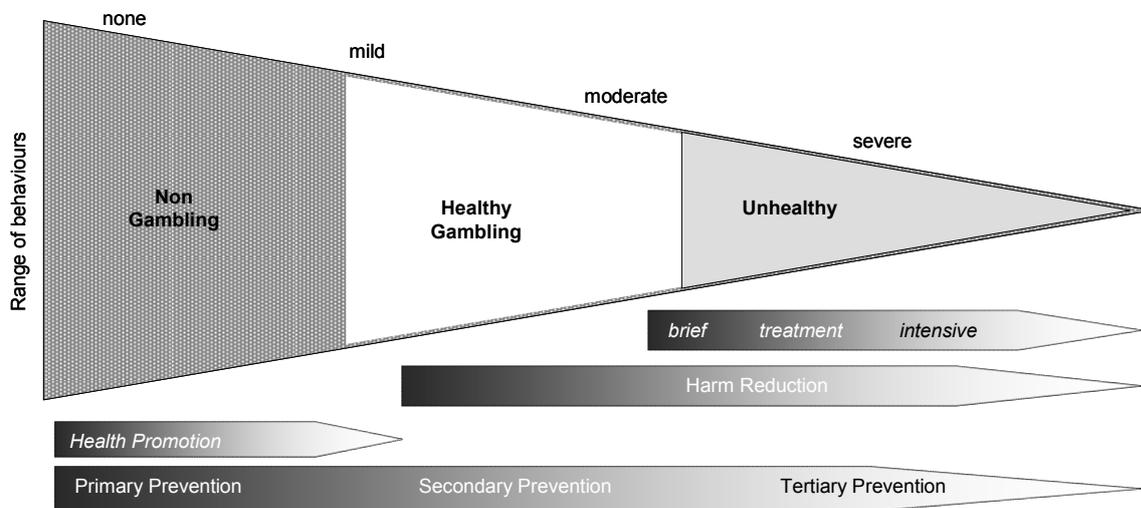
- Primary prevention activities are aimed at preventing individuals in the general population from developing gambling problems (such as public awareness-raising campaigns, service provider awareness).
- Secondary prevention activities seek to limit harm in the early stages of problem development (such as through intervening early).
- Tertiary prevention activities are about treating or reversing the effects of problem gambling.

Raising community awareness about gambling and help services available

Public awareness, education and training are a key focus of the *National Framework on Problem Gambling 2004-08*. All states and territories have in place strategies for raising community awareness about gambling and help services. Information is provided by various means:

- media campaigns
- gambling awareness weeks
- gambling websites
- problem gambling information material (printed in various languages)
- school education material.

Figure 5.1 **Gambling problems lie on a continuum**



Source: Korn and Shaffer (1999)

And, some states and territories have adopted a public health approach to gambling. For example, the Victorian Government’s ‘Problem Gambling Community Awareness and Education Strategy’ is built around three core principles — building community resilience to problem gambling, raising awareness of risks and promoting services for those who need help. Similarly, Queensland’s ‘Responsible Gambling Strategy’ covers early identification and prevention, consumer protection and rehabilitation initiatives.

Community awareness campaigns have the advantage of reaching a large proportion of the population. Campaigns based at the whole population can help the community better understand gambling problems (and this can reduce the stigma associated with having a gambling problem) and make more informed choices about gambling. 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.

In order to reduce ‘harm’ associated with gambling, awareness campaigns need to induce behavioural change. This is very difficult to do. Gambling awareness campaigns 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 gamblers at risk and enhancing their ability to recognise ‘at risk’ behaviours and adopt control strategies.

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. 2009). 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. (2009) 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.

In another recent study where recovered gamblers were asked how they 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 arousing cognitive dissonance between what the individual wants to achieve and what continued gambling would lead to (Toneatto et al. 2008).

Overall, the evidence suggests that campaigns that focus on the threat of future financial loss could promote earlier and increased rates of formal help seeking behaviour.

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 also 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 and
- referring those concerned to help services (box 5.1).

Box 5.1 Family and friends can play an important role

- In a Victorian longitudinal study of problem gamblers, their loved ones and service providers, the majority of problem gamblers stated that their families and loved ones 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 NSW 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).

There is also some evidence that campaigns to raise awareness of problem gambling issues lead to increases in the number of calls to gambling help lines and in the number of clients accessing counselling services:

- The year one evaluation of the Gambling Hangover Campaign (NSW), which targeted young males but also 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).
- An earlier Victorian longitudinal study testing recall of a state-wide campaign found that, prior to commencing the campaign, 43 per cent of the community were aware of support services. Six months after the completion of stage III,

71 per cent had become aware of the support services. A significant increase in the number of people using both counselling services and G-line was also reported (Jackson et al. 2000)

- An evaluation of a Gambling Awareness Media Campaign undertaken in Tasmania in 2003 targeted at people who gamble and those who know someone who gambles or might be affected by another person's gambling, 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.

Abbott et al. commenting on awareness campaigns internationally 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)

The evidence of a relationship between social marketing aimed at raising awareness about common signs of problem gambling and awareness of help available and increased help-seeking behaviour, suggests that more emphasis on community awareness would encourage earlier help seeking and interventions by family and friends. That said, more evaluations of campaign outcomes and assessment of cost effectiveness are needed to get a better sense of what works, the reasons why and the cost.

Community awareness campaigns can be relatively high-cost strategies. Raising awareness about gambling problems and help services available during a particular week of the year (each of the states and territories engage in community awareness activities during Responsible Gambling Awareness Week) is one way of limiting costs. The introduction of a national help line number and national on-line counselling and support program also provides the opportunity for jurisdictions to work together to more cost-effectively develop national awareness campaigns.

Improving pathways for referral

Improving referral pathways between gambling counselling services and other professionals who are likely to encounter people experiencing problems with gambling — such as general practitioners, financial counsellors and community

groups — is another 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. (NSW 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)

Professionals 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), is likely to be a low cost strategy that could increase opportunities for earlier intervention among people who are not actively seeking formal help.

Some states are already pursuing strategies in this area. For example:

- *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).

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. Thomas et al. also recommended screening patients presenting with anxiety and depressive symptoms or high drug or alcohol use (because of the high co-morbidity of these conditions, section 5.4).

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).

Overall the evidence suggests that equipping health professionals and counsellors 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).

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 identifying problem gamblers and providing them 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. (NSW 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 8). 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).

Visits to venues by Commission staff lent support to the proposition that people experiencing problems with gambling can be identified in venues and that they may not always be approachable. That said, they may be more approachable at particular times/places, such as when at the cashier or when claiming a cheque.

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)

Delfabbro, while acknowledging the difficulties associated with identifying and approaching gamblers in venues, also 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, p. 172)

The issue of incentives and challenges for venue staff to intervene is discussed further in chapter 8.

There is evidence that some clients learn about counselling services in the venues. Client data for G-line (NSW) 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). Venue brochures and signs are further examined in chapter 6.

Counsellors and community educators taking a more proactive approach in venues (including approaching gamblers who appear to have a problem with their gambling) could be better than relying 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). 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.

Funding for counselling and treatment services should allow for counsellors/community educators to take a proactive role in venues, 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. (Monaghan, 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). 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 12.

Placement of help material also matters

Given that the stigma associated with having a gambling problem is a barrier to seeking help, where gambling help service material is placed within venues will matter. 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, see chapter 6). 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 5.2). As Suurvali et al. (2009) said ‘formal treatment ... is not a prerequisite for resolution, even among gamblers with severe problems’.

Given the importance of natural recovery, it is important 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 5.3).

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. 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 promote these options. 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.

Box 5.2 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 5.3 **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 group 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)

DRAFT RECOMMENDATION 5.1

Building on existing initiatives, governments should:

- ***place greater emphasis on campaigns that (i) highlight potential future financial losses associated with problem gambling and (ii) make the community aware of behaviours indicative of problem gambling, to encourage earlier help-seeking and interventions by family and friends***

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- *provide information and a one-item screening test, as part of other mental health diagnostics, for optional use by health professionals and counsellors to assist them to recognise and refer people experiencing gambling problems. Screening should be targeted at high-risk groups, particularly those presenting with anxiety, depression, high drug and alcohol use*
 - *with subsequent evaluation of the effectiveness of this measure*
 - *promote self-help and the option for brief treatments, as such relatively low cost interventions can increase self-recovery of people experiencing problems with gambling.*

5.2 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. Abstinence is not usually specified as an endpoint.
- 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
- 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 5.4). 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.

People experiencing problems with gambling also often require services (such as financial and relationship counselling) in addition to therapeutic counselling to address the impacts of gambling on their finances and relationships. Client data collected by Gambler's Help services in Victoria, for example, showed that:

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- 62 per cent of problem gamblers present to specialist problem gambling services with financial issues
 - 45 per cent with family issues
 - 56 per cent with interpersonal-related issues (Department of Justice, 2008).

Box 5.4 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)

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 we know 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. As Toneatto and Ladouceur, on 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).

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. (2008 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 5.2). 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)

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. For example, Toneatto and Dragonetti (2008), examining the effectiveness of an eight-session CBT and a modified gamblers anonymous program among 126 problem or pathological gamblers, found that treatment outcomes of CBT did not differ significantly from those of the gamblers anonymous group, in terms of gambling frequency, abstinence rates and money wagered at 12 month follow-up.

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.

Table 5.2 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.

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 nonpharmacological and pharmacological treatment studies, the authors concluded that it was unclear whether nonpharmacological treatments were really more effective than pharmacological treatments for pathological gambling (Pallesen et al. 2007).

FINDING 5.1

Gambling treatment outcome studies report that, irrespective of the type of treatment provided, most clients benefit. Although cognitive behavioural therapy is the approach with the most empirical support, no one style of intervention is 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 (NSW) of clients of funding counselling services (conducted at intervals of one, three and six months, up to December 2008) 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 NSW 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 (where the 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 who were seen between October 2005 and November 2006 — at an average of 9 months after initial presentation — found that:
 - SOGS scores had reduced from 9.61 to 3.75
 - average weekly gambling expenditure had fallen from \$1 677 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) (NSW Government, sub. 247).

Results from an earlier longitudinal evaluation of the Gambler’s Help program in Victoria, also found high resolution levels among clients. According to pre and post counselling measures, the number of ‘pathological gamblers’ fell from 76 to 37 per cent. The evaluation also found the degree of resolution to be related to the number of sessions attended with a mean number of 4.15 sessions for a fully resolved primary problem (box 5.5).

DRAFT FINDING 5.2

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

5.3 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)

Box 5.5 **Some evidence from counselling and treatment services**

A Longitudinal Evaluation of the Gambler's Help program in Victoria (survey of 150 clients) 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 caused by their gambling activity)
- 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'
- in all resolution states the number of sessions attended was low — mean number of counselling sessions being 2.32 for non-resolved primary problem, 3.47 for partially resolved primary problem and 4.15 for fully resolved primary problem
- 69 per cent rated their emotional wellbeing as being 'very poor' when commencing counselling and 78 per cent rated themselves as 'very good' at the end of counselling
- counselling had a positive effect on maladaptive behaviours — on the DSMIV 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.

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. In a submission to the IPART report, the University of Sydney Gambling Treatment Clinic argued that

‘best practice’ involves employing clinical psychologists in the treatment of problem gambling.

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)

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 have a minimum level of training specific to problem gambling. A Massachusetts Think Tank (Massachusetts Council on Compulsive Gambling 2001) also 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. NSW, 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 5 years by NSW Vocational Education and Training Accreditation Board. 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’. (NSW 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).

Given the need for clinical knowledge for the application of therapies — including the 'unique elements' involving in treating problem gambling — and for dealing with co-morbidities, there appears to be grounds for a minimum level of competency training for problem gambling counsellors. A national minimum level of training for problem gambling counsellors would be expected to improve the quality of services, as well as promote greater consistency across the states and territories in the standard of treatment provided.

Some 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. NSW is currently rolling out an accreditation system for counselling services 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. (NSW Government, sub. 247, p. 66)

A national accreditation system would provide a consistent standard of service across Australia and a national framework for continuous improvement. That said, a national accreditation system would not come without costs to service providers (and ultimately tax-payers). There is also the question of whether the same objectives could be achieved by way of 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 5.6).

The Commission seeks feedback on the need for a national accreditation system for problem gambling service providers.

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

5.4 Co-ordination with other health services

Many clients who present for help with gambling problems 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, 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.

The study concluded that ‘problem gamblers not only need treatment for their gambling but also for a range of other problems’ (Thomas and Jackson 2008, p. ix).

A number of submissions emphasised the importance of managing clients who are grappling with other issues and taking a case-management approach (as in other areas of health). Others called for the greater integration of problem gambling services with other health services, arguing that this would improve outcomes and reduce the stigma attached to having a gambling problem:

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)

The fact that problem gambling remains in the portfolio of the Office of Liquor, Gaming and Racing as opposed to NSW Health or another Community Service department is a clear lack of understanding of the nature of the disorder and its significant health impacts. ... clients are unable to access a case management approach to their co-morbid issues and unlike a community health service where collaborative co-working relationships between therapeutic interventions are common, much of the

counselling is conducted without integration with other services. (Roberts, sub. 89, p. 3)

As many people experiencing problems with gambling require access to other health and community services (such as housing and accommodation support), there needs to be a co-ordinated approach to care and flexibility to cater for individual needs. The evidence points to the importance of co-ordination between specialist gambling services and services in the areas of alcohol and drugs, mental health services, financial and family services.

At the July 2009 Ministerial Council on Gambling, the Ministers 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.

State and territory governments could also establish stronger linkages between gambling counselling services and other health and community services. In Victoria, gambling services are co-located with other health and community services. This model has the potential to not only facilitate more of a case-management approach for clients presenting with multiple issues, but also reduce the stigma associated with accessing gambler's help 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).

A key component of PCP's is service coordination. Service coordination is a statewide vision to align practices, processes, protocols and systems through functional integration. 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 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 5.6).

Victoria also provides funding for a specialist portfolio service program with dedicated specialist positions that work in collaboration with mental health services, alcohol, and drug services and family services.

A co-ordinated approach is more likely to ensure continuity of care and achieve better overall outcomes for people experiencing problems with gambling who are also dealing with other issues. It could also minimise total costs of care, by reducing the need for multiple assessments.

Box 5.6 Primary Care Partnerships — secure electronic system a key building block

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

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Governments should work to provide stronger formal linkages between gambling counselling services and other health and community services.

5.5 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:

We wish to acknowledge the valuable contribution many Clubs make to community groups and activities. However, 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)

Since 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.

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

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 primary and secondary 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 strategies to encourage earlier help-seeking, promote self-help options and establish better data collections (section 5.6), 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. 6)

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 14).

5.6 Building a better evidence base

A better evidence base is needed to answer basic questions about the effectiveness of counselling and treatment services and to ensure that government funded services are accountable. Better monitoring and evaluation of services are also required to inform future planning and direction of gambling help services. A number of participants were also of this view (box 5.7).

The Commission's attempts to gather data about clients seeking help across Australia 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.

Box 5.7 A better evidence base — participants' views

The Australasian Casino Association called for:

... the development of a comprehensive national data set to be used as a tool that it 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. 7)

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 centre (chapter 15) ideally should coordinate the collection of a national dataset on gambling help services. The Australian Institute of Health and Welfare is another option: it currently coordinates and publishes national datasets in a number of health areas, including a national collection of publicly funded treatment episodes in alcohol and other drug treatment agencies.

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 NSW 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, 2008). 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 NSW. 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.

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A nationally consistent and publicly available dataset, including agreed outcome measures, would improve the evidence base on gambling help services. The collection of data could be coordinated by the Commission's proposed gambling policy research centre (draft recommendation 15.3) or the Australian Institute of Health and Welfare.

There is also currently very little tracking of clients. Jackson et al., looking at new and re-presenting clients 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)

What this suggests is 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, and
- educating the public about the visible signs of problem gambling.

Specifically, more evaluations of community awareness campaigns are required to get a better sense of what works and why, and additional research is needed to determine the effectiveness of self-help options and brief interventions.

Essential questions about the efficacy and effectiveness of treatment for gambling problems still need to be answered. 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.

6 Gambling information and education

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 effectiveness by using visual images and improving the messages.
- There are grounds for the wider provision of player information statements and dynamic warnings on new machines.
- Evaluations show that community education programs encourage additional people to seek help for their gambling.
- Evaluations of school-based education for gambling, while limited, find improved understanding of gambling, but not positive behavioural change.
 - The richer evidence base on 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 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.

Provision of community information and warnings, as in other areas of public health, are an important component of gambling policy. Information-based policies can warn people of the risks and assist in recognising characteristic behaviours of problem gambling so that they are more cautious in their gambling behaviour or may be prompted to seek help if they already have difficulties. Such policies can also inform people about where and how to access help services or to bar themselves from gambling through self-exclusion.

Moreover, gamblers can have a range of faulty cognitions, including false confidence about their prospects of winning (chapter 4, Delfabbro 2008a). While erroneous perceptions may be relatively harmless for many people, evidence from

counselling services and clinical trials show that such cognitive errors are a major contributing factor to gambling problems.

State and Territory governments and gambling providers already pursue a range of information provision strategies. Such strategies have the advantage that they are low cost and do not inconvenience recreational gamblers. However, the more vexed issues relate to their effectiveness in actually changing behaviour, and the scope for widening or improving the current set of approaches.

This chapter looks at:

- community education programs, such as pamphlets, mass media advertising and websites (section 6.1)
- in-venue warnings, posters and information pamphlets (section 6.2)
- school-based curriculums or programs — either directly related to gambling or associated issues, such as financial literacy (section 6.3).

Some participants raised concerns about other information provision issues that do not clearly fall into any of the above categories — these are dealt with in section 6.4. In addition, certain key elements of information and education are dealt with in other chapters, notably:

- restrictions on venue based promotions (chapter 8)
- warnings and messages on automatic teller machines (chapter 9)
- warnings and information provided by online gambling sites (chapter 12).

6.1 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 the problem gamblers' accumulated losses).

What approaches are currently used in Australia?

All jurisdictions require venues to display warnings and problem gambling pamphlets, but the nature of the material differs. For example, New South Wales and Victoria have developed formats to better attract gamblers' attention, and Victoria has rolled out a series of large warning messages that include prominent visual components (some examples are shown later in the chapter).

South Australia has a unique approach to warning messages on electronic gaming machines. Similar to most other jurisdictions, it has a number of approved warning messages for use with electronic gaming machines. However, the warning signs are rotated over time for each machine (table 6.1).

Table 6.1 Warning messages are rotated in South Australia

<i>Message</i>	<i>Date to be displayed</i>	<i>Message</i>	<i>Date to be displayed</i>
Don't chase your losses. Walk away.	1/12/2008 to 31/5/2009	You know the score. Stay in control.	1/6/2010 to 30/11/2010
Don't let the game play you. Stay in control.	1/6/2009 to 30/11/2009	Know when to stop. Don't go over the top.	1/12/2010 to 31/5/2011
Stay in control. Leave before you lose it.	1/12/2009 to 31/5/2010	Think of the people who need your support.	1/6/2011 to 30/11/2011

Source: Office of the Liquor and Gambling Commissioner (2008).

Other in-venue notices and information

Typically, licensing requirements or industry codes of conduct require gambling venues to provide problem gambling pamphlets and contact details for help services. During the course of this inquiry, the Commission visited a range of gambling venues, and it was sometimes difficult to find problem gambling related pamphlets.

Their presence is one thing, their visibility and accessibility another. Information pamphlets and posters are likely to be most effective where gamblers feel comfortable picking up or reading the material. This requires that some are placed in areas of relative privacy, such as bathrooms. It is desirable that warning notices and pamphlets are also displayed in parts of the venue where patrons may take a break from gambling. Patrons may be more receptive to information when they are not actively gambling. Even if they may not be willing to pick up literature in those 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 NSW was to provide a problem gambling pamphlet in a plain white cover. The document is likely to stand out in any venue, but because the cover gives no indication of the contents, people can 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.

The Western Riverina Murray Gambling Forum (sub. 226) noted the lack of contact cards for counselling services in some gaming areas. Given the stigma commonly associated with gambling problems, it is more likely that gamblers would take contact cards if they were placed in a discreet location. For example, in one venue the Commission noted that counselling contact cards were available in the bathrooms and could quickly and discreetly be accessed by gamblers (figure 6.1).

Figure 6.1 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 8). 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, while also ensuring the cost of assessment is proportional to the benefits that could be expected.

How effective have warning campaigns been?

On the basis of the preliminary numbers, the Commission's survey of the clients of problem counselling agencies found some positive, albeit modest, impacts of warnings. Most respondents (74 per cent) indicated seeing warning signs in venues, and of these, 24 per cent who saw the information said they changed their gambling behaviour (that is, 18 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 warnings, given their low cost.

On the other hand, the Commission's survey also suggests that warning signs have had no impact on most problem gamblers who are in treatment. Some of the reasons given for their lack of impact included that the 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'. While in many cases, this suggests that a sizeable group of people experiencing severe difficulties will remain insensitive to any warnings, others may be more responsive if the warnings prompt awareness of problematic behaviour or have an emotional impact that encourages behavioural change.

There are several other studies that have directly examined the effectiveness of gambling related warning messages. These have assessed the size of messages, the relative impact of static or dynamic messages and the importance of the actual text of the messages.

As with many gambling-related studies, researchers examining warning campaigns are often constrained by ethical considerations from studying gamblers who are using their own money in actual gambling settings — constraints that potentially impact on the policy relevance of the research. It is common for researchers to undertake laboratory rather than field experiments. These have usually concluded that exposing people to warning messages generally changes participants' understanding of the odds of winning, but there is typically no significant change in their gambling behaviour (Steenbergh et al. 2004, Cloutier et al. 2006). 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 studies have also shown that gaming machine players are more likely to respond to ‘dynamic’ warning messages than to the static warnings commonly used. Dynamic warnings are messages that are periodically displayed to patrons as they are gambling — usually the messages are displayed on the game screen. Cloutier, Ladoucier and Sévigny (2006) also found that those receiving dynamic warning messages showed a larger reduction in erroneous beliefs than the group receiving static warning messages. However, the study found that the behavioural effects of the different forms were identical. Monaghan and Blaszczynski (2007) found that students who played an actual electronic gaming machine (still in a laboratory setting) had substantially higher recall of warning messages if those messages were dynamically delivered via the screen.

The potential for dynamic delivery of messages to players can be implemented on new gaming machines for little additional cost (see recommendation 6.2). Such dynamic warnings are more practical for online gambling, electronic gaming machines and some computerised forms of gambling in casinos.

The Commission has been able to obtain two venue-based analyses of warning messages in Australia — one commissioned by the NSW Government (Riley-Smith and Binder 2003) and the other by the Victorian Government (Sweeney Research 2007). Both used a focus group approach to assess the impact of existing warning messages compared to possible alternative messages.

Sweeney Research (2007) grouped the participants by problem gambling risk level, allowing the identification of differences between low and high risk gamblers. While the views of the two groups were generally similar, one difference was in the reaction to a warning sign with a picture of a distressed person (figure 6.2). Problem and at risk gamblers responded strongly to the picture, whereas low risk gamblers thought the warning was irrelevant to them because they could not relate their own gambling behaviour to the emotions depicted.

For warnings to have any effect, people obviously need to be aware of them. This is influenced by where the sign is placed, its size and how well it stands out in its surroundings. The Sweeney Research study tested warning messages with different combinations of the length and placement of text, colour schemes, and visual imagery. Based on an initial assessment by the focus groups, they then rejected messages that had little impact and modified and retested those warnings with the greatest impacts. Two of the messages that were subsequently developed are shown in figure 6.3.

Figure 6.2 **Pictures evoke different responses from high and low risk gamblers**

Warning tested in Victorian review



Source: Sweeney Research (2007).

Most of the literature on gambling related warnings has been produced recently and, as a result, there are no critical reviews or meta analyses across a spectrum of approaches. However, analyses of warning messages in related fields may provide guidance—notably studies of alcohol and tobacco warnings.

What makes messages effective?

The literature on the effectiveness of alcohol and tobacco warnings is more extensive than that for gambling, and includes a large number of critical reviews and meta analyses. Tobacco and alcohol warnings have had a checkered history, however, with evidence of uneven effectiveness. Moreover, context is important—in the case of tobacco in particular, the warnings complement the social groundswell of public opinion against tobacco use. Nevertheless, there may be scope to draw lessons from that experience that could be used in relation to gambling.

Figure 6.3 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)

Tobacco warnings

Tobacco warning campaigns have been among the most effective campaigns in public health. However, even the more successful programs have resulted in behavioural change in only a minority of smokers.

While the effectiveness of tobacco warning campaigns has varied, the extensive reviews of these programs provide some lessons for gambling. In general, changes to tobacco warnings have increased their prominence by increasing the size of the text and the overall size of the warning, making the colour scheme more striking and by the inclusion of effective 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.

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). A different study also found that changing a small font size to only a

somewhat bigger one had no impact (Kaiserman 1993). This confirms that warnings have to achieve a certain threshold of prominence to be effective. In a gambling context, this could apply to the size and location of the warnings and to the visual contrast between the warning and the surrounding images.

The type of text message used can also influence the effectiveness of warnings. The literature highlights that people who are undertaking risky behaviours often seek reasons to reject or discredit warnings and information campaigns so they can justify continuing their risky behaviour. For example, if the person does not display the behaviour depicted in the warning, they can argue that the warning is not relevant to them (Strahan et al. 2002).

There has also been research examining the differential impact of warning messages that emphasise either the negative impacts of a risky behaviour or the positive impacts of ceasing or reducing that behaviour. While examining the effectiveness 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)

By the time people develop gambling problems, their gambling behaviour is typically well entrenched. As such, the inclusion of warning messages that highlight the benefits of stopping or reducing gambling are likely to improve the effectiveness of a warning campaign.

Confronting images also appear to assist effectiveness, at least in some areas of public health. For instance, cross-country studies have found that tobacco warnings that included confronting visual imagery and larger warnings are more successful in reducing smoking (Hammond et al. 2007, Strahan et al. 2002).¹ These impacts have also been sustained. 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).

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 and New South Wales have taken initial steps in developing gambling related visual

¹ The most effective warnings covered at least 30 per cent of the tobacco packages (Hammond et al. 2007).

imagery. Given the potential for behavioural change, further exploration of gambling related visual warnings is warranted.

The other critical 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 suggests the importance of ‘refreshing’ such material.

Alcohol warnings

Existing reviews of alcohol warnings appear to offer less guidance for the effectiveness of warnings about the risks of gambling. When assessing the effectiveness of alcohol warnings, Stockwell (2006) concluded that:

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)

Despite the poor impact of alcohol warning labels, it is still possible to draw useful conclusions from that research. For example, alcohol warning messages tended 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 highly possible that existing campaigns targeting responsible alcohol use could be more effective than previous campaigns. As reviews of those programs are undertaken, they may also provide additional insights for gambling campaigns.

Implications for policy

As noted in chapter 5, based on the responses by the people who called G Line, in-venue notices and stickers were the most common means of finding out about the service (Responsible Gambling Fund Trustees 2008). As only a fraction of problem gamblers ever seek help, clearly in-venue warnings and notices do not prompt action by all problem gamblers. However, given that many people who seek help for gambling problems used in-venue information to contact help services, the benefit of that information is more than sufficient to warrant the small cost of producing and disseminating the material.

What certainly will not work are warnings deliberately designed to obscure the message, placed in locations that are hard to find or produced in a form that makes identification difficult.

Existing research on warning materials in other 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 are consistent with many of these principles. Given the *ex ante* evidence from the qualitative research undertaken by Sweeney Research 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 model.

DRAFT RECOMMENDATION 6.1

Governments should draw on the Victorian model for gambling warnings:

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

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

6.2 Community education

Since in-venue warnings and notices are only effective in encouraging behavioural change among some problem gamblers, community education aimed at prevention or amelioration of gambling-related harm may also be important. In particular, such campaigns may reach problem gamblers who find it hard to make rational decisions about seeking help or changing their behaviour when actually engaged in gambling.

Jurisdictions employ many community education approaches (box 6.1), including measures targeted at particular risk groups (figure 6.4).

Non-government agencies also play a prominent role in community education, including:

- reaching local communities
- training venue staff in responsible gambling practices
- developing broad competencies in financial literacy. For example, the ANZ bank collaborated with a range of community organisations to develop a financial literacy program titled *Money minded*. While not explicitly targeted at problem gambling, that program provides a range of skills relevant for people who have gambling problems. Community organisations providing the *Money minded* course include The Salvation Army The Brotherhood of Saint Laurence, Mission Australia, The Smith Family, Anglicare and Kildonan (The Smith Family sub. 131).

Community education is a popular measure, but does it work?

While community education is a commonly adopted approach, a key issue is whether it is, or is likely to be, effective. There are significant difficulties in assessing such programs and few evaluations. Nevertheless, the available evaluations show that community education programs have had positive impacts for some months after the program, at least on help seeking, and none have indicated adverse behavioural effects:

- the number of phone calls to the Victorian problem gambling helpline showed dramatic increases after each concentrated media campaign (Jackson et al. 2000) and a high proportion of people recalled one of the advertisements. (Intriguingly, another advertisement appeared to improve awareness of help services, but had a relatively low recall rate, indicating the subtle ways in which campaigns may work.)
- an evaluation of the *Gambling Hangover* campaign — targeted at young male gamblers in New South Wales — found that half of the young males surveyed

recalled the advertisement; calls to the problem gambling line increased 5 per cent after the campaign and 85 new clients seeking face to face counselling indicated that the campaign influenced their decision (NSW Responsible Gambling Fund sub. 38)

- Chapter 5 highlights further evidence that community education programs can encourage gamblers to seek help.

This suggests the continuation of community education programs, as well as periodic re-assessment of their effectiveness. A higher standard of assessment should be used for costly elements of these programs — such as mass media campaigns, but, in general, elaborate evaluations would probably not be worth the costs given the existing scale of interventions.

Box 6.1 Government initiatives in community education

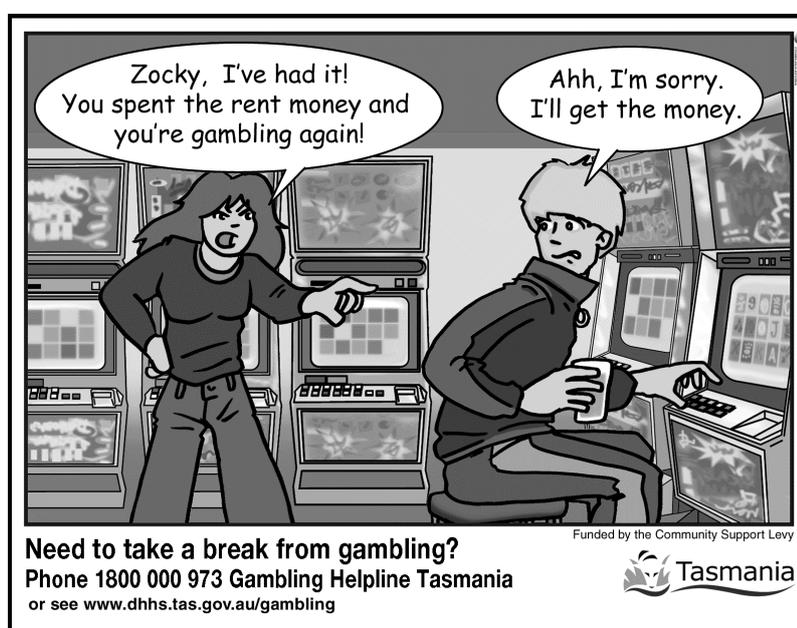
Jurisdictions employ a variety of community education approaches. They include the following:

- The use of media campaigns aimed at raising the general public's awareness about the risks and impacts of problem gambling. Other roles for advertising campaigns are to diminish the perceived stigma associated with problem gambling; to make people aware of options for assistance; and to encourage greater use of help services (Victorian Government, sub. 205, appendix 3). All gambling-related community education materials prominently feature the contact details for help services.
- All states and territories hold an annual gambling awareness week. Some examples of activities undertaken during that week include: more mass media campaigns than at other times of the year; information stalls in shopping centres; workshops and seminars highlighting developments in problem gambling; and refresher courses for venue staff on responsible service of gambling.
- Governments in all jurisdictions provide additional information through websites and phone lines. These typically include access to material that is available from gambling venues and counselling services. In addition, many jurisdictions have developed additional material in an attempt to engage with and inform problem gamblers.
- Targeted communication campaigns attempt to raise awareness of gambling issues among specific groups. For example, all jurisdictions provide gambling related material in multiple languages and many jurisdictions target groups that have higher problem gambling prevalence rates. As an illustration, the Tasmanian Government targets young people through print and television advertisements (sub. 224). An example from their most recent youth campaign is shown in figure 6.4.

6.3 School-based education campaigns

Various participants have supported school-based education to deal with faulty perceptions of gambling, and, more generally, to reduce future occurrences of problem gambling (Women’s Christian Temperance Union of Western Australia, sub. 6; Betsafe, sub. 93; Australasian Gaming Council, sub. 230). The Australian Hotels Association identifies education as one of a set of low-cost options likely to be effective in preventing problems (sub. 175, p. 60). The Australasian Gaming Council encouraged the implementation of school-based gambling education, to the point of developing teaching modules and promoting their use in schools (sub. 230, p. 79).

Figure 6.4 Example from a youth awareness campaign



Source: From the Long Odds campaign in the Streetwise comic.

While there is broad support for the principle of using early education to reduce future gambling related-harm, there is no consensus about what this should entail, and there are inconsistencies between the approaches advocated. For example, the Women’s Christian Temperance Union of Western Australia (sub. 6) proposed a focus on gambling problems, an approach opposed by the Australasian Gaming Council (sub. 230, p. 79). And, while Uniting Care Australia agrees with the Australasian Gaming Council about the important role of financial literacy in gambling education, it was apprehensive about other aspects of the Council’s approach:

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)

While there are numerous proposals for school-based gambling education, many of the ideas have already been implemented by jurisdictions (box 6.2). In addition, most jurisdictions are reviewing their curriculum materials generally, including the approach taken to problem gambling education.

Evidence on the effectiveness of school-based education programs

At least one evaluation of a gambling related education program in Australia is publicly available — based on the *Dicey Dealings* program in South Australia. That program was initially trialled in 2004 in eight middle schools (Glass and Williams 2007). As part of the trial, a method for evaluating the program was established, focusing on the knowledge and attitudes of students. The assessment compared the views of students who attended schools that did not participate in the trial with views of students who did. In addition, metrics were 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).

A brief report on an evaluation of a Queensland school-based gambling policy — the *Lighthouse Project* — highlighted 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). However, while *Dicey Dealings* and the *Lighthouse Project* have changed attitudes and knowledge, the evaluations of these projects did not examine changes in current or future gambling behaviour among students. This is obviously problematic:

Knowing something and having this knowledge alter your behaviour are often two different things. (Williams et al. 2007, pp. 10–11)

Box 6.2 School-based gambling education programs

Queensland has developed modules related to gambling education that can be used in 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).

The Victorian focus is also to equip students with the capacity 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.

In New South Wales, the focus is on addressing harms from gambling. Trained gambling counsellors can, when requested, provide support to TAFE and school counsellors dealing with gambling issues (sub. 247, p. 59). However, no elements of the NSW curriculum explicitly relate to gambling.

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.

South Australia has two school-based approaches to address gambling education, delivered by existing teachers and integrated into the overall curriculum. The first, *Dickey Dealings*, aims to teach children about gambling related-harm and common contributing factors to gambling problems through 'a diverse range of simulated experiences' (sub. 225, p. 51). The second approach is part of a broader program on health and financial literacy. The South Australian Government has evaluated both programs (sub. 225, p. 51, Glass and Williams 2007).

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. The objective is to provide students with the skills and knowledge to make sensible financial decisions (Curriculum Council 2009).

Tasmania has developed 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).

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).

As discussed in chapter 11, there is evidence from gambling studies 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.

Accordingly, the key evaluation issue is whether educational programs reduce current and future gambling related harm, not whether they merely inform. It is 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.

The Commission found only one study that evaluated behavioural change following a school-based gambling program. A Canadian study examined gambling attitudes, fallacies and behaviour before and after separate gambling education programs were delivered to university and high school students in Alberta. Both the university and high school-based programs found an improved understanding of gambling odds, and a reduction in fallacious gambling beliefs held in a follow up survey — which was 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, there should have been subsequent studies on school-based gambling regulation that explicitly tested these conclusions. Such follow-up is important not only to assess how robust the conclusions are, but also how relevant the findings would be when applied in other education systems.

Unfortunately, no follow-up studies appear to have been conducted (or at least made public).

Lessons from other school-based social education programs

Extensive research has been undertaken on the effectiveness of other school-based social education programs and it may be possible to draw policy conclusions for gambling from research on education programs in areas such as drug and alcohol use and driver education. There are many similarities, including:

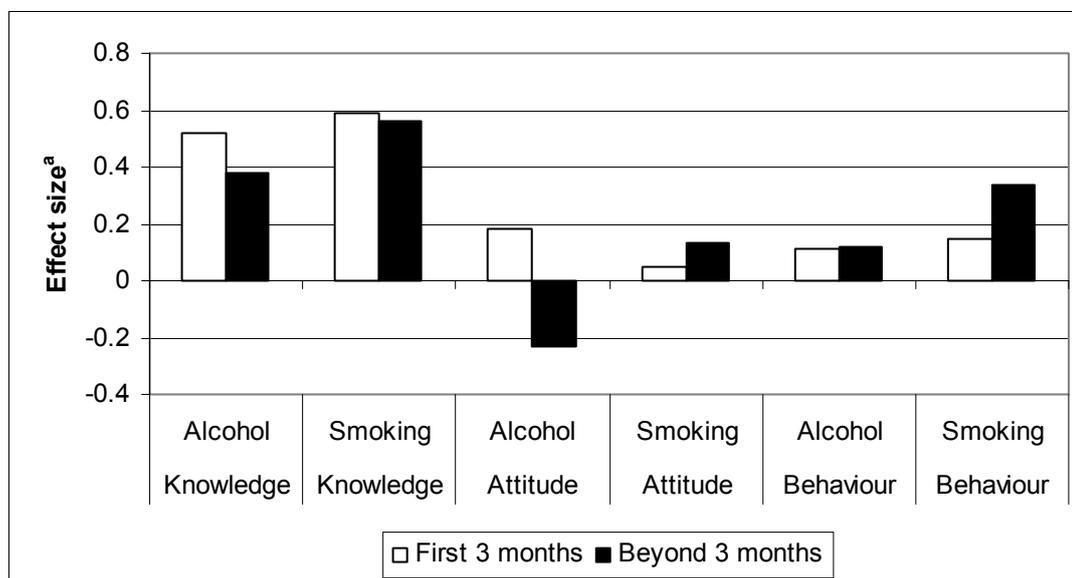
- they are all activities where potential harm can arise for the individual and for society more widely
- uptake of all these activities is influenced by the attitudes of both peer group and the broader community
- the clear objective in each case is to reduce the harm caused by individuals' decisions.

Unlike school-based gambling, where there is only very limited research into the effectiveness of achieving behavioural changes, a broad body of literature is available for drug and alcohol education programs and driver education. In fact, a number of meta analyses have been undertaken in these areas — these are studies which systematically analyse the relevant literature in that field. In addition, for studies to be included in a meta analysis, they need to meet strict research quality guidelines, typically resulting in more robust analyses.

An early study of school-based alcohol and smoking prevention programs found that it is easier to change people's understanding through school-based education programs than it is to change behaviour or attitudes (figure 6.5). This research examined evaluations of 47 smoking and 29 alcohol related school-based programs. Data from these studies were pooled to create a measure of the average effectiveness of these programs on knowledge of the risks, attitude to the risks and behaviour of students (Rundall and Bruvold 1988).

The measured 'effect size' in figure 6.5 is the weighted average effect across all the studies included. An effect size of 0.5 indicates that those who participated in education programs had an average score that was half a standard deviation higher than students who did not participate. Any 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. As these effects sizes are averaged over a number of studies, there will be variations between these studies — with some programs resulting in higher than average changes, and some resulting in lower than average changes.

Figure 6.5 **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.

Data source: Rundall and Bruvold (1988).

With a maximum average effect size of 0.59, even the average change in participants’ knowledge could only be considered moderately successful, 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. For example, students attending a federally funded after school program in the United States 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). This is particularly problematic as two of the key aims of the program were to improve academic performance and to reduce anti-social behaviour. But the adverse behavioural impacts were only found after a comprehensive review was undertaken.

The scope for adverse outcomes has also been found for school-based driver education classes. A systematic review not only found that school-based education programs were less effective than safety features and community health campaigns,

but that school-based driver education programs actually resulted in increased crashes (Morrison et al. 2003). A review of three driver education programs in Australia, the United States and New Zealand had similar findings — with students who attended the courses more likely to be involved in accidents than students who had not participated. Students who attend the driver education courses appear to have the same probability of being involved in accidents as people who did not attend, but because those who attend the course begin driving at an earlier age, they have more opportunities to be involved in accidents (Achara et al. 2001).

The above research findings suggest that increased knowledge of gambling in children 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.

Other beneficial school-based programs

There are at least two school-based education programs in Australia that appear to be well targeted and effective in changing behaviour. One is the highly effective *Sunsmart* program and the second is 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).

A major effort has been placed on financial literacy education programs in Australia. This effort was prompted after evaluations indicated that Australian students had poor financial literacy. In particular, the Australian Securities and Investment Commission (ASIC 2003) undertook an extensive review of school-based financial literacy practices and available teaching resources in 2003. Subsequent testing has indicated that the financial literacy skills of Australian children have improved (Commonwealth Bank Foundation 2006).

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 6.3). Given this age-related pattern, it is likely that some children would have begun while at primary school, and evidence from Canada supports this (Gupta and Derevensky 1998).

This suggests that education programs would 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.

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 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 their 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, also 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.

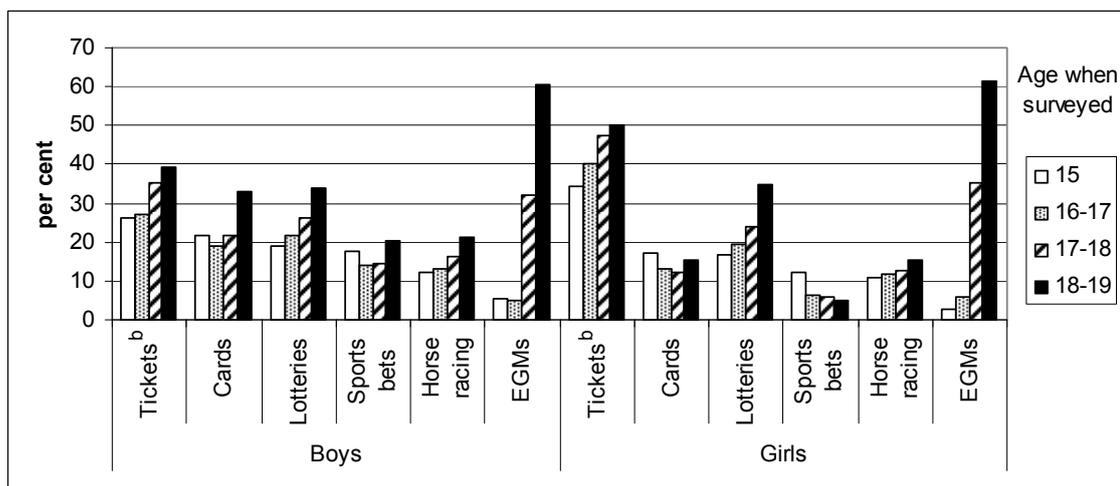
Box 6.3 Adolescents' participation in gambling

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).

The costs of school-based gambling education

The costs, as well as potential benefits, of school-based education programs are also relevant. 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, teacher training and developing resources and wages of teachers to plan and implement the program. In this regard, the monetary costs are largely subsumed into the existing budgets of education departments and schools.

However, a less visible, and 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 that might be of greater value. It is hard to assess these costs, but it should not be assumed that they are zero.

Are there solid grounds for school-based education programs?

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.

However, school-based programs have an Achilles heel in this respect — 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).

Nevertheless, where school-based gambling education is being 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 6.3)
- 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 for school-based gambling education programs are already implemented 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.

DRAFT FINDING 6.1

Little evidence has been collected about the effect of school-based gambling education programs on students' gambling behaviour. This is concerning, as there is some risk of negative as well as positive behavioural impacts.

DRAFT RECOMMENDATION 6.2

Given the risk of adverse outcomes, governments should not extend school-based programs without first assessing the impacts of current programs.

6.4 Other information provision issues

Participants have also raised several other concerns that relate to information provision in gambling. These include concerns about gamblers' rights to receipts and the accuracy of some information provided by some firms.

Information on player losses

Gaming machine players are not routinely given proof of purchase (a receipt of expenditure). This raises the question of 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 courts 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)

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. 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. Receipts are rarely requested.

However, a right to proof of purchase is being considered as part of the new Australian Consumer Law. Whether such changes would be desirable in respect of gaming machines is a moot point. Issuing receipts would not necessarily address malfunctions anyway. Many players are entitled to receive receipts or player statements already, but chose not to receive them. Consequently, it would be unlikely that a requirement to issue receipts for gaming machine play would meet a cost-benefit test were the only concern the additional consumer protection this might have for gamblers.

A more compelling basis for provision of information on player losses is that gamblers face difficulties in tracking their losses, with potential consequences for overconfidence and lack of awareness of the real costs of playing. Mitchell argued:

To ensure that every gambling consumer is given a RECEIPT for spending that all consumers require in order to be responsible. Gambling consumers need these more rather than less. So do their families. (Mitchell, sub 157, p. 5)

However, player statements can already be obtained from many venues through voluntary membership of loyalty programs. When analysing a trial of cashless gambling in New South Wales, Nisbet (2005b) found that very few people accessed player statements.

As few people utilise existing opportunities to access player statements, it would be difficult to justify an expensive retrofit of existing electronic gaming machines to increase the number of venues that can provide player statements. However, when venues replace existing machines or network arrangements, those new components should be consistent with a system that can provide individual players with statements of their spending. Ideally such statements would cover all gambling activity by a person — across all machines in all venues they visit. It would also be desirable if patrons could choose how often they receive the information and how much detail they can obtain. The technical requirements for such a scheme are similar to those required for a broad based pre-commitment scheme (as outlined in chapter 7). Any such system would have the residual value that it may also address concerns about the capacity for consumers to seek redress were machines to malfunction.

While a scheme that would have such extensive functionality could not be implemented for a number of years, it would be sensible to incorporate the supporting capacity into new machines and networks as they are installed — but only if such a scheme were not excessively costly.

As mentioned in section 6.2, it would also be desirable for dynamic warnings to be displayed periodically on electronic gaming machines. New Zealand has already mandated the use of interruptive information displays. It would therefore appear that the technical capacity to implement dynamic warnings already exists. However, further elaboration on the approach will be required.

DRAFT RECOMMENDATION 6.3

As gaming machines and networks are replaced, governments should require any new equipment to be compatible with systems that can provide player statements and dynamic warnings.

Accuracy of information in advertisements

Gamblers need accurate and relevant information to be able to make well-informed decisions about their gambling. Several participants argued that some of the information available is neither.

Where gambling advertisements are permitted in Australia, regulations or codes of conduct require that gambling advertising is not misleading or deceptive (FAHCSIA 2009b). In particular, most jurisdictions explicitly prohibit overstating the chances of winning. Yet some participants are concerned that these provisions are not very effective.

Two participants have observed that gambling advertisements can meet these requirements, while still providing a misleading impression of the chances of winning. For example, the Hunter Council on Problem Gambling notes:

Much of the current advertising of gambling ‘products’ uses language that encourages the individual to play, without providing the balance of information relating to the odds of play or responsible gambling. For example, Lotto advertisements are known to sprout messages such as “You’ve got to be in it to win it”, “You could spend the rest of your life”, “Scratch me happy”, yet do not provide a balance of information relating to safe and responsible use of their product (sub. 111, p. 3)

The Gambling Impact Society of New South Wales suggests that ‘There needs to be a reduction in advertising a ‘dream’ without the benefit of truthful information’ (sub. 59, p. 4).

To address this, the Inter Church Gambling Taskforce suggests wider adoption of the Queensland gambling advertising standards (sub. 220). The following quote spells out the most relevant part of the Queensland responsible gambling code of practice.

Advertising and promotions will not encourage the public to gamble by directly or indirectly misrepresenting the probability of winning a prize. Winning will not be presented as the probable or likely outcome in each playing instance or session of play. Advertising and promotional campaigns which show winning should be shown with a balance of winning and non-winning play images. (Queensland Office of Gaming Regulation 2005 p. 6)

The Commission notes the scope for deceptive and misleading conduct in relation to some quizzes, competitions and auctions — subsequently referred to as competitions. The common elements of these competitions is that people pay a fee for an opportunity to win a prize. They can involve elements of skill, but all involve a large element of chance.

Over recent years, there has been an abundance of these competitions advertised on television and the internet — with entry typically through premium mobile phone message services. Concerns with these competitions include:

- it is not clear they are subject to oversight or approval by gambling regulators
- the rules of the games and the cost are not always clearly stated, often resulting in unexpectedly large bills
- they are targeted at minors and other vulnerable groups
- there appears to be an absence of probity checks on some competitions.

Both the Australian Competition and Consumer Commission (ACCC) and the Australian Communications and Media Authority have expended significant efforts to address questionable practices in this field. These efforts have included

- the development of a new industry standard requiring more explicit notification before customers are subscribed to a premium message service
- extensive descriptions and examples of questionable competitions on the ACCC website and on the government ‘scamwatch’ website and
- the ACCC taking action against a range of companies running questionable competitions.

However, most of the ACCC actions have dealt with competition issues such as providing accurate information to consumers, but not regulation of the games themselves.

Given the potential for growth in online, mobile phone and television-based quizzes, competitions and auctions — particularly with convergence of online and broadcasting technologies — there are sound reasons for increased regulatory oversight of such gambling. However, it is not clear who should have responsibility. The Commission seeks views on this matter.

On a lesser note, some gambling suppliers provide information about games that may reinforce faulty cognitions. In particular, some lotteries provide the history of past winning numbers (for instance, the South Australian Government-owned SA Lotteries).² The provision of this information may not be ‘promotion’ of the game, and may well reflect demands from gamblers for this information. However, it creates an incongruity. On the one hand, governments promote education programs to teach children that numbers drawn in lotteries or gaming machines are randomly drawn, with the history of past wins or losses being irrelevant. On the other hand, governments permit (and sometimes themselves provide) information to consumers based on the false premise that numbers are *not* randomly drawn. That may not pose much of a problem for those engaged in lotteries, but it may encourage false beliefs that carry over to other riskier gambling forms.

DRAFT RECOMMENDATION 6.4

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

² <http://www.salotteries.com.au/Results/Frequency.aspx?p=46> (accessed on 17 September 2009).

7 Pre-commitment strategies

Key points

- Many gamblers find it hard to control the time or money spent on gambling.
- Features of gaming machines mean that genuinely informed choice is often not present.
- Measures that allow gamblers to determine limits on their playing — pre-commitment — provide the best means 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 patrons 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
 - requiring longer minimum periods of self-exclusion and more stringent requirements for their revocation.
- More flexible pre-commitment systems that give gamblers the capacity to control their gambling, rather than cease it, are relevant to gamblers generally.
- Many currently proposed or trialled systems can be circumvented by consumers or would, through inertia, lead to the preservation of adverse playing behaviours. A more effective system would:
 - give consumers the capacity to set spending limits and to receive player information statements
 - involve a default set of ‘safe’ settings, with provision to opt-out.
- Jurisdictions need to agree on common technical standards and features of pre-commitment prior to its implementation. In any case, rapid implementation would involve high costs, given a need to replace or modify many gaming machines
 - this justifies a transition over six years to lower these transition costs and to develop the necessary standards and features.

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? We answer this issue in section 7.1.

Section 7.2 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 7.3 and 7.4 consider the appropriate design of arrangements with broader reach, flexibility and ambitions; section 7.5, the auxiliary functions such a system might have; and section 7.6, some of the costs and obstacles to implementing such a system, and how they can be reduced.

7.1 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, 6 and 11 (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 6 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

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 the behaviour of their future selves.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

¹ Also see Dickerson (1998, 2003b,c) and Dickerson and O'Connor (2006).

² Of problem gamblers receiving counselling, around 65 per cent said that, when they had a problem with their gambling, they often or nearly always wanted to control their gambling. Only one in ten, rarely or never wanted to control their behaviour (PC survey of the clients of counselling agencies 2009).

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 by dependent

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. The strategies that gamblers use rely fundamentally on willpower (box 7.1).⁴ But, based on evidence of player behaviour, Dickerson has observed:

... loss of control is the common and expected outcome of the interaction between human beings and contemporary forms of continuous gambling.

So, while the combination of willpower and the strategies described in box 7.1 may indeed help many people, they will not work for many others.

This is because self-imposed limits are really resolutions, not commitments. People can reverse them without penalties. Accordingly, the capacity for such resolutions to create sustained control is flawed, 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.

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.

Box 7.1 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 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.

Source: McDonnell-Phillips (2006, pp. 95, 103, 107, 139, 150, 164, 222) and feedback to the Commission by gamblers.

As a result, the strategies listed in box 7.1 have limited 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. Indeed there are two low-risk gamblers⁶ to every one problem gambler who report control problems.

Reflecting their control difficulties, many gamblers also have persistent regrets about their past gambling behaviour (chapter 4).

⁵ McDonnell-Phillips (2006, pp. 139-140, p. 150, p. 164).

⁶ Those with a CPGI score of zero to two.

Given the difficulties in gamblers, by themselves, achieving effective pre-commitment, there are grounds for governments to ensure that pre-commitment options are available to them. 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 practise 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 freedom
- privacy concerns and the receptiveness of gamblers to the options for control.

These questions cannot be answered without reference to specific models of precommitment. Some models are likely to be low cost, but ineffectual, while more effective models may be difficult to implement, at least in the short run. Some measures — notably self-exclusion — are already in place in all Australian jurisdictions.

7.2 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.

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 and Leslie 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 mood (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).⁷ 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 (NSW Gambling Roundtable 2008, p. 26)
- removing any unnecessary complexities in the application procedures. For instance, the Multicultural Problem Gambling Service in NSW indicated that the complexity and wordiness of the self-exclusion forms were barriers for people with limited proficiency in English (NSW 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 NSW a gambler must separately apply for self-exclusion for each club, whereas they can bar themselves from all hotels in one step using the AHA Game Care program.

⁷ 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).

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, p. 77–78). 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 and Leslie, 2007, with similar estimates from overseas studies).

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. But even Star City Casino has acknowledged that detecting self-excluded gamblers can be very difficult given the sheer numbers of visitors to their venue (NSW 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 and Leslie. 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 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, self-exclusion is an extreme form of pre-commitment that only allows complete abstinence.⁸ 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.

⁸ Some venues have a more nuanced approach.

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 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 Group⁹ — subsequently formed by the NSW Government — could not reach consensus on most of the key issues (Minister For Gaming and Racing 2007, pp. 28–29). The NSW 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 in sections 7.3 and 7.4. However, implementation may be some years off. In the mean time, governments and venues could address the deficiencies of the present approaches in several ways.

Limiting the incentives and capacity to breach exclusion agreements

Forfeiture of prizes won by a self-excluded patron would reduce the incentive to breach¹⁰, 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.

This would be reinforced by the creation of database in each jurisdiction of current self-excluded patrons — accessible by all venues. A venue would check a patron's identification against the database when the patron was collecting a large prize or

⁹ This comprised representatives of operators of schemes, counselling services, community groups and industry.

¹⁰ As already occurs in Victoria and supported by Betsafe in this inquiry — sub. 93, p. 15.

when they were otherwise concerned that the patron was self-excluded.¹¹ (Photographs could be included on the database, though that need not be a requirement if the proof of identification is sufficiently rigorous). 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 small venues with only a few machines.)
- ensuring that the prize was large enough to reduce the number of times staff would need to access the database.

Venues would need to market this provision actively for it to act as an effective deterrent and privacy guidelines would need to be met. The records on central self-exclusion databases would be deleted once exclusion agreements had elapsed or been revoked.

Reducing obstacles to self-exclusion

This would be achieved by making it easier for people to self-exclude. People would 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 would be in plain English, as would any material explaining the legal and other implications of the agreement.

In addition, given the embarrassment or shame many people naturally experience in seeking to exclude themselves, when practicable it would be desirable to introduce methods that allow them to self-exclude without being physically present. One ‘remote’ option is spelt out in box 7.2. Many people would not be covered, 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.

Sustaining self-exclusion

A genuine pre-commitment system would limit the extent to which people could revoke their agreements ahead of their committed schedule. One possibility would be that gamblers would have to honour their agreements in full.

¹¹ 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).

Box 7.2 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.

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 number — 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).

That implies that someone who self-excluded for life could never reverse that commitment, even if after a long period, their gambling issues were fully resolved and they now wished to gamble in a controlled way. That approach may 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. This suggests a balance between pre-commitment and revocation.

A mechanism that takes the middle course would be only to allow revocations after at least six months and with a period before a gambler's application to revoke is accepted (box 7.3). It is also important to allow relatively short periods for self-exclusion, because otherwise people may not elect self-exclusion at all (an observation made by several participants in this inquiry).

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 and that the counselling agency or a relevant professional believes (without any legal liabilities) that the problems are sufficiently resolved.

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 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.

Box 7.3 How could self-exclusion be sustained?

One possible approach to setting self exclusion periods would be to:

- limit to just one day (if any) the gambler's capacity to reverse agreements just after they have made them. Currently, in some jurisdictions, legislation allows people up to a month to reverse their agreements in community venues. While a one day cooling off period *may* be justified, longer periods are probably not and would undermine the purpose of self-exclusion
- require people to self-exclude for a minimum of six months, but giving them the discretion to choose a longer period (in six month increments), but with no maximum period (because of the latter's aspirational benefits)
 - people would not be able to revoke a six month agreement at all. People making agreements of one to two and half years would be able to revoke after six months, but people making self-exclusion agreements for three years or more could only revoke after a year. So, the longer the self-imposed agreement, the longer would be the revocation period, though without excessively complex options
- have a period after a successful application for revocation before revocation actually occurs, with consent required at the end of that period. For instance, this period could be three months for agreements with a duration of one year or more, and one month for agreements with shorter durations. This would provide a 'cooling off' period in which a gambler could re-consider whether they really wanted to revoke
- have an easy capacity for a gambler to increase their self-exclusion period at any time during the original agreement period. For example, someone wanting to be barred for six months, might, at the five month point, decide to enter a new agreement for six months at that point. In that instance, the gambler would be unable to seek revocation until 11 months after the initiation of the first agreement.

The details of this approach could be varied, but a good system would share its basic features.

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 and 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.

DRAFT RECOMMENDATION 7.1

Governments should modify existing self-exclusion arrangements so that:

- ***self-exclusion applies to all venues in a jurisdiction, triggered by a single, simple application by the gambler concerned***
- ***people who have self-excluded would be placed on a state-wide database***
- ***venue staff request identification from gamblers collecting cheques for major prizes.***

As in Victoria, there should be confiscation of prizes won by persons shown to be in breach of self-exclusion orders.

DRAFT RECOMMENDATION 7.2

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, being able to self-exclude through remote means.***

DRAFT RECOMMENDATION 7.3

Governments should ensure a more coherent approach to the diverse set of existing provisions for self-exclusion periods and revocation by requiring that:

- ***self-exclusion agreements run for a minimum of six months***
- ***people signing deeds of exclusion be able to reverse their agreement within 24 hours***
- ***agreements for periods of three years or less cannot be revoked until at least six months after their starting date, while agreements for periods of more than three years cannot be revoked until at least one year after their starting date***

-
- *revocation only be permitted after evidence of attendance at a counselling service and the judgment by an appropriate professional about the capacity for the person to safely gamble*
 - *people seeking revocation should, after a successful application, face a period of up to three months before it takes effect*
 - *subject to evidence and due process, there 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.*

7.3 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 ordinary people, 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. 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)

[Pre-commitment] ... would unfairly inconvenience the 99 per cent of the population who are not problem gamblers.’ (Australian Hotels Association, sub 175, p. 62)

In the latter regard, even were problem gamblers the target, they do not comprise one per cent of the *relevant* population. Two thirds of Australian adults do not play gaming machines at all in any given year, and most of those that do, do not play regularly. As discussed in chapter 4, the average estimated prevalence rate of problem gambling among regular gaming machine players is close to 20 per cent.

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 7.4).

7.4 What would the ‘ideal’ system look like?

Putting aside important practical issues — such as the cost of a system and timing of its implementation (appendix C and section 7.6) — 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 7.1), 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:

- *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 or those regular gamblers experiencing no control or other problems at all (noting that from Dickerson’s perspective, many ordinary regulars will, in fact, face problems, given the nature of the product).

Box 7.4 An increasing interest in pre-commitment worldwide

Governments around the world have shown an increasing interest in pre-commitment by:

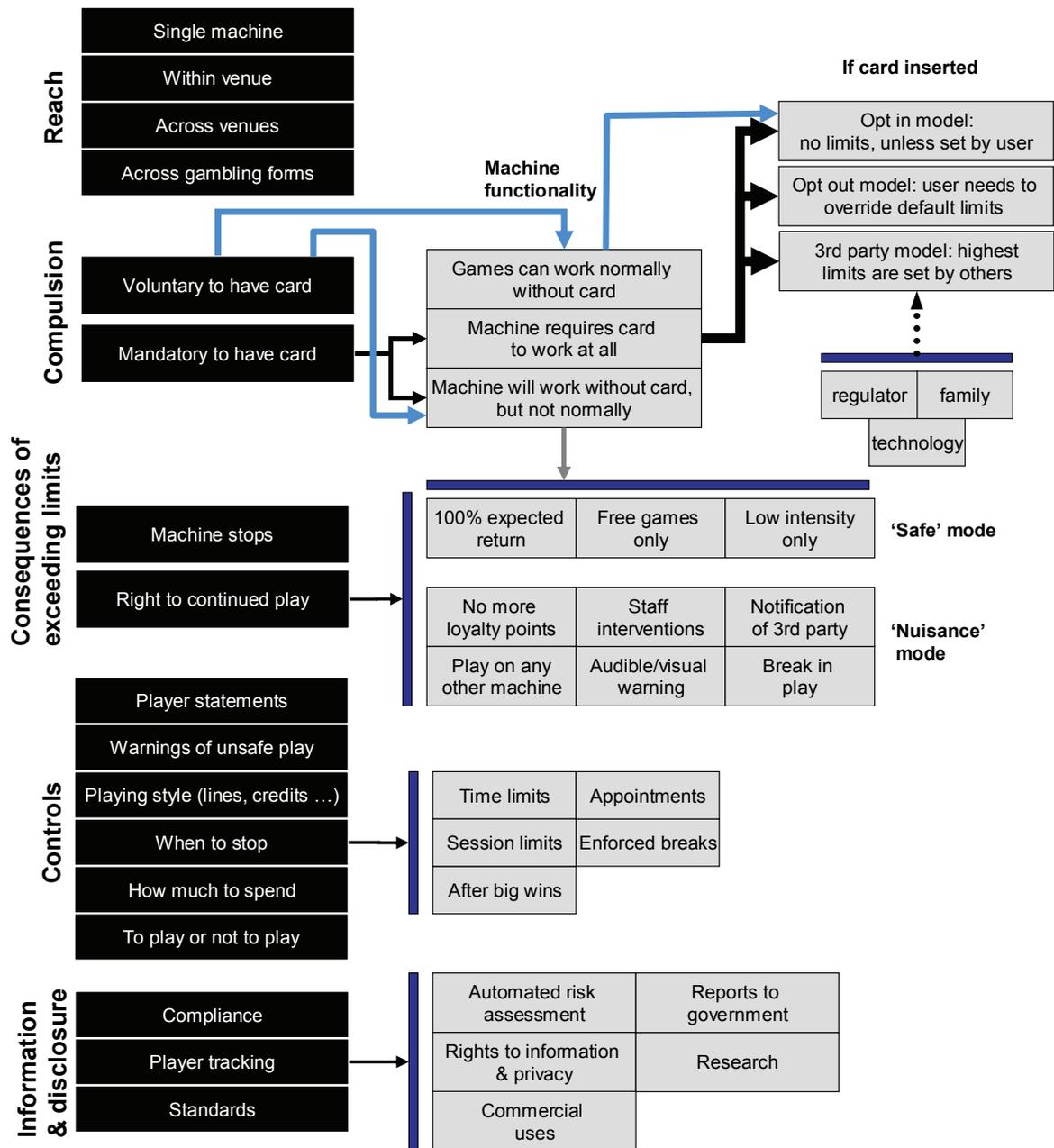
- commissioning research into pre-commitment behaviours (McDonnell-Phillips 2006) or exploring its potential adoption (Parke et al. 2008, the South Australian Gambling Authority, IPART and others)
- undertaking trials of particular systems — in clubs in Queensland and in hotels in South Australia
- implementing (or planning to implement) pre-commitment, such as:
 - the Victorian Government’s legislated intention to introduce some form of pre-commitment in that state by 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 voluntary pre-commitment in the new casinos in Singapore (Ryan 2008).

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 Club Pokie 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 (Crown Club Pokie 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 NSW 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 7.1 Key pre-commitment options^a



^a. While the diagram refers to a 'card' as the device used for pre-commitment, this is for ease of exposition, rather than implying this would have to be the device.

Other factors, like the complexity of any system, the receptiveness of consumers, and the adequacy of privacy protection (see later), are relevant too. But 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.

The above four factors provide a useful set of criteria for making decisions about the key aspects of any system.

Full or 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.

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 complete abstinence (self-exclusion).

The need for 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 four alternatives: not to play anymore; play free games involving no cash; play in ‘safe’ mode (as shown in figure 7.1 and discussed below);¹² or only be able to play 100 per cent expected return games, with all of the returns in low prizes to limit volatility. The latter three 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 merely 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. It may be appropriate for a pre-commitment system to include an option for notification, rather than a binding limit, but an effective pre-commitment system would need, by definition, to give consumers the option to set limits that are binding.

¹² 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.

The need for player identification

Effective 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:
 - 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. However, the Commission is not prescribing any given technology, but rather the outcomes that such a technology should achieve. Accordingly, 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 (USB) 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.¹³

¹³ For instance, Bally (a major global gaming machine manufacturer) has 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

From a technological perspective, all of the above options are workable, though their costs and practicality may differ.

An obligation for unique identification as a prerequisite for purchasing goods and services is a common requirement in the commercial sphere. For instance, all people who want to borrow a DVD from a video store or borrow a book from a library must provide identification and other information to acquire a user card (and young people must already show proof of age to enter licensed premises or gaming areas). In some cases, bars use fingerprint readers to exclude patrons who have misbehaved in the past.¹⁴ In many instances, gamblers already have ‘loyalty ID’ cards, which they insert into the gaming machine when playing. And of course, recognising the dangers to themselves and others, people must have licenses to drive cars or undertake electrical work.

In addition to privacy concerns (considered below in section 7.6), two principal 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 license). 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 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).

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)

¹⁴ 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).

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- “*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’, with, for example, a limit of expected hourly losses of \$10.

Full pre-commitment also requires that a person’s pre-commitment options would need to be portable between venues, so that decisions made in one place would be binding in another. Machine or venue-specific pre-commitment would fail this requirement. This means that regardless of how governments achieve full pre-commitment, there would need to be some common standards for reading and writing data and for communicating across networks if a networked approach was used (such as via ‘server-based’ gambling).

Is ‘partial pre-commitment’ an oxymoron?

Partial pre-commitment can come in several forms. It could involve the voluntary uptake of cards or other similar identifying devices, with gaming machines fully operational for players who are not enrolled. Alternatively, it might involve a requirement to be *issued* a card, USB, or password, and require its use when playing, but allow players to easily continue to play after exceeding any limits. For example, gamblers might face a brief pause before they could recommence play, or some other small inconvenience.

Partial pre-commitment has several advantages. It:

- would impose few costs on those gaming machine players with no interest in pre-commitment
- might be seen as less paternalistic
- may assist people in setting goals and in gaining awareness of their play
- can 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 OBR 2005)

However, it would not act as real pre-commitment (and should not really be labelled as such). In effect, partial pre-commitment would give Ulysses a knife to cut his bonds when the sirens call. The evidence from one of the Nova Scotia pre-commitment trials was that of the people reaching their limit, around 40 per cent

removed their card and continued to play (OBR 2005). As 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)

Partial pre-commitment would still require significant infrastructure costs for many venues — especially those without loyalty schemes in operation. And the potential benefits would be limited by the ease with which people could default on their commitments. Given this, it is uncertain that partial pre-commitment would pass a cost-benefit test, unless it was a transitional state to full pre-commitment. On balance, the Commission strongly favours the adoption of a full pre-commitment system.

If — against the Commission’s view — state and territory governments implemented any variant of a partial pre-commitment system, it should incorporate features that actually encourage players to set limits. Box 7.5 describes a cardless system with this feature.

Opt in or opt out?

Opt-in or opt-out systems determine the default playing behaviours of gamblers. Under an ‘opt-in’ system, consumers would play as they do usually (with no limits), but would be able to opt-in to a system that gave them various pre-commitment choices. Under an opt-out system, gamblers would face a given set of simple default options to which they could assent on first playing and that entailed some spending limits. They would need to explicitly opt out to avoid these from binding.

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.

Box 7.5 **Some lesser pre-commitment options may still have value**

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 major 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 probability of 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 ordinary consumers 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.

Do people switch easily?

The evidence from behavioural economics, marketing and psychology suggest that people tend to adhere to whatever happens to be the default option.¹⁵ 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

¹⁵ For example, there is evidence from Liebman and Zeckhauser (2008); Kahneman et al. (1991) and Samuelson and Zeckhauser (1988).

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 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, few 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, with most people not opting-in to any form of pre-commitment when it is offered. This suggests that an effective pre-commitment system would require people to opt-out, not opt-in.

Which default promotes 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 (its 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 we have 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 an opt-out system 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. Opt-out systems would not eliminate the need for all regulations, but they could significantly reduce the requirement for some of them.

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, consistent with the value of an opt out system to people:

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 2007, p. 59)¹⁶

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 overconfident about their capacity to exercise willpower.¹⁷

Moreover, people often do not recognise they have a problem until it has progressed significantly. ('It's alright, I can control my gambling'; '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

¹⁶ 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).

¹⁷ More generally, behavioural evidence suggests that while some people want to control their future impulsivity, others are overconfident about their capacity for future control.

point, would choose to opt in to 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, the Commission is strongly of the view that governments should implement an opt-out pre-commitment system.

What features are needed in a (proper) pre-commitment system?

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. The most extreme limit would be self-exclusion for a period set by the gambler (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 day¹⁸
- 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, \$500 or \$5000)
- 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)
- player statements that provide records of wins, losses and time spent over any desired period. These are already provided in loyalty schemes and in Crown Casino’s Safe Play system. In qualitative research, gamblers say that these

¹⁸ The Nova Scotia system allows players to immediately enter a two-day exclusion period — the ‘48-Hour Stop’ (appendix C). Indeed, there were about twenty times more people who selected short-term self-exclusion than ones choosing more than one month (albeit, the sample size was small), suggesting the potential value of flexible short-term self-exclusion.

would be useful (Nisbet 2005b) and on-screen account information was widely used in the Nova Scotia pre-commitment trial (appendix C).

Players could optionally set non-binding alerts — which could take the form of simple notification when they exceeded a limit, with some break in play or other minor consequence.

In practice, 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.

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.¹⁹ In the longer run,

¹⁹ 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 remind 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

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 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 7.6 provides a simple illustration of one possible pre-commitment system.

Could others make the commitments (partially or in full)?

A more controversial issue is whether there are broader 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 complete abstinence, 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. 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 Control, sub. 82, p. 17). A key Australian researcher has proposed a more far-reaching approach, with limits set according to people’s individual capacity to afford gambling (box 7.7). However, any significant degree of limit

Program), permitting customers to block their personal credit card number from the system such that all transactions would be denied (Dickson-Gillespie 2008).

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.

Box 7.6 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 be part of the system at all. They could use the gaming machine touch screen — navigating through successive layers — to opt-out of the system. They would then be free to play as they wished, on any machine in any venue, without any self-imposed constraints — 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 in this ‘opt-out’ mode.

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 other ways of structuring pre-commitments.

Box 7.7 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’.

How would ‘opting out’ work?

An additional issue is the ease of opting out, and the features that may be present were a gambler to do so. As opting out involves genuine risks to gamblers, there should be periodic checking of their preference to do so.

In addition, it may be appropriate to withdraw inducements that, while safe when people have pre-committed, are less so when they can spend any amount. In the same vein, enhanced information provision and warnings may be appropriate. As illustrated, opting out of a default setting *could* involve:

- losing the capacity to earn loyalty points or special offers from the venue operator (the Crown *Play Safe* model included this requirement)
- a requirement to periodically receive a player transactions statement, listing time and money spent
- periodic alerts concerning money and time spent

The process for opting out would need to be finely balanced between:

- genuinely allowing people to exercise choice, by not making the process too inconvenient
- not making the process so cumbersome that people set high limits to avoid ever having to set limits again

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- not making it so easy to make changes that impulsive decisions to increase limits are readily implemented.

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.

The detail matters

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 (as illustrated by the example of partial pre-commitment above). This suggests testing systems that have an appropriate set of minimum functions (as specified below) to establish that they work as intended.

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.) In casinos, for example, a gambler would present their card 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.

7.5 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. However, personal interventions based on covert electronic monitoring of consumers' playing behaviour involves serious privacy concerns
- for individually tailored warnings and messages to gamblers that reflect their style and history of play (as being implemented in Nova Scotia). Gaming operators are looking to new technologies to tailor games or gaming experiences to particular customers. This would be the harm minimisation equivalent to that. To overcome some of the genuine concerns about invasion of privacy, tailored warnings could be generated by software systems, rather than by people monitoring behaviours.²⁰ However, it would be appropriate to delay implementation of any such system until after evaluation of the Nova Scotia experiences
- for better research into problems experienced by consumers. Subject to appropriate compliance with privacy guidelines, this could inform improved (not necessarily more) regulation.

²⁰ In Sweden, the State-owned monopoly provider of gambling Svenska Spel, has introduced a tool, based on artificial intelligence, on its Internet gaming platform to help prevent problem gambling by identifying excessively risky behaviours. The system recommends to players in the 'risk zone' that they set a gambling budget and complete a self-test of their gambling behaviour. A customer who appears to have a problem is advised to call the customer support line and is sent a link where they can complete a self-exclusion form. Any players in either the risk or 'warning' zones are immediately removed from the company's marketing messages (McQueen 2008).

Cashless gaming?

The cashless use of gaming machines is already possible in some Australian jurisdictions through the use of ticket in, ticket out (TITO) and in the pre-commitment trials in Queensland. However, these co-exist with cash-based systems. Mandated pre-commitment cards could pave the way for a complete shift to cashless gaming, with productivity,²¹ 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. By extracting their card, their net balances would automatically be left on the card. 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.

Were full pre-commitment in place, 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.

²¹ For example, hopper changing is costly.

Server-based gaming?

Were server-based gaming able to be used as the vehicle for delivering pre-commitment (box 7.8), it would have some attractive commercial opportunities, including, 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.

Server-based gaming may also allow scalable and cost-effective trials of different regulations, and a capacity for gathering reliable and timely evaluation data of their impacts. Accordingly, it would be possible to quickly and cheaply test new policies and to amend or remove policies that were not working well. For instance, using this platform, policymakers could test the impacts of changes to the options in a pre-commitment system offered to consumers — and adapt these as they gathered evaluation evidence. To the extent that pre-commitment does not render these features redundant, the key parameters of gaming machines relevant to harm minimisation — cash input constraints, maximum prizes or bet sizes, and player information displays or warnings — could be calibrated to ensure maximum effectiveness.

In contrast, with present technologies, implementing and adapting regulations is costly, slow and cumbersome. Changes to machine settings typically require a technician to alter every machine in every venue (at substantial cost). This is not technically feasible for some older machines, necessitating their early retirement and potentially, the purchase of new machines.

Box 7.8 Networked gaming

Gaming technologies are evolving, and with them, regulatory approaches. In particular, there are likely to be new models for supplying games.

Server-based gaming (SBG)

In this delivery model, the games and many other aspects of the gaming machine are centrally located on a server, and the gaming machine itself becomes a 'dumb', if colourful, terminal. The game logic and the random number generators (RNGs) are all located at the central server. Venues and indeed individual consumers could choose what games to play, without expensive machine retrofits or costly swap overs to convert machines to a new denomination or theme. Consumers could access games on other platforms, such as mobile phones. There would be greater potential for multiplayer games and greater flexibility for linked jackpots. In theory, games might be 'personalised', taking account of past player preferences, and players may be able to rejoin a game at a later time, even from a different location ('adaptive gaming').

However, 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. And some participants express doubts about its uptake for some time to come (Australasian Casino Association sub. 264).

The implementation of SBG has been slower than initially thought, in part because of the lengthy (and initially contested) development of an open protocol through the Gaming Standards Association. Its widespread adoption, will, among other factors depend on:

- the extent to which machines from different manufacturers will be interoperable. (Interoperability has several dimensions. At one end, venues could automatically send messages to customers regardless of which manufacturer's machine they were using. At the other end, interoperability might permit a game from one manufacturer to play on the machine of another.)
- how regulators respond, including the standards, testing and any harm minimisation features that they may mandate. Nevada Gaming Regulators have approved some systems already, and Aristocrat's ACE TruServ system has been approved for operation in Macau. The Queensland Government has prepared a draft 'principles' document to facilitate the introduction of client server systems into Queensland (2009c).
- its final costs and the financing model used by gaming machine manufacturers (for example, subscription-based rather than outright purchase)
- its effects on operating costs of venues
- its testing in multiple sites
- consumer receptiveness to the new features.

All the major gaming machine manufacturers have developed or acquired competencies in SBG. For example, Aristocrat acquired ACE Interactive, the company that developed the system used by Norsk Tipping. However, globally, few casinos are expected to have 100 per cent SBG systems in place for some years, reflecting the substantial costs for all but greenfield sites.

Server supported gambling

In this instance, the machines continue to have the RNG and a complete copy of the game, and the server support is limited to other functions, such as analysis and content distribution. SSG has less functionality than SBG systems, but may be easier to roll out.

The experience with ATMs provides an illustration of the enormous disparity between remote and physical approaches to gaming regulations. ATM operators can remotely change the daily limits on all ATMs in thousands of gaming venues at a cost roughly equivalent to the costs of re-locating just four or five machines outside a venue.

As noted in box 7.8, server-based gaming is still in its infancy, and there are contrasting views about the timeframe over which it will be adopted. For instance, the Australasian Casino Association claimed that it was an ‘ill-defined value proposition causing only modest interest in the operator community’. On the other hand, in the accompanying material for its 2009 Annual Conference, Clubs NSW pointed to the commercial likelihood of server-base gaming:

Downloadable or server based gaming is now a reality in the United States and Europe and if things go to plan, it will be available to Australian clubs before too long. This technology will dramatically change the way we manage gaming floors and for clubs it presents both opportunities and challenges. And as with any change in technology, the best prepared will gain the competitive edge. So it’s time for clubs to find out exactly what these games can do and how they will be rolled out in NSW. How will they change the gaming landscape? Come along and hear an expert panel discuss the major issues of this technological revolution. (Clubs NSW 2009)²²

The Commission is not well placed to make a judgment about precisely *when* some form of networked gaming will be a major vehicle for delivering gaming to consumers. However, the technologies are largely developed, standards have been agreed, all major global gaming machine manufacturers have acquired expertise and undertaken extensive research in the area, it has clear commercial and consumer advantages, and extensive trials (and actual use) have taken place. It would appear that the technological trajectory will see these kinds of technologies used in Australia in the medium term.

7.6 Costs, transitions and other challenges

Privacy and consumer receptiveness

Full pre-commitment technologies require player identification and the storage of information. This raises significant privacy issues:

- The Australian Hotels Association (sub. 175, pp. 60ff) regarded pre-commitment technologies as ‘intrusive’, claiming that the ‘introduction of an ‘Australia Card’

²² Accessed on 9 October 2009 from <http://www.clubsnsw.com.au/Content/NavigationMenu/Events2/AnnualConference/default.htm>.

style personally identified smart card also raises many significant privacy issues.’

- 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 was one of the major reasons why people borrowed other people’s cards to play. (Omnifacts Bristol Research 2007 p. v)
- In their research on pre-commitment, McDonnell-Phillips found that while most people were receptive to card-based gambling, around one third of gamblers raised privacy concerns.

However, systems for the collection of private data are ubiquitous in business and life. Records of transactions are kept for libraries, phone calls, traffic offences, superannuation, employment leave, video stores, credit cards, medicare use, insurance and many other areas. In gambling, many venues offer loyalty cards to their patrons. These cards allow gamblers to collect bonus points for redemption on food or other venue services (but not gambling). As bonus points are based on past transactions, the cards also allow player tracking and the capacity for players to obtain statements of their gambling spending and time.

Accordingly, the key questions do not relate to the collection of data or the identification of players, but to the appropriate protection of consumers. On investigating the national regulations in relation to privacy, the Commission considers that pre-commitment is unlikely to have issues regarding privacy if consent is given for the collection and use of information and the individual is aware of the relevant processes and bodies (including complaint processes). This view was supported by Regis Control (sub. 82), which provides a detailed assessment of privacy risks and how these can be addressed.

How costly to implement?

There are competing perspectives on the affordability of pre-commitment systems, partly depending on the type of system. For example, the Australian Hotels Association (sub. 175, p. 59) argued that smart card technology would impose an ‘enormous cost on industry’. However, the evidence does not support that assessment, and at least some existing pre-commitment systems appear to have relatively modest cost impacts (appendix C):

- the cost of the Maxetag system for pre-commitment was around \$1500 per terminal. Existing users of the loyalty card system would face significantly lower costs

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- the pre-commitment systems used in the Queensland trials were estimated to cost around one to two dollars per machine per day
 - Regis Controls estimated relatively low costs for a pilot scheme for pre-commitment.

The costs involved in the rapid implementation of a pre-commitment system depend on many factors, so it is not possible to give a particular figure for each jurisdiction or type of venue:

- The nature of the machines and the monitoring systems in each jurisdiction affect the practicality and cost of quick implementation. For example, machines with card readers and loyalty systems in place could be more cheaply modified for pre-commitment than those where these features are absent. The Queensland central monitoring system appears to be more readily capable of delivering pre-commitment than some other jurisdictions.
- The costs relative to gaming revenue will be lower in jurisdictions with binding caps, since such caps lead to high turnover rates. Accordingly, the costs relative to revenue would be lower in Victoria than NSW — perhaps by as much as a third of the NSW costs.
- Costs would be lower in venues where many new machines are about to be purchased to replace those close to retirement. The marginal costs of introducing the technologies into new machines are much less than modifying machines. In contrast, a full software upgrade and a minor hardware upgrade for an *existing* machine typically costs \$2000 to \$4000 per machine, and the amount needed to provide full pre-commitment functionality might be more than that.

Regardless, there are three important caveats when considering the costs of a pre-commitment system

First, the capital costs of pre-commitment are not ongoing, so that the appropriate measure of the annual cost is the annual depreciation, which would be roughly one third to one fifth of the initial outlay.

In addition, while venues are required to pay a minimum rate of return on their machines, there are strong arguments for these to be lowered if the existing limits constrain venues' capacity to finance the costs of pre-commitment systems. As in other areas where regulators require product changes, the ultimate party bearing the costs is the consumer — and directly so if the increased costs can be translated into price changes, rather than lowered quality.

As a thought-experiment of the magnitude of the effects on price in the Victorian context for a particular cost of modifying machines, suppose:

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- that the average costs of machine modification to achieve pre-commitment was \$5000, which implies an annual depreciation cost of around \$1670
 - there were 26 800 machines, so that the annual cost was around \$45 million
 - the initial rate of return to players was 90 per cent
 - total expenditure (player losses) was \$2.5 billion.

In that case, to recover the costs, player losses must increase to \$2.545 billion or by 1.8 per cent. The decrease in the player return that would finance the costs of machine modifications would be 0.179 percentage points (or a new rate of return of 89.8 per cent).²³

Of course, the average costs of pre-commitment may be higher than this, and an average conceals variations in the costs faced by venues. So, the effect on player rates of return may be larger — but the essential point is that they may not be very great.

The most decisive determinant of costs to implement pre-commitment is the rate of transition to this new technology. Rapid implementation would involve changes to a large proportion of the existing stock of machines. However, a staged transition would be likely to lower the costs substantially as the capacity to deliver future pre-commitment features could be included in any new machines (at lower marginal cost — as noted above), even though this function may only be switched on in the future.

Moreover, the future technologies that can provide new commercial benefits for business (as in box 7.8 and cited by Clubs NSW in the quote in section 7.5) are complementary to the capacity to deliver pre-commitment. In effect, the commercially-motivated adoption of technologies could act as an ‘ally’ to new forms of consumer protection. In that case, the incremental costs of ensuring that the resulting network (whatever form this takes) can deliver pre-commitment is likely to be more modest than modifying the existing stock of older technology gaming machines. That suggests that there should be an adequate period to allow the orderly retirement of older technologies.

It is difficult to make a judgment about the appropriate time period for the transition to such a system, but given the existing technological capabilities, the Victorian deadline of 2016 for a mandatory pre-commitment system seems reasonable.

²³ This is the first-round effect, abstracting from demand responses.

The transition also matters

In the interlude, state and territory governments will have to undertake preparatory work in many areas. As noted by McDonnell-Phillips, ‘the introduction of precommitment options needs to be viewed in a way which is identical to the marketing of a new product’ (2006, p. 46). Some of the prerequisites will be:

- development and testing of technologies and standards (cards, USB devices or other ways of providing player identification and storing their playing preferences), with national agreement and coordination. It would be important to get early regulatory agreement for gaming machine manufacturers to sell machines that were network compliant, even if that functionality could not be immediately exploited. This would enable the gradual diffusion of network-ready machines throughout venues, reducing costs to venues when the system becomes operational (appendix C)
- testing of the pre-commitment system. The trials already conducted have provided useful information about some aspects of a future system, and in particular, the imperative to have an easy method for providing cards or other forms of player identification to gamblers
- the exact parameters of the default case (for example, a weekly limit of \$100 binding for one week and a host of other possibilities), with the goal of ensuring genuine harm minimisation. (The system would *need* to reduce aggregate gaming expenditure to achieve that purpose, though in the longer run, new games and other features of gaming machines may attract a broader customer base and offset these desirable revenue effects.)
- trials of the system in naturalistic settings, preferably in locations where the capacity for gamblers to move to other venues not participating in the trial is limited
- systems for ensuring the privacy of the system — both in terms of the legal responsibilities of those managing the central system and the security of the card/device itself
- systems for ensuring probity in the system and avoidance of tampering with the method for identifying players on the system (for example, by people swapping cards)
- marketing of the system and information provision to consumers. The idea of pre-commitment is not to deter gambling, and indeed to facilitate its enjoyable consumption. When mandatory safety belts were first introduced, many people opposed them on the grounds that they were uncomfortable, infringed people’s rights, and wouldn’t work. Few people regard this as true today. It can be expected that some of these issues (and some new ones, like privacy) will recur

with full pre-commitment in gambling, and that governments will need to acknowledge these concerns and explain how they have been dealt with.

There are few grounds for transitional assistance to venues to help them meet the additional capital costs of the new system:

- The transition period to the system will partly protect venues, as they will get notice of the future changes. For instance, that notice would mean that they could make sensible investments — such as buying machines that would be compliant with any future system and not expanding excessively if that expansion could not ultimately be serviced by revenue in the future.
- Governments do not usually provide subsidies for businesses to modify products that have adverse safety implications for consumers, if for no other reason that this would weaken the incentives for businesses to ensure the safety of their products.

Commercial parties can develop many of these systems and conduct trials under the supervision of government, rather than government itself undertaking all of these tasks. A commercial focus may also have other incidental effects, as gaming machine manufacturers, and software and systems providers are likely to identify commercial opportunities in other products and markets from the development of pre-commitment. For instance, there is a strong potential to market safer and more flexible gaming products globally, especially given the emerging regulatory and commercial pressures for these types of products. That suggests governments should set clear objectives and outcomes for pre-commitment, but give businesses a large degree of scope about how these are to be achieved, and in trialling the systems.

The ideal platform for delivering pre-commitment is probably some years away. However, it may be that, through their existing central monitoring systems and loyalty schemes,²⁴ some jurisdictions might already have the technological infrastructure to deliver the Commission's preferred pre-commitment variant more quickly than 2016.

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

²⁴ The ACT has no central monitoring, but individual venues often have card-based loyalty schemes. Victoria currently prohibits loyalty schemes.

existing severe deficits in achieving self-control for problem gamblers and for genuine informed consent by many other consumers.

DRAFT RECOMMENDATION 7.4

Governments should implement by 2016 a universal pre-commitment system for gaming machines that:

- *provides a means by which players could set personally-defined pre-commitments and, at a minimum, a spending limit, without being subsequently able to revoke these*
- *encourages gamblers to play within safe spending and time limits by specifying default limits*
- *enables gamblers to opt-out, with periodic checking of their preference to do so*
- *applies to all gaming machines in all venues in a jurisdiction*
- *allows occasional gamblers to stake small amounts*
- *avoids identity fraud*
- *is not complicated for gamblers to understand and use*
- *does not unduly affect the enjoyment of those selecting safe playing options*
- *presents few obstacles to future innovation in the presentation and design of the system.*

DRAFT RECOMMENDATION 7.5

In advance of the full implementation of the pre-commitment system, governments should:

- *determine the exact limits and other options available in the default and opt-out modes of the system, and the design of the interfaces with gamblers*
- *market test and trial the appropriate set of user-controlled options and ensure technical standards that would enable a common system to be deployed across Australia*
- *give priority to the development of national standards that would permit machine manufacturers to sell machines during the transition period that would be network-compliant when the system was ‘switched on’*
- *develop approaches to ensure probity in the system, deter tampering with cards or other pre-commitment devices, and ensure the system meets national privacy regulations*
- *determine marketing of, and information provision about, the pre-commitment system to consumers.*

The Commission seeks feedback on the appropriate detailed aspects of the design of a pre-commitment systems meeting the broad criteria in recommendation 7.4, including:

- the viability of using one-off small denomination cash cards for occasional gamblers to use on machines, with only minimal identification requirements*
- the capacity to configure machines to play in a low-intensity 'safe mode' if no pre-commitment method is being used*
- any requirements that might apply to players who opt out of pre-commitment*
- measures to avoid identity fraud*
- the appropriate transition to a pre-commitment system and the capacity of some jurisdictions to provide systems prior to 2016.*

8 Venue activities

Key points

- There are mixed incentives for gambling venues to introduce voluntarily, and ensure the effectiveness of, 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
 - establishing a 'statutory cause of action' for gamblers to seek remedy against venues that behave egregiously.
- Government guidelines on identifying problem gamblers and appropriate intervention would be beneficial and should include a short list of clear indicators of problem gambling.
- A universal requirement for training is warranted for those staff who interact with gamblers regularly, or who work in the gaming areas of a venue. It should cover such matters as problem gambler identification and 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 and food to a patron who is gambling.
- Governments should accord low priority to 'cosmetic' policy measures such as clocks, lights and sounds in venues.

8.1 Introduction

Gambling venues can, and do, 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, government measures introduced in relation to some venue-based activities, and how they might be improved.

Other chapters also look at venue-based activities to reduce harms — chapter 6 on gambling information and education, chapter 10 on accessibility of gaming machines (for example, hours of gaming machine operations), and chapter 9 on access to cash and credit.

8.2 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 voluntarily introduce measures that would reduce gambling risks for their patrons. If incentives are weak, governments may have a basis for intervening.

It is very 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 longer term commercial interest of venues for their patrons to suffer harms through gambling. If venues were to provide poor quality customer service or safety, they may acquire a poor reputation and lose patrons over the long term to their commercial detriment.

Venues might also have formal ‘corporate social responsibility’ objectives. These are defined as broadly encompassing ‘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.

Contrary to these various incentives is that problem gamblers are a large source of revenue for a venue. As Borderland 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)

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 the bases of common law negligence, breach of statutory duty and unconscionable conduct. 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 the prospect of successful litigation by problem gamblers, even though remote, 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.

That venues 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 2009, p. 2)

The Commission considers that there are not sufficiently compelling incentives for venues to act voluntarily to effectively protect their patrons from gambling harms. Central to this is the fundamental commercial dilemmas 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 (see Australasian Gaming Council, sub. 230, p. 45 for a listing). Many were developed by the gambling industry either alone or in concert with government and community sector organisations. And some of them were developed prior to their mandatory application by governments.

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

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- 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 8.1 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, the Australasian Gaming Council, sub. 230; the 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
- 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, see Hing and Dickerson 2002). Such measures are unlikely to reduce gambling revenues significantly for a venue.

Box 8.1 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.

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 — Allens 2009a, p. 61).

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 8.5).

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 8.2). 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 8.3).

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)

Box 8.2 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)¹ found the following:

- 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).
- The main practices that required improvement, for clubs and hotels in particular, 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 review² of the Queensland Responsible Gambling Code of Practice³ (Queensland Government 2007) found the following:

- 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 small clubs and hotels, and clubs and hotels 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).

¹ Based on a survey of 100 gambling providers, which included two casinos, 35 clubs and 27 hotels.

² The Code is subject to three phases of reviews over five years (sub. 234, p. 25). Each phase evaluates progress towards achieving six specified outcomes, namely that: individuals, communities, the gambling industry and the Government have a shared understanding of responsible gambling practices; individuals, communities, the gambling industry and the Government have an understanding of their rights and responsibilities in relation to responsible

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- The Tasmanian Government recently announced the replacement of current voluntary industry codes with a ‘new mandatory code to improve gaming environments’ (Aird 2009 and 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 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. 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.

gambling; the gambling industry provides safe and supportive environments for the delivery of gambling products and services; consumers make informed decisions about their gambling practices; harm from gambling to individuals and the broader community is minimised; people adversely affected by gambling have access to timely and appropriate assistance and information (sub. 234, pp. 25–6). The first two phases of the review of the Code — review of the effectiveness of the implementation of the Code and review of the level of ‘cultural shift’ towards establishing responsible gambling — have been completed (Queensland Government 2004 and 2007). A report on the final phase of the review of the Queensland Code —the sustainability of the Code in achieving best practice in responsible gambling and contributing to minimisation of harm from problem gambling — is currently being prepared.

- 3 The results were based on a survey of around 1800 gambling providers, including the four casinos and over 1300 clubs and hotels.

Box 8.3 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.

*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 (p. 33). Development of the national code could involve the participation of the ACCC and Standards Australia (p. 33). The national code should be supported by effective sanctions and subject to regular independent reviews (p. 33). 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 (p. 33).

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 recently 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 8.4).

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 8.4.
- 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.

8.3 Strengthening incentives for venues to implement harm minimisation measures

Regardless of the types of harm minimisation measures introduced, whether mandatory or voluntary, three ancillary measures would help strengthen the incentive of venues to implement them. These relate to the enforcement of venue compliance, complaints handling and judicial redress for gamblers.

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 lack of monitoring of compliance (box 8.5).

Box 8.4 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).

Box 8.5 Participants' comments on 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 (sub. 223, p. 32).

PokieWatch.org.au, 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 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).

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)

The Commission considers that an approach like that proposed by Toneguzzo could be applied to gambling venues as well. Gambling regulators, or an 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)

The Commission notes that this approach appears to apply in South Australia (box 8.6). 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.

As well as integrity testing, venue compliance could be strengthened by introducing ‘incentive compatible’ measures where there are breaches of harm minimisation measures. For example, in relation to serious breaches — such as failing to administer an exclusion order or serving alcohol to an intoxicated gambler on the gaming floor — enforcement measures could include the following:

- linking a pecuniary penalty for a breach more directly to the venue’s gambling revenue. For example, the Public Interest Advocacy Centre suggested that, in relation to breaches of voluntary exclusion schemes, venues be required to forfeit their earnings from the excluded gambler (sub. 222, p. 32).
- temporarily suspending a venue’s gaming licence or temporarily requiring its gaming floor to be closed down. (For example, 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 committed serious breaches, including by publishing a ‘worst offenders’ list.

Box 8.6 The role of ‘industry responsible gambling agencies’ in South Australia

Under South Australia’s recently 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.

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).

The Commission invites participants to comment on penalties or disciplines that gambling regulators could impose on venues for breaches of mandatory harm minimisation measures.

The Commission notes that improving venue compliance with harm minimisation measures will depend on the level of resourcing and commitment by gambling regulators.

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, see box 8.7). 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.

Box 8.7 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).

However, for many people, making a complaint to a gambling venue or industry association at the first instance may not be easy.

- Gamblers might rather have their complaints handled by a body that they perceive to be completely independent of the venue and which they can trust to have their concerns dealt with competently and confidentially.
- Venue staff with concerns about a venue's approach to harm minimisation measures might feel unable to approach a venue or industry association for fear of possible retaliation (such as losing their job).

Among the existing non-industry bodies that could handle complaints from gamblers about a venue's approach to harm minimisation at the first instance are gambling regulators, state and territory ombudsmans' offices and independent alternative dispute resolution bodies. Some gambling regulators (for example, the New South Wales Office of Liquor and Gaming Regulation and the South

Australian Office of the Liquor and Gambling Commissioner) already have mechanisms for handling general complaints about gambling venues (sub. 225, p. 32) 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 National Gambling Industry Ombudsman (UnitingCare Australia, sub. 238, p. 12).

The Commission considers that, in addition to venues and industry associations, gamblers should have the option of making complaints about a venue at 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 mechanism within gambling regulators to handle complaints 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 if there were 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.

DRAFT RECOMMENDATION 8.1

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***
- ***introducing a mechanism for gamblers and venue staff to make complaints to the relevant gambling regulator about venue conduct contributing to problem gambling. This mechanism should be promoted to gamblers within venues and to staff through their responsible gambling training.***

-
- *enabling 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.*

The Commission invites participants to comment on penalties or disciplines that gambling regulators could impose on venues for breaches of mandatory harm minimisation measures.

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, an important potential avenue of redress for the harms they experience is through the courts. Participants expressed several views about judicial redress, with most considering it to be unlikely (box 8.8).

Current gambling cases

Within Australia, the few 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)*⁴
- *American Express International v Simon Famularo; Simon Famularo v Burst Pty Ltd (2001)*⁵
- *Reynolds v Katoomba RSL All Services Club Ltd (2001)*⁶
- *Foroughi v Star City Pty Ltd (2007)*⁷
- *Harry Kakavas v Crown Ltd and John Williams (2007)*.⁸

⁴ There are a number of *Preston* cases. The ones considered here are [1999] NSWSC 459; [1999] NSWSC 1273; and [2005] NSWSC 1223.

⁵ District Court of New South Wales, McNaughton DCJ, unreported, 19 February 2001.

⁶ [2001] NSWCA 234.

⁷ [2007] FCA 1503.

⁸ [2007] VSC 526. As a result of that case, litigation was instigated by Kakavas against Crown Ltd and two Crown employees. This new case is awaiting judgment in the Supreme Court of Victoria.

Of the above cases, *Famularo*, *Reynolds* and *Foroughi* have involved final decisions. *Preston* 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). Presently, the Supreme Court of Victoria is considering a claim by Harry Kakavas against Crown Ltd and two Crown employees.

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 problem gamblers are able to seek redress from gambling venues.

Appendix H reviews these cases in more detail.

Box 8.8 Participants’ comments on judicial redress

UnitingCare Australia considered that the threat of litigation has been almost ‘completely ineffective’ and that legal processes are inaccessible to many gamblers, including to most people with gambling problems. It said that people with gambling problems are ‘actively discouraged’ from making a complaint or ‘seeking redress in the courts ‘since they are likely to incriminate themselves in identifying inappropriate activity by a venue’ (sub. 238, p. 65).

The Public Interest Advocacy Centre noted there has been very little litigation in Australia in which the plaintiff was a problem gambler bringing action against a gambling venue or service. It considered that the cases in Australia:

... clearly demonstrate ... that, in its current state, the common law does not clearly recognise a duty of care imposed on the gambling venue in respect of problem gamblers and there may not be a cause of action available to an individual for a breach of a statutory duty. This highlights the need for effective regulatory mechanisms and raises the question of whether there should be some form of remedy available to problem gamblers if they suffer loss as a result of a failure by a venue to comply with its legislative obligations, particularly in relation to mechanisms designed to ensure responsible gambling and/or harm minimisation in relation to gambling. (sub. 222, p. 25)

Clubs Australia

There has not been a successful court case in Australia won by a gambler on the basis of a failure of ‘duty of care’ by a venue.

Legislation has been introduced that has identified legal obligations of clubs and this has resulted in a practical legal framework for clubs and their patrons within which to operate. In terms of black letter law, Clubs Australia believes there is ample incentive for clubs to introduce and ensure appropriate consumer protections.

In any event, clubs are not motivated by fear of litigation, but by a desire to do the best by their patrons and ensure — as much as reasonably possible — that they provide a safe venue in which to enjoy gaming machines and other club facilities. (sub. 164, p. 221)

The gambling cases identified 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 gambling cases above involved a claim of common law negligence by the gambler against the venue and, as part of that claim, the gambler asserted the existence of a duty of care to avoid foreseeable harm. It is apparent from the cases, particularly *Reynolds*, that Australian courts are unlikely to find the existence of a duty of care owed to problem gamblers to avoid ‘self-inflicted’ economic losses from gambling other than in ‘extraordinary circumstances’.

Notably, Chief Justice Spigelman in *Reynolds* said that a venue’s ‘knowledge’ of vulnerability of the problem gambler might be a factor in deciding whether a duty of care existed.⁹ However, on the facts of that case, the venue’s knowledge of Reynolds being a problem gambler was not considered sufficient to create a duty of care. Subsequent gambling cases appeared to have played down the relevance of vulnerability in a negligence claim. Vulnerability is a feature of unconscionable conduct — see later.

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)

However, the courts in the gambling cases seemed reluctant to recognise that problem 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*.

⁹ [2001] NSWCA 234 at [46]–[47].

Unconscionable conduct

Another cause of action relied upon is unconscionable conduct under the *Trade Practices Act 1974*, where in one case — *Famularo* — the gambler succeeded in his action against the gambling 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. Thus, its interpretation is based on a body of case law and principles. As stated by the Senate Standing Committee on Economics recently (SSCE 2008), 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’ (p. 1).

The Senate Standing Committee on Economics went on to consider that an important doctrine in the law of equity is that of ‘special disadvantage that protects individuals who, in seeking to make judgements in their best interests, are disabled by age, infirmity, mental illness or other characteristics’. Two of the gambling cases recognised ‘vulnerability’ as a feature of unconscionable conduct.¹⁰

However, as with claims for negligence and breach of statutory duty, the courts have been reluctant to recognise a cause of action for unconscionable conduct except in limited circumstances. The circumstances include where the venue has knowledge that the patron is a problem gambler and has deliberately sought to exploit that vulnerability. The case of *Kakavas v Crown Ltd, John Williams and Rowen Craigie*, which is currently before the Supreme Court of Victoria, is likely to elucidate further the principles related to unconscionable conduct in relation to gambling venues.

¹⁰ This appears to have been recognised in *Kakavas* [2007] VSC 526 at [21]–[29] and in *Reynolds* [2001] NSWCA 234 from [29]–[47].

Summing up

As a result of these gambling cases, it is apparent that the courts will generally not find in favour of 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. (Although, the Commission notes that, as more and more cases come before the courts, the potential circumstances that gamblers are able to seek redress will be clarified and this, in turn, will create specific incentives for venues to respond appropriately.) 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.

A statutory cause of action?

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 a lengthy period of legal uncertainty. And in the meantime, gamblers are left without compensation that may be warranted.

The introduction of a new statutory cause of action specifically in relation to the provision of gambling services or products could provide gamblers with an alternative avenue of judicial redress against venues. This can circumvent many of the difficulties associated with establishing causes of action under common law and equity.

However, to avoid opening a potential floodgate of litigation, a statutory cause of action would need to be confined to circumstances where the gambling provider can be clearly shown to have behaved egregiously.¹¹ Although this is ultimately a matter for careful legal definition and drafting, egregious behaviours that a court may be required to take into account could include the following:

- The venue failed to respond to repeated requests by a patron to take specific actions to prevent the patron from gambling at the venue — for example, the venue failed to enforce a patron's self-exclusion from the venue, or cashed cheques presented by the patron when asked not to do so.
- The venue offered alcohol to a patron showing signs of being intoxicated whilst gambling.

¹¹ This is similar to the approach taken by Australian Law Reform Commission in its privacy report where it recommended a statutory cause of action in respect of a serious invasion of privacy (ALRC 2008, chapter 74).

-
- The venue assisted a self-excluded patron to breach or revoke the self-exclusion order in order to gamble in the venue.

The courts would need to be empowered to award damages and remedies as appropriate if they were satisfied that a gambling provider had indeed behaved in proscribed ways.

Such a statutory cause of action should not depend on the provider knowing that the plaintiff is a problem gambler or has a special disadvantage or vulnerability — only that the gambling provider has behaved or failed to behave in specified ways.

By focusing on the behaviour of gambling *providers*, the proposed statutory cause of action would partially, and in a prescribed manner, shift some responsibility for controlling the risks of gambling harms from the gambler to the gambling provider. This is consistent with general consumer policy, which recognises that *prima facie* legal responsibility for consumer detriment resides with the providers of goods and services.

Importantly, a statutory cause of action would help strengthen incentives for providers to implement self-regulatory and regulatory measures to address gambling harms.

The exact form of a statutory cause of action, whether it should apply to all gambling providers or only venue-based providers, and how it would be defined in law would be matters that Attorney-Generals of each jurisdiction would need to determine.

DRAFT RECOMMENDATION 8.2

Governments need to enhance gamblers' capacity to obtain judicial redress against gambling providers that behave egregiously. This could include 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.

The Commission seeks views on whether a new statutory cause of action should be established and what criteria would be appropriate.

8.4 Staff training in harm minimisation

Venue staff are usually the first point of contact for problem gamblers seeking 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, see box 8.9 in relation to New South Wales training requirements for hotel and club staff). The Queensland Government recently 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 8.9 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 (New South Wales) 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 during 2009, and the review will consider 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 (New South Wales) 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 its 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 its 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. 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).

Betsafe expressed concerns about the adequacy of mandatory training courses, such as in New South Wales:

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)

As noted next in section 8.5, some participants also considered that enhanced staff training in problem gambler identification and intervention in venues was warranted.

There is a reasonable case for governments to mandate training for staff that work regularly with gamblers or that 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 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 8.5, the Commission recommends additional staff training in problem gambler identification and intervention, 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. The incentive for venues to ensure adequate training for their staff would be reinforced were the Commission's recommendation for a statutory cause of action adopted.

8.5 Problem gambler identification and intervention in venues

Some commentators have investigated the scope for venue staff to take an active role in identifying problem gamblers within venues and intervening before further 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 requirements for venues to be ‘proactive’ in problem gambler identification and intervention. Several jurisdictions have mandatory requirements providing for venues to record problem gambling incidents and actions in providing assistance to problem gamblers, or providing for venues to train staff in problem gambler 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 and counselling. The Regulation also sets out examples of the signs that a person with 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,¹² 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 managers receive training related to problem gambler 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

¹² The wording in other South Australian mandatory Responsible Gambling Codes of Practice (for example, applying to providers of lotteries and the casino) is similar.

agency’, which (among other things) aims to assist venues with the identification and provision of support for problem gamblers.

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’ problem gambler identification and intervention in venues (box 8.10). Switzerland is considered to have the most ‘comprehensive and strictly enforced’ requirements for problem gambler identification and intervention in casinos (Delfabbro et al. 2007, p. 10)

Box 8.10 Examples of international requirements for problem gambler identification and intervention in venues

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’ (Gambling Commission 2008, p. 23).

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 experiencing problems. 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 8.11). However, there are continuing concerns from participants in the gambling industry, who see practical difficulties with proactive identification and intervention.

The visual cues and behaviours associated with identifying problem gamblers within gambling venues have been the subject of a number of studies (see Hancock et al. 2008 for 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 8.11 Participants' comments on problem gambler identification and intervention

Duty of Care referred to 'player tracking systems' that allow for 'automatic and accurate identification of problem gamblers by their gambling patterns alone' (sub. 151, p. 21). It considered that failure of venues to implement these systems would expose them to actions in negligence for breaches of their duty of care to gamblers.

ACT Council of Social Service noted that the ACT mandatory code of practice for gaming machine venues was at the time considered among the 'most progressive' in the country, because of its emphasis on proactive identification of potential problem gamblers by gaming machine venues. It said, however, that it was not clear the extent to which venues implemented the code (sub. 176, p. 5).

Senator Xenophon considered that the adequacy of staff training in the identification of problem gamblers needs to be addressed and that the use of software programs such as player tracking systems should be mandated (sub. 99, p. 11).

The Victorian InterChurch Gambling Taskforce noted research by Delfabbro et al. (2007) in the role staff training could play in identifying problem gambling behaviours and allowing appropriate interventions to be carried out where problem gambling behaviour has been identified (sub. 220, p. 21). It considered that a requirement for training and intervention be introduced in Australia.

The Tasmanian Government considered that, ideally, the principle of 'regular EGM gambling is problematic' should be built into codes of practice to 'ensure gaming venue staff proactively warn patrons that they are at risk. It said that 'if patrons show signs of problem gambling, appropriately higher levels of intervention are indicated' (sub. 224, p. 24).

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)

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 8.12 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 problem gambler identification and intervention 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 8.13.

Box 8.12 Delfabbro et al. (2007) — selected list of visible indicators of problem gamblers in venues^a

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)

^a 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.

Source: Delfabbro et al. (2007, pp. 185–7; 285–7).

Box 8.13 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 problem gambler identification and intervention by venues than was considered previously possible by Allcock et al. (2002). This need not involve a '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 gambler identification and implementation.

- Well-trained staff may find intervention too hard to do — they may see it as confrontational or fear the reactions of patrons.
- Even well-trained staff will inevitably make a mistake and wrongly categorise a person as a problem gambler, risking giving offence.¹³
- 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.

For these reasons, the Commission does not support a general mandatory requirement for venue-based problem gambler identification and implementation.

¹³ That gamblers may react badly to being approached by venue staff appeared to be consistent with findings by Schottler Consulting (2009) 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 (2009, p. 69). Significant proportions of all groups of gamblers also reported decreases in money spent, session length and play frequency.

However, it does consider two specific measures should be introduced by governments to assist with problem gambler identification and implementation within venues.

Firstly, gambling regulators should prepare guidelines for venues as to visual cues or behaviours for identifying problem gamblers 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 problem gambling 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 recommended by the Commission in section 8.3, gambling regulators should have a mechanism for handling complaints from venue staff about a venue — this mechanism should also encompass complaints about problem gambler identification and intervention in a venue.

DRAFT RECOMMENDATION 8.3

Governments should enhance existing training requirements by:

- ***preparing problem gambler identification and intervention guidelines for venues, including a short list of commonly agreed indicators of problem gambling***
- ***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 problem gamblers 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 7 on pre-commitment.

The incentive of venues to identify and intervene with respect to problem gamblers would be strengthened if the courts were to eventually establish some specific

circumstances in which a venue owed a duty of care to problem gamblers. It would also be strengthened were governments to enact the Commission's recommendation for a statutory cause of action.

8.6 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 8.1). 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).

The evidence that inducements increased problem gambling is mixed.

- 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 (2009, 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.

Table 8.1 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.
ACT	Prohibits the offering of free or discounted alcohol as inducements. Cash amounts, or free or discounted credits can only be offered to all patrons at the time of the facility’s usual or regular prize schedule and not during a specifically targeted time period.
NT	Gambling-related inducements banned.

Sources: ACT Gambling and Racing Commission (2009); FaHCSIA (2009b); New South Wales Government (sub. 247).

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.

- Offering *free* food or alcohol to those gambling may prevent them from taking a natural break in play. Several prevalence surveys (SACES 2008b, p. 40; South Australian Department of Health 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.

- Offering *free* alcohol to patrons who are gambling (or in the gaming room) is also 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.

DRAFT RECOMMENDATION 8.4

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 or food to a patron who is gambling.

Governments could complement such a general prohibition on inducements with an inclusive list of examples of specific inducements that could be added to over time. The general prohibition would complement the Commission's recommendation for a statutory cause of action for gamblers.

Several participants expressed concern about the provision of free credit for online gambling (for example, Australian Hotels Association, sub 175; Betsafe, sub. 93; UnitingCare Australia, sub. 238). This is covered in chapter 12.

8.7 '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' (Victorian Department of Justice 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). (2008, 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 8.14).

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.¹⁴

¹⁴ 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 annual cost of \$16 500 to \$22 500, or \$0.16 million to \$0.22 million (in 2005 dollars) over the 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).

Box 8.14 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 of their money fast and terminate the experience sooner' (p. 18).¹⁵

Source: Rockloff (2007).

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).

¹⁵ 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.

8.8 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 limiting the exposure of children to gambling activity, like prohibiting minors from gambling or from entering gaming areas, is potentially justifiable. This is particularly so if it adequately reflects community expectations and norms in respect of the exposure of minors to venue-based gaming. Some people in the community may be indifferent as to whether their children are exposed to gambling. Others may have deep-seated concerns. Weighing these competing views is ultimately a matter for governments, as has been reflected in the recent Ministerial Council on Gambling’s agreement.

Nonetheless, competing options as to how this 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.

9 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 take a less costly approach to regulating ATMs/EFTPOS facilities, including a \$200 a day limit on withdrawals.
- Where credit is available in gambling venues, there is a greater tendency for higher risk gamblers to use it compared with other gamblers.
 - Other than for online gambling and certain casino patrons, the use of credit cards for gambling, including for cash withdrawals, should be prohibited.
- Gamblers are continuing to gamble with their winnings and a small proportion are avoiding payment of winnings by cheque. Lowering the cash threshold for winnings cheques to \$250, for other than specific casino patrons, would help higher risk gamblers, but would have little impact on non-problem gamblers.
 - The effectiveness of this measure would be enhanced if, following a win, there was a forced break in play for the gambler and venue intervention.
- 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. Other than for cheques of certain casino patrons:
 - winners cheques should not be permitted to be cashed in venues
 - only self-draw cheques up to a value of \$200 should be permitted to be cashed
 - there should be no on-the-spot cashing of self-draw cheques.

9.1 Introduction

The availability of cash and credit in gambling venues has been an important area for harm minimisation action 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 recent 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 2009).

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 (box 9.1).

Box 9.1 Two Senate bills and restrictions on access to cash and credit

The Poker Machine Harm Minimisation Bill 2008 provided for the manufacture of gaming machines and the installation of ATMs and cash-back terminals that do not encourage problem and compulsive gambling. In relation to technical requirements for cash facilities in licensed venues, the Bill provides that a bank, credit union or other financial institution must not operate (or allow to be operated on their behalf) a cash facility that allows a cardholder to obtain, in any one transaction, or in total transactions on any one day, on any one debit or credit card an amount of cash greater than \$100. The Bill also provides that a corporation must not manufacture, sell, offer or expose for sale or supply a cash-back terminal that allows a player, by means of entering a gaming machine ticket into the cash-back terminal, to redeem more than \$100 in a single transaction

The ATMs and Cash Facilities in Licensed Venues Bill 2008 sought to limit and reduce the installation of ATMs and cash facilities in licensed venues. The Bill restricts financial institutions, corporations and persons from installing, owning or operating (or allowing to be installed, owned or operated on their behalf) an ATM or other cash facility at a licensed venue that allows a cardholder to obtain an amount of cash. EFTPOS, credit card terminal or other cash facilities are allowed at licensed venues provided they do not allow cash withdrawals. Where there are no other cash facilities within a five kilometre radius of a licensed venue, the Minister may exempt a financial institution, corporation or person from this restriction.

All state and territory governments now have mandatory restrictions, which 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 winnings as cash
- the cashing of cheques.

This chapter focuses on 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 (2009).

Appendix G summarises the relevant findings from these surveys and studies.

9.2 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 9.1).

In addition to these individual state and territory actions, the Ministerial Council on Gambling recently 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

An overview of ATMs/EFTPOS facilities in Australia and in gambling venues is given in box 9.2.

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 9.3
- 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.

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.

Table 9.1 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 venues.</p> <p>The Government has tendered for research to assess limits on ATM withdrawals and ATM location.</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 venues.</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 venues 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: 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 transaction per day.</p>	<p>Gaming machine venues: 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>
WA	<p>ATMs are banned from 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.</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 has recently being extended to casinos</p>
ACT	<p>ATMs are banned from the gaming areas of hotels, clubs and the casino.</p>	<p>EFTPOS facilities are banned from the gaming areas of hotels, clubs and the casino.</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>

Box 9.2 **ATMs/EFTPOS facilities in Australia and in gambling venues**

ATMs

ATMs provide customers of financial institutions with the capacity to access their accounts online for the purpose of cash withdrawals and other account management services. Access is through the use of debit or credit cards issued by financial institutions.

There were around 27 000 ATMs in Australia as at end June 2009 (RBA 2009). There were some 67 million cash withdrawals from ATMs valued at \$11.9 billion, with the average value of a transaction at around \$178.

There is some limited information on the number of ATMs and the number and value of ATM transactions in gambling venues. About 25 per cent of ATMs in Australia are located in licensed venues (ATM Industry Reference Group sub. 137, p. 8). A very small number of ATMs in 'gaming venues', about 1 per cent¹, are 'bank branded' (Australian Bankers Association, sub. 165, p. 4), with 99 per cent owned/operated by non-financial institutions.

EFTPOS facilities

EFTPOS facilities provides customers with the ability to pay for the supply of goods and services at the point of sale through an online debit of their savings or cheque (debit) accounts, with a resultant credit to the merchant's account. Access is generally through the use of a debit card, although credit cards may also be used to access linked debit accounts. While the service offered by EFTPOS is principally a substitute for cash and cheque payments, some merchants may also offer 'cash out' services, where the savings or cheque account is debited in return for the provision of cash by the merchant.

There were around 670 000 EFTPOS facilities in Australia as at end June 2009 (RBA 2009). Some 19.6 million debit transactions involving cash withdrawals valued at \$1.1 billion were conducted through EFTPOS facilities, with the average value of a cash withdrawal of around \$58.

There is no published information on EFTPOS facilities in gambling venues. However, assuming that each business providing gambling services in Australia has one merchant operating an EFTPOS facility there are an estimated 5300 terminals in venues providing gambling services (ABS 2006).

Sources: Australian Bankers' Association (sub. 165); ABS (2006); APCA (2009); ATM Industry Reference Group (sub. 137); RBA (2009).

¹ As at March 2009, there were 84 bank branded ATMs (Australian Bankers Association, sub. 165, p. 4).

Box 9.3 Participants' comments on the adequacy of evidence

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)

The use of ATMs/EFTPOS facilities by problem gamblers

Numerous surveys and studies have found a link between ATMs/EFTPOS facilities and problem gambling. These are covered in 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 2006-07 household gambling survey of 30 000 adults (table 9.2) indicate that moderate risk and problem gamblers (CPGI) 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 9.2 Accessing ATMs/EFTPOS facilities, Queensland

<i>Question</i>	<i>Low risk gamblers^a</i>	<i>Moderate risk gamblers^b</i>	<i>Problem gamblers^c</i>	<i>All gamblers</i>
You withdraw money at a venue ATM before you start gambling	Never, rarely 55.9%	Never, rarely 34.5%	Never, rarely 8.8%	Never, rarely 48.2%
	Sometimes, often, always 43.4%	Sometimes, often, always 65.4%	Sometimes, often, always 90%	Sometimes, often, always 51.2%
You withdraw extra money at a venue ATM during a gambling session	Never, rarely 74.7%	Never, rarely 45.9%	Never, rarely 8.3%	Never, rarely 64.2%
	Sometimes, often always 24.8%	Sometimes, often always 54.1%	Sometimes, often always 91.7%	Sometimes, often always 35.5%
You obtain cash through EFTPOS facilities at the venue.	Never, rarely 69.1%	Never, rarely 52.1%	Never, rarely 36.9%	Never, rarely 63.3%
	Sometimes, often always 30.5%	Sometimes, often always 47.9%	Sometimes, often always 63.1%	Sometimes, often always 36.4%

^a Low risk gamblers – CPGI (1 or 2). ^b Moderate risk gamblers – CPGI (3 to 7). ^c Problem gamblers – CPGI (8+).

Source: Commission estimates based on raw data from Queensland Government (2008, question 100).

In a recently released study for the Victorian Government, Hare (2009, p. 178) found that, based on a sample of 2332 gamblers, problem gamblers had a greater

tendency to use an ATM/EFTPOS/credit card for extra money for gambling during a single gambling session. 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.

For example, New Focus Research (2004, p. 50) found 3 per cent of self-identified problem gamblers in Victoria reported employing strategies involving the cutting up of credit cards and ATM cards to try and stop gambling to excess. Much greater use was made of other self control strategies such as self-exclusion from venues.

McDonnell-Phillips (2006, pp. 31, 260) found that problem gamblers nominated ‘leaving ATM/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.

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 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.

The evidence that some problem gamblers have expressed an intention to impose limits voluntarily on their use of ATMs/EFTPOS facilities, or have 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 on the question of removing ATMs from venues.

For example, 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).

Preliminary analysis of responses to the Commission’s survey of problem gambler clients of counselling services, indicate that 74 per cent considered that removing ATMs from venues would work well. 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 more than other gamblers. Although this does not show the direction of causality,

the preference of problem gamblers to remove ATMs from venues suggest that the presence of these facilities is likely to contribute to problem gambling.

DRAFT FINDING 9.1

While causality is hard to demonstrate conclusively, 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 entirely from venues?

There are several issues associated with assessing the effectiveness of banning ATMs, namely whether:

- banning ATMs would help problem and other gamblers
- there would be are 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 gamblers?

A particular issue about the effectiveness of banning ATMs (indeed, common to all restrictions on ATMs/EFTPOS facilities) is whether it would help gamblers, including problem gamblers. Participants expressed a range of comments about this (box 9.4).

There are several possible responses of gamblers to a ban in ATMs from a venue. 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 9.4 Participants' comments on whether ATM bans would help 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)

Centre for Gambling Education and Research

Moving ATMs away from gaming areas can force people to take a break in play, but other venue features discourage this — including 3 minute limits on reserving machines, drink and food service to machines, and technology that allows anyone to collect from a machine in the player's absence. Lack of other activities or entertainment, insufficient seating and limited areas in venues to escape the gambling facilities can also discourage players from leaving machines. (sub. 76, p. 12)

Although the attitudes of problem gamblers in respect of ATMs/EFTPOS facilities mentioned above provide evidence that banning ATMs might help them, a study by Delfabbro et al. raises doubts (2007). The authors 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 more likely to leave the venue to find money to continue gambling than other gamblers.

Without further compelling 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 an unintended risk for problem gamblers of an ATM ban in that they could access ATMs outside of a venue that are not subject to other harm minimisation restrictions — such as withdrawal limits or restrictions on the use of credit cards — and that were beyond the ability for venue staff to observe or monitor.

Potentially adverse impacts

Another issue about 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 facilities from venues would inconvenience and create safety risks for these patrons (box 9.5).

Box 9.5 Participants' comments on impacts 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)

As is apparent from the discussion earlier on whether a ban on ATMs would help address gambling harms, non-problem gamblers use ATMs in gambling venues, albeit their use is much less than problem gamblers.

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. 87, table 38)
 - although 35 per cent of recreational gamblers agreed with the statement that all ATMs should be removed from gaming venues, 55 per cent disagreed with the statement (pp. 99–100, 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).

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 (CPGI), 75 per cent of low risk gamblers (compared with 49 per cent of moderate risk gamblers and 51 per cent problem gamblers) reported that there would be ‘no effect at all’ in having no ATMs in venues on their enjoyment (2009, p. 73).

Overall, the survey evidence is mixed on the impacts to 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 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 number of ATMs in gambling venues, the Commission estimates the total cost of removing ATMs from all gambling venues could be between \$25 million and \$60 million.²

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).

² This cost estimate is based on two sources of data and assuming that 50 per cent of venues will be unable to relocate ATMs:

- 1) 5000 ATMs in licensed venues (ATM Industry Reference Group, sub 137, p. 5) at \$15 000 to \$25 000 per unit cost of removing and relocating the ATM from the venue is equivalent to \$37.5 million to \$62.5 million.
- 2) 2) 4200 hotels and clubs (ABS 2006) with 80 per cent providing an ATM (Queensland Government 2009, p. 19) and \$15 000 to \$25 000 per unit cost of removing and relocating the ATM from the venue is equivalent to \$25.2 million to \$42 million.

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 these impacts were overstated. 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 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 (about a one hour walk) 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 9.6). 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.

Box 9.6 Participants' comments 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 should to purchase a drink, 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)

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 Victorian Department of Justice 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, pp. 13)

Table 9.3 Impacts of having to use EFTPOS through a cashier at venues, Victoria

Per cent of gaming machine players

<i>Q: Having to ask a cashier for an EFTPOS withdrawal every time you need to access cash while at a pokies venue. If this was required to access cash, how would this affect your play?</i>	<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	1	3	4	21
About the same	77	64	47	39
Decrease	22	33	49	40
Money spent				
Increase	0	0	0	15
About the same	75	57	53	23
Decrease	25	43	47	62
Session length				
Increase	0	0	4	15
About the same	74	58	48	29
Decrease	26	42	48	56
Play frequency				
Increase	1	1	0	15
About the same	70	56	51	28
Decrease	29	43	49	57

Source: Schottler Consulting (2009, p. 71).

A recent 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 (2009, 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 (table 9.3). 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.

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

Resolving 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, risks and costs 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 does is limit a gambler's expenditure to the amount of cash that is brought into the venue on a particular visit. While this would be beneficial in the short term, 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.
- There are potentially large and irreversible costs associated with the physical removal and relocation of ATMs, estimated to be of the order of \$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.

Accordingly, the Commission does not recommend a ban on ATMs from gambling venues. That said, it considers that an evaluation of the outcomes of the forthcoming

Victorian ban on ATMs would provide valuable information to all jurisdictions about the benefits and costs of this approach.

DRAFT FINDING 9.2

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 seek to subvert the ban. An evaluation of the Victorian ban on ATMs should provide useful evidence.

Were governments to introduce a ban on ATMs from gambling venues, the Commission considers that they should consider giving 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 (about a one hour walk) 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 7. 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:

- help problem and other gamblers
- have adverse impacts on 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 gamblers?

As noted by some participants (box 9.7), 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 2009), an Australian adult holds on average 2.5 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.

Box 9.7 Participants' comments 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) .

There appears to be only very limited evidence on the behavioural responses of gamblers to existing withdrawal limits in venues. Caraniche (2005) found that, of the 'small number' of responses received on Victorian gaming machine players' experiences of tactics or actions used or seen employed by other players at gaming

venues to overcome harm minimisation measures, the most common related to the use of ATMs at gaming venues. Two particular strategies reported were players going to different ATMs to withdraw cash outside the venue, and players continually withdrawing up to the \$200 limit each time they used an ATM in the venue (2005, table 5.42).

Despite the lack of evidence on the behavioural responses of gamblers, the Commission considers that, in principle, withdrawal limits are likely to be more effective in helping to address gambling harms if they are:

- set on a daily basis
- embody an appropriate threshold.

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 ATM Industry Reference Group considered that the Victorian limit of \$400 a day to be a ‘reasonable amount’:

The limit needs to be sufficient to allow patrons (often couples operating a joint account) to have an enjoyable time at a venue without being forced to leave that venue to access additional funds. (sub. 137, p. 12)

However, as Regis Control noted, even \$200 a day could amount to a significant amount of cash for gambling (sub. 82, p. 11 and box 9.7).

There is some evidence of the value of withdrawals from ATMs/EFTPOS facilities in gambling venues.

- 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, depending on the jurisdiction, which is much less than the average ATM withdrawal of \$178 for all ATMs across Australia (table 9.4 and box 9.2)
- 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 9.5), a greater proportion of self-identified problem gamblers than recreational gamblers and non-gamblers withdrew more than \$100 from ATMs in the venue.

Table 9.4 Average value of an ATM withdrawal in hospitality venues serviced by the ATM Industry Reference Group^{a b}

<i>State</i>	<i>Average ATM withdrawal</i>
	\$
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).

Table 9.5 Usual amount withdrawn from ATMs/EFTPOS at any one time in ACT gaming venues, 2004^a

<i>Amounts</i>	<i>ATMs</i>				<i>EFTPOS facilities</i>			
	<i>Non-gambler</i>	<i>Recreational gamblers</i>	<i>Regular gambler</i>	<i>Self-identified problem gambler</i>	<i>Non-gambler</i>	<i>Recreational gamblers</i>	<i>Regular gambler</i>	<i>Self-identified problem gambler</i>
	% (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. Percent responses rounded.

Source: Centre for Gambling Research (2004b, pp. 75–6, tables 22 and 24).

In addition, there is evidence from the 2003 Victorian longitudinal community attitudes survey that 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 recently released Victorian study on gambling (Hare 2009) indicated the amount of money that gamblers tended to bring with them to gambling (p. 175). Hare found that, based on a sample of 4676 gamblers, around 59 per cent brought up to

\$200 with them to gambling, with 5 per cent bringing more than \$200. Moderate risk and problem gamblers had a much greater tendency, than non-problem gamblers, to bring more than \$200 with them to gambling.

Overall, according to this evidence, setting a withdrawal limit on ATMs/EFTPOS transactions of \$200 per card per day would probably not unduly impact on 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).

Summing up

Compared with banning ATMs from gambling venues, setting an effective withdrawal limit on ATM/EFTPOS facilities is likely to be less costly. A daily limit on what can be withdrawn from a facility per card is also less likely to be avoided by problem gamblers and other gamblers.

Providers of ATMs have indicated to the Commission that they are already able to meet the Victorian \$400 a day limit. However, the Commission considers that this limit is unlikely to be sufficient. There is evidence that the usual amounts withdrawn from gambling venues are \$100 or less and that problem gamblers are more likely to withdraw amounts greater than \$100 compared with other groups of gamblers. The Commission thus considers that a limit of \$200 per day on withdrawals from ATMs/EFTPOS facilities would probably help address gambling harms without unduly affecting non-problem gamblers and other patrons. Such a withdrawal limit could be repealed if mandatory pre-commitment of the kind proposed in chapter 7 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 (box 9.8).

Box 9.8 Participants' comments on removing ATMs from the gaming floor

Anon. problem gambler

[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

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)

For example, 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 Commission considers that the effectiveness of this measure 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 self-regulatory mechanisms in respect of ATMs/EFTPOS facilities (Clubs Australia, sub. 164, the Australian Bankers' Association, sub. 165, the ATM Industry Reference Group, sub. 137, and the RSL of Australia (Vic Branch), sub. 245).

One such mechanism focuses on gamblers setting their own limits on their use of ATMs/EFTPOS facilities. 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. Gamblers could make use of a venue's 'mind your ATM card' service (Clubs Australia, sub. 164, p. 14). Or gamblers could request their financial institution to set limits on their debit cards. For example, the Australian Bankers' Association said that:

... 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)

An extension of this alternative 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)

Although 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 part of this work, the Australian Hotels Association commissioned a survey of self-excluded problem gamblers, which found a strong preference for such an ATM self-exclusion scheme (Sweeney Research 2009). Moreover, the survey 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.

Along a similar vein, 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 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 in which this would be done is for governments to mandate the placement of warnings and appropriate messages on ATMs/EFTPOS facilities.

Were governments to introduce bans on ATMs from venues, they should 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.

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, 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.

As noted earlier, a withdrawal limit on ATMs/EFTPOS facilities could be repealed if Commission's proposed pre-commitment system as recommended in chapter 7 were adopted.

DRAFT RECOMMENDATION 9.1

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

- ***Cash withdrawals from ATMs/EFTPOS facilities should be limited to \$200 a day.***
- ***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/EFTPOS facilities.***

The Commission considers there is a case for exempting casinos from draft recommendation 9.1 in relation to their 'high rollers' and international visitors, casinos being 'destination venues' for this group of patrons.

- High rollers tend to be footloose in the sense that they are more able to switch to another international casino if the services and amenity of a particular Australian casino is not to their liking.
- International visitors are unlikely to form an enduring or permanent attachment to Australian casinos given that they are in the country for a short period of time.

The Commission seeks views on the practicability of exempting casinos from draft recommendation 9.1 in relation to their high rollers and international visitors.

9.3 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 (table 9.6).

However, some jurisdictions continue to allow cash withdrawals from credit cards in gambling venues (ACT — ATMs in venues, Western Australia — ATMs in the casino, and Tasmania — ATMs in casinos).

In addition, the Ministerial Council on Gambling recently agreed to the development of a national regulatory and legal framework to ban the provision and advertising of commercial credit for gambling by third parties (such as pawn brokers and pay day lenders) in gaming venues and online wagering services (MCG 2009b).

Some previous government reviews have considered the use of credit cards and access to credit accounts for gambling.

- In its 2002 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 recommended that restrictions on accessing credit accounts from ATMs/EFTPOS facilities be clarified to improve the effectiveness of restrictions (2004b, p. 140).

Table 9.6 Requirements on the use of credit for gambling in venues

<i>Requirement^a</i>	<i>Jurisdictions to which requirement applies</i>
Credit gambling is prohibited	New South Wales, South Australia, Northern Territory
Venue must not provide loans or credit to gamble, or accept credit wagers	Queensland, Tasmania, ACT
No cash withdrawals from credit cards or credit accounts for gambling	New South Wales (through ATMs/EFTPOS facilities in clubs and hotels), Victoria, South Australia, Western Australia (in casino gaming area only)
No access to credit accounts	South Australia (through ATMs/EFTPOS facilities in all venues), Tasmania ^b (through EFTPOS facilities in all venues), Western Australia (through EFTPOS facilities in casino)
Cash advances from credit cards or credit accounts allowed	ACT (ATMs in all venues), Western Australia (ATMs in casino non-gaming area only), Tasmania (ATMs in casinos)

^a Requirements are as described by the jurisdictions. ^bATMs are banned from Tasmanian hotels and clubs with gaming.

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 to introduce credit restrictions in relation to gambling. The New South Wales Government noted that its recent 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).

- The 2001 ACT gambling prevalence survey (Australian Institute for Gambling Research 2001) reported that 8.5 per cent of regular gamblers, 35 per cent of SOGS5+ gamblers and 70 per cent of SOGS 10+ gamblers obtained cash advances from credit cards to gamble.
- The 2005 South Australian gambling prevalence survey (South Australian Department of Health 2006, pp. 175–6) found, in relation to players of gaming machines:
 - 25 per cent of moderate and high risk frequent players withdrew money using credit cards compared with 6 per cent of low risk players
 - 7 per cent of weekly players used credit cards for withdrawing cash compared with 4 per cent of fortnightly players and 2 per cent of infrequent players.
- In their study on possible indicators of problem gamblers in venues, Delfabbro et al. (2007) found that:

- 7 of 15 South Australian problem gambling counsellors reported that their clients asked for a loan or credit from venues
- 9 per cent of problem gamblers compared with less than one per cent of no-risk gamblers reported asking for a loan or credit from venues
- ... Problem gamblers were 16 times more likely than other gamblers to ask for loan or credit from venues.

Commission estimates based on raw data from the Queensland 2006-07 household gambling survey of 30 000 adults (table 9.7) indicate moderate risk and problem gamblers have a much greater tendency than low risk gamblers to withdraw money from credit cards for gambling.

Table 9.7 Use of credit cards to withdraw cash for gambling, Queensland

<i>Question</i>	<i>Low risk gamblers^a</i>	<i>Moderate risk gamblers^b</i>	<i>Problem gamblers^c</i>	<i>All gamblers</i>
You use your credit card to get cash advances.	Never, rarely 94%	Never, rarely 80%	Never, rarely 74.6%	Never, rarely 89.7%
	Sometimes, often, always 5.2%	Sometimes, often, always 20%	Sometimes, often, always 25.4%	Sometimes, often, always 9.7%

^a Low risk gamblers – CPGI (1 or 2). ^b Moderate risk gamblers – CPGI (3 to 7). ^c Problem gamblers – CPGI (8+).

Source: Commission estimates based on raw data from Queensland Government (2008, question 100).

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 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; South Australian Department of Health 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) noted that some ACT venues were not clear about what the credit restrictions meant. Delfabbro (2008a) 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 about effectiveness relates to the differential treatment of venues and gambling forms. A number of participants (for example, Clubs Australia, sub. 164, p. 34; Betsafe, sub. 93, p. 17; Gaming Technologies Association, sub. 147, p. 20; The Council of Gambler’s Help Services, sub. 132, p. 26; Falkiner, sub. 2, p. 25) raised concerns about the inconsistency in credit restrictions across gambling venues (hotels and clubs versus casinos) and across gambling forms (gambling in land-based versus online gambling). The bulk of concern, however, was concentrated on the differences 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 (chapter 12 on online gaming and the Interactive Gambling Act). And international casino patrons typically use internationally accepted credit (and debit) cards as a convenient and cheap means of travelling with cash.

Conclusion

The Commission considers that there is a strong case for banning 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.

The Commission considers that banning the use of credit cards and access to credit accounts for gambling in land-based venues should be operationalised by specifically prohibiting:

- cash advances from credit cards through ATMs/EFTPOS facilities

-
- the use of credit cards to purchase gambling products
 - access to credit accounts in ATMs/EFTPOS facilities.

Casinos should be exempted from these requirements in respect of their high roller and international patrons who would otherwise be significantly inconvenienced.

DRAFT RECOMMENDATION 9.2

Other than for online gambling, and for high rollers and international visitors in casinos, governments should prohibit the use of credit cards for gambling.

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 7 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.

9.4 Payment of winnings as cash

All jurisdictions have introduced mandatory restrictions on the cash payment of winnings, 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 New South Wales, hotels and clubs must pay amounts 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.

In the ACT, the maximum cash payout of winnings for gaming machines is \$1200. Some gambling venues have an in-house policy that the maximum cash payout is \$1000, with the remainder to be paid in cheque the next day. For casino winnings,

there is a maximum cash payout of \$20 000 in any gaming day, however, commission-based player schemes are exempt.

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 requested by the patron.

Restrictions on the cash payment of winnings 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 winnings (for example, Caraniche 2005; McMillen and Pitt 2005; IGA 2007; 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 winnings 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 winnings?

A threshold issue for assessing the effectiveness of the restrictions is the extent to which gamblers ‘reinvest’ their winnings 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 winnings, and that problem gamblers have a greater tendency to do so compared than 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 put large wins back into the machine and keep playing.

This and other survey evidence collectively supports the case for general restrictions on the cash payment of winnings.

Do gamblers simply avoid the need for cheque payment?

Another issue about the effectiveness of restrictions on the cash payment of winnings is whether gamblers avoid the cheque payment by gambling below the prescribed cash threshold.

There is some survey evidence for this behaviour (for example, AC Nielsen 2007; Caraniche 2005; McMillen and Pitt 2005; Martin and Moskos 2007 — appendix G).

Indeed, 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 9.8).

Table 9.8 Frequency of gambling away part of winnings to avoid payout by cheque, 2006 NSW survey results^a

<i>Sample size and frequency</i>	<i>Total NSW</i>	<i>Non-regular gamblers</i>	<i>Non-problem gamblers</i>	<i>Low risk gamblers</i>	<i>At risk gamblers</i>
Sample size	634	303	154	79	98
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. Percentage totals may not add to zero as some respondents could not say.

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.

Conclusion

Survey evidence suggests that there is room for improvement to existing restrictions on the payment of winnings. Gamblers are continuing to gamble with their winnings and a small proportion of gamblers are avoiding payment by cheque.

The Commission considers that the cash threshold for payments should be set at a low level. With a low cash threshold, staff would be able to identify gamblers making many wins — a strong indicator of large overall losses and a risk factor for problem gambling.

While there is little evidence to support the appropriate cash threshold, the Commission considers that a level of around \$250 would be appropriate. This would have few adverse impacts on non-problem gamblers since they rarely win prizes of this magnitude.

The effectiveness of cash payment restrictions could also be improved by providing gamblers with the choice of how they receive their winnings, whether by cheque or by direct credit to their account.

Casinos should be exempted from these requirements in respect of the cash payment of winnings for their high roller and international patrons who would otherwise be significantly inconvenienced by receiving small cheque payments.

Governments should require venues to pay any gambling prize above \$250 by cheque or direct credit to the gambler's account, except for winnings by high rollers and international visitors in casinos.

The effectiveness of this measure would be enhanced if, following a win, there was a forced break in play for the gambler and venue intervention. This is likely to be only practical through modifications to gaming machines, for example, that automatically stopped playing after a win, or that prevented the gambler from accessing the credits from a win for gambling.

9.5 Cheque cashing

All jurisdictions have mandatory restrictions applying to cheque cashing in gambling venues. 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. At the casinos, restrictions have been recently introduced to ensure that cheques drawn on Australian banks are banked within five business days). And in Victoria, hotels, clubs and the casino are not permitted to cash cheques for the purpose of enabling the playing of gaming machines.

Mandatory cheque-cashing restrictions can also apply to the cheque payment of winnings (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; South Australian Department of Health 2006; SACES 2008b — appendix G). This probably reflects the mandatory requirements in those jurisdictions.

However, those same surveys show that moderate risk and problem gamblers are more likely to use cheque-cashing facilities than other gamblers — for example, table 9.9 in respect of the prevalence survey findings for South Australia (which has a general prohibition on cheque cashing in the gaming area).

In their study on possible indicators of problem gamblers in venues, Delfabbro et al. (2007, pp. 176, 186) found that 7 per cent of problem gamblers compared with 2 per cent of moderate risk gamblers and no low or no-risk gamblers reported trying to cash cheques in the venue. They found that problem gamblers were 2.6 times more likely than other gamblers to try to cash cheques at venues.

Commission estimates based on raw data from the Queensland 2006-07 household gambling survey of 30 000 adults (table 9.10) confirm that cashing cheques was very rare for all gamblers across all CPGI risk profiles, but that moderate risk and problem gamblers had a greater tendency than low risk gamblers to cash cheques.

A particular issue 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. This reflects a general problem common to all cash and credit restrictions in relation to gambling; namely they are directed at regulating the means by which cash and credit is accessed, rather than the amount that gamblers can spend.

Table 9.9 Withdrawing money using cash cheques for gambling, South Australia, players of gaming machines^a

	<i>All players</i>	<i>Have played, but not frequently</i>	<i>Fortnightly players</i>	<i>Weekly players</i>	<i>Low risk frequent players</i>	<i>Moderate and high risk frequent players</i>
	N=5130	N=3309	N=663	N=1158	N=330	N=222
Never, rarely	99%	99%	99%	99%	99%	96%
Sometimes, often, always	1%	1%	1%	1.0%	0.3%	4%

^a The CPGI was used to assess the problem gambling risk of the gamblers.

Source: South Australian Department of Health (2006, pp. 176–7).

Table 9.10 Cashing cheques for gambling, Queensland

<i>Question</i>	<i>Low risk gamblers^a</i>	<i>Moderate risk gamblers^b</i>	<i>Problem gamblers^c</i>	<i>All gamblers</i>
You cash cheques at venue	Never, rarely 98.6% Sometimes, often, always 0.8%	Never, rarely 97% Sometimes, often, always 2.8%	Never, rarely 98% Sometimes, often, always 2%	Never, rarely 98.2% Sometimes, often, always 1.3%

^a Low risk gamblers – CPGI (1 or 2). ^b Moderate risk gamblers – CPGI (3 to 7). ^c Problem gamblers – CPGI (8+).

Source: Commission estimates based on data from Queensland Government (2008, question 100).

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. For example, in some casinos, gamblers are able to purchase chips by cheque, which is effectively an extension of ‘defacto credit’ to gamblers (Falkiner sub. 2, p. 26)
- gamblers could cash their winnings cheque in the venue and continue to gamble, undermining the purpose of requirements for a winnings cheque in the first place — namely, to provide a cooling off period for gamblers.

It is important that the current interaction of cheque-cashing restrictions be compatible and consistent with other restrictions on cash and credit. This is to reduce any future unintended biases developing in gamblers towards a particular source of cash or credit for gambling.

The Commission thus considers that cheque-cashing restrictions should reflect draft recommendations 9.2 and 9.3 in that the threshold for cashing cheques is the same as the proposed daily withdrawal limit of \$200 imposed on ATMs/EFTPOS facilities and that the on-the-spot cashing of cheques in gambling venues prior to bank clearance is prohibited. The cashing of winners cheques by the venue should be prohibited.

Casinos should be entitled to limited exemptions from these requirements in respect of the threshold limits applying to the cashing of cheques from their high roller and international patrons.

Although such an approach to the cashing of cheques will not necessarily prevent all avoidance behaviour amongst higher risk gamblers, it is likely to help reduce some of it.

DRAFT RECOMMENDATION 9.4

Governments should impose the following cheque-cashing requirements on gambling venues, other than casinos in respect of high rollers and international visitors:

- ***winners' cheques should not be allowed to be cashed***
- ***self-drawn cheques should have the same limits as in draft recommendation 9.1.***

It is unlikely that the thresholds embedded in cheque-cashing restrictions would still be warranted if the Commission's proposed mandatory pre-commitment system were introduced by governments. This system is more able than the thresholds to directly target gamblers' expenditures. Aside from the thresholds, other cheque-cashing restrictions such as cashing of winners' cheques.

10 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 forms 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 to 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, reversing to any great extent the existing ‘open access’ policy of most jurisdictions would be costly and difficult.
- Caps on gaming machines, whether state-wide, regional or venue-based, are ineffective as measures for harm minimisation.
- Existing shutdown requirements for gaming machines are also probably ineffectual as they apply in low demand periods.
 - However, requiring a more extended shutdown period that commenced earlier than applies in most jurisdictions — for example, from 1 am to 9 am — would better target problem gamblers without unduly affecting non-problem gamblers.
- Regulatory processes to assess venue applications to increase gaming machines have the potential to be a useful ‘bottom up’ approach to managing accessibility concerns.
- The prohibition on Canberra Casino’s operation of gaming machines is difficult to justify.
- 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 relaxed.

10.1 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.

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 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 state-wide 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 10.2). 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).

This survey evidence is reinforced by comments from participants in the community sector and others. 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 12 considers accessibility within the context of restrictions on the provision of online gaming.

10.2 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 10.1 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 had a marked impact on problem gambling and, given the findings in chapter 4, on gamblers more generally.

Beyond the powerful example provided by the early liberalisation experiences of 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) indicate that the proportion of clients experiencing problems with gaming machines was 22 per cent in Western Australia — where there is limited access to gaming machines — compared with at least 74 per cent in other jurisdictions. The data

also indicate Western Australia has experienced less ‘feminisation’ of problem gambling than the other jurisdictions.

- Rush et al. (2007) found problem gambling prevalence rates in Ontario were 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.

Box 10.1 **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, p. 255–6)

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.

Some countries have reversed the process of liberalisation for precisely these reasons.

- In Switzerland, for example, 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.

However, in Australia, it would be difficult and impractical for any government to significantly reverse a long-standing policy of liberal access to gaming machines in jurisdictions outside of Western Australia. Moreover, there would be fewer grounds to do so, to the extent that:

- there has been community adaptation to their accessibility (for which there is some evidence — chapter 4 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.
- there are prospects for improved harm minimisation policies.

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 casual 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 4), encouraging greater supply of gaming machines in those areas. In that case, reducing accessibility in that area

may 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.

10.3 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 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 these 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 10.1).

Table 10.1 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	Na ^a	na	1500	na	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.
Qld ^b	na	In 19 'vulnerable' regions, density is capped at 10 EGMs per 1000 adults. By 2010, density will be capped at 10 EGMs per 1000 adults in all regions except Melbourne CBD, Southbank and Docklands.	Cap of 24 750 before parliament	20 000	12 EGMs per table game.	280	40	New hotels cap, proposed clubs cap, increase in per hotel cap.
SA	Club and hotel EGMs progressively reduced to 12 086, which will then become a cap.	na	na	na	995	40	40	New state-wide and casino caps.
WA	1750 (casino)	na	0	0	1750 ^c	0	0	New casino cap.
Tas	3680 (all venues) ^d	na	2500 (clubs and hotels)	2500 (clubs and hotels)	na	40	30	New state-wide cap, increases in venue caps.
NT	Cap of 1190 for clubs and hotels before parliament	na	na	na	na	45	10	Increase in per hotel cap.
ACT ^e	5200 (clubs and hotels)	na	na	na	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 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. ^c EGMs include 150 machines in the members-only area of the Burswood casino. ^d State-wide cap excludes TT line ferries, which have 46 EGMs. ^e 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: FaHCSIA (2009b); New South Wales Government (sub. 247); Northern Territory Government (sub. 252); Queensland Government (sub. 234); South Australian Government (sub. 225); Tasmanian Government (sub. 224); Victorian Government (sub. 251); Western Australian Government (sub. 139).

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 10.2). Although there have been generally no changes to venue caps, some jurisdictions have increased them. New South Wales after imposing a cap of 440 on clubs recently lifted the cap to accommodate forfeiture and redistribution arrangements.

Box 10.2 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 10.2). 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 policy makers to gauge community expectations about gaming machine accessibility, which along with harm minimisation, is a potentially valid reason for introducing caps.

Table 10.2 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 determine 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.

The Commission notes that 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 10.3 and 10.4.

The complexity of the impacts of caps on gamblers confirm that they are blunt instruments for addressing gambling harms. If governments continue to use them for this purpose, 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 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.
 - 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 10.3 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 over the previous few years) to infer the reductions were the sole cause of the decrease.
- 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 — that is, patrons appeared to spend the same amount on 32 machines as they did on 40.
- Interviews with 400 regular gaming machine players (those who played fortnightly or more often) indicated 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 10.4 Evaluation of the initial round of Victoria's regional caps

SACES (2005b) evaluated the regional cap policy for the then Victorian Gambling Research Panel. At the time, caps applied to five regions and led to the removal of over 400 gaming machines from these regions. SACES 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).
- Interviews with counsellors 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 greater impact than regional caps.)

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 or class A (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. This

argument also incorporates the view that gambling harms are better managed by clubs. Clubs ACT 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)

The net social contribution of New South Wales clubs was considered by the IPART in its 2008 review of the clubs industry. It found the following:

- Compared with other jurisdictions, where clubs have historically been less significant, New South Wales clubs had a small positive impact on participation rates in sports, made significant contributions to charity, and were utilised by many more social members. Notably, it estimated the value of clubs' contribution to social infrastructure in 2007 at just over \$800 million.
- There were social costs associated with problem gambling and irresponsible consumption of alcohol. Rates of problem gambling and per capita expenditure on gambling were slightly higher in New South Wales, but still comparable with those in states where clubs do not operate gaming machines. It noted that there was no evidence that clubs are a safer environment for gambling. It concluded that the heavy involvement of clubs has not significantly affected the total amount of gambling in New South Wales, but may influence the form of gambling and where it occurs.

IPART concluded that New South Wales clubs' social contribution was positive and that it was appropriate for the State Government to provide support to the industry to help ensure that clubs remain financially viable so that clubs can continue to contribute to positive social outcomes.

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 to licensed clubs, but it has not provided analysis to support its position. (NCC 2005, p. 17.11)

The Commission is undertaking a concurrent research study into the contribution of the not-for-profit sector, including of clubs. Notwithstanding the outcomes of that study, the Commission in this inquiry 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.
- 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 reallocating existing (modern) gaming machines to the Casino within the existing cap.
- There is little evidence that clubs are inherently safer venues than casinos. Although clubs are not-for-profit, they are still concerned to maximise their returns from gaming machines and face 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).

DRAFT FINDING 10.1

The prohibition on the casino in Canberra from operating modern gaming machines is not warranted. Permitting the casino to operate gaming machines within the existing ACT cap, subject to the application of appropriate regulatory harm minimisation measures, is not likely to increase accessibility or increase gambling harms.

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 means that there would only be one additional ‘destination’ venue providing gaming machines within the existing cap. However, permitting ACT hotels and taverns to provide (modern) gaming machines, even within the existing cap, would increase the number and spread of venues with gaming machines.

Applications for increases in gaming machine numbers

Jurisdictions have regulatory processes for considering applications from gambling venues to expand the number of gaming machines in a local area. The processes allow for assessments of local impacts from such expansion, including gambling harms.

An example is the New South Wales local impact assessment process, which was introduced in January 2009 to reduce the red tape burden associated with its previous social impact assessment process. The process is administered by the New South Wales Casino, Liquor and Gaming Control Authority. Like the process it replaced, the objective of the local impact assessment 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).

Judith Stubbs and Associates (sub. 73, p. 5) suggested that applications for additional gaming machines in local areas be based on gaming machine densities and SEIFA. Their suggestion was based on an analysis of New South Wales data for over 170 local government areas for the years 1996-97 and 2001-02. Specially, they called for approving applications for additional machines in areas of high SEIFA (high socio-economic advantage) and with high average profit per machine and low existing density of gaming machines and rejecting applications for areas with low SEIFA and higher than average per adult expenditure (Stubbs and Storer 2003, pp. 6–7).

Criteria associated with low SEIFA and/or high gaming machine density in a local area can help signal to regulators the need for a closer examination of the likelihood of gambling harms from the expansion of gaming machines in an area. Indeed, they could operate as an ‘amber light’ to approving expansions. However, because of the range of impacts from restricting gaming machines numbers on gambling behaviour, such criteria are not sufficient as indicators of potential harms.

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 10.3). 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 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 gambles 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 10.3 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. Venues are not permitted to operated gaming machines after midnight without first seeking a special licence. ^a Gaming operations prohibited on Christmas day, Good Friday, and before 1 pm on ANZAC day.	10 hours
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 There is currently a moratorium on applications for extensions on trading from midnight to 5 am.

Sources: Clubs Australia (sub. 164, pp. 334–5); FaHCSIA (2009b).

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 two of the 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 first of these studies was by McMillen and Pitt (2005) for the ACT Gambling and Racing Commission. They 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 gamblers¹ interviewed, 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 gamblers² interviewed, 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 the 64 ACT clubs either in total or when disaggregated by size (pp. 75–6).
- Only 13 of 60 clubs had previously opened for 24 hours per day (p. 78). Most of the managers of these clubs reported a decrease in gaming revenue as a result of the mandatory shutdown. This ranged from 3 to 10 per cent (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 this measure (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).

¹ Gamblers who played gaming machines recruited on-site from eight ACT clubs.

² Regular gamblers recruited on-site in ACT clubs whose most frequent form of gambling was gaming machines.

The second 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 275 gamblers, 105 hotel and club managers, as well as venue staff, problem gamblers and their families. 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 10.4). However, some 9 per cent of moderate risk gamblers and 17 per cent 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 10.5). 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)

- 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). 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.)

Table 10.4 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>
Q: Intention when still playing and poker machines are shut down^a	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%
Other	13%	0	5%	5%	5%
Q: Shutdown prevented you from playing poker machines when you wanted to	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%
Q: Changed times of playing poker machines as a result of the shutdown	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%
Q: Tend to spend more or less time playing poker machines as a result of the shutdown	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%
Q: Changed venues for playing poker machines because of shutdown	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, 100–3).

In addition to the two 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 one 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 5.1 per cent and 8.7 per cent (p. 6).

The Canadian researchers concluded that the initial impact of the time change was ‘quite positive’ and had a ‘desired effect’ in ‘curbing problem play’ (p. 8).

All these studies provide evidence that mandatory shutdowns have helped problem gamblers, whether by reducing their expenditure, by reducing their total time of play at gaming machines, or by providing a break in play. However, it is also apparent from that there is scope for fine-tuning current restrictions on the operating hours of gaming machines to ensure that their effectiveness is increased as much as possible.

Better targeting of the time and duration of the shutdown

One way in which restrictions on the hours of operations of gaming machines could be improved is through better targeting of the time and duration of the mandatory

shutdown of gaming machines. In principle, the 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.

The studies above provide some evidence on the most popular period of gambling for higher risk gamblers and other groups of gamblers. For example, according to the New South Wales study (table 10.5), 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.
- 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.
- 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 not as significant as at other times of the day.

Table 10.5 Usual times of playing gaming machines by risk 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%	ff%	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. Risk was assessed using the CPGI.

Source: Blue Moon Research (2008, p. 178).

The Canadian study corroborates the evidence from the New South Wales study that higher risk groups are more likely to be playing after midnight than lower risk groups. That study found that there 43 per cent of the 60 problem gamblers regularly played VLTs after midnight (before the change) compared with four per cent of 316 non-problem players (Corporate Research 2005, p. 2)

Based on evidence from the New South Wales and Canadian studies, commencing a mandatory shutdown earlier and for a longer duration would benefit some higher risk gamblers without unduly affecting non-problem gamblers. Indeed, the New South Wales study indicates a shutdown period could extend from 1 am to 9 am — a period of 8 hours. The Commission notes that, of the jurisdictions, only Queensland appears to operate a shutdown period of a similar time and duration.

Earlier closure of gaming machines may also partly address the risks of people 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 highest was between midnight and 3 am on the weekend (p. 8).³ 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.

Minimising unintended consequences

A key issue is the potential for unintended consequences, and in particular the possibility that higher risk gamblers:

- 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 New South Wales 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-

³ A recent study by Allens (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 87 per cent of all offences occurring within a 24 hour period compared with licensed venues that shutdown before 1 am (p. 32).

problem gamblers changed venues (table 10.5). However, this diversion was not significant.

The extent to which higher risk gamblers and other gamblers are diverted 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 continuous 24 hour gambling (other than by going to the casino, which, in most cases, would involve a significant journey). Venues should have no discretion in this matter.

In conclusion, the Commission considers that there is reasonable evidence to support fine-tuning 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 and commence earlier than now applies — for example, from 1 am to 9 am.

There is a case for exempting casinos from gaming machine shutdown times, given their status as destination venues and the fact that they are more likely to cater for international and inter-state gamblers and tourists. However, governments should monitor the potential for local patrons to divert their play to casinos from other venues subject to mandatory shutdowns.

DRAFT RECOMMENDATION 10.1

Drawing on the Queensland approach, governments should introduce a shutdown period for gaming machines in all hotels and clubs that commences earlier, and is of longer duration, than currently.

The Commission seeks feedback on the period of shutdown that would best target problem gambling, with least side-effects on recreational gamblers.

Mandatory shutdown times may no longer be necessary, once governments implement genuine pre-commitment, as recommended by the Commission in chapter 7, and the need for shutdowns should then be re-assessed.

A mandatory shutdown of gaming machines does not mean that venues need close down their other activities. They would continue to be subject to normal trading hours restrictions.

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 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 (2009, p. 8) 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 (table 10.6). 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 7), as observed by Schottler Consulting (2009, p. 8)

Table 10.6 Impacts of compulsory shutdowns, 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 (2009, p. 55).

A final comment

Even with fine-tuning, 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 make little difference to the overall accessibility of machines in most jurisdictions.

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 more tightly aspects of EGMs would diminish the enjoyment for recreational gamblers without clear benefits to problem gamblers or those at risk:
 - information for consumers on the cost of play would most usefully be expressed as expected hourly expenditure and the percentage cost of play
 - this could be implemented initially through low cost signs affixed to EGMs.
- There is a strong case on net social benefit grounds for a much lower bet limit:
 - a limit of around \$1 (equivalent to around \$120 per hour of play) would reduce harm from high intensity gambling without unduly affecting recreational gamblers.
- 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 slow play by problem gamblers and reduce the associated costs 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.

11.1 Introduction

A large proportion of people who get into serious problems with their gambling do so on EGMs (chapter 4), 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, 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, enjoyable sound and music, 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

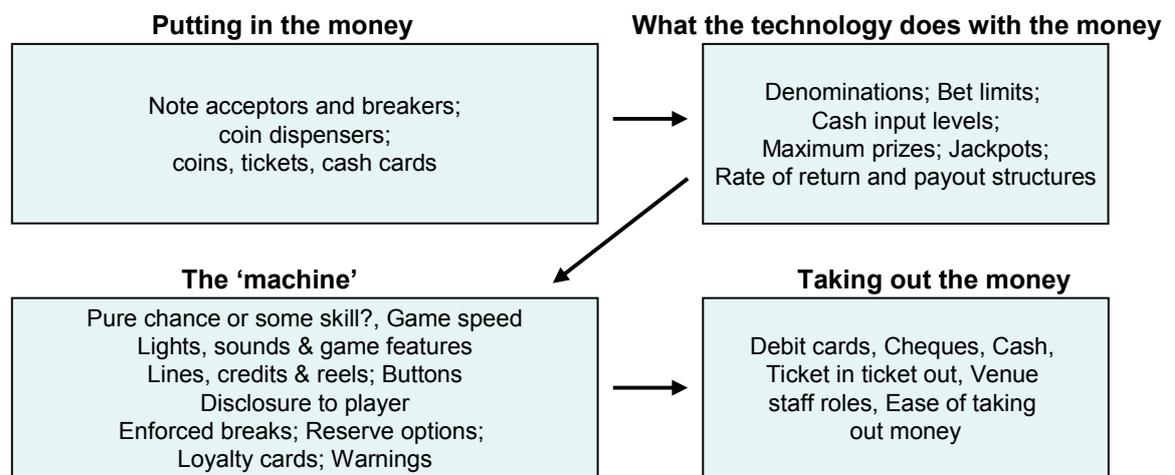
they were better informed, are not confined to problem gamblers. However, they exhibit more misperceptions than most and suffer more adverse effects.

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
- ways of making sure players are informed (and can understand the information that they are given) about the cost of playing EGMs.

In considering these features, a key concern is to seek 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 ten lines and betting five credits per line on a 2 cent EGM costs \$1 per ‘spin’ (or button push).

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).

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, commonly \$5 or \$10 (table 11.1). So 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 \$10 per spin.

Other influences on the intensity of play include the machine's 'return to player' setting, 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.

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 some aspects of EGMs to contain the intensity of play. For example, each jurisdiction now has a bet limit of \$5 or \$10 for EGMs in hotels and clubs, although many EGMs are designed to have smaller maximum bets.² (Casinos in some jurisdictions are not subject to bet limits for some of their EGMs.) Most jurisdictions do not limit the number of lines that can be bet upon. However, Queensland³ and Tasmania specify a maximum of 50 lines (FaHCSIA 2009, p. 17).

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 games per minute. However, actual rates of play are likely to be slower on average due to free games, second screen features and gamble options. In conjunction with the industry, the CIE estimated an average spin rate of 5.5 seconds (implying 654 games per hour) (CIE 2001, p. 17).

The return to player is also regulated in all states and territories, with a minimum of 85 per cent. The return to player varies among EGMs, and the average return to player across Australia was about 90.4 per cent in 2005-06 (Australian Gaming Statistics 2005-06, summary tables A and D).

² 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.

³ 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.

The average cost of play

On the basis of these limits, it can be shown that the cost of play can vary immensely, depending on the intensity of play. For example, on a 1 cent machine, one hour of play at the maximum game speed permitted by state regulations, can cost as little as a dollar per hour, rising to as much as \$600–\$1200 per hour (table 11.1). The cost of EGM play at different bet limits and game speeds is shown in table 11.2.

Table 11.1 The average 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 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 ^d	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 ^e	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 games per minute, as per Queensland and Tasmania. ^d Some are currently \$10 but all will be \$5 from January 2010. ^e To be reduced to \$5 (Tasmanian Government, sub. 224, p. 4).

Source: Commission estimates.

The figures in tables 11.1 and 11.2 are indicative only. The assumed return to player of 90 per cent is a statistical expectation, not an average over a set period of time, and the amount actually returned to players in any one hour or day or week, and therefore the cost of play, will differ from this significantly. And, 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 will vary considerably around the above averages.

Subject to these qualifications, the indicative average (statistical) expected cost of play at \$10 per game on an EGM that has a 90 per cent return to player is up to \$1200 per hour, if played at high speed (table 11.1). At \$1 per game the expected cost of play drops to \$120 per hour, although as noted, the actual cost to the player in any one session can be well above or below these figures. 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)

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.

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

<i>Maximum cost per button push</i>	<i>Average cost per hour to play a 90% return to player EGM at one game per 3 seconds or 1200 games per hour^a</i>	<i>Average cost per hour to play a 90% return to player EGM at one game per 5.5 seconds or 654 games per hour^b</i>
\$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 free spins etc as per CIE (2001) report commissioned by the gaming industry.

Source: Commission estimates.

Intensity of play and problem gambling

Studies of the behaviour of EGM players suggest that they usually prefer low denomination EGMs,⁴ most commonly play multiple lines and prefer machines with free games and other bonus features. While play 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. Each line is effectively a separate ‘game’, and a player 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 EGMs built in return to player percentage.) 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 more lines tend to receive more frequent rewards than those who bet on a fewer lines. (Delfabbro 2008, p. 118)

Much the same features attract problem gamblers. They, like recreational gamblers, 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.

There is evidence that problem gamblers will bet on more lines and more credits per line than recreational players, although the differences are not always very pronounced. This was found to be the case in the Commission’s national gambling survey (1999) and in the two South Australian prevalence studies (box 11.1), although one study of EGM players in NSW clubs concluded that the duration of sessions, rather than intensity of play, was the key difference between problem gamblers and recreational gamblers (Svetieva et al. 2006). Nevertheless:

... 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)

This conclusion is supported by evidence from the state prevalence surveys and there is also anecdotal evidence from gambling counsellors that the intensity of play of problem gamblers can progressively increase as their gambling session proceeds (‘chasing wins or chasing losses’) (chapter 5).

According to Delfabbro’s annual survey of gambling research in Australia, the most extensive study into how EGM characteristics influence behaviour and gambling

⁴ 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.

expenditure on EGMs was undertaken by Blaszczyński 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 [Blaszczyński 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.

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', as it found that 2.3 per cent of non-problem gamblers and 7.5 per cent of problem gamblers typically bet more than \$1 per game. 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.

Box 11.1 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) (PC 1999). Problem gamblers were also much more likely to play \$1 machines.

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 (2001) 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).

The SA Department for Families and Communities (2007) 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). 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.

continued

Box 11.1 continued

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. (McMillen and Pitt 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 also 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. (McMillen and Pitt 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 playing EGMs 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. The authors concluded that the main difference between problem and non-problem players was the duration of sessions rather than the intensity of playing.

Other studies have 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 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)

Clubs Australia pointed to the qualification of these results by the authors, including 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 elsewhere in this report, 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. And the important point remains that, if few players bet above \$1 per button push and they were 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.

This conclusion gains some additional support from analysis of the unit record data in the recent Queensland prevalence survey (table 11.3). In addition, data from a sample of New South Wales players using loyalty cards showed that, over a month of play, about 98 per cent bet an average of \$1 or less, with a median bet of about half this amount (appendix B).

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’ (McMillen, sub. 223, p. 25). Indeed, in the UK and New Zealand, however, bet limits have been reduced. The much lower maximum bet sizes (and prize limits) that apply in the United Kingdom 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 is now limited to \$2.50 and prizes are limited to \$500.

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 player's 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.

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 2008</i>
A	unlimited	unlimited	0
B1	£2	£4 000	2 000
B2	£100 (in multiples of £10)	£500	27 000
B3	£1	£500]	12 000
B3A	£1	£500]	
B4	£1	£250	17 000
C	50p	£35	131 000
D ^b	10p	£5	72 000
	30p	£8	

^a Category A machines are available 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 with a 10p stake are entitled to offer prizes of up to £5 in cash, or up to £5 in cash and £3 in non-monetary prizes. Category D machines with a 30p stake can offer £8 in non-monetary prizes only.

Source: <http://www.gamblingcommission.gov.uk>.

Should maximum intensity of play be limited?

A question for policy is whether there would be benefits from reducing the intensity of EGM play, and if so, how this might be done without unduly affecting 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 game). 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 noted elsewhere in this report, problem gamblers will, over time, typically win many large-ish 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), and it is a product that many players, not only problem gamblers, play in a sense of dissociation/unreality, 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. (Błaszczynski et al. 2004, p. 36).⁵

For such reasons, there can be a case for limiting intensity of play. This could be achieved by reducing the spin rate, mandating more lower denomination EGMs or reducing credits or lines that are able to be bet upon. (It may also be achievable through player information displays that periodically request continued consent to play.) But the research evidence suggests that adjusting some game characteristics would have uncertain effects on problem gamblers and some negative impacts on recreational gamblers. Other possible ways include:

- increasing the return to (all) players. This would benefit all gamblers by extending the period of play achievable for a given cash outlay, and may therefore slow the rate of loss for problem gamblers. It would not be well-targeted at problem gamblers and could involve significant venue revenue costs,

⁵ 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.

depending on the rate struck. Most games already pay well above the currently mandated minimum levels.

- requiring that EGMs cost no more than a certain (statistical average) amount per hour to play, either at maximum or at some predetermined average rate of play. Within that constraint, the industry could then choose the combination of denomination, spin rate, lines, credits and return to player that they saw as providing an attractive game.

A more direct way of achieving the same outcome would be to reduce 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. 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.

While providing better information to players about the current cost of playing EGMs may help address player misconceptions, 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.

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, 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 4, 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.

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. A small reduction would have minimal benefit in view of the cost per hour that would still be possible (table 11.2). A maximum bet of \$1 would still involve a potential average loss rate in the order of \$120 per hour.

Most recreational gamblers would not notice a significantly lower bet limit, as they typically bet at low levels anyway. However, there would likely be occasions when they would be prevented from escalating their bets if this would have taken them above a lower bet limit. This might lead to some frustration at times, reducing their enjoyment of game play. For example, one responsible gambling manager said that \$1 EGMs that allowed bets of \$5 or \$10 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.

Nevertheless, bet limits much lower than those currently mandated would provide most benefit to problem gamblers by forcibly reducing their intensity of play, and hence the financial harm they incur. Lower maximum loss rates per hour are also more in accord with a view of EGMs as a form of entertainment that players should expect, on average, to pay for.

DRAFT 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).

Some implications of a lower bet limit

Venues would lose some revenue and would incur the costs of altering the EGMs. Clubs Australia pointed to the significant losses expected from imposing a \$1 maximum bet in New South Wales, based on estimates from the CIE. These were estimated at 17 per cent of club EGM revenue and 39 per cent of hotel EGM revenue (CIE 2001, p. 15). Clubs Australia also pointed to the flow-on implications, including for state tax collection. (In contrast, Blaszczyński et al. 2001 suggested that revenue losses could be small, on the basis that so few players bet above \$1 in their study.)

Clubs Australia also cautioned that the study's conclusions were subject to 'the significant qualification' that players might respond by playing longer, thereby reducing any harm minimisation benefits from the lower bet limit. This is correct, but they would have to play for a *lot* longer, and would then be more readily observable, and may be offered assistance by (trained) venue staff. Another possibility is that some may switch to other forms of gambling, with uncertain effects, although there is some evidence that many who suffer gambling problems related to EGMs have problems specific to that form of gambling.

However, to the extent that problem gamblers do respond by playing longer, the revenue losses to venues would also be less than estimated, as the CIE acknowledged (2001, p. 26). The CIE also added that:

... the small proportion of players who have a relatively high average bet size — greater than \$1 — are the players that contribute most to gaming machine turnover, revenue and hence, revenue at risk. (CIE 2001, p. 30)

The considerable evidence that a significant proportion of this same revenue comes from problem gamblers or those at risk (chapter 4) makes a reduction in venue revenue (and in the taxation take by governments) inevitable for any effective form of harm minimisation measure. And, as Blaszczyński 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. (Blaszczyński et al. 2003, 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)

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 employment effects (CIE 2009). But such changes may accelerate pressures towards amalgamations, and some smaller clubs may close. This would adversely affect some recreational gamblers. However, other 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.

In any case, to the extent that any policy measure acts to counter an 'externality' — in this case, where the cost of remedying the costs of problem gambling falls on society more broadly — the reduced supply of that good or service does not represent an economic cost.

Box 11.2 Research in NSW on bet limits

The study by Blaszczynski et al. (2001), 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).

Implementing such changes would also involve some costs for venues. In most jurisdictions, alterations to game parameters require each EGM to be opened and the software changed by a technician, at a cost that could be as high as several

thousand dollars per EGM. Where multiple changes are proposed, such costs can be reduced by implementing several changes at the one time. (Possible future developments such as server-based gaming would facilitate this at minimal cost. It would also provide the scope for low-cost policy experimentation that could be quickly and cheaply implemented and, if necessary, reversed.)

As the New South Wales Government said:

New technology that affects the ability of governments to better regulate gaming is mainly associated with system development rather than gaming machine development. (sub. 247, p. 43)

There would be some EGM-design implications, as some combinations of machine denomination, lines and credits would no longer be valid. The industry may well decide to redesign game consoles to avoid having combinations that do not light up when pressed, to avoid the perception that the EGM is faulty. (Indeed, Blaszczyński et al. speculated that having inoperable buttons in their modified EGMs may have led to players avoiding them ‘since they may have appeared to be defective with some buttons not operating’ (2001, p. 77).) One approach might be to reduce the machine denomination to maintain the numbers of lines and credits required to underpin the attractiveness of games. For example, a 1 cent EGM that offered 30 lines and 30 credits would not work under the Commission’s proposal, but would if reconfigured to a lower denomination, say one credit equals one-tenth of 1 cent.⁶

DRAFT RECOMMENDATION 11.1

In all jurisdictions, the maximum bet limit on gaming machines, other than those in high roller or VIP rooms at casinos, should be set at one dollar.

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)

⁶ ACT clubs, for example, have a handful of EGMs of this denomination.

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 facilitating large sums being inserted into the 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)

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	note acceptors not permitted in clubs and hotels; \$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 (2009, p. 19); Australian/New Zealand Gaming Machine National Standard Revision 10.0, (pp. 116–119).

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.

The studies that have been done 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. 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.

The 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. (Blaszczynski 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 five per cent) that modification of bill acceptors would, in fact, have no effect. The authors adopted the usual approach of using a standard of proof that avoids false positives (though 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.

... 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).⁷ 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 recommended removing large denomination notes from EGM note acceptors (McMillen, Marshall and Murphy 2004; McMillen and Pitt 2005). (At the time of the study, EGMs in ACT clubs accepted \$100 notes.) In their view, ‘removal of note acceptors was no longer a practical reality in the ACT’ (McMillen, Marshall and Murphy 2004; 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 the recommendation for an independent evaluation of these changes was not implemented:

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).

⁷ 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 harm minimisation behaviours, including reductions in the amount spend on EGMs, the time spent playing EGMs and the size of bets. Further, it was 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 spend data showed no clear evidence that the self-reported decrease in harmful gambling behaviours reported 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 is 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.

In sum, evidence on the efficacy of prohibiting note acceptors or limiting their use to low denomination notes is not wholly clear, although the measure does appear to have good face validity as a harm minimisation measure, and was supported by problem gamblers. While their presence or absence is unlikely to have much effect on recreational gamblers,⁸ in view of their lower intensity of play, gamblers can circumvent note acceptor limitations by the denominations of notes they bring to the venue, by obtaining change at the cashier or the bar, and in some jurisdictions, by using 'note splitters' provided by venues — that is, machines placed in or near gaming areas that will break a larger note into the denominations accepted by EGMs (and 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 were to lead to reduced spending, this could indicate that some players had stopped to think about what they were doing and had decided against continuing play at that time. To the extent that some people change

⁸ See, for example, Schottler 2009, p. 27.

their behaviour simply because of the denomination of the notes that are permissible to pay to play reinforces the view that EGMs are not like other products. For example, were people buying restaurant meals required to pay in low denomination notes 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 a maximum credit value of \$40. However, this decision was soon adjusted to allow up to five \$20 notes to be entered at any stage of play, in view of the disparity of treatment with casinos, where multiple \$20 notes could be inserted. Consequently:

The restriction on note acceptors was no longer dependent on the credit stored in the machine. (Brodie et al. 2003, p. 5)

Evaluation of this measure indicated an initial decrease in total metered win, with a subsequent reversion to the long term trend. 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 (LAB) 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 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.

In the Commission’s view, the cash input limit should be set at a level that does not hinder continual play for most players at their preferred betting style, but at the same time acts as a brake on high intensity play by preventing players from loading up EGMs with multiple high denomination notes.

DRAFT 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.

While the evidence on this matter is not clear, and there can be no precise way to pick an appropriate figure, the Commission judges 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 close to \$40. And it would not limit the amount of credits that could be accumulated by wins.

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 low cash input level is that gamblers who play at high intensity 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 to often reconsider whether to continue gambling. And it may irritate them. 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.

While a bet limit forces problem gamblers to slow the intensity of their play, and restricts the capacity of all gamblers in the extent to which they can vary their style of play, a low cash input level allows players to play at high or low intensity. With a cash input limit of \$20, continuous high intensity play would become cumbersome, interrupted by the need to keep inserting \$20 notes.

A high cash input limit also undermines the intent of restrictions on note acceptors. Having a limit on the denomination of notes that can be inserted 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.

DRAFT RECOMMENDATION 11.2

In all jurisdictions, the maximum amount of cash that can be inserted into a gaming machine should be \$20, with no further cash able to be inserted until the maximum credit on the machine falls below \$20.

- ***This restriction should not apply to gaming machines in high roller or VIP rooms at casinos.***

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 and controls on cash in venues), 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.

There are different ways this could be done. One possible approach would involve the following:

- Use of a player loyalty card to track a player’s total spend on EGMs in a given year.
- Reconfiguration of (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.

- Capping the annual *volatility* of losses to achieve the goal of limiting 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.
- Once the card was withdrawn, the EGM's usual features and game parameters would be reset and would apply to any subsequent user until the progressive features were reactivated by someone using a card that re-triggered the 100 per cent rate of return.

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.

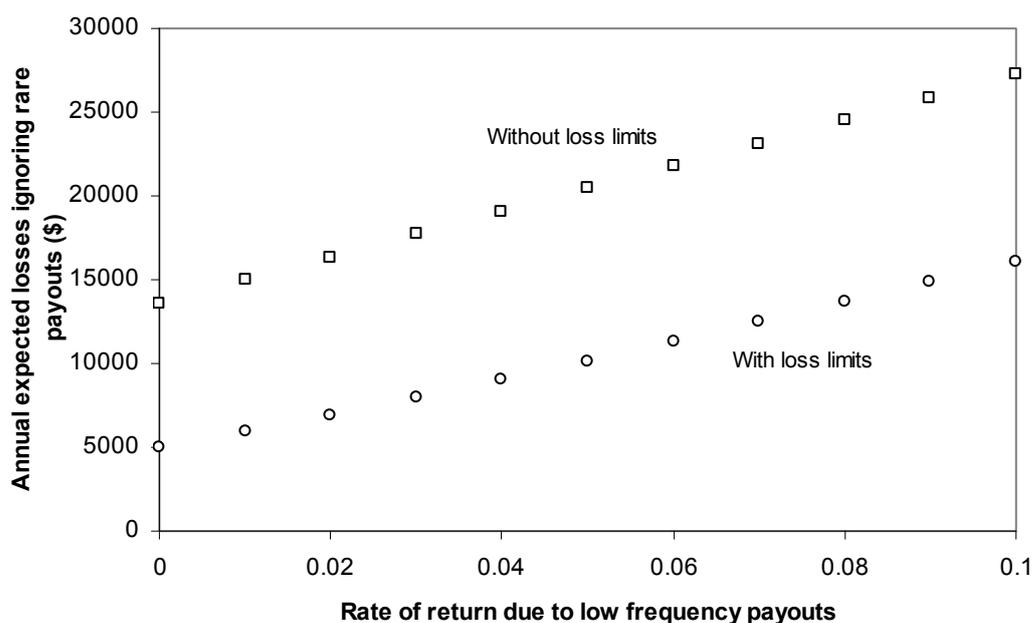
A loss-limiting measure could take several forms. In one variant, only a proportion of machines would be fitted with the technology. Gamblers with likely high expenditure would tend to self-select to use a loyalty card on machines offering the progressive feature. Recreational gamblers would generally not care which machine they played on because they would not expect to exceed the annual spending threshold that triggered the 'progressive' features. This variant of loss limits would reduce the cost of implementation since venues would only face the costs of changing some machines.

The prize structures of existing games may present one obstacle to this variant. Some existing machines pay more than 10 per cent of their total rate of return as jackpots. 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 high frequency payout rate to 90 per cent. In this instance, the most common outcome for heavy spenders would still be large losses even though the 100 per cent rate of return had been achieved by increasing high frequency payouts (figure 11.2).

The antidote to this would be to ensure that the composition of returns is heavily concentrated in relatively high frequency prizes (say 98 percentage points of the 100 per cent rate of return). However, once the machines configured to return 100 per cent have a different price structure to other machines, there is a risk that heavy gamblers wanting a chance to win very low frequency high prizes would switch from 100 per cent returning machines to lower returning machines that give them this opportunity. As a result, another variant that could be considered is that *all* machines would have to limit low frequency rare prizes to a small share of their total returns. This would obviously entail bigger costs of implementation.

Figure 11.2 The effect of rare prizes on loss limits^a



^aThis 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 cannot expect to 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 \$5 000 annually to around \$16 000 annually, depending on the composition of the rate of return.

Data source: Commission calculations.

What impact on venues?

Based on what is known about player spending patterns, this proposal, if effective, would reduce venues' EGM revenues. But as noted earlier in this chapter, any effective harm minimisation measure will do this. Venues would also be faced with the costs of reconfiguring the software of EGMs (probably achieved by a software enhancement, including by altering the virtual reels in the machine or the number of free games). Card readers would have to be fitted on some machines, though many already have these), and loyalty card systems would either have to be introduced or modified. The cost of implementation would depend on the exact variant of loss limits chosen, with only some machines needing modification in the first variant described above. Moreover, if there is a longer run shift to server-based gaming, loss limits could be easily realised with changes to software, without any machine modifications, reducing its cost of implementation.

Loss limits 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. 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 7, with an associated requirement to identify oneself, would reduce these risks, as would penalties for fraud.

The Commission seeks feedback on the use of loss-limited gaming machines as an appropriate harm minimisation measure. It seeks views on the specific option outlined above, and in particular, on design features that could make it practically implementable. It also seeks views on any other option that would have essentially the same harm minimisation benefits.

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 could be made to symbols and artwork that could be effective in harm minimisation. (For example, were vulnerable players seeking escape to be denied access to EGMs designed around the icons they prefer, they may simply switch to other, albeit less preferred, EGMs.) 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 2008, 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 2008, 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. Games that offer more than 25 lines may be accepted as long as there is sufficient clarity for a player to accurately identify all wins and that ‘the probability of achieving the advertised number of free games is not unlikely in the life of the game, and thus misleading’ (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.

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 2009, 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 2008, p. 156).

The way jackpots operate may accentuate chasing losses because of the prospect of a large prize and because the theoretical rate of return 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 2008, p. 157)

In addition, progressive jackpots can add to existing false cognitions about EGMs, as they are one area where outcomes are non-random, thus undermining a key harm minimisation message about the randomness and independence of EGM games.

The Gambling Impact Society (NSW) argued 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 11.3 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 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 rate of return 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.

Indeed, with such jackpots, the theoretical rate of return on further play exceeds 100 per cent once the pool gets sufficiently close to the maximum amount. As an illustration, say that the pool is just 1 cent short of the trigger amount and that 2 per cent of the bet amount goes into the pool. At that point, any bet of more than 50 cents wins a jackpot well in excess of the bet amount.

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 rate of return 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.

In theory, it would be possible to disclose to players the changing nature of the expected rate of return in both game types, albeit the practicalities and usefulness of doing so is not clear.

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)

McMillen said that regular observation in a variety of venues suggests that many regular gamblers prefer jackpot machines to other EGMs:

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)

However, she also 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)

Accordingly, there is a tradeoff between the recreational enjoyment of jackpots and the potentially adverse impacts they may have by encouraging even greater intensity of play (and bigger financial losses) for those experiencing problems with their gambling.

Another issue is the extent to which players understand how jackpots affect the expected rate of return (as the return to player percentage of the base game is reduced in order to fund the jackpot prize), and whether this provides a rationale for requiring venues to provide information on rates of return. This is not straightforward since the rate of return increases with further play, which would require dynamic displays and may confuse consumers even further about how EGMs work. Indeed highlighting the progressive nature of the return rates might actually reinforce chasing losses.

Overall, the Commission has not reached a definitive conclusion on the impacts of jackpots. They are a popular feature with consumers, although prima facie they may accentuate harm for some consumers.

In view of the limited research on the effects of jackpots on gaming machine play, the Commission seeks further views and information about whether any changes are warranted and, if so, what form they should take and the likely associated costs and benefits.

11.6 Player information

Some common misconceptions

Lack of understanding about how EGMs work underpins 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 11.4). 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 range of erroneous beliefs is the failure to understand properly the meaning of randomness across independent events. ... (Walker et al. 2007, pp. 25–26)

Blaszczynski et al. said that the primary cognition underlying problem gambling is the misconception that one can win on a long-term basis, encouraging players to chase losses in response to the notion that the longer one plays, the more likely he or she is to win. It was notable that ‘a sizeable percentage’ of both problem and non-problem gamblers held these views:

..., highlighting the need to tailor informed choice information to common misconceptions. (2008, p. 113)

Similar evidence can be gleaned from large-scale population surveys. The South Australian gambling prevalence study found that, of those in the survey who used EGMs:

- 19 per cent ‘strongly agreed’ that winning and losing tends to occur in cycles (three-quarters believed this at least to some extent and there were only minor differences between low risk, moderate risk and high risk gamblers)
- 5 per cent ‘strongly agreed’ that there are ways of playing that give a better chance of winning money (nearly 40 per cent believed this at least to some extent, and low risk frequent gamblers believed this more than moderate or high risk gamblers)
- one in five of those who gambled at least weekly ‘strongly agreed’ that it is always bad to play on an EGM that has recently paid out (about 54 per cent believed this at least to some extent)
- 23 per cent believed, at least to some extent, that they were good at picking winning EGM machines. (SA prevalence study, pp. 180–190 and Government of South Australia, sub. 225, p. 15)

The Queensland Household Gambling Survey 2006-07 found that, for all gambling forms:

- the percentage of persons agreeing that there is a greater chance of winning after losing many times in a row increases from 5 per cent of recreational gamblers to 20 per cent of moderate risk gamblers to 33 per cent problem gamblers
- the percentage of persons agreeing that you could win if you used a certain system or strategy increases from 8 per cent of recreational gamblers to 25 per cent of moderate risk gamblers to 32 per cent of problem gamblers.

While such misconceptions can influence the gambling behaviour of any player, regular gamblers are more likely to hold these beliefs than occasional gamblers, and problem gamblers more so than other regular gamblers. Nevertheless, given their sheer numbers, most gamblers affected by such faulty cognitions are just ordinary recreational players. Accordingly, this suggests that there could be widespread benefits for all consumers from better understanding of the risks and costs involved in playing EGMs.

From a policy viewpoint, continuing cognitive errors about players' capacity to win on EGMs can be seen both in terms of approaches to addressing harmful gambling and as a consumer information issue. From a consumer information viewpoint, understanding the true cost of play is an important element in informing consumer choice. It is rare to purchase any product or service without a clear prior indication of its likely cost. Providing such information helps to avoid consumers being misled. Moreover, misperceptions about how EGMs work can affect how players use them and how much money they bet on them. This can be contrasted with other consumer goods, where lack of clear understanding about how they work does not affect how the consumer uses these products nor the utility they obtain from them.

Information on the chances of winning

One approach used to helping problem gamblers remedy their misperceptions — cognitive behavioural therapy (CBT) — seeks to address such misconceptions or irrational beliefs through discussions with the gambler, and to help them understand how EGMs actually work. There is some evidence that CBT is one of the more effective approaches for helping treat problem gamblers in counselling (chapter 5). However, addressing misconceptions is not straightforward. Many people do not have a clear understanding of the nature of probabilities and random events, and:

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)

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)

Providing better information in venues or on EGMs would seem to be a sensible approach from both a consumer information viewpoint and to help reduce harm. However, while the percentage return to player is variously displayed or made available on request in venues (FaHCSIA 2009, p. 25), it is not a clearly-understood concept. The number of websites that try to explain to EGM players that, on average, they cannot win other than small short-term prizes on EGMs, or that try to convey ‘basic maths of an EGM’ or ‘how EGMs work’ is testament to this. (Gaming regulators’ websites seek to do this also.) 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.

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 Association⁹ ... 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,

⁹ 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)

Box 11.4 **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 reported 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).

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*¹⁰)

¹⁰ http://www.gamingta.com/pdf/responsible_gaming_machine_play.pdf

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. (QOLGR 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 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. However, there may be value in attempting to convey this by way of a summary or indicative dollar amount per hour.

Box 11.5 The industry's guide to the odds of winning

The industry's guide to EGM play provides information along the following lines:

- The chance of winning a prize on an individual line is around 1 in 10 and the prize won is more likely to be two credits than any other return.
- The chance of no prize on an individual line is around 9 in 10.
- The likelihood of winning a prize more than 500 times the amount bet on any one line is over 1 in 10 000.
 - If playing 1 cent per line, the chance of winning \$5 or more on that line is over 1 in 10 000.
 - If playing 20 cents per line, the chance of winning \$100 or more on that line is over 1 in 10 000.
- The chances of each combination appearing are always the same, no matter how many times it may have appeared (or not appeared) in the past.

The guide makes it clear that the outcome of any game is always unpredictable:

Therefore you should EXPECT to lose money in the long run, as you cannot use any form of skill to beat the machine.

Source: Gaming Technologies Association, *Responsible Gaming Machine Play*, (www.gamingta.com/pdf/responsible_gaming_machine_play.pdf)

Conveying to consumers the cost of playing an EGM

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. 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 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 cost of play at maximum intensity.

While arguments can be mounted for different approaches, a key objective of this proposal is to provide more useful information to those players who are more likely to generate harm for themselves when gambling, by making it clear that EGMs are designed to cost them money to 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.

Such an approach can be criticised on the grounds that any chosen cost per hour is a statistical expectation (as is the return to player percentage), not an average over a set period of time, and the amount returned to players in any one hour or day or week or session will differ from this significantly, depending on how the probabilities play out (and the style and speed of play). (Jackpots complicate this further.) This is correct. And as the AGMMA advised IPART, an individual player ‘will almost certainly not play a sufficient number of games to have any reasonable expectation of experiencing the ‘set’ Player Return Percentage’, which drives those costs (IPART 2004, p. 11).

But dollar cost per hour conveys a more useful message than a percentage ‘return to player’. In aggregate, player losses *will* converge to the figures given above. And it remains the fact that an EGM *does* cost players a certain amount on average to play, and this information should be conveyed to players in a more readily understandable form than a ‘return to player’ percentage.

Notwithstanding its shortcomings, there would be clear benefits in providing information in this form. It would:

- be more informative, more readily understandable and less misleading than providing such information as a return to player percentage
- it would have a consumer information role by letting players know upfront which are the cheaper and more expensive machines to play, and gives them an idea of by how much. (It would also nullify any suspicions about venues placing lower or higher paying EGMs in strategic locations, and so forth.)
- be immediately apparent which EGMs are more or less expensive to play on average, in contrast to return to player percentages, where many players are unaware that different percentages imply different costs of play
- be more consistent with the normal way of conveying information to consumers about the cost of buying goods and services
- convey the idea that an EGM is an amusement device designed to be played at a cost (albeit, a likely or ‘expected’ cost), rather than a machine that can make the player money.

It 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 \$500 per hour, it may deter chasing losses, and counter the attitude that playing EGMs is a way to make money.

As the average cost figure would still be a statistical 'expected' cost that no-one would experience exactly 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 \$1200 per hour EGM may be more expensive to play than a \$900 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.

This 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.

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. However, this cannot yet be done in most jurisdictions, would be more expensive to implement and may not be as effective, as players would need to deliberately access the PID to obtain this information.

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.)

In the longer run, PIDs might also be configured to display a wider range of information about cost of play, such as the expected dollar loss per hour associated with different intensities of play (or with each player's actual intensity of play). This would allow players to always compare the price of identical play between different machines, as well as to know the varying expected costs of different styles of play.

PIDs are increasingly being used on machines for other reasons, and have the advantage that any change in the cost of play would be shown on the PID without manually changing labelling on the machines. However, some such changes would be hard to do without first introducing player cards to signal when a particular player's gambling session begins and ends. Any future shift towards server-based gaming would facilitate this.

Use of signs in the short run

Given that dynamic displays showing a player's expected cost of play at their current rate of play are unlikely to be widely available in the near future, a low cost way of providing better information quickly would be by way of a sign that is attached to, or sits on, the EGM. This would avoid the costs of changing the artwork on existing machines. Depending on the distribution within a venue of EGMs with different denominations, return to player settings and maximum bets, venues might only need to purchase a small number of identical signs.

For such an approach to be effective, signage needs to be on the front (outside) of the machine, at close to eye level and in large clear bright font on a contrasting background (in contrast to some signs in some venues that can be very hard to read in gaming areas with low lighting). This can be treated as an interim measure, to be evaluated over time and assessed, via a properly constituted research project, with the possibility that it would later become part of the requirements for new EGM design.

This signage should be supplemented with information about how gaming machines work and the long-term costs of playing, to be achieved by readily available pamphlets or on a secondary screen.

DRAFT RECOMMENDATION 11.3

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.

-
- *Expected hourly expenditure should be shown as a range, from the minimum based on a low intensity rate of play to the maximum permitted within the machine's parameters.*
 - *The percentage cost should be calculated as 100 minus the return to player percentage.*

11.7 Implementation issues

In this chapter, the Commission has highlighted several areas where changes to EGMs could help reduce the harm that some people experience from their gambling, but without unduly affecting recreational players. However, effective implementation is complex:

- some measures are likely to be more effective than others
- some could be introduced quickly and at relatively low cost, while others would take time to implement, and at higher cost
- some would be more effective were other developments in gaming, such as server-based gaming, to be widely introduced
- some measures may act as substitutes for other measures.

Accordingly, there are questions relating to the order in which changes might be made, and their timing. There is also an implied hierarchy of preferred measures, as some proposals are more important than others, and the implementation of some proposals would make other proposals less important. For example, a \$20 cash input limit would make higher denomination note acceptors redundant, but would not substitute for a low bet limit.¹¹ A system of pre-commitment (chapter 7) would not preclude the need for other restrictions to the extent sometimes suggested, because of the range of possible behavioural changes that could result.

The costs of implementing changes to EGMs, which fall on EGM manufacturers, venues and consumers, will depend on how and when those changes are made. Each change may require gaming machine manufacturers to rewrite, test and obtain authorisation for new software, and a licensed technician will need to open and adjust each EGM. Where there are multiple changes to be made, there will be significant cost savings from making all such changes simultaneously. Costs can also be reduced to the extent that changes dovetail with the normal cycle of EGM

¹¹ Were current high bet limits to remain in place, a \$20 cash input limit would act as a de facto restriction on betting behaviour — as high bets and continuous play would be difficult to maintain — and would likely lead to lower average bets. But at the low bet limit recommended by the Commission, this effect would not be observed.

refurbishment and/or replacement. Indeed, the cost of implementing changes is dependent on the technology available at the time. For example, the change to note acceptors in Queensland was achieved at minimal cost, as it was implemented remotely via the QComm EGM monitoring system. But in other jurisdictions, change of this kind must be implemented EGM-by-EGM. To the extent that, in the future, server-based gaming is introduced and becomes widespread, the future cost of parameter adjustments on connected EGMs may be very small (thereby also permitting low cost, more comprehensive and easily reversible policy experiments).

12 Online gaming and the Interactive Gambling Act

Key points

- Although they are still a relatively small part of the gambling market, online gaming and online wagering have both exhibited strong growth over the last 10 years.
- The provision of online gaming to Australian residents has been prohibited by the Australian government through the Internet Gambling Act. Wagering on races and sports betting is not restricted. Whilst it is probable that this ban reduced the growth of online gaming, it is clear that international sites are being increasingly accessed and the Australian ban has limited utility. Spending on online gaming has been estimated at over \$790 million per year.
- Online gaming offers recreational gamblers better prices and more variety. However, it also poses risks:
 - it may increase problem gambling through its high level of accessibility
 - the current prohibition of online gaming means that Australian online gamblers can only use offshore sites — some of which have poor harm minimisation features and, unscrupulous business practises.
- Regulated access, rather than prohibition, would significantly reduce these risks by requiring sophisticated harm minimisation and probity measures be provided to online gamblers.
- It would also increase competition in gambling (with better outcomes for consumers), provide Australian businesses with greater commercial opportunities, and yield governments some additional tax revenue.
- Managed liberalisation is not without risk. Ongoing evaluation of the effectiveness of harm minimisation measures and of the regulatory oversight of the online gaming sector will be required.

The internet is progressively becoming a normal feature of commercial and social exchange. Yet this technology continues to transform the way we do business, connect to the marketplace, network and communicate with others. It has led to the development of a wide array of new goods and services, as well as changing the way businesses market and deliver existing goods and services, allowing

geographically diverse parties to interact in order to exchange information and to trade.

The popularity of the internet as a means to buy and sell goods has had a growing impact on the gambling industry. For example, a web search for ‘internet gambling’ yielded about 7000 hits in 1999 (PC 1999) — today the same search yields over 13 million (as at 1 June 2009).

For both consumers and producers of online gambling products, the growth of the internet offers considerable benefits. But there are also new risks. For consumers, the internet can deliver more variety, convenience and value, but it can also expose new groups to the risks of problem gambling. For producers, the internet can reduce cost structures and enable growth by reaching new consumers, but it also means established producers may be harmed by the emergence of new competitors from other, previously excluded, jurisdictions who may be subject to lower taxation or more permissive regulation.

Australia has adopted a mixed approach to the challenges posed by online gambling (the variety of different types of online gambling are described in box 12.1). While online wagering has been permitted (this is discussed in chapter 13), online gaming has been prohibited under the *Interactive Gambling Act 2001* (IGA). The IGA has prevented companies located in Australia from selling online gaming services to Australians. However, its impact on Australian consumers, who can legally access internationally based online gaming sites, is more contentious.

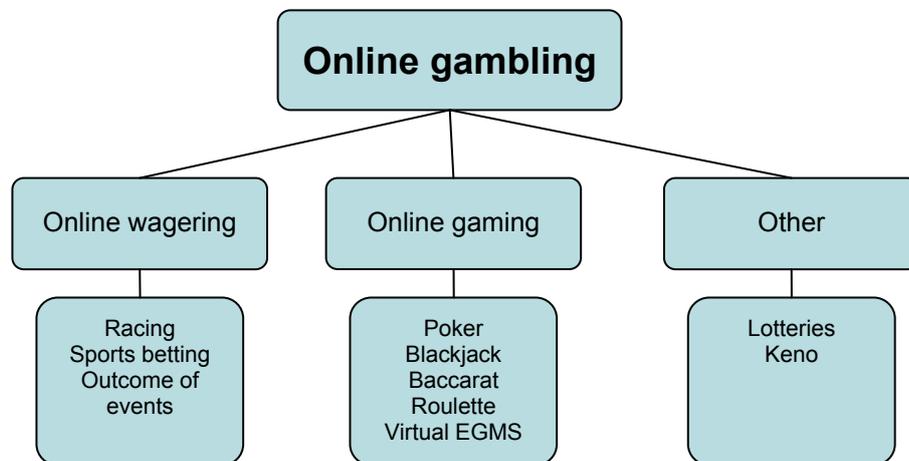
This chapter re-examines the rationales and consequences of the ban in the light of the new evidence that has since become available. While the focus is on online gaming on computers, the findings presented here apply equally to other platforms of delivery subject to Commonwealth control, such as mobile phones and television. The chapter begins with a background discussion of the debate leading to the prohibition (section 12.1) and moves on to discuss the relative harms and benefits of online gaming that are central to that debate (section 12.2). The efficacy of the prohibition is then analysed (section 12.3), followed by a discussion of the alternative regulatory approaches that could be employed (section 12.4). The chapter concludes with recommendations as to the appropriate regulatory approach moving forward (section 12.5).

Box 12.1 The different types of online gambling

The main forms of online gambling are online wagering and online gaming. Online wagering is comprised of betting on racing (thoroughbred, harness and dog), sports betting (such as the outcome of cricket match), and betting on the outcome of events (such as elections or reality TV shows). Online gaming comprises of casino games (Blackjack, Baccarat, Roulette), all forms of poker and virtual gaming machines. Lotteries and Keno can also be provided in an online environment.

While these games can have very different features in terms of the speed of play and the amounts typically wagered when played in physical venues, the distinction between them is reduced when played online. The tendency is for online gambling to involve small but high frequency wagers, similar to venue-based EGMs. For example, whereas traditional lotteries occur infrequently (once per day) and involved small wagers, online lotteries can potentially run at any frequency (given a large enough customer base). Similarly, venue-based wagering on sporting events traditionally involve betting on the outcome (which team will win and what the margin will be), the internet allows for frequent micro-bets to be placed during the course of an event. For example, in a cricket match, whether the next delivery will be a 'no ball'.

This implies that the variation in the risk profile (in terms of the harms arising from problem gambling) associated with different types of gambling are more compressed when played online, compared to physical venues.



12.1 Background

Prohibition is the most severe regulatory approach of all. Its application to online gaming contrasts with the relatively liberal approach taken for most other gambling forms. The policy evaluation of prohibition is the same as for any other regulation

— the central question remains: *Is this form of regulation superior to all other feasible alternatives?*

Prohibition differs qualitatively from other forms of regulation in that in seeking to eliminate or reduce costs, it also eliminates any benefit that may have been derived from the consumption of the product. For this reason, prohibition is usually only considered when the evidence is particularly decisive or when the risk of harm is exceptionally high. Like all regulation, prohibition also carries its own costs. At a minimum, these include the costs of implementing a strict policy and its ongoing enforcement. Regulation also includes a risk of unintended, adverse consequences. For example, the prohibition of alcohol in the United States in the early 20th Century resulted in the criminalisation of a large number of otherwise law abiding citizens, as well as leading to a dramatic expansion of organised crime and corruption.

The prohibition of all online gambling (both wagering and gaming) was considered in the Commission's 1999 report. However, whilst noting the potential harms of online gambling to consumers and the gambling industry, the Commission recommended that the countervailing potential benefits of online gambling warranted 'managed liberalisation' (PC 1999):

Managed liberalisation – with tight regulation of licensed sites to ensure integrity and consumer protection – has the potential to meet most concerns, as long as the approach is national.

The Commission's report was followed by the Netbets review by the Senate Select Committee on Information Technology (2000). The Netbets review also favoured a managed liberalisation over prohibition, and detailed a number of regulatory features designed to minimise the harms associated with problem gambling. These represented significant improvements over the harm minimisation features available even today in venue-based gambling facilities. Indeed, state and territory governments had already developed sophisticated regulatory regimes, with the objective of securing opportunities for commerce and tax revenue, while allowing harm minimisation.

Notwithstanding these reports and the regulatory initiatives of state and territory governments, at the first meeting of the Ministerial Council of Gambling, the Commonwealth requested that the states and territories enact a 12 month voluntary moratorium on new interactive gambling services. This moratorium was aimed at stemming the growth of online gambling so that 'the feasibility and consequence of a permanent ban' could be considered (Department of Communications, Information Technology and the Arts 2008). This was rejected by all states and territories, except New South Wales and Western Australia. Nevertheless, on 6

December 2000, the Senate passed a bill prohibiting the provision of interactive gambling for one year for any service not already being provided prior to 19 May 2000.

During the moratorium, the National Office for the Information Economy (NOIE) conducted research into the implications of banning interactive gambling. The report presented evidence in favour of prohibiting online gambling in principle, but could not identify a practical means to enforce the prohibition. Notwithstanding this, the *Interactive Gambling Act 2001* (IGA) was passed in June 2001, and is still in effect today (box 12.2). The IGA banned the provision of most forms of online gaming as well as ‘in the run’ online wagering (wagering that occurs after the event has begun).

Box 12.2 The Interactive Gambling Act 2001

The IGA targets the supply of online gaming, rather than its demand. It prohibits the *provision* of online gambling services to customers in Australia, but does not outlaw Australians from accessing online gambling services. Nor does it prevent Australian based companies from providing online gambling services to (non-Australian) customers in other countries. The Act states:

(1) A person is guilty of an offence if:

- (a) the person intentionally provides an interactive gambling service; and
- (b) the service has an Australian-customer link.

The IGA excludes several interactive gambling services. With the exception of ‘in the run’ betting, all forms of wagering are exempt from the ban, including: telephone betting; wagering on horse, harness or greyhound races; and wagering on a sporting event or any other event, series of events or contingencies. In addition, online lottery services are exempt, with the exception of instantaneous lotteries or lotteries that are highly repetitive or frequently drawn.

Gambling services prohibited under the IGA include:

- online casino games, like roulette, blackjack and all forms of online poker
- online versions of electronic gaming machines
- online bingo.

The IGA also prohibited the advertisement of these gambling services.

There are provisions within the IGA for the Minister to exclude any service from the prohibition at his or her discretion.

Source: Interactive Gambling Act 2001.

The findings in the NOIE report (2001) were based on a cost/benefit analysis that predicted that successfully prohibiting online gambling (both wagering and gaming) would deliver modest net social benefits. The analysis underlying this finding considered a number of types of bans, as well as different assumptions about the level of harm associated with online gambling (Econtech 2000). The modelling results indicated that if online gambling was at least as harmful as other forms of gambling, then all of the types of bans considered would generate a small increase in social welfare. However, the study had several flaws that limited the usefulness of its findings.

First, the NOIE report considered the ban in isolation from any other potential regulatory solutions that may have been able to minimise the harms without destroying the potential benefits for (non-problem) gamblers. The capacity for online gaming to provide sophisticated harm minimisation means that regulatory alternatives may be superior to a ban.

Second, the cost/benefit analysis assumed the ban would be effective at stemming demand for online gaming and would have zero implementation and enforcement costs (Econtech 2000). However, the NOIE report found that banning offshore provision of online gambling had little chance of success without some enabling technology. The available technical means surveyed were found to be either ineffective or excessively costly and none has been implemented to date.

Third, the model used by Econtech incorporated many assumptions of questionable realism. For instance, it was supposed that, following a ban, some gamblers would shift to other forms of (equally hazardous) gambling, but others would shift to safe recreational activities, with the net outcome that harm would be reduced. However, those gamblers most likely to shift to other recreational activities would be those without gambling problems. In that case, there would be no gain through reduced harm, and indeed a loss from denying people a form of gambling that they found enjoyable.

Since the NOIE report, more evidence has emerged on the relative harms of online gaming, as well as on the efficacy of the prohibition itself. This evidence, combined with the doubts about the analysis underpinning the ban in the first place, suggest the need for a re-evaluation of online gaming policy. That re-evaluation should consider:

- the relative harms and benefits of online gaming compared to venue-based gaming
- the effectiveness of the prohibition, as well as any other additional costs it imposes

-
- the scope for less restrictive regulation to minimise these harms whilst still allowing some of the benefits of online gaming to be realised.

12.2 What harms are associated with online gaming and how do they compare to other gambling?

The fundamental difference between online and venue-based gambling is in the degree of access and convenience it provides. The ability of the internet to allow consumers to purchase goods and services from their own homes is generally seen as a benefit of the technology. However, when the good being purchased (in this case gaming products) carries a degree of risk, the increase in access can magnify this risk. For some gambling products the difference in access will be relatively small. For example, EGMs are widely available in most communities and the additional convenience offered by the online provision of virtual gaming machines would be modest. On the other hand, casino games are offered at only 13 venues across Australia (typically one in each major city). As such, online gaming dramatically increases the ease with which Australians can access casino games like roulette and blackjack.

The ease of access and use of credit cards increase the risks associated with online gaming

There are a number of ways in which greater access could increase the prevalence of problem gambling and its associated harms. Some Australians, for reasons of geographical isolation or disability, have no physical access to venues offering casino games at all. The provision of online gaming exposes a new population group to the risks of problem gambling. For those who live in cities that have casinos, the internet significantly reduces the time and transportation costs associated with gaming. As this allows a greater frequency of play, it may result in more people developing a gambling problem. Moreover, online gambling can be slotted into very small periods, increasing convenience, but also the opportunity for impulsive gambling (morning tea gambling).

Whereas many physical gambling venues have restrictions on the hours they can operate, online gaming operate 24 hours a day. This means that the natural control on binge gambling from the periodic closure of physical venues is not available for online gamblers. (That said, physical casinos operate 24 hours a day, and so this argument does not apply to casino-type games.)

Several submissions also expressed the concern that betting using credit cards represents a threat to consumers. For example, Clubs Australia said:

... there is a clear difference between allowing a person to use money from their cheque or saving account 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. (sub. 164, p. 34)

As credit cards are the primary means of payment for internet purchases, this is particularly relevant to online gaming. For non-problem gamblers, the distinction between using a savings account or credit account is no different for gambling online than it is for shopping online or purchasing any other good or service from a physical location.¹ However, for problem gamblers, the reliance on credit cards in an online setting may magnify the financial harms from excessive gambling. While there are some positive features of account based credit betting (discussed below), the possibility of increased harm to problem gamblers is a legitimate policy concern.

In addition to these major concerns, a number of other less compelling issues with online gambling are sometimes raised, including:

- in an online environment there is no longer any issue of scarcity of places at gaming tables or on gaming machines (through caps or venue licensing restrictions for example). To the extent that scarcity of EGMs or physical places at gaming tables prevents problem gambling, online gaming may represent an additional risk
- online gambling generally involves less social interaction than other forms of gambling. People may then be more likely to lose track of time and their spending than they would at physical venues. This also means gambling providers lose the means to monitor the behaviour of gamblers. A person can be disorderly, drunk or on drugs, and continue to gamble without interruption
- online gambling represents a greater risk to young people than venue-based gambling. Without staff on-hand to check patrons' age and identification, minors may be able to anonymously access online gambling sites
- online gambling offers inadequate consumer protection. Disreputable offshore companies may offer deceptive and misleading products; have little interest in the welfare of their customers; fail to pay out on winnings or provide adequate security to users.

¹ Wood and Williams (2009 p. 10) find that majority of internet gamblers report that use of credit cards rather than cash has no impact on their spending.

Online gaming has several features which mitigate its harms

Combined, the above considerations clearly indicate the need for some level of government involvement in the online gaming industry. However, it is not clear that online gaming is more harmful than other forms of gambling. There are a number of features of online gaming that ameliorate its inherent risks to some extent.

Firstly, as anticipated in the 1999 Productivity Commission report, most internet gaming takes place within people's homes, as opposed to internet cafes or at work (Wood Williams and Lawton 2007²). This puts online gamblers with partners and families in close proximity to people with a direct and personal interest in their wellbeing. Compared with staff at gambling venues, family members are likely to be more motivated to intervene, or seek outside help from counselling services or other family and friends, when evidence of a gambling problem emerges.

Secondly, while credit card betting may allow 'people to bet with money they don't have' (Clubs Australian, sub. 164, p. 45), it also prevents them from avoiding confronting the losses they have incurred. The tendency of problem gamblers to remember their wins but forget their losses is possible when gambling with cash (such as on EGMs). However, the use of credit cards when gambling online creates evidence of gambling transactions on credit card statements. This provides a monthly reminder to online gamblers of the full financial costs of their behaviour, as well as making it easier for other family members to detect any problems.

Third, due to lower cost structures and greater competition, online gaming is usually offered more cheaply than venue-based competitors such as casinos. This can occur by allowing lower bets or offering better odds. For a given duration and intensity of play, this results in smaller losses.

Fourth, online gaming allows players greater freedom to play at their own pace, rather than at the pace dictated to them by casino conventions. This is one of the main reasons why many people prefer online gambling to land-based venues (Wood, Williams and Lawton 2007). By contrast, taking a break from a blackjack table at a physical venue may result in the player losing their seat at the table, thereby encouraging longer uninterrupted periods of gambling.

Fifth, online gamblers do not fit the typical profile of a vulnerable or at-risk group within the community. Rather, they are more likely to come from higher socio-economic groups with above average education levels and income, and working in

² The authors find that 86% of North Americans who gamble online, primarily gamble in their homes. This is supported by Wood and Williams (2009) who find that around 93% of internet gamblers primarily use their home computer.

professional or managerial jobs.³ This is not to say that such groups are irrelevant from a policy perspective. However, it suggests that government action might have a higher payoff in other areas where gamblers are more likely to have misconceptions about gambling and for whom the financial consequences of problem gambling are likely to be worse.

Last, as users know the internet is a risky environment, online gaming companies have a strong incentive to self regulate. To attract business in an uncertain online environment, companies need to be able to signal their trustworthiness to potential customers. One way that businesses do this is through branding. As larger businesses become known for offering reliable products (or at least products that deliver what they promise), the costs they face from lost reputation far exceeds any potential benefit from ‘ripping off’ a customer. This business model appears to be taking root internationally as the online gambling market becomes characterised by larger firms and ‘one stop shop’ provision of multiple gambling products on single websites (Australian Internet Bookmakers Association, sub. 221, p. 9).

Another way businesses can demonstrate the safety of their product is through accreditation with an independent testing body, such as e-Commerce and Online Gaming Regulation and Assurance (eCOGRA). Companies that meet the range of operational and player practice standards required by eCOGRA are entitled to display the eCOGRA ‘safe and fair’ seal and are included in a list of approved sites on the eCOGRA web site (see box 12.3). These standards are enforced through:

... inspections, review and continuous monitoring of every aspect of online gaming operations, including business efficiency, dispute procedures, customer service and support, responsible gaming measures and fair gaming (eCOGRA 2009)

Self regulation will tend to be directed towards the provision of consistent product standards, rather than delivering the kind of harm minimisation features that may ultimately be desired. Moreover, there will always be some unethical operators. Nevertheless, the benefits that online companies receive from their reputation and from accreditation go some way to addressing concerns about the inherent probity and other risks of online gaming. In particular, consumers who gamble at popular,

³ For example Woolley (2003) found that around 53 per cent of Australian online gamblers worked as professionals or managers and administrators. This is a considerably higher proportion than the Australian population as a whole, of whom around 27 per cent reported holding these positions around that time (2001 census). Similarly Woolley (2003) found a median income of \$40 000 to \$50 000 per year, compared to the population median of \$34 149 (ABS 5673.0.55.003 - Regional Wage and Salary Earner Statistics, Australia - Data Cubes, 2003-0). These results appear to be mirrored internationally. Wood and Williams (2009) found Canadian internet gamblers to have a higher income education level than Canadians in general. In the United States, the 2006 AGA survey of casino entertainment found online gamblers to be a particularly affluent group with around 40 per cent earning over US\$ 75 000 per year.

well-established websites could normally expect suppliers to meet minimum product safety standards.

Box 12.3 eCOGRA

eCOGRA is a not-for-profit organisation that was founded in 2002 by two publicly listed companies:

- 888.com — an online casino operator
- Microgaming — a internet gaming software provider.

These companies provided the seed money to launch eCOGRA and continue to fund around 10 per cent of its operations. The remainder is made up of compliance review fees and other data analysis services.

In addition to accrediting online casinos, eCOGRA also mediates disputes between players and certified casinos.

eCOGRA is presided over a board, which is comprised of three non-executive directors, four independent non-executive directors and one executive director. The independent directors have responsibility over testing procedures and seal approval. They are drawn from diverse backgrounds and must have no interests in the funding entities.

Source: <http://www.ecogra.org>

What does the evidence show?

There is a very small, but growing, literature dedicated to online gambling, mainly based on prevalence surveys. In general, the evidence suggests that people who have gambled online at some stage in the past tend, on average, to have a considerably higher rate of problem gambling than people who have never gambled online (table 12.1). For example, Wood and Williams (2009) collected online surveys from people viewing a particular gambling website and found that 16.4 per cent of those who gambled online in the previous 12 months were moderate to severe problem gamblers.⁴ In comparison, 5.7 per cent of those who gambled, but had never gambled online, were found to be moderate to severe problem gamblers. Whilst finding a considerably smaller overall prevalence, Griffith et al. (2008) also found that people who have *ever* gambled on the internet are more likely to be problem gamblers than those who had *never* gambled online (5 per cent and 0.5 per cent respectively).^{5 6}

⁴ That is, a CPGI score of three or above.

⁵ Here problem gambling was defined as scoring three or more using the DSM-IV criteria.

However, a number of limitations with the literature make it hard to draw strong inferences about the relative harms of internet gambling. In particular, there are no empirical studies that establish a causal relationship between gambling online and problem gambling. While the population of those who gamble online may have a greater rate of problem gambling, this does not necessarily imply that gambling online *causes* people to develop problems to a greater extent than venue-based gambling. As an example of the difference between correlation and causation, Woolley (2003) found that around 2.5 per cent of online gamblers were unemployed, compared to a national figure of around 6 per cent at that time. However, it is improbable that gambling online increases your chances of getting (or keeping) your job.

The issue of whether the association between online gambling and problem gambling reflects a causal relationship is further confused by the loose definition of what constitutes an ‘online gambler’. Due to difficulty in sampling sufficient numbers, respondents need only have gambled online once in the last year (or ever in their whole life in some surveys) to be classified as an online gambler. Many in this group will gamble online very infrequently, and their primary means of gambling will still be physical venues. The presence of such people obscures any genuine causal link between online gambling and developing a gambling problem.

For example, problem gamblers tend to participate in more forms of gambling than other gamblers (Wood and Williams 2009 estimate that problem gamblers participate in an average of 4.7 different types of gambling). This increases the likelihood that they will at some stage experiment with online gambling and could lead to the misleading conclusion that online gambling has caused their addiction. In this case, it is their gambling problem that has led them to online gambling, and not vice versa. (However, it is still important to assess whether it has intensified their problems.)

Moreover, as online gambling is still relatively new, many occasional gamblers may not yet be comfortable with the medium (this is likely to be particularly so for older age cohorts). Heavy gamblers and problem gamblers will inevitably be early adopters of the technology and will thus be over-represented amongst online gamblers. As the industry matures and becomes normalised, it will become more attractive to recreational (non-problem) gamblers, and the prevalence of problem gambling may well decline.

⁶ Both Wood and Williams (2009) and Griffith et al. (2008) examine all online gambling, including online wagering which is not prohibited under the IGA.

Table 12.1 The prevalence of problem gambling among online gamblers

<i>Study</i>	<i>Country</i>	<i>Method</i>	<i>Finding</i>
Griffith and Barnes (2007)	United Kingdom	473 university students were contacted via email and surveyed.	Of the 26 problem gamblers identified in the survey, 20 had gambled online in their lifetime.
Wood and Williams (2009)	Canada and international	Results from two survey were used in conjunction with each other: <ul style="list-style-type: none"> • a self selected sample of 12 521 people recruited from a gambling website • a random digit telephone survey of 8498 Canadian adults, of which 179 gambled online 	16.4% of internet gamblers were found to have a moderate to severe gambling problem according to their CPGI score. In comparison only 5.7% of non-internet gamblers were in the same CPGI range.
Wood, Griffith and Parke (2007)	United Kingdom	422 university students, who self defined as being online poker players, were contacted via email and surveyed	18% were defined as being problem gamblers using the DSM-IV criteria. However, only 3.5% reported losing more than £100 per month.
Griffith et al. (2008)	United Kingdom	9003 people responded to a randomised mail out. Of these 6% had ever gambled on the internet	5% of internet gamblers were identified as problem gamblers using the DSM-IV criteria (i.e. score 3 or above). In comparison only 0.5% of non-internet gamblers were in the same CPGI range.
Allens (2003)	Australia	Two surveys were combine: <ul style="list-style-type: none"> • 73 respondents who where known to gamble on the internet from previous Roy Morgan Research • a random telephone sample of 2008 people, yielding a further 19 internet gamblers 	9.6% of internet gamblers were found to be at risk of problem gambling (with a SOGS score of 5 or above). This figure was compared with the Commissions 1999 finding that 15.4% of regular non-lottery gamblers were at-risk of problem gambling.
La Plante et al. (2008)	International	Player spending for 3445 internet gambler service subscribers was tracked over two years. The study focused on poker players who played at least once every six months.	The median cost of gambling was €1.8 per session. The most involved players (top 5% of in terms of amount wagered) had a smaller percentage loss than less serious players (median 3% of money wagered, compared to a median 21%).
Ladd and Petry (2002)	United States	Questionnaires were left in health and dental clinics over 13 months. 389 patients were included in this study. 31 of these reported that they had gambled online in their lifetime.	74% of respondents who had gambled online in their lifetime had a SOGS score of three or more. In contrast 22% of respondents who had never gambled online had a SOGS score of 3 or more.
LaBrie et al. (2008)	International	Player spending for 4222 internet gambler service subscribers was tracked over two years. The study focused on poker players who played at least once every six months	The median gaming frequency was once every two weeks, and losing a median amount of €6.5 per session. However, a small group of players significantly deviated from this. The top 5% of bettors gambled once every five days and lost a median of €46 every session.

Finally, compositional differences in the types of gambling people engage in over the internet can erroneously give the appearance that online gambling is associated with a higher degree of risk. Gambling in lotteries is known to be a very low risk activity, and for many people, it is the only type of gambling they participate in. It is also primarily conducted through purchases at land based venues. The over representation of this group amongst non-internet gamblers drives a wedge between the observed rate of problem gambling of internet gamblers and non-internet gamblers. However, this wedge doesn't reflect any difference in the inherent risks associated with the internet.

Whilst an ideal experiment would compare online and venue-based gambling by type of gambling activity, the small number of internet gamblers makes this practically impossible to achieve in a random survey. At the very least, types of gambling known to have very little risk should be excluded. The Commission's 1999 report found that 15.4 per cent of non-lottery gamblers at physical venues were at-risk of problem gambling. This is roughly in line with most estimates of online problem gambling (table 12.1).

Some studies support the view that online gambling only partly contributes to the problems gamblers face. Wood and Williams (2009) found that, of the problem gamblers who had also gambled online in last 12 months, only 11.3 per cent nominated internet gambling as the format that most contributed to the problem. They concluded that:

...while internet gambling is an important contributing factor to gambling problems in a portion of problem gamblers, it does not appear to be the main cause of problem gambling for most of them (Wood and Williams 2009, p. 91)

Wood, Griffith and Parke (2007) examined a sample of university students who self define as being online poker players and found that 18 per cent were defined as problem gamblers by the DSM-IV criteria.⁷ However, most poker players in this sample played for small amounts of money, with only 3.5 per cent losing more than £25 (A\$50) per week. The finding of relatively small losses amongst online poker players was supported by LaPlante et al. (2009), who found that the median loss per session was around 1.8 Euros (A\$3). Interestingly, the players most involved in online poker (the top 5 per cent in terms of the amount wagered) lost a substantially lower percentage of their total wagers compared to other players (a median of 5 per cent and 21 per cent, respectively).

⁷ That is, they met four or more of the DSM-IV criteria.

The bottom line on harms

While the risks associated with online gambling are likely to be overstated, the relatively high prevalence of problem gamblers is still a cause for concern. At the very least, it indicates that the internet is very attractive to this group and, though the evidence is weak, gambling online may exacerbate already hazardous behaviour. In any case, it is clear that careful regulation of the industry is warranted. The efficacy of the current prohibition as the sole tool for the regulation of online gaming industry is discussed next.

12.3 Has the prohibition ‘worked’?

Has prohibition significantly constrained demand for online gaming?

The evidence reveals that Australians continue to access online gaming services (through non-Australian based sites) that are prohibited under the IGA. However, this does not necessarily indicate policy failure. Very few prohibitions completely prevent the consumption of a product, yet they may still be considered to be justified if they can reduce the consumption of a harmful product (below what it would have been without the prohibition).

The relevant issue for determining effectiveness is the extent to which the ban has curtailed demand. There are two difficulties in assessing this:

- there is inconsistent evidence about participation rates in online gaming
- it is hard to estimate the degree to which the ban has led to slower growth compared with the ‘counterfactual’ of managed liberalisation.

Participation rates

Most surveys of participation find that between 0.1 and 1 per cent of Australians play casino type games online:

- In 2003, a survey of 2000 adults estimated that 0.12 per cent of the adult population participated in online gaming (Allens 2003). Given sampling errors, this implies that participation rates at that time would be likely to be somewhere between zero and around 0.3 per cent.
- A similarly sized survey undertaken in 2006 found an upper estimate of online gaming of around one per cent (AC Neilson 2007).

- Large sample surveys by the Productivity Commission (1999) and the Queensland Household Gambling Survey (2003) found participation rates of 0.4 and 0.3 per cent respectively.

Subject to low non-sampling errors, these estimates strongly suggest that relatively few adults participate in online gaming. Given the imprecision in the estimates from sampling errors and the likelihood of at least some non-sampling errors, the survey data cannot accurately determine how strongly participation rates have risen. (The data are *not* inconsistent with strong growth since, were the point estimates accurate, participation might have risen ten fold from around 0.1 per cent to 1 per cent of the adult population from 2003 to 2006.)

International industry estimates provide more solid evidence of strong growth, but, in contrast to the population survey evidence, the participation rates are much higher for all periods (table 12.2). Using active player accounts as the metric, the estimates suggest that, in 2008, around 700 000 Australians played online casino-types games — some 4 per cent of the adult population. This represents a doubling in participation rates since 2004. Notably, growth rates are declining over time, which is consistent with a maturing industry.

The estimates of the prevalence of online casino gambling drawn from the active player accounts in Australia (4.3 per cent) are broadly similar to the prevalence rates in the United States (4 per cent) and the United Kingdom (3 per cent).⁸

Table 12.2 Active player accounts

	<i>Casino</i>			<i>Poker</i>			<i>Bingo</i>		
	No.	Growth	Participation	No.	Growth	Participation	No.	Growth	Participation
	(000s)	%	%	(000s)	%	%	(000s)	%	%
2004	324.9		2.1	131.3		0.9	6.2		0.0
2005	405.1	24.7	2.6	203.1	54.7	1.3	18.1	193.2	0.1
2006	540.9	33.5	3.4	259.4	27.7	1.6	30.0	65.5	0.2
2007	630.1	16.5	3.9	338.9	30.7	2.1	44.3	47.7	0.3
2008	703.3	11.6	4.3	363.1	7.1	2.2	50.3	13.5	0.3

Source: Ibus Media Ltd, sub. 178, p. 34 - Originally sourced from Interactive Gambling Report prepared by Global Betting & Gaming Consultants. Participation rates were calculated using adult population estimates from ABS, *Population by Age and Sex, Australian States and Territories, June 2008* Cat. No. 3201.0.

The fact that online gamblers will often hold multiple accounts with different providers may at least partly reconcile the differences between the population

⁸ American Gambling Association (2006) and Wardle et al. (2007).

survey and industry-based evidence. For this reason, the underlying participation rates associated with the player account statistics could be significantly lower than those suggested by table 12.2. Nevertheless, the Gross Gambling Yield (turnover minus money paid out as winnings) suggest the presence of a substantial online gaming market with Australians spending around 790 million dollars on online casino games and poker combined (Ibus Media Ltd, sub. 178, p. 34).⁹

It does appear that there has been increased interest in some forms of online gambling — most notably the poker game ‘Texas Hold’em’ — both in Australia and internationally. This can be observed in a number of ways:

- poker tournaments have recently begun to be televised on free to air television (Ibus Media Ltd, sub. 178, p. 13)
- there has been a rapid growth in poker clubs in Australia (currently around 800 000 members in the top two poker clubs in Australia — the Australian Poker League and the National Poker League (Ibus Media Ltd, sub. 178, p. 13)
- there has been a rapid growth in prize pools at poker tournaments (in physical venues). For example, in 1998, the first Australasian Poker Championship at Crown Casino offered a total prize pool of \$74 000. This had increased to \$1.2 million in 2003 and by 2009 the total prize pool had reach \$13 million (John Beagle, sub. 249, p. 2)
- there has been prominent marketing campaigns for free play poker sites, which are commonly linked to play for money sites (Australian Internet Bookmakers Association sub. 221, p. 39 - 41).

This evidence suggests that Australians are playing more poker through legal means (such as tournaments or private games). However, it is likely that some of this growth has spilled onto the online environment (which is not illegal from the perspective of Australian *consumers*). One participant in this inquiry contended that up to 95 per cent of competitors in the major tournaments also play poker online (John Beagle, sub. 249, p. 3).

Growth relative to the counterfactual of no ban

A prerequisite for analysing the casual impact of the IGA on online gaming is reliable data on demand. As discussed above, the existing data are far from reliable, which limits statistical analysis.

⁹ Specifically, the ibus Media Ltd submission suggests that Australians spent around \$US 670 million on online casino games and poker. This equates to around \$A 790 million using the average daily exchange rate for 2008.

Nevertheless, the player account data and the Gross Gambling Yield from Australian consumers are not consistent with the current regulatory regime being highly effective. Player accounts point to a participation rate in online gaming that is similar to UK (where no ban exists) and the US (where a ban exists and is much more rigorously policed than in Australia).

On the other hand, it would be surprising if the ban had no effect, for no other reason that it limits advertising of online gaming and means that Australians cannot gamble with providers that they recognise to be safe brands for venue-based gambling in Australia.

Overall, it is probable that the prohibition on online gaming, and in particular the prohibition on advertising online gaming, has reduced the growth in demand below what it otherwise would have been. Nevertheless, it is far from clear that the effect has been large. Australian consumption of online gaming has grown and will continue to do so, making the prohibition more ineffective over time.

What has the prohibition meant for online gamers and the online gaming industry?

The IGA has clearly prevented any Australian-based company from providing online gaming to Australian residents. Whilst the IGA also nominally prohibits the provision of gaming services by overseas companies, it has no meaningful way of enforcing this and the legislation appears to have been largely ignored. In effect, therefore, the IGA has ensured that domestic consumption of online gaming services will be exclusively provided by offshore companies. This has had a number of adverse impacts.

- Problem gamblers with a preference for online gaming have been offered minimal protection. While the number of easily accessed international websites has risen dramatically in recent years, the extent of harm minimisation features varies greatly from website to website, and generally falls short of best practice.
- Recreational gamblers who would have preferred to gamble on Australian sites have been subject to a greater risk of being ‘ripped off’ by some unscrupulous overseas operators. While there are many reputable gaming sites, Australians are nevertheless disadvantaged when trying to resolve disputes with overseas companies due to:
 - the absence of well defined international laws, as well as legal bodies to enforce them
 - unfamiliarity with the legal environment in the countries in which overseas companies operate

-
- the difficulty in communicating effectively with companies based on the other side of the globe
 - Domestic providers of traditional forms of gambling have faced greater online competition from jurisdictions with much looser regulatory requirements.
 - Recreational (non-problem) gamblers who are discouraged from gambling online due to the prohibition have less choice and are, accordingly, worse off.
 - Tax revenue that would otherwise have been collected from legitimate Australian sites is now collected by foreign governments. Due to the mobility of international online gaming providers, it is unlikely that this industry could be taxed at equivalent rates to companies providing venue-based gambling products. However, the benefits that online providers would derive from locating in Australia (primarily the value of signalling to consumers that they adhere to Australian standards and are accountable to Australian law) provide some leverage against which a modest level of taxation could be applied. This raises a further issue as to what level of government would collect the additional revenue. There is scope for either the Commonwealth, or the State and Territory governments to tax online gaming. (In the case of the later a harmonised tax regime may need to be established, an issue discussed further in chapter 13).
 - Commercial opportunities for Australian businesses — including in export markets — have been lost.

Of these, the loss of choice to recreational gamblers and, in particular, the loss of control over the harm minimisation features associated with the gambling services consumed by Australians, are the most serious defects of the IGA. From the point of view of consumers, the IGA completely deregulated the online gaming industry. In essence, the legislation attempts to dissuade people from gambling online by making it more dangerous.¹⁰ This will have the biggest deterrent effect on responsible gamblers who are more likely to react by avoiding online gaming altogether, thereby forfeiting the unique benefits of the medium. The IGA will be least effective on problem gamblers whose behaviour means they may not respond appropriately to the riskier online gaming environment the IGA facilitates.

It is noteworthy that while the literature on online gambling pays close attention to the higher rate of problem gambling, no academics working in this area suggest that prohibition is the appropriate policy response. Wood and Williams (2009) come the

¹⁰ For example, Senator Richard Alston described the legislation in the following terms: ‘I am aware of criticisms that the bill will force Australians to use offshore Internet gambling services... Australian customers will be cautious about using offshore services, in any case, because these services are often unregulated and there is no guarantee of payouts being honoured’ (Interactive Gambling Bill, Second Reading, 28 June 2001)

closest to advocating prohibition, but are equivocal in their findings and state that there is considerable merit in alternative approaches. The vast majority of other academics suggest that regulation of the industry, which incorporates strict harm minimisation principles, is preferable to prohibition (McMillen 2003, Nelson et al. 2008, Griffith et al. 2008, Broda et al. 2008, Cotte and Latour 2009).

This was also the view of a number of participants in this study. Interestingly, while some potential competitors to online gaming providers advocated a continued ban (Clubs Australia, sub. 164), others support regulation of the industry:

... Australian gamblers now regularly play online poker machines and casino games such as roulette and poker ... it is better for internet gambling to come under some form of legal regulatory control so as to accrue the economic benefits such as tax revenue, employment, player protection and a decrease in money leaving the jurisdiction. (Australian Hotels Association, sub. 175 p. 51)

The potential harms of online gaming indicate that appropriate regulation of the industry is needed. However, the current prohibition perversely amounts to discriminatory deregulation, ensuring that the Australian online gaming market is exclusively catered to by offshore providers, who operate under a variety of regulatory regimes. This provides inadequate protection to both recreational online gamblers, as well as online gamblers who are at risk of developing a problem. This raises the question — what forms of regulations might be put in place to realise the benefits of online gaming, while minimising its potential harms?

12.4 Alternatives to prohibition

While the internet has the potential to increase the risks of gambling, it also has the capacity to deliver harm minimisation technologies much more easily and effectively than most forms of venue-based gambling. As the internet is a rich and immediate source of information, online gamblers are in constant contact with a medium that can deliver instantaneous access to a wide variety of problem gambling information and assistance. In contrast, information on the risks of gambling in clubs and casinos and effective ways of managing those risks may be difficult to find, involve the potential for embarrassment, or may not be suited to individual needs.

Beyond this, the internet allows online gambling companies to actively and cheaply provide a range of preventative and rehabilitative support to people at risk of developing a gambling problem. Similarly, the internet can be used to extend current treatment and counselling approaches for those seeking help. Were online

gaming to be liberalised, regulations could require the industry to offer any number of the features discussed below.

Harm minimisation measures

Automated monitoring of players' behaviour and targeted interventions

In the normal course of commercial operations, online gambling providers automatically gather detailed information about the spending activity of their clients. This information could be used to detect emerging gambling problems in several ways:

- sudden changes in historical betting patterns. In particular, escalation of wagers following large losses
- aberrant gambling behaviour – such as excessive session length, or excessive losses. Benchmarks could be set against existing research and updated as new evidence emerges.

Once behaviour that signifies a high risk of problem gambling is detected, a number of types of interventions are possible. Examples of possible interventions include:

- pop up messages with information on time played and amount lost in current session, or over the last month
- pop up messages warning about indicators of problem gambling as well as positive steps that can be taken to rectify gambling behaviour
- links to problem gambling tests or other counselling services
- forced breaks in play
- exclusion from the website.

Whilst even well-trained staff at land based venues may not have sufficient information to effectively intervene in instances of problem gambling, the rich electronically recorded information about player behaviour allows online gambling providers to offer graduated responses, which can be tailored to the severity of the gambling behaviour. Sweden has successfully trialled such a technology – named ‘Spelkoll’ – which has proved to be popular and is now being extended to include a budget pre-commitment option (Svenske Spel 2009). In addition, web-based interventions of the above kind do not involve the same risks to venue staff of interventions in physical venues, and probably do not entail the same level of embarrassment to patrons. Indeed, many of the above interventions could be automated, so that it is the *technology*, not the online staff, that intervenes.

People who already have a severe gambling problem may respond to such interventions by simply changing websites. However, the system is likely to be a significant improvement over venue-based harm minimisation measures in its capacity to intervene early, before serious problems emerge, and educate people about problem gambling and the risks involved in gambling.

Effective self-exclusion

As discussed in chapter 7, self-exclusion is currently difficult to enforce in physical gambling venues (though the pre-commitment options discussed earlier in this report should address these). However, as online gaming is account based, identification is a prerequisite for play. At any given website, exclusion can be (almost) complete and final. Companies may also enter collaborative agreements whereby if a player self-excludes from a certain gambling website, they are simultaneously excluded himself from all partnered websites as well.

The problem with such agreements is that, while it would be feasible to have a system to enforce exclusions from all Australian online gambling providers, parallel arrangements could not readily be put in place for all overseas online providers. It is possible that some international standards could be adopted that allowed overseas suppliers to also participate in enforcing self-exclusion orders from third party countries. However, realistically, such cooperation could not be mandatory or complete. Accordingly, problem gamblers excluded from certain websites would be able to access at least some overseas sites.

There may be other options for global self-exclusion arrangements.

Limits on overseas credit-card use?

Users could potentially broaden the international scope of a decision to self-exclude through disabling off-shore purchases on their credit card. This may cause considerable inconvenience (restricting purchases of other goods as well as international travel), but could serve as a useful ‘stop-gap’ measure while they seek treatment for problem gambling.

The major drawback to this approach is that it could not prevent the use of financial intermediaries, such as a PayPal and ClickandBuy, which are commonly accepted by online gaming sites. In the absence of international agreements that would bind such multinational corporations, the prospects for using financial institutions to broaden the scope of self-exclusion features are limited.

User-specific exclusion software?

There are significant difficulties (and costs) for universal filtering of the internet. However, there are many software options for filtering on individual machines, which could be a well-targeted approach for those gamblers wishing to self-exclude from all gambling sites.

It may be possible to develop a software solution based on keywords or some other method that bars access to gambling-related sites, with the software being automatically installed and activated (with consent) at the time the gambler agrees to self-exclusion.

All such solutions can be circumscribed by knowledgeable users or have other limitations (such as slowing internet browsing), but such an approach may still be effective for a significant number of problem gamblers. Furthermore, while it may not be sufficiently effective now, improved broadband infrastructure, and better hardware and software, may make it feasible over the longer run. This is why it is important to periodically re-explore options for effective harm minimisation as technologies develop.

The Commission is not recommending either of the above two possibilities at this stage given their unknown technical challenges and the potential for significant costs. Nevertheless, there are grounds over the longer run for the Australian Government to consider these and other measures that might make self-exclusion from online gaming more universally enforceable.

Pre-commitment

Pre-commitment has many attractive features for harm minimisation (chapter 7). As with the capacity for self-exclusion discussed above, the account-based nature of online gaming means that it is straightforward to identify gamblers and to enforce any pre-commitment options they may choose. Pre-commitment could apply to both spending or time, which would be set to a default value when an account is opened. In theory, pre-commitment could apply across all Australian sites if the gambler wished that to be the case, though the feasibility and cost-effectiveness of this is unknown. Such a networked approach would partly address the risk that a gambler exceeding a pre-commitment limit with one provider would then be able to continue gambling on another site.

Even if pre-commitment is specific to individual online providers, it would be likely to serve several useful functions:

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- it would be a useful tool for people who are not experiencing any significant problems, but wish to contain their gambling expenditure or time. It may prevent any progression to major problems
 - the mere act of breaching a limit conveys information to a gambler about their behaviour, which could be supplemented with the kind of targeted interventions described above.

Beyond this, gamblers' preferences for one particular website may cause them to mediate their behaviour so they are not forced to switch to an inferior one.

There are some indications that pre-commitment can be a useful tool for online gamblers. Nelson et al. (2008) examined the betting transaction of gamblers who made use of a voluntary pre-commitment feature at an online gambling website. Players were able to set both a monthly and a daily maximum loss, which could be adjusted (in any direction) on a monthly basis. While only around 1 per cent of customers used the feature, those that did reported positive results:

- most did not change their limits once set, and of those that did, most decreased their limits
- most people continued to bet at the website
- compared with the period preceding pre-commitment, most players placed fewer bets for less money.

Restricted use of credit cards

As discussed above, the use of credit cards has the potential to exacerbate the harms of problem gambling. Some participants have suggested that a managed liberalisation of the industry should include a ban on the use of credit cards. For example, the Australian Hotels Association propose that online gambling operators should be subject to standards that include:

No credit card deposits – it is unsafe practice to allow bets to be placed with borrowed funds (sub. 171, p. 50)

This approach would treat online and venue-based gambling in a (superficially) consistent manner. While it is argued in chapter 9 that modest net benefits arise from prohibiting credit card use in physical venues, this result is dependent on the existence of a cheap alternative means of payment – namely cash. In an online environment, substitutes for credit cards are much less convenient, which increases the cost of prohibiting their use. This undermines the rationale for a ban on credit card use for internet gambling in several ways:

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- As discussed above, banning the use of credit cards for internet gambling is difficult because payment is facilitated by a financial intermediary (such as pay pal). This means that compliant gaming providers may not know whether their customers are paying with a credit card or not. Even with broad reform of the financial sector, it is not likely that such payments could be entirely prevented
 - The use of credit cards is ubiquitous on the internet precisely because of the advantages they provide for consumers. Accordingly, a ban on the use of credit cards for internet gambling would impose a significant costs on consumers.

These additional cost are likely to exceed any benefits from banning the use of credit cards for online gambling. Moreover, in attempting to avoid the potential harms associated with credit card betting, the ability to offer a multitude of other harm minimisation measures is reduced. This is because:

- the costlier it is for businesses to comply with the ban, the less likely they are to seek accreditation in Australia (and therefore be required to provide the type of harm minimisation measures discussed above)
- the more inconvenient it is for consumers to use websites without credit card facilities, the more likely they are to gamble with unregulated offshore providers.

For these reasons, the Commission is not recommending a ban on the use of credit cards for internet gambling (both online gaming and online wagering). However, this does not represent a precedent for other forms of gambling as the costs and effectiveness of such a ban is much different in a venue-based setting. Further, whilst the use of credit cards for online gaming may be permitted, it reinforces the need for the adoption and adherence to the other harm minimisation measures outlined.

Online counselling

In recent years, the potential for counselling to be offered over the internet has attracted increasing attention. For example, from September 2009, the Australian non-government organisation Turning Point expanded its online drug and alcohol counselling service to include problem gambling. There are several practical advantages to the use of the internet in this area.

- online service can be provided more cheaply than phone or physically based services
- online provision might act as a useful referral mechanism, helping people to decide what form of face-to-face counselling or other forms of assistance (such as financial counselling) they might like to receive

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- the anonymity of the internet may encourage people to get help if they feel intimidated or stigmatised by face-to-face encounters
 - online counselling may be particularly attractive to online gamblers who are comfortable with the medium
 - it can allow the use of software-based help systems or more dynamic self-help approaches to resolving problems. For instance, a user's responses to a series of prompts can be used to direct them to detailed information that addresses their specific issues.

Early indications of the usefulness of online counselling are largely positive (see chapter 5). For example, a recent evaluation (Wood and Griffiths 2007b) found that Gam-Aid, an online real time provider of counselling services:

- provided a useful service (86 per cent)
- helped the participant decide what to do next (71 per cent)
- made the participant feel more positive about the future (61 per cent)

In addition to the provision of online counselling, the internet may also be a useful medium for problem gambling forums. Wood and Wood (2009) found that a large majority of users reported that online forums:

- made them feel less alone (98 per cent agree or strongly agree)
- provided new ideas on how to cope (91 per cent agree or strongly agree)
- helped them gain better control over their gambling behaviour (72 per cent agree or strongly agree)

Whilst these views from participants about online counselling and forums are generally favourable, they do not provide evidence of how effective the services have been in reducing gambling problems, compared to other available services. (That problem, however, is not isolated to virtual counselling — chapter 5.)

Who could oversee regulation of the online gaming industry?

The current operating framework for providers of online gambling services is the IGA which is administered by the Australian Communications and Media Authority (ACMA). As such ACMA, could feasibly serve as a broader regulatory body for the online gaming industry. Equally, it may be that a specially constituted body with a specific expertise in online gambling may be preferable. In either case, the regulatory body would oversee the provision of the harm minimisation measures discussed above, and could potentially examine probity measures as well. As with

other regulatory bodies of this kind, oversight would be underpinned with a set of graduated penalties associated with breaches.

The regulatory body should be national in scope and supported by federal legislation. This means that wherever there is conflict between the national framework and any state legislation, the Commonwealth would take precedence (as is the case in many other areas). That said, states would retain autonomy in areas not covered by the national regulatory body and, in particular, would retain the ability ban certain types of online gambling, so long as they met the principles of competitive neutrality. For example, if a state elects to totally prohibit the provision of a particular gambling service (both online and in physical venues) on the grounds that it is associated with excessive risk of harm, it should still be permitted to do so.

While the bulk of this chapter has focused on online gaming, the arrangements discussed here are likely to be beneficial to all types of online gambling, including online wagering on racing and sports betting. (As such, the issue of harm minimisation is not discussed in the following chapter on the racing industry). Moreover, the national framework (and the regulatory body that administers it) should also apply to other platforms of interactive gambling, including gambling via mobile phone and television.

The managed liberalisation of online gaming inevitably entails some risks — as is the case when attempting to regulate any new industry or novel product. As such, the effectiveness of the harm minimisation features required by the national regulatory regime would need to be evaluated on an ongoing basis, as would the performance of the regulatory body itself.

12.5 Conclusions

It is clear that, in addition to offering unique benefits, online gaming also carries with it new risks for both recreational and problem gamblers. However, the risks of online gaming have often been overstated. On balance, the Commission judges that a properly regulated online gaming industry would deliver a net benefit to the Australian community.

The current prohibition on the provision of gaming services:

- has failed to prevent considerable growth in the consumption of online gaming by Australians
- is likely to discourage the recreational gamblers who would have benefited most from online gaming

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- is least likely to discourage problem gamblers, for whom the regulation of the industry could have offered better protection and support.

For these reasons, the Commission considers that the IGA does not represent the best regulatory option available to government, and does not deliver the best result for Australian consumers. Managed liberalisation of online gaming would better protect Australians from the risks of online problem gambling, whilst still allowing recreational gamblers the freedom to choose an enjoyable medium. It would also resolve the apparent paradox that the Government allows Australian based firms to sell a product overseas that it deems too dangerous for Australians themselves to consume.

Liberalisation of online gaming would effectively represent the regulation of a currently ‘deregulated’ industry (from the point of view of Australian consumers accessing offshore game sites). Australia already has a large number of established online wagering companies well placed to expand into the online gaming market. Following the international trend of the ‘one-stop-shop’ provision of multiple gambling products being offered at single websites (Australian Internet Bookmakers Association, sub 221, p. 9) it is highly likely that Australian online wagering companies would also offer online gaming products. Moreover, venue-based gaming providers may also use their expertise to expand into the online realm. As these companies are known to Australians, and known to be subject to Australian laws and standards, they should enjoy considerable advantages over international gaming companies. It is probable then, that a large portion of online gaming by Australians would, in time, be provided by Australian companies. These companies could be subject to regulations containing the type of harm minimisation measure discussed in section 12.4.

At a minimum, regulation of online gambling needs to be national in scope. However, as Australian online gambling companies participate in global markets (and some Australians will prefer to gamble on offshore sites), Australia has an interest in consistency with international online gambling regimes. Where possible, regulation should be aligned with that of similarly liberalised countries such as the UK, as well as non-government organisations that promote international standards (such as eCOGRA). It is likely that multilateral government and commercial action could secure a much better set of consumer protection standards for each country. Like all commercial activities, some countries/providers may not wish to adopt the global standard, but that very fact could be expected to make consumers cautious of using their facilities, given the risks of fraud and poor service.

While there will always be some unscrupulous offshore operators who flout Australian standards, there is scope to give major international operators the

incentive to comply. One possibility is by making the right to offer the product and to advertise in Australia conditional on meeting Australian standards for harm minimisation (as occurs in the UK). In any event, a managed liberalisation of online gaming cannot *increase* the already unfettered access to both safe and unsafe international websites that Australians currently have.

DRAFT RECOMMENDATION 12.1

The Australian Government should repeal the Interactive Gambling Act, and in consultation with state and territory governments, should initiate a process for the managed liberalisation of online gaming. The regime would mandate:

- ***strict probity standards, as for online wagering and venue-based gambling***
- ***high standards of harm minimisation, including:***
 - ***prominently displayed information on account activity, as well as information on problem gambling and links to problem gambling resources***
 - ***the ability to pre-commit to a certain level of gambling expenditure, with default settings applied to new accounts, and the ability to opt-out, with periodic checking of a gambler's preference to do so***
 - ***the ability to self-exclude***
 - ***automated warnings of potentially harmful patterns of play.***

The Australian Government should evaluate the effectiveness of these harm minimisation measures, as well as the regulator overseeing the national regulatory regime, on an ongoing basis.

DRAFT RECOMMENDATION 12.2

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.***

13 Developments in the racing and wagering industries

Key points

- Without mechanisms to prevent ‘free-riding’, people could take bets on the outcome of races without having to make any payment to the racing industry. This poses a risk to the longer-run viability of the racing industry and would have detrimental consequences for the communities where racing plays a key role. More importantly, such a decline would also adversely affect consumers of wagering and racing products.
- The granting of monopolies and, more recently, race fields legislation that mandates payments, have addressed the free-riding problem. However:
 - these arrangements are anti-competitive and reduce the scope for entry by innovative suppliers offering lower prices to consumers
 - regulatory inconsistencies across jurisdictions have led to undue costs in a market that is now essentially national.
- A national funding model would remedy these problems. It would best involve:
 - a single levy to the racing industry paid by wagering operators on a gross revenue basis
 - the creation of an independent national body, that would set and periodically review the levy, in consultation with all relevant stakeholders. A key objective of this body would be to maximise the interests of consumers.
- There are also grounds for a harmonised tax regime, based on a binding agreement among all jurisdictions.
- There is a good case for retaining totalisator exclusivity arrangements and for permitting tote-odds betting.
- Credit betting should only be permitted among large and established clients, and the potential for harm from this practise should be monitored over time.
- There are grounds for permitting online wagering operators to offer upfront discounts to attract customers from incumbent suppliers. But, regardless of whether practice is permitted or prohibited, governments should adopt a consistent national approach on this issue.
- The arguments for retaining TAB retail exclusivity are not compelling.

For much of Australia's history, wagering on horse, harness and dog races has been the most popular form of gambling. The three racing codes, and in particular thoroughbred horseracing, have a cultural significance to many Australians that exists regardless of any monetary stake they may have. Nevertheless, wagering underpins most of the interest in racing, which makes these industries fundamentally interdependent. Over the last 50 years, this interdependence has primarily taken the form of funding agreements between the state and territory racing authorities and the Totalisator Agency Boards operating in their jurisdictions.

However, recent developments in the wagering and racing industries have seriously undermined long-standing funding arrangements, causing some to call for a national solution. This chapter examines this question. In doing so, it concentrates on the thoroughbred racing industry. Nevertheless, the same issues face harness and greyhound racing, and the analysis presented here is relevant to all three codes. The chapter begins with a discussion of the recent developments and fundamental challenges faced by the racing and wagering industries (section 13.1) Following this, we consider the principles for a good national model (section 13.2), and their application to a workable funding arrangement (section 13.3). This is complemented with a discussion of a number of broader issues facing racing and wagering (section 13.4).

13.1 The legacy of traditional funding arrangements on wagering and racing

The issues facing wagering and racing today resemble the debate that took place prior to the introduction of Totalisator Agency Boards (TABs) in the 1950s. The issue revolves around adequate compensation of the racing industry for wagering on its product. Whereas the current debate centres on the appropriate level of remuneration and how to enforce it, in the 1950s the industry was struggling to deal with the growth in illegal off-course bookmakers who did not pay the racing industry for the right to bet on races, and took market share from the on-course bookmakers who did.

In both cases, the problem arose because the racing industry relies chiefly on the sale of intellectual property (essentially the outcome of the race), rather than on a physical product. In the usual course of market operations, common law provides a framework for disputes over property rights, contractual obligations and other potential areas of contention. This framework allows a price to be determined through bargaining between self-interested actors who will only trade on terms that benefit all parties to the transaction. However, it appears that the underlying legal framework does not protect the intellectual property produced by the racing

industry.¹ This allows some wagering operators to ‘free-ride’ on the contributions to the racing industry made by their competitors, without paying anything themselves (box 13.1). Free-riding is a common phenomenon and in many instances, the adverse implications are not sufficient to warrant government intervention. However, in this case, a long term consequence of unrestricted free-riding would be serious underfunding of the racing industry, to the detriment of wagering operators and consumers, as well as the racing industry itself. For this reason, government policy has historically been integral to the racing and wagering industries, both in Australia and abroad.

Box 13.1 Public goods and free-riding

The outcome of a race has the characteristics of a public good. It is non-rival (any number of bets can be placed on a given outcome) and, more importantly, it is non-excludable (it is difficult for racing authorities to prevent punters from placing bets on the races they provide). In an unregulated market, public goods can be underprovided if those benefiting from such goods do not contribute sufficiently to their creation. This is sometimes referred to as ‘free-riding’.

However, the existence of a public good does not automatically imply a market failure requiring government intervention. In many instances the provision of public goods is not adversely affected by the existence of free-riders (for example, a passerby admiring the rose garden outside a private house). Similarly, if transaction costs are low and there are relatively few users of the public good, they will have strong incentives to cooperatively resource its provision such that an efficient equilibrium is reached.

Alternatively, if there were many users of the public good, their individual decisions as to how much resources they each contribute will only have a small impact on its overall provision. They each have the incentive to avoid paying for the public good and their incentives do not change as the provision of the public good declines. This scenario is the likely outcome of an unregulated wagering and racing market.

It is possible that the intellectual property embedded in the outcome of races could be protected under existing copyright law, negating the need for any special provision to be made. Racing fields, which are routinely published by wagering operators, could be subject to copyright, potentially providing a legal basis to enforce payment. This appears to be the recent approach taken by Racing NSW, however, the legitimacy of this under Australian copyright law is unknown. The historical unwillingness of racing providers to seek payment based on copyright, and the failed attempt in the UK to base their racing funding system on copyright law, is indicative of the uncertainty as to whether fair payment can be achieved through this avenue.

¹ Although other products arising from racing (such as broadcasts or the atmosphere and excitement of being at the track when a race takes place) require no special provisions in order to facilitate standard market outcomes.

Beginning in the 1960s, free-riding was addressed by granting exclusive licences to government-owned TABs to provide off-course retail wagering, which gave punters a legal and convenient alternative to illegal off-course bookmakers.² In addition to providing an effective means of raising taxation for government, this arrangement ensured that the racing industry was paid for the use of its product through agreements between the TABs and the local racing authorities.

Excepting Western Australia, Tasmania and the ACT, TABs have been privatised over the last 15 years. But these essential funding arrangements have remained the same, despite the ongoing changes and technological advancement that occurred in the wagering and racing industries over the last 50 years. During this period, Australia has developed substantial thoroughbred, harness and greyhound racing industries:

- in 2007-2008 there were 379 thoroughbred racing clubs, which held 17 211 thoroughbred races and offered over \$355 million in prize money (Australian Racing Board 2009)
- in 2006-07 there were 114 harness racing clubs, which held 15 588 races and offered over \$90 million in prize money (Harness Racing Australia sub 231, p. 1)
- in 2007-08 there were 76 greyhound racing clubs, and 292 000 greyhounds competed in 40 000 races for around \$61 million in prize money (Greyhounds Australasia, sub 248, p. 5).

However, just as the emergence of off-course bookmakers undermined the funding model of the 1950s,³ new entrants to the wagering market are once again necessitating change to the current system. The advent of the internet, along with the liberalisation of the wagering market to allow phone betting, have facilitated the growth of corporate bookmakers and, more recently, the entrance of a betting exchange provider (box 13.2).

By operating over the telephone and internet, corporate bookmakers are able to offer cheap and innovative wagering products across Australia, 24 hours a day (and initially were not required under regulation to pay product fees to the racing industry). As a result, corporate bookmakers have rapidly increased their share of the wagering market.

² The first TABs were licensed in Victoria and Western Australia in 1961. By 1985, TABs were present in every state and territory in Australia.

³ Up until this time the racing industry had largely been funded by spectator admission fees and fees paid by on-course bookmakers.

Box 13.2 Types of wagering operators

On course bookmakers: individuals who are licensed by the relevant state or territory racing authority to operate at racing venues. Bookmakers offer fixed odds and tend to provide simpler wagering products such as 'win' and 'place' bets. They can operate face-to-face, as well as over the phone and internet, whilst on-course. Some jurisdictions also allow bookmakers to provide these services off-course as well.

Corporate bookmakers: fully incorporated bookmakers who operate over the telephone and internet, and are often listed companies or subsidiaries of listed companies. Corporate bookmakers tend to have fewer restrictions than on-course bookmakers (for example they can operate 24 hours a day) and offer a wider range of betting products.

Totalisators: operated by TABs, totalisators do not offer fixed odds bets. All bets are placed in a pool, with the winning bets sharing this pool (minus a percentage taken by the operator). For this reason, the final dividend is continuously updated prior to the race as betting takes place and is not finalised until betting closes. Totalisator betting is sometimes referred to as pari-mutuel betting.

Betting exchanges: similar to a stock exchange, a betting exchange is essentially a market place for punters to trade wagers at different prices and quantities. A betting exchange matches punters who are seeking to bet that a particular outcome will occur (i.e horse X will win) with others who are seeking to place opposing wagers (i.e horse X will not win).

Source: Australian Racing Board, sub 213 and Betfair Pty Ltd, sub. 181.

As corporate bookmakers increased in prominence, New South Wales, Victoria, South Australia, Queensland and Tasmania responded by enacting race fields legislation, which detail the basis and level of remuneration that must be provided to the racing industry for the right to use and publish racing fields. This approach is essentially an 'add-on' to a funding model still fundamentally reliant on TABs. However, as many have suggested, a more comprehensive overhaul of the funding system is required:

- the TABs in each state and territory still hold a significant degree of market power. This has resulted in poor outcomes for consumers and is a constraint on the future growth of the wagering industry
- the current funding arrangements do not efficiently allocate resources to the racing industry at a national, state or local level:
 - *National:* The current funding model is still reliant on monopoly rents. This means that funding to the racing industry is unlikely to be indicative of what a competitive wagering market could support

-
- *State*: The current funding arrangements and regulation of the wagering and racing industry is still based on a separation of state and territory markets that no longer exists, leading to an inappropriate allocation of resources to the racing industry in each state
 - *Local*: There is no strict mechanism to ensure that the allocation of resources to racing events within states matches consumer demand for those events.

The concentration of market power has resulted in poor outcomes for consumers

The off-course retail monopoly held by the TABs means that consumers have worse odds than those that a competitive market would deliver. In the case of TABs, the odds are determined by the ‘take-out’ rate — the amount removed from the total pool available to punters to win. TABs typically have take-out rates of between 16 and 20 per cent (the rate varies by state, and by product), which equates to an expected rate of return to punters of between 80 and 84 per cent per wager. This represents a substantially lower rate of return (and thus a higher price) than most other wagering and gaming products offered in Australia.⁴ Corporate bookmakers, for example, deliver a rate of return of around 94 per cent, whereas EGMs usually return above 90 per cent and casino games such as blackjack can offer up to 99 per cent.⁵

In addition to reducing the value-for-money offered to punters, the TAB dominated funding model is unlikely to serve the long-term interests of the racing industry either. While giving TABs the sole rights to provide off-course retail wagering solved the free-rider problem, the resulting higher price of wagering on racing increased the incentive of punters to seek out better returns in other forms of gambling, or to switch to other types of entertainment altogether. This type of substitution is further encouraged by the other problems associated with monopolies (such as less efficient, innovative or responsive provision of services), which reduces the potential for growth in the wagering market and dampens interest in racing generally.

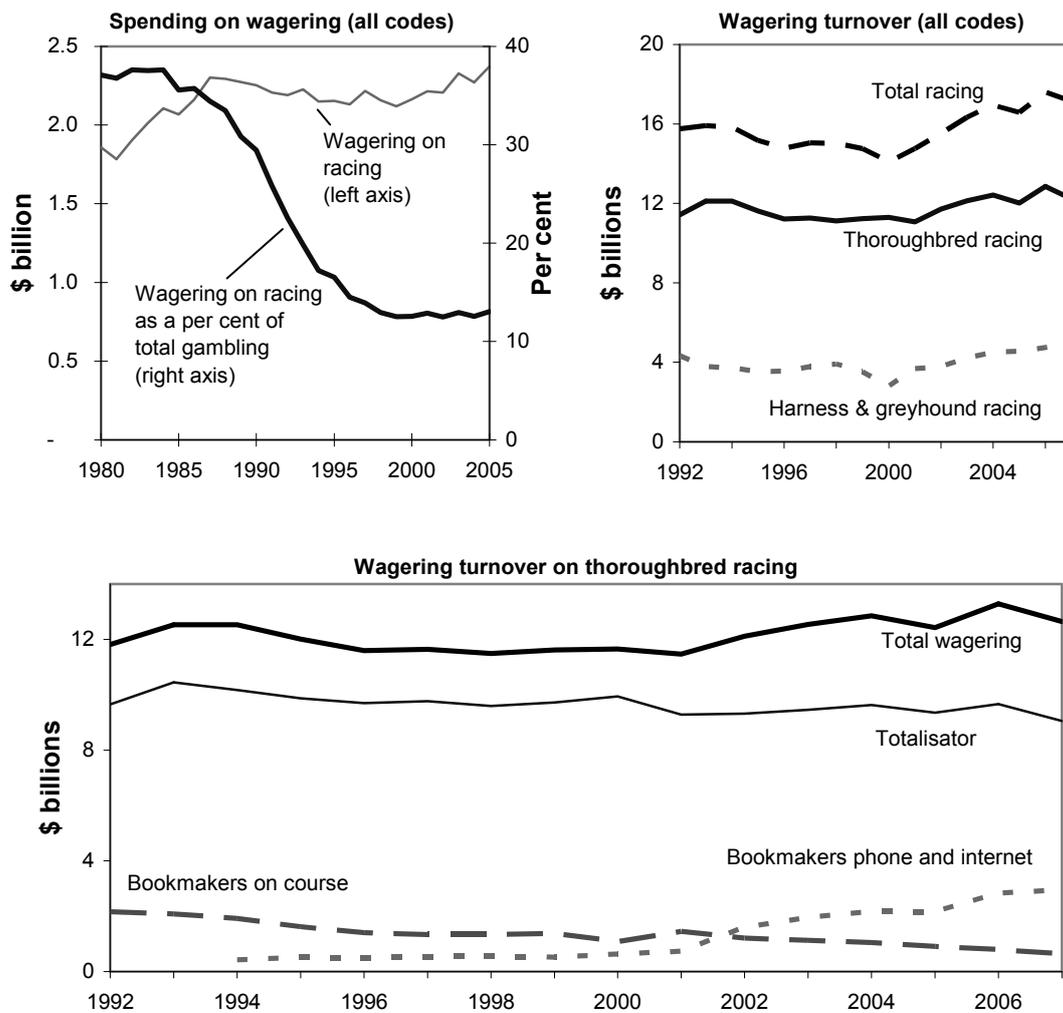
Market trends substantiate a decline in the relative importance of wagering on racing during the 1990s, with turnover plateauing over this period (figure 13.1). At the same time, household income and aggregate gambling were growing rapidly,

⁴ Lotteries and Keno are the main exceptions to this.

⁵ TABs’ high take-out rate will only be partly driven by their market power, with their cost structure, including taxes and distribution agreements with the racing industry, also playing a role.

resulting in a sharp decline in expenditure on wagering when measured as a proportion of total gambling or total household expenditure.

Figure 13.1 **Wagering turnover on racing**
2007–08 prices



Data source: Australian Racing Board Fact Book, Office of Economic and Statistical Research, Queensland Treasury.

Since 2000 phone and internet based wagering operators have led to increased growth in the wagering market. Whilst still a relatively small part of the wagering market (representing around 25 per cent of turnover), corporate bookmakers have grown rapidly since their inception, increasing their turnover by over 350 per cent since 2000. In contrast, over the same period, the turnover of TABs and on-course bookmakers has declined, suggesting that some of the growth in corporate bookmaking is due to punters switching from one wagering product to another.

However, the growth in corporate bookmaking has more than offset these declines, causing the wagering market to grow overall, in terms of both turnover (the total value of the wagers taken) and spending (the total value of punters' losses).

The retail monopoly held by TABs was not entirely responsible for the stagnation of the wagering industry (prior to the entrance of corporate bookmakers). Other factors that may have contributed include:

- the maturation of the wagering industry, limiting the prospects for further growth
- increased accessibility of alternative gambling products, particularly casinos, EGMs and sports betting
- changing consumer preferences.

Nevertheless, a number of commentators assert that the dominance of the TABs has been detrimental to racing and wagering in Australia (box 13.3). The financial ramifications of this are more severe for the racing industries than they are for the TABs. Whereas funding to the racing industry decreases proportionately to wagering turnover, the TABs are partially insulated given their stakes in competing gambling products.⁶ Whilst the entrance of internet and phone-based wagering operators potentially jeopardises the funding to the racing industry, continued dependence on TAB distributions is equally problematic. Subject to an adequate way of funding the racing industry, the interests of consumers, and thereby the racing industry, are likely to be best served by a diverse and competitive wagering market.

⁶ This is because some consumers will substitute wagering on races for other types of gambling also provided by TABs. For example, Unitab (which operates the TABs in South Australia, Northern Territory and Queensland) is owned by Tatts Group Limited, who offer a range of gambling products across Australia, including 'scratchies', lotteries, EGMs and EGM monitoring services. Similarly, Tabcorp (which operates TABs in New South Wales and Victoria) owns Star City Hotel and Casino in NSW and EGMs in over 260 pubs and clubs in Victoria.

Box 13.3 The traditional model has been detrimental to racing and wagering in Australia

Hunter Coast Marketing describes the situation as following:

... the relative absence of competition amongst TABs (except for facilities used by a small number of professional punters), coupled with the introverted, amateur style management of race clubs and race authorities, retarded the industry through the 1990s (turnover was flat prior to the arrival of newcomers). Product suppliers dominated, customers had to take what was offered. (sub. 57, p. 6)

Similarly, the Australian Punter's Association states:

The industry sees a decline in its funding, as the punters correctly judge the current funding model to be far too expensive, and wonders what is to be done? The industry leaders' response – increase the price! (2008, p. 4)

Patrick Smith writes:

Racing used to be bankrolled by the TABs. A significant share of money bet went to racing. It came at a heavy price, a big slice taken out of the punters' winnings... Wagering on thoroughbreds is a shrinking market because money is being spent on gambling types other than horse racing. (2009, p. 1)

Allens also suggest that market share has been lost to other forms of gambling that operate at lower margins:

Competition from other wagering operators has been used to explain declining TAB revenues. However, this view ignores substitution with other forms of gambling, including sports wagering, casinos and pokers machines and online gaming with illegal offshore operators. (2009, p. V)

Funding arrangements have distorted the racing industry

The three racing codes in Australia have historically been administered at a jurisdictional level. Australia's states and territories have their own laws and regulations, as well as their own governing bodies that:

- receive product fees from TABs and on-course bookmakers (and more recently corporate bookmakers and betting exchanges)
- oversee the distribution of funds to racing clubs across the state or territory
- manage the local industry.⁷

⁷ In some areas, there has been considerable coordination between these bodies over the years to ensure common practices, standards, racing rules and racing integrity. This has occurred through national bodies such as the Australian Racing Board, Harness Racing Australia and Greyhounds Australasia. Nevertheless, state and territory industry racing bodies retain control over the commercial operation of the racing industry in their own jurisdictions.

Whilst advantageous in some regards, these arrangements have led to the inefficient allocation of resources for racing at a national, state and club level.

Is the Australian racing industry too big overall?

There has been considerable concern expressed that as corporate bookmakers gain market share at the expense of TABs, revenue to the racing industry in Australia will decline overall. However, as noted in the 1999 inquiry, there is no guarantee that the traditional arrangements have delivered the ‘right’ level of funding to the industry in the past (PC 1999). The majority of racing’s funding comes from the ‘monopoly rents’ extracted by the TABs from consumers, with higher margins and lower volumes than would otherwise have been the case. A more competitive market would imply lower margins to wagering operators, which would necessarily reduce the proportion of each bet that could feasibly be levied by the racing industry. However, lower margins also imply better prices for punters, increasing the quantity of bets they place. If punters are sufficiently sensitive to better odds, it is even possible that the racing industry could expand as low margin corporate bookmakers increase their share of the racing market. One commentator characterises this shift as follows:

You are better off taking a small slice of a very big and rapidly expanding fresh pie than trying to take a huge slice out of a stale and contracting party pie (Eskander 2009, p. 1)

There has been very limited research done to test this proposition and the analysis that does exist provides mixed results. In its submission, the Australian Racing Board presents analysis conducted by Allens Consulting that found that the growth of corporate bookmakers and betting exchanges would cause a decline in racing industry funding (sub. 213, pp. 30-33). However, this result did not factor in the product fees derived from the recent race fields legislations that have since come into effect in most jurisdictions. Taking this into account in a report for Betfair, Allens (2008) found that increased competition in the wagering industry would be revenue neutral to the racing industry.⁸

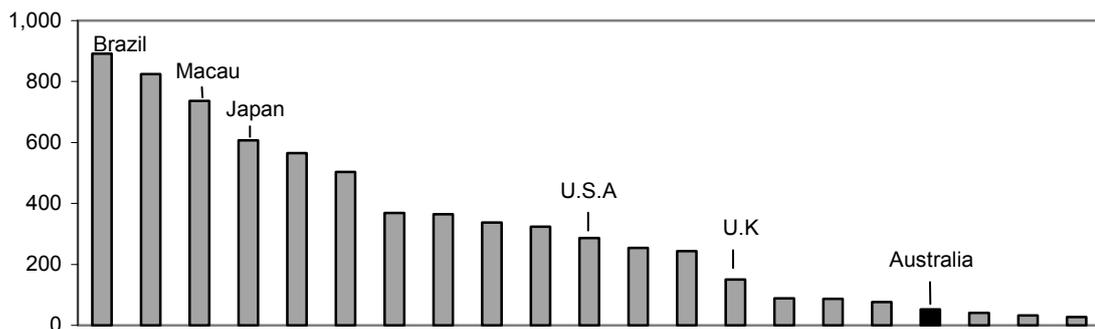
These analyses aside, there are indications that Australia’s thoroughbred racing industry, in particular, is unusually large by international standards. For example,

⁸ Similar modelling has been conducted at the state level by the Boston Consulting Group (NSW) and Racing Victoria Limited (Victoria), both referenced by the Australian Racing Board (sub. 213, pp. 35-44). The first of these studies finds a positive funding effect arising from the race fields legislation and a negative effect arising from the growth of bookmakers. However the combined effect of the growth in corporate bookmaking and the race fields legislation is not modelled. The RVL study suggests that racing funding should increase so long as product fees are enforceable.

Australia has the greatest number of thoroughbred racing clubs in the world (379) and is amongst the top three countries in terms of the number of races held, prize money and foals born.

In part this may reflect Australia's relative abundance of land, which can accommodate a larger number of racing clubs. While these clubs tend to run relatively few races by world standards (figure 13.2), their overall number is sufficiently great that the total number of races is also high. In contrast, in some jurisdictions (Japan and Macau), land scarcity allows only a small number of tracks, which are used very intensively. However, as some other countries with abundant land (for example, Brazil and the United States) use racetracks far more intensively than Australia, land availability is probably not the major factor driving the size of the Australian industry.

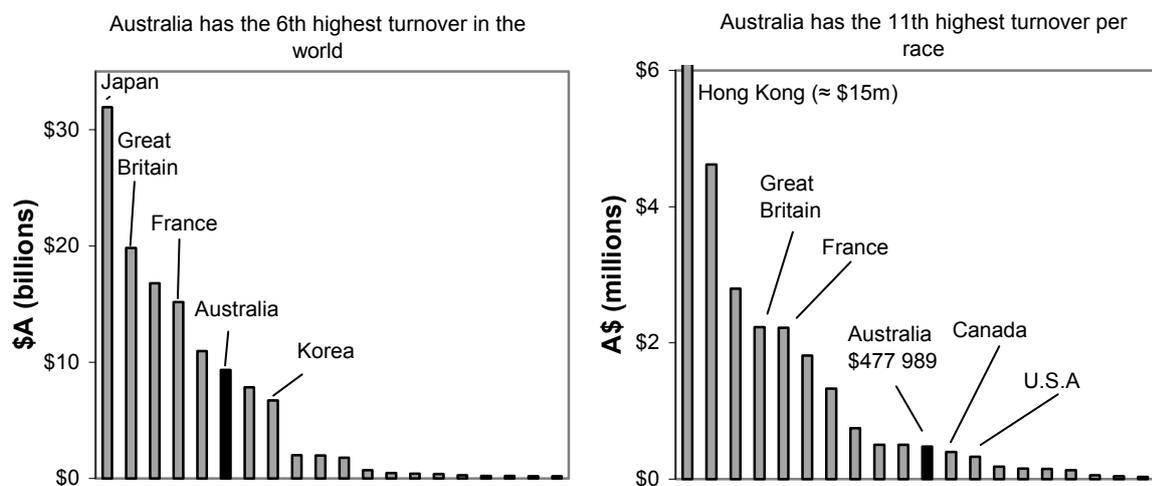
Figure 13.2 Races per race course amongst leading racing nations, 2007



Data source: Australian Racing Board Racing Fact Book.

The size of the Australian thoroughbred industry may also reflect Australian preferences for wagering on horseracing, compared to other forms of gambling as well as other types of entertainment. As Australia has the sixth highest betting turnover in the world (and fourth in per capita terms), it is not surprising that it also has one of the largest racing industries. However, this is spread over a larger number of races than many other countries, including comparable nations such as France and Great Britain. The betting turnover that occurs per race in Australia is broadly similar to that of Canada and the US (figure 13.3).

Figure 13.3 Betting turnover on thoroughbred racing in Australia in 2007



Data source: This data was compiled for the Australian Racing Board Fact Book and originally sourced from the International Federation of Horse Racing Authorities. The International Federation of Horse Racing Authorities provides data for Great Britain in 2006, but not for 2007. Accordingly the growth in world turnover between 2006 and 2007 has been applied to 2006 data for Great Britain to estimate its turnover in 2007.

Some participants and commentators have interpreted the size of the Australian thoroughbred racing industry as reflecting a fundamental imbalance:

The evidence of waste is everywhere in the industry: too many races, horses, tracks and dependant employees to say nothing of the superstructure of associated contributors hanging off this inefficient industry (Peter Mair sub. 39, p. 6)

We have too much racing. The participants are jaded and the punters bored. Less could well mean more in terms of attendances and turnover if we have fewer meetings of a better standard. (Steve Moran 2009, p. 1)

Others have suggested that the size of the racing industry reflects the success of the TAB dominated funding model. Whilst acknowledging the inevitable changes to the funding model, these participants have expressed qualified support for the traditional arrangements:

The current scale and nature of the ATRI (Australian Thoroughbred Racing Industry) is not accidental: it is the product of a set of regulatory arrangements that have existed for some 40 years (Australian Racing Board, sub. 213, p. 45).

The most successful racing industries in the world all having funding models based on returns from totalisators (Tabcorp Holding Limited, sub. 229, p. 7).

This model served the (racing) industry well and allowed the industry to return up to 60 per cent of the training and racing costs to owners in the form of prize money compared to a maximum of 30 per cent of cost returned to owners in Ireland, Germany and Great Britain where the wagering landscape is dominated by bookmakers and betting exchanges conducting low margin operations (Racing NSW, sub. 228, p. 2).

It is not possible to accurately predict the effects of increased competition in wagering on the size of Australia's racing industries. However, the fact that the industry appears to be so large by international standards (combined with some existing trends) suggests that, at least in the shorter run, it may contract if the current protective arrangements are changed. Due to other distortions in the wagering market, such contraction is likely to be more pronounced in some jurisdictions than others (this is discussed below).

However, an industry ultimately exists to meet the demands of consumers and for the interests of the community generally, not for its own sake. The 'correct' industry size is that which most closely represents consumers' preferences for the number, frequency and quality of races, and the prices they are willing to pay for them (in terms of the odds they receive). Accordingly, if punters prefer better odds (even at the expense of fewer domestic races), then a leaner racing industry that delivers this is preferable to a larger industry that does not. And, while a move to a bigger or smaller industry may involve transitional costs (such as bottlenecks or unemployment), these costs do not justify preserving a system based on the market power of the incumbents.

Distortions across states

Australians have long enjoyed betting on interstate races, particularly the prestigious thoroughbred races such as the Melbourne Cup. Today, betting commonly occurs with internet or phone operators, who can be located in any jurisdiction in Australia. However, in the past, betting on interstate racing was primarily done through local TABs. Prior to the enactment of the recent race fields legislation, there was no requirement for TABs to pay interstate racing authorities for the use of their product. Rather, there was a so-called Gentlemen's Agreement in which:

- betting and racing information could be freely exchanged between the states and territories throughout Australia
- TABs could accept wagers on interstate racing without paying for the privilege
- TABs refrained from competing for customers outside the state or territory they were located in (Brown 2009).

The Gentlemen's Agreement allowed each state to maximise the revenue to their racing industry.⁹ However, it meant that the growth of a jurisdiction's racing

⁹ As expressed by Brown (2009, p. 1): 'When the Gentlemen's Agreement was reached it had no practical downsides... all betting was conducted on a face to face basis and was therefore confined within the boundaries of the various jurisdictions.'

industry was proportional to the amount of wagering undertaken in that jurisdiction on races all over Australia, rather than to the amount of wagering on races actually held in that jurisdiction. This means that resources were shifted from racing industries in jurisdictions that generated the most interest to Australian punters and transferred to states providing less desired racing products. In effect, this acted like a tax on excellence, contrasting with the usual function of markets to reward firms that best serve the demand of consumers (as noted by Peter Mair sub. 39, p. 7).

While the Gentlemen’s Agreement is likely to have affected all codes of racing, the national profile of thoroughbred racing has generated the largest distortions. In certain states, this effect has been large, with New South Wales, Tasmania and Queensland being major beneficiaries. For example, while New South Wales residents account for around 41 per cent of wagering in Australia, less than 31 per cent of total Australian wagering is on races held in New South Wales (table 13.1). It is estimated that this translated into a \$20 million subsidy per year (Allens 2008).

Table 13.1 Wagering on thoroughbred horse racing in Australia
September 2008 to August 2009^a

	<i>Wagering by residents</i>	<i>Wagering on jurisdiction racing</i>	<i>Implied transfer</i>
	% of Australian wagering	% of Australian wagering	% of Australian wagering
New South Wales	41.5	31.0	10.5
Victoria	26.6	33.8	-7.2
Queensland	19.0	17.2	1.7
South Australia	4.6	7.9	-3.3
Western Australia	2.0	7.8	-5.9
Tasmania	5.2	1.6	3.6
Northern Territory	0.6	0.1	0.5
ACT	0.7	0.6	0.1

^a The table updates that of Allens (2008). Allens obtained data from Betfair for the period from May 2007 to April 2008, but the patterns in these data may partly reflect the different effects of equine influenza in different states. The Commission sought more recent data from Betfair that is free from these effects. The qualitative outcomes are the same.

Source: Updated data provided by Betfair using the approach described in Allens (2008).

The distortions generated by the Gentlemen’s Agreement were exacerbated by the introduction of phone betting in 1994, and later by the use of the internet. The attractiveness and convenience of these platforms encouraged punters to place bets with interstate wagering operators, often licensed in jurisdictions other than those where the races were held. In particular, the lower rate of taxation and more permissive regulatory regime in the Northern Territory dramatically increased the size of their wagering industry, resulting in funding being diverted away from the

states that actually provided the racing product (prior to the implementation of the various race fields legislations — see below). In 2008, Tabcorp estimates that:

- \$987 million of turnover leaked from New South Wales to the Northern Territory
- \$592 million of turnover leaked from Victoria to the Northern Territory (sub. 229, p. 21).

The High Court’s decision on *Betfair* consolidated the rapid increase in the interstate trade of wagering service (box 13.4). The High Court ruled that restricting the supply of online wagering from other jurisdictions breached the constitutional requirement for unencumbered interstate trade. The High Court decision ostensibly related to prohibiting the use of betting exchanges and the power of racing authorities to deny access to racing fields. In practise, the decision has been interpreted more broadly as undermining states’ ability to use any form of discriminatory legislation or practice (including advertising restrictions) in order to maintain protected wagering markets.

Box 13.4 *Betfair Pty Limited v Western Australia*

In 2006 several amendments were made to the Betting Control Act 1954 (WA), which were subsequently challenged by *Betfair*. These were:

- *S 24(1aa)*: A person who bets through the use of a betting exchange commits an offence.
- *S 27 D(1)*: A person to whom this section applies who, in this state or elsewhere, publishes or otherwise makes available a WA race field in the course of business commits an offence unless the person:
 - (a) is authorised to do so by an approval and
 - (b) complies with any condition to which the approval is subject.

The court considered these amendments to be unconstitutional on the grounds they represented a “discriminatory burden of a protectionist kind” (s 92 of the constitution).

While s 92 is concerned with duties on interstate trade, since *Cole v Whitfield*, the object of the law has been interpreted as the elimination of protection.

Race Fields Legislation

These developments meant that the jurisdictions could no longer maintain the Gentlemen’s Agreement. In July 2008, the New South Wales Government enacted race fields legislation, signalling the end to that agreement. Victoria, South Australia, Queensland and Tasmania have since enacted similar legislation (table

13.2).¹⁰ These empower the relevant racing authority in each state, and for each code, to set the product fee for the use of racing fields information by wagering operators across Australia. This was a fundamental shift in the racing industry’s funding model — from dependence on the size of the local wagering market (betting on both local and interstate races) to dependence on the wagering that occurs nationally, based on *their* product.

Table 13.2 Industry agreements with TABs and product fees under race fields legislation

	<i>TAB and racing industry funding arrangements</i>	<i>Product fee under race fields legislation for all wagering operators</i>		
		Thoroughbreds	Harness	Greyhounds
NSW	22% of net revenue 25% of net profit An annual lump sum of 12 million (indexed by CPI)	1.5% of turnover 3% of turnover for 'copyright fee'	1.5% of turnover	10% of gross revenue
Vic	18.8% of net revenue 25% of net profit	10% of gross revenue (15 % in gross revenue in Sept and Oct)	0.66% of net customer winnings	10% of gross revenue
SA	42% of gross wagering revenue	10% of gross revenue	10% of gross revenue	10% of gross revenue
Qld	39% of gross revenue	1.5% of turnover	1.5% of turnover	1.5% of turnover
Tas		10% of gross revenue	10% of gross revenue	10% of gross revenue

^a The ramification of the different basis of payment (turnover versus gross revenue) is discussed below in section 13.3

Source: Betfair, sub. 181, appendix 6. Tabcorp, sub. 213, p. 27.

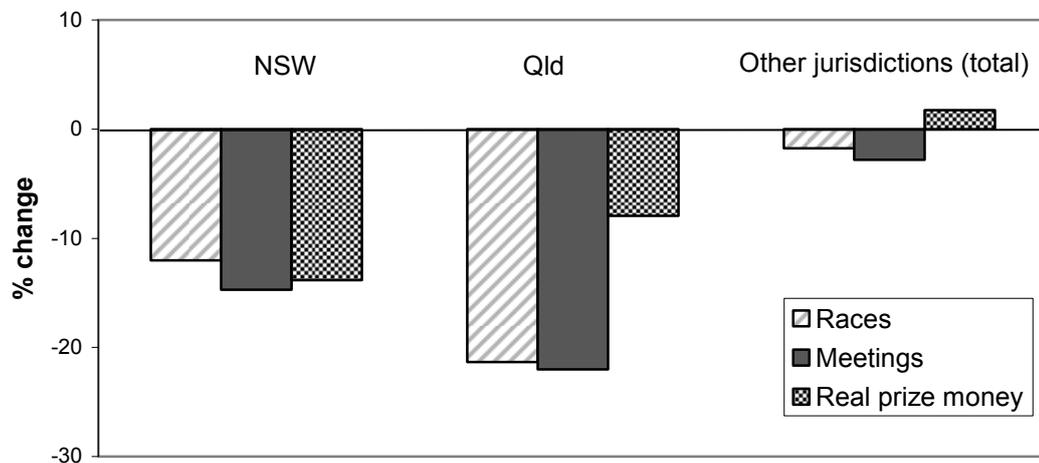
The race fields legislation partly remedied the distortions associated with the Gentlemen’s Agreement. In addition to ensuring payment from all users of racing product, the legislation reduced the extent to which states that are net importers of racing product are subsidised at the expense of states that are net exporters. However, a serious drawback of this approach is that race field legislation is state driven, and is thus based on a segmentation in the market that no longer exists. This has led to inconsistent product fees between the states and territories, which increases the regulatory burden facing wagering operators. For example, Tabcorp says that it has to comply with up to 72 domestic race fields agreements — ‘each with different charging methods, compliance and reporting requirements’ (sub. 229, p. 16).

More controversially, the state-focused regulatory approach potentially allows racing authorities to structure the product fees to defend the status quo funding

¹⁰ Western Australia is also in the process of doing so.

arrangements with TABs, or to prevent structural adjustment. New South Wales and Queensland have enacted the highest product fees in Australia.^{11 12} If these fees are legally sustainable (see below), they would have the effect of deterring entry by low margin wagering operators, protecting incumbent TABs and preserving the existing symbiotic arrangements of those incumbents with the racing industry. That might temporarily halt or slow the recent decline of the racing industries in those states (figure 13.4), but as noted earlier, preserving a given size of industry is not justified for its own sake.

Figure 13.4 **The racing industries are in decline in NSW and Queensland^a**
Between 1999-2000 and 2006-2007^b



^a The increase in real prize money in the balance of state during this period is due to large increases in Western Australia and Tasmania. All other states declined by at least 7 per cent during this period. ^b The most recent figures available are for 2007-2008, however, there were interruptions to the racing calendar in some states due to Equine Influenza during this financial year.

Data source: Australian Racing Board Fact Book.

Given its potentially anti-competitive effects, several wagering operators have challenged the legislation (or Racing NSW's implementation of it) on constitutional grounds. While the courts have not yet ruled on the application of the law to these cases, the economics is relatively straightforward. Protectionist measures risk supporting and entrenching existing inefficiencies, in addition to contributing to ongoing uncertainty and litigation in the wagering industry. In that context, the Australian Internet Bookmakers Association argued that:

¹¹ For example, Betfair suggests that 1.5 per cent of turnover is equivalent to 60 per cent of their gross revenue. This is six times higher than the product fees set in Victoria, SA and Tasmania.

¹² The product fees by the set by Greyhounds New South Wales are an exception to this and are comparable to those set in other states.

The fundamental problem with the race fields legislation is that it is State-based legislation that is designed to protect State interests, but that is trying to regulate a national market. Each State is looking at itself and its racing industry as a separate “economic unit” to the rest of the country. This protectionist motive inevitably leads to legal difficulties (sub. 221, p. 46).

Beyond this, funding misallocation and a variety of other distortions are likely to persist at the state level, for several reasons:

- *The new funding model has been superimposed on the old.* In some jurisdictions, the new product fees have replaced the old fees and charges on interstate bookmakers (such as in South Australia), whereas in others the new fees are additional to existing ones (such as in New South Wales) (Australian Internet Bookmakers Association, sub. 221, p. 48). Moreover, standing agreements still require TABs to pay local racing authorities based on the wagers they accept on interstate races. This is likely to:
 - reduce the competitiveness of TABs
 - reduce the welfare of consumers who bet with the TAB on interstate races who may ultimately have to accept even higher prices
 - maintain a wedge between the level of punter interest in certain races, and the level of funding those races receive.
- *The size of the racing industry in some states partially reflects cross-subsidisation from other gambling products.* For example, the Victorian racing industry receives 25 per cent of its profits from gaming machines and keno. (This arrangement will expire in 2012.)
- *TABs in Western Australia and the ACT are still government-owned.* To some extent, these TABs are shielded from the commercial pressures faced by privately owned companies. This reduces the necessity for the funding arrangements with the Western Australian and ACT racing industries to fully reflect conditions in the wagering market.

Despite their uneven application, the various race fields legislations will improve the interstate allocation of resources to the racing industry. However, the ongoing issues with the race fields legislations, and their incongruous juxtaposition with pre-existing regulations and contractual arrangements at the state and territory level, have been at the core of calls for a more national framework. To this end, the Australian Racing Board argued that:

This regulatory framework must also be national in nature... The current changes represent an irreversible disintegration of the capacity of State and Territory governments to individually regulate wagering (Australian Racing Board, sub. 213, p. 4).

Distortion within jurisdictions

There are two fundamental issues in allocating payments made by wagering operators to the providers of racing product:

- dividing payments between the three racing codes
- allocating funds within each code to the racing clubs that hold the race meetings.

Inter-code agreements

Whereas product fees from corporate bookmakers and other interstate wagering operators are paid directly to each code's racing authority, TABs allocate funding according to inter-code agreements. The funds are split according to specific funding formulae, which are periodically reviewed. Ideally, the share of TAB payments should correspond to the proportion of wagering turnover derived from each code of racing. However, in between review periods, these inter-code agreements can lead to an inappropriate allocation of funding if the share of wagering that takes place on one code of racing changes, relative to the other two (or if agreements are entered into that do not properly reflect market share in the first place). For example, greyhound racing accounts for 17 per cent of wagering turnover, but the industry receives only 13 per cent of the total payments made by the New South Wales TAB to the three racing codes. The greyhound racing industry estimates that:

... over the past 11 years because of the inequities of this arrangement, they have subsidised thoroughbred and harness racing in New South Wales by the tune of \$92 million. (sub. 248, p. 7)

Brasch (2006) points to a similar situation in Queensland, where the contribution of greyhound racing to wagering turnover significantly exceeds its entitlements to TAB distributions. It is estimated that this has cost the greyhound industry nearly \$18 million over five years.

Funding agreements that are unresponsive to changes in market share between the racing codes have several adverse implications:

- *Competition between the racing codes is stifled.* The incentive to offer high quality and innovative racing product or marketing campaigns is diluted because some of the rewards from such efforts will be diverted to competing racing codes. For example, if an advertising campaign by Greyhound NSW generated \$100 of additional wagering turnover at the TAB, the largest benefactor would be thoroughbred racing industry (receiving an additional \$3.60) followed by the

harness racing industry (receiving an additional 75 cents).¹³ Likewise, the funding agreements shield poorly performing codes from adverse financial effects. This distortion is greater the more the market share of a code deviates from the allocation of total wagering turnover under the inter-code agreement.

- *The power of consumers to ‘vote with their dollars’ is diminished.* In a competitive market, the success of industries (and firms) depends on the extent to which the products they provide satisfy the preferences of consumers. The inter-code agreements dilute this mechanism.

These criticisms aside, as the agreements are multifaceted and involve numerous other types of concession, it is difficult to evaluate conclusively their overall appropriateness. For example, in the case of greyhound racing in NSW, Peter V’landys has argued that favourable scheduling agreements, such as a ‘blackout’ of thoroughbred racing on Saturday nights, offsets the lower share of TAB distributions (Magnay 2009). Given some of these uncertainties and the difficulties for governments in interceding in what are effectively private negotiations, there are weak grounds for policy intervention. However, arrangements that provided more industry funding to racing codes that performed well would be preferable to the current arrangements. (Increases in competition in wagering and the consequent erosion of the legacy arrangements for sharing revenue may provide a commercial impetus for such change.)

Allocation of funds within racing codes

Allocation of funding within racing codes serves multiple, sometimes conflicting, objectives. In particular, funding can:

- support the social function of racing in communities, particularly rural ones
- provide development opportunities for up-and-coming horses. In that context, racing authorities may seek to maintain some ostensibly unprofitable race meetings on the grounds that these produce long-term benefits by increasing the quality of the breeding stock
- provide a financial incentive for parties within the industry to develop their particular races so that they are attractive to punters. In this case, allocation of funding would be proportionate to the level of wagering on events.

Allocation of funding among these competing interests remains a controversial issue, as claims by one party for a bigger slice of the funding must inevitably reduce

¹³ Based on TAB distribution of 5 per cent of turnover, being split among thoroughbred (72 per cent), harness (15 per cent) and greyhound racing (13 per cent).

the slice for others. The key question is not whether the different objectives have legitimacy, so much as how much of the funding slice should be allocated to each function of the racing industry.

Overall, given the importance of providing strong incentives for the industry to hold races with high value content that attract greater consumer interest, the Commission is concerned that the funding arrangements have not given sufficient weight to the third objective. This is a view in line with some other commentators. For instance, Peter Mair contends:

It will almost invariably be the case that ‘waste’ will characterize a substantial part of any discretionary disbursement of an automatic entitlement, money will be spent on beneficiary business operations that have no self-sustaining commercial merit ... Promoting racing that no one (apart from the beneficiaries) really wants, wastes much of the money across the states. ‘Waste’ means low grade races, largely unwanted, attracting insufficient TAB turnover to recover prize-money and associated production costs contributed by state authorities. (sub. 39, p. 1)

In part, the industry itself has recognised that the balance between these competing objectives has shifted with new commercial imperatives and changing interests by consumers. Most conspicuously, there have been mergers between major metropolitan clubs, such as Queensland Turf Club and Brisbane Turf Club, as well as public debate about mergers between major clubs in Sydney and Melbourne. However, much of actual consolidation has occurred in rural areas, resulting in country races declining as a proportion of total races (figure 13.5).

The tensions between the various objectives described above have become starker with that consolidation. Some commentators have lamented the transition, pointing to the consequences for rural communities and development of the industry. Robert Waterhouse writes:

The deliberate reduction of country racing has been unfortunate for country folk and racing. Saturday race meetings were the social centre of bush life. Country racing used to be racing’s nursery. Saturday country meetings have been transferred to mid-week ghost meetings, where no one goes. They have destroyed a great fan base and weakened our racehorse nursery. (2008, p. 3)

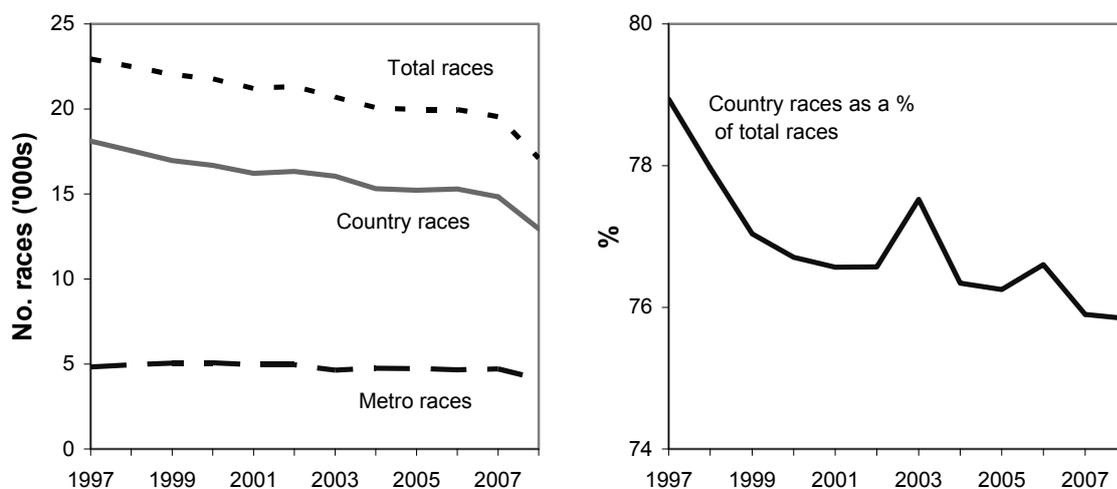
However, it is unlikely that the important social or development functions of racing will be lost with a greater focus on consumers’ interests:

- in the short-run, contractual obligations under inter-code agreements with TABs means that some commercially unviable races will be run
- the racing industry (and wagering) relies on a steady set of events throughout the week, with events with lower public interest being held on weekdays and ones attracting substantial interest on weekends. Accordingly, commercial

imperatives may, in some cases, mean displacing less popular race meetings to different times, not eliminating them altogether. That can still serve some of the important social and development aspects of the industry

- the industry as a whole recognises that a sustainable industry requires a diverse breeding stock, which provides a constraint on excessive consolidation. With over 100 country racing clubs in New South Wales alone, the benefits arising from development opportunities may still persist if consolidations are correctly targeted
- as in other areas of society where there are community benefits from an activity — for example, sporting organisations, public swimming pools and libraries — there may be a case for local or state government funding. However, racing should be evaluated against the multitude of competing community claims for government funds (at a state or local level), with the same transparency and accountability.

Figure 13.5 Changes in country and metropolitan racing



Data source: Australian Racing Board Fact Book.

The bottom line

The racing and wagering industry has undergone profound changes in the last 20 years:

- the wagering industry has been subjected to greater commercial pressure due to the privatisation of the previously state and territory owned TABs

-
- liberalisation and technological growth have generated a range of innovative wagering products, in addition to facilitating interstate competition between wagering providers
 - traditional arrangements have been supplanted by these developments, leading to an ongoing effort to redefine the funding mechanism through which racing and wagering are inextricably linked.

Race fields legislation has partly remedied the distortions in the national racing industries associated with the Gentlemen’s Agreement. However, the current system is hamstrung by its reliance on state and territory governance of a market that is national in scope. Due to the uneven application of the race field legislation across the Australian states, as well as amongst the codes of racing and different types of wagering operators, several legal vulnerabilities have emerged, resulting in numerous ongoing court cases. These relate to the discriminatory burden the legislations may represent, or their legitimacy given pre-existing contractual arrangements.

In light of this, there have been widespread calls for a national solution from a range of wagering operators, racing bodies and commentators (box 13.5). The following section outlines the principles that should guide the construction of a national system for the funding of racing.

DRAFT FINDING 13.1

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 field legislation overcomes this problem, but 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.

Box 13.5 **Calls for a national framework**

It is recommended that the Productivity Commission support the implementation of a national approach to the application of Race Fields Legislation, particularly in respect of ensuring the constitutionality surrounding race field fees... (Racing NSW, sub. 228, p. 1)

The logic underpinning a more nationally consistent approach to the regulation of racing and wagering is undeniable. (Cameron 2008, p. 45)

... the long term sustainability of greyhound racing and the wagering industry must be supported by federal intervention... National uniformity will build consistency with wagering and potentially better market share for greyhound racing (Greyhounds Australasia, sub. 248, pp. 13 -14).

HRA encourage leadership from the Commonwealth Government to act collectively with State and Territory governments to ensure a workable, harmonised race fields model. (Harness Racing Australia, sub. 231, p. 3)

It seems sensible that the national Australian wagering market should be regulated on a national basis. In other words there should be a national model for the payment of product fees to the racing industry. (Internet Bookmakers Association, sub. 221, p. 57)

Tabcorp recommends the development of a single set of charges for the use of the racing industry's product by wagering operators. These charges would replace the current arrangements including race fields fees, profit share and other funding arrangements applying to totalisators and bookmakers. (Tabcorp, sub. 229, p. 27)

Tatts Group supports the notion that it's time to elevate the responsibility for wagering regulation and funding to a national level. (Tatts Group Limited, sub. 240, p. 3)

13.2 Principles of a good funding model

The central difficulty in constructing an effective funding model is resolving the tension between addressing the issue of free-riding, and the potential for such an intervention to stifle competition. Whilst there is no model that can accomplish this perfectly, a good balance is more likely if it is based upon transparent, generally supported principles. The principles proposed here emerge directly from the specific challenges facing the racing industry, but are aimed at promoting consumer welfare and allowing greater competition.

The funding model should serve consumer interests

The fundamental question when analysing any change to the racing industry funding model is: *will it result in better outcomes for consumers?*

For much of the second half of the 20th century, the issue of free-riding was addressed by protectionist legislation that ensured that single operators dominated

the wagering market in each state and territory. As noted earlier, this model resulted in relatively poor outcomes for consumers. This may not have been perceived as being particularly problematic from a policy point of view as, in the earlier years of this funding regime, many saw gambling as being ‘socially undesirable’ anyway. Today however, gambling is widely viewed as legitimate source of recreation, notwithstanding its adverse impacts for some. For that reason, like any other commercial enterprise, the primary objective of racing and wagering must be to satisfy the demands of their customers (including the ‘safe’ provision of services) if these industries are to maintain the iconic status they have historically enjoyed.

The best funding model then, is one that emulates the outcomes that would be observed in a more competitive market. This involves generating the mix of value, quantity, quality and variety of races and wagering product most desired by consumers. In particular, the future health of racing and wagering is dependent on a funding model that can accommodate lower margin operators. Much of the wagering industry is characterised by operators whose prices (take-out rates) substantially exceed that of other forms of gambling. In the long term, the racing and wagering industries will be better served by a funding model that allows wagering operators to offer comparable prices to the alternative gambling products they are in competition with.

The funding model should have some degree of flexibility

The funding model needs to be designed such that wagering and racing providers are not inhibited from adapting to changes in consumer preferences over time. To the extent possible, product fees should also be designed to be neutral between different types of racing or wagering products, as well as being able to accommodate technological change and the development of new product types. The need for this kind of flexibility may influence the decision about the basis on which product fees are paid, as well as the process through which product fees are determined and how often they are reassessed.

Remuneration should reflect value

The level of remuneration that the racing codes, as well as the individual clubs, receive should be determined by the amount of betting that takes place on the races they provide. That is, a funding system that rewards racing providers proportionately to the value that consumers place on their product is preferable to one that subsidises commercially unviable clubs. Remuneration based on the level

of the racing public's interest gives racing codes and racing clubs the proper commercial incentive to:

- undertake marketing campaigns
- take on the risks associated with experimentation and innovativeness
- provide quality content that reflects consumer preferences.

The product fee structure should promote competition

The basis upon which product fees are paid needs to be compatible with the business models of existing wagering operators, including totalisators, on-course bookmakers, corporate bookmakers and betting exchanges. A fee structure that significantly disadvantages certain types of operators risks eliminating the consumer benefits that arise from a vibrant, competitive wagering market, such as:

- a wide variety of wagering products
- the pressure to provide consumers with value for money.

A product fee structure that disadvantages domestic online wagering companies is likely to be particularly counter-productive. As it is relatively inexpensive to provide online wagering services from offshore locations, some companies may elect to avoid onerous product fees by basing themselves outside of Australia. If incorrectly designed, measures aiming to reduce free-riding could actually *increase* it.

Product fees should be uniformly applied

The funding model should attempt to simplify existing fees and charges, which currently differ by jurisdiction, code and type of operator. A single 'price' model, that replaced the existing arrangements, would:

- reduce administrative cost of the system
- reduce compliance cost for racing and wagering operators
- be more likely to deliver competitive neutrality.

13.3 A national funding model for racing and wagering in Australia

The lack of clearly enforceable property rights suggests that instituting a unregulated free-market would be an inappropriate solution to the issue of funding the racing industry. A national funding model should seek to approximate the function of a more competitive market through legislation and regulatory oversight. In practical terms, this involves addressing two key questions:

- what price should wagering operators be charged for the use of their product?
- how should the system be administered?

The basis and quantum of product fees to the racing industry

Turnover or gross revenue?

The appropriate base upon which product fees are charged has been fiercely contested, both in terms of the existing race fields legislation and any national funding model. The debate centres on two potential bases for payment:

- *Turnover* — this generally refers to the total amount of sales. In a wagering context this translates into the total value of the bets placed on the backer's side.
- *Gross revenue* — this generally refers to the total amount of sales, minus the cost of the goods sold (but does not factor in other costs such as overheads, payroll, taxation or interest payments). In a wagering context this translates into total amount wagered, minus the amount paid out to punters as winnings (in other words, total player losses). Gross revenue is often referred to as gross profit.¹⁴

The two potential bases have a proportionate relationship, bound by the take-out rate of each operator.¹⁵ As take-out rates vary, the base that is chosen for the product fee changes the relative financial impact across different types of wagering operators. The challenge is to choose a base and a quantum that are 'fair' to all wagering operators.

- Gross revenue is the preferred base of online wagering operators, such as Betfair (2009) and Betchoice (sub. 258, p. 2), as well as all racing codes in Victoria, South Australia and Tasmania. These participants argue that turnover-based

¹⁴ Product fees based on both turnover and gross revenue are typically adjusted for back-betting (bets placed by bookmakers in order to reduce their exposure) under current race fields legislation. Similar provisions would be required in a national funding model.

¹⁵ That is $GR = T\beta$ where GR = gross revenue, T = turnover and β = the take out rate

product fees disadvantage low margin operators (at least at the rates currently set in New South Wales and Queensland) and consumers.

- Turnover is the preferred base for product fees for totalisator operators, such as Tabcorp (sub. 229, p. 27), all racing codes in Queensland and NSW (excluding Greyhounds NSW) and Harness Racing Australia (sub. 231, p. 3).

Determining which is best revolves around several contested issues.

Industry support

It is sometimes claimed that only turnover-based product fees can support the current size of the racing industry (Tabcorp, sub. 229, p. 27). In particular, it is argued that turnover-based product fees prevent a shift from higher margin operators towards lower margin operators that would otherwise undermine funding to the racing industry (Racing NSW, sub. 228, p. 7). However, as discussed earlier, the preservation (or growth) of the current size of the industry in each state would only be appropriate if it coincided with consumer preferences — which is doubtful.

As such, the alleged potential for a turnover base to support (or grow) the existing industry is not a good criterion for choosing between the competing models. Moreover, it is not clear that buttressing high margin operators through turnover-based measures (as argued by Racing NSW, sub. 228, p. 7) would actually result in a larger racing industry in the long run. Product fee basis that can also accommodate lower margin operators may enable the wagering industry as a whole to compete more effectively against others forms of gambling or recreation (including from offshore online wagering operators).

Dealing with uncertainty

Gross margins are likely to be more volatile than turnover, reflecting changes in competition and cost pressures. Moreover, turnover tends to change gradually, while new technologies (such as the internet) can dramatically change the margins required for wagering operators to operate profitably. For this reason, some racing participants have expressed concern over taking on additional risks from factors that are beyond their control (Racing NSW, sub. 228, p. 6). These concerns do not appear to have been borne out in the experience of those states that have adopted gross revenue as the basis of their product fees (such as Victoria and South Australia), but the potential for greater volatility appears to be higher with a gross revenue model.

However, it is unlikely that the racing industry can gain much in the long term by attempting to avoid this kind of uncertainty. The inherent interdependence between racing and wagering means that shocks to one market will always affect the other, regardless of the product fee model. This is both inevitable and desirable. For example, neither basis for payment will completely shield the racing industry from changes in the wagering market that adversely impact on overall turnover.

Furthermore, it is commonplace for the fate of producers of intermediary goods (such as horse races or car parts) to be intertwined with downstream users (such as wagering operators or car manufacturers). Indeed, from the point of view of consumers, racing and wagering are two components of a single product. Allowing signals of consumer preferences to be transmitted through both wagering and racing increases the incentive for both of these industries to jointly respond. Thus, the long term viability of racing and wagering is *bolstered* by linking their financial fortunes, not weakened. This also appears to have been the experience in the UK:

The irony is that the most significant increase in Levy income (one could argue that it has been the only one) was achieved when... the basis of General Betting Duty was changed from turnover to gross profits, which was mirrored in the Levy. This eventually led to Levy income increasing by two thirds, with little effort on the part of either racing or the Levy Board (Horseshace Betting Levy Board 2009).

Administrative ease

Tabcorp and Racing NSW (sub. 229, p. 27; sub. 228, p. 6-7) argue that turnover is easier to define, administer and assess, and is already the industry norm. Certainly, the recent Victorian Supreme Court decision demonstrates some of the difficulties associated with the use of gross revenue. This decision invalidated the product fees put into place by Racing Victoria and Greyhounds Victoria due to:

- the inconsistency of the arrangements with the underlying race fields legislation. In particular, the race fields legislation requires fees to be a fixed amount, not based on a formula.
- the ambiguity of calculating gross revenue in certain circumstances.

However, as some have pointed out (Saunders 2009, Racing Victoria Limited 2009), it appears that this ruling would equally apply to product fees based on turnover. This is unsurprising as, for a given take-out rate, there is a fixed ratio between turnover and gross profit. Indeed, the proportional relationship between the two means that the complexity of defining a formula based payment will generally be common to both, and the administrative advantages arising from the use of turnover are likely to be small.

In any event, the widespread adoption of gross revenue suggests that any problems associated with its use are not insurmountable. The proportion of gross revenue (with some subtle differences) is the basis of payment for:

- agreements between the racing industry and TAB operations in Victoria, New South Wales, Queensland and South Australia
- product fees under the race fields legislation in Victoria,¹⁶ South Australia and Tasmania
- taxation arrangements in the majority of Australian jurisdictions, across all types of wagering operators
- product fees paid to sporting authorities for the right to bet on sporting events in Australia
- wagering operators in several other countries such as the UK and Hong Kong.

The 'uneven playing field' argument

While turnover is often used as a financial indicator, gross revenue is more directly related to profitability. This is because turnover is driven only by 'sales', whereas gross revenue describes the margin or income that is actually derived from the sale (that is the price of the good minus its costs). All other things equal, the higher the proportion of gross revenue that is associated with a given product fee (regardless of the basis of payment), the less likely it is that the firm will be able to trade profitably.

The financial impost of turnover-based product fees varies greatly by type of wagering operator. As the take-out rate declines, the proportion of gross revenue that a given turnover based product fee accounts for increases. For example, if a product fee of 1.5 per cent of turnover was imposed on all wagering operators, this would result in an equivalent product fee of:¹⁷

- 9.4 per cent of gross revenue for TABs (based on an average take out rate of 16 per cent)

¹⁶ Racing Victoria has approached the Victorian government in order to amend the race fields legislation such that formulae based fees are allowed, which will allow gross revenue to serve as the basis for payment.

¹⁷ A levy based on turnover can be represented as $L = T\alpha$ where L = total levied amount and α = proportion of turnover paid as a product fee. The proportion of gross revenue that such a levy represents can then be expressed as: $GR = \frac{\beta}{\alpha}L$ where β = the take-out rate.

-
- 25 per cent of gross revenue for corporate bookmakers (based on an average take out rate of 6 per cent)
 - 33.3 per cent of gross revenue for Betfair (based on an average take out rate of 4.5 per cent).

This puts lower margin operators — which offer the best prices to consumers — at a relative disadvantage. Whether they are made unviable (as some have claimed) by turnover based fees depends on the level of the fee and the capacity of different types of operators to raise their prices. There is some indication that the capacity for corporate bookmakers to trade at higher prices is limited:

Our conclusion is that corporate bookmakers are actually tapping into a market that only exists at the low take-out rates of 4-6% and would not exist at >16% take-out pricing of totalisators. (Credit Suisse Equity research report, quoted in Australian Internet Bookmakers, sub. 221 p. 50)

The differential impact of turnover-based fees has led Betfair and Sportsbet to legally challenge their validity. These cases, which are before the courts in New South Wales, are ongoing. Irrespective of the legal outcome, it is evident that turnover-based fees will tend to either drive low margin operators out of business, or compel them to change their business models and increase their prices to punters. In short, turnover-based fees (if universally applied) discourage price competition between firms.

In contrast, product fees based on gross revenue are consistent with a variety of business models and are more likely to promote competition in the wagering industry. While there may be some concern that wagering operators may artificially reduce the gross revenue (for example, through free bets or offering too low prices) in order to reduce the product fee they have to pay, this is balanced against the incentive to maximise profit (which is the remainder after wages, overheads, advertising and other expenses are deducted from gross revenue).

Summing up on gross revenue vs turnover

Overall, gross revenue appears to be the more appropriate basis upon which product fees should be charged. Gross revenue is already widely used as a basis for payment to racing and sporting authorities in Australia and internationally, and can be applied universally without disproportionately burdening certain types of wagering operators. This means that gross revenue based product fees:

- have greater flexibility in that they can support diverse business models
- are conducive to price competition between wagering operators.

These features are more likely to deliver better value to consumers and a wider range of wagering products. Similarly, to the extent that gross revenue based product fees facilitate a closer alignment of financial interest between racing and wagering, these industries will have a greater incentive to respond to consumers' preferences. In both cases, consumer interests are better served by product fees based on gross revenue. This in turn, will enhance the prospects for both racing and wagering to remain relevant and vital industries in Australia.

What price?

While the Commission proposes a specific process for determining and allocating a racing industry levy (described in the following section), there are some indications of what an appropriate range might be:

- proponents typically suggest that between 5 and 20 per cent of gross revenue be paid as a product fee to the racing industry
- of those who use gross revenue as the basis for payment under their race fields legislation, most racing authorities in Australia charge 10 per cent, which matches the levy applied in the UK.

Setting the levy above these indicative figures would risk the movement offshore of online wagering providers to avoid the levy.

In principle, the rate of the levy should be the same for all wagering operators. However, if it is anticipated that the TABs will continue to enjoy a significant degree of market power, it may be appropriate that they should pay a premium for that retail privilege on top of the levy.

Administration of the levy

Despite widespread calls for a national funding model, there has been relatively little discussion of how such a system would actually work. It is clear that a new legislative framework would be required to grant powers to a new or existing body to collect and redistribute the level. This raises several practical issues:

- what level of government should take responsibility for the implementation of the funding model?
- who should set the levy and how should it be determined?
- how should the levy be distributed?

State co-operation or a federal initiative?

Whilst contemplating a broader regulatory system than that considered here, Cameron (2008) usefully summarises a range of options for implementing a national system. Cameron suggests that a national system could be underpinned at a federal level (through a unilateral exercise of power by the Commonwealth or through the states and territories referring power to the Commonwealth) or through the states and territories jointly enacting template legislation.

Given the diverse range of (often conflicting) stakeholder interests, Cameron concluded that the prospects for a national system were ‘somewhat bleak’ in the absence of active participation by the Commonwealth (p. 45). Participants in this inquiry generally echoed this view.¹⁸

Similarly, the Commission considers that, ideally, the national levy should be implemented at the Commonwealth level, in consultation with State and Territory governments. Federal legislation should specify the body charged setting the levy, as well as the manner of its distribution (discussed below). This system should replace the existing funding arrangements under the race fields legislation, as well as between TABs and the local racing authorities. As pointed out by Cameron (2008), this approach is dependent on the identification of an appropriate head of power.

Who should set the levy and how should it be determined?

One potential choice for the oversight of national levy scheme would be a levy board made up of representatives from the national racing bodies – the Australian Racing Board, Harness Racing Australia and Greyhounds Australia. These national bodies represent state and territory racing authorities, which already collect and distribute ‘de facto’ levies, through arrangements with local TABs, and under their respective race fields legislation. To an extent, the national racing bodies already have the competencies and infrastructure required to run a national levy scheme.

Accordingly, some have argued that racing industries should be given the exclusive power to determine the levy under a national scheme. For example, the Australian Racing Board proposes:

Strong and enforceable race fields legislation that receives recognition and enforcement across State and Territory borders and which gives the Australian Thoroughbred

¹⁸ The Australian Internet Bookmakers Association were a notable exception to this trend, suggesting the States and Territory were better equipped, in terms of expertise and infrastructure, to handle regulatory responsibilities in this area (sub. 221, p. 57)

Industry (ATRI) the clear power to set the basis (turnover, gross profits or other) and level of the fees payable for use of race fields. (sub. 213, p. 4)

Despite the apparent advantages of administration by racing authorities, there are two significant draw backs to such an approach:

- It would create a legislated national monopoly. That would maximise returns to the racing industry, but would not be in the interests of consumers.
- It could lead to other conflicts of interest (or even if unfounded, the perception of these), given the close historical association between racing authorities and the TABs, as well as instances of movement between these bodies and cross membership.¹⁹

One way to avoid problems such as this, is for the levy to be set by a board comprised of representatives of the racing codes, consumer interests and a variety of types of wagering providers (TABs, corporate bookmakers etc). This is essentially the system in the UK, whereby the levy setting process becomes a negotiation between the various parties. However, the prospects for such an arrangement to work in Australia do not appear promising. To an extent, the monopoly rents stemming from the traditional funding system align the interests of the racing industries and TABs against new entrants to the wagering market as well as consumers. Moreover, the racing authorities across Australian states and territories are subject to very different pressures and have adopted starkly contrasting approaches to the changing face of the wagering industry (for example Tasmania has embraced betting exchanges while numerous other states have sought to ban them). It appears dubious that a representative levy board could reach a consensus that reliably prioritised consumer interest and competition.

Rather, a body that is independent from the racing and wagering industries is likely to deliver the best results. One potential model for such a body is the New South Wales Independent Pricing and Regulatory Tribunal (IPART). To this end, a racing and wagering tribunal should be established to set the levy that the wagering industry pays the racing industry for the use of its product. It should be headed by a three person panel selected on the basis of their background (with a particular focus on consumer affairs) and independence. If necessary, the panel may also be supported by a secretariat that provides research and advisory services.

In setting the levy, the panel would be required to consult with gamblers, wagering operators and the racing industry generally (such as race course managers, horse

¹⁹ For example, Robert Bentley is both the Chairman of the Australian Racing Board and a non-executive director of Tabcorp. Similarly, in 2006 Robert Nason left his position as CEO of Racing Victoria Limited to become the managing director of wagering at Tabcorp.

and dog owners, jockeys, stewards, veterinarians and breeders, etc.). The consultation should be a public process, and the decision by the tribunal should be accompanied by publicly released documentation of the underlying arguments and evidence. In order to be reasonably responsive to developments in the industry, the levy should be reviewed, and this process repeated, periodically.

Both the right to hold an Australian wagering licence, as well as the right to advertise in Australia should be contingent on paying the levy, regardless of where the wagering operator is located.

How should the levy proceeds be distributed?

Ideally, the proceeds from the levy should be distributed directly to the racing clubs where the betting activity takes place, with the benefits described in section 13.2.

However, direct distribution may not be viable. First, the level of wagering may not always represent the true value of a racing club due to the compromises that are made when scheduling the many races occurring each week across Australia. In order to maximise wagering turnover, races are spread over the course of a week. It would obviously be undesirable from the consumer perspective if competition for the lucrative betting timeslots, such as Saturday afternoon, resulted in no or little racing at other times. It is unlikely that this degree of bunching would occur, as racing authorities, and the racing clubs themselves, would seek to schedule races based not only on the volume of wagering turnover that occurs in a given time period, but also the likelihood of their races attracting that turnover, given the competition they faced. Nevertheless, distributing the levy directly to the racing clubs based solely on the wagering turnover they generate, may not properly account for the complexities of scheduling races, and may undermine existing processes for determining race schedules.

Second, the costs of a direct distribution may be prohibitive. The administrative burden and technical feasibility of such an arrangement is unknown.

The alternative to direct distribution is for state and territory racing authorities to retain responsibility for allocating the funds amongst the racing industry. The advantage of using existing payment channels is that:

- the infrastructure for delivering payment to individual racing clubs is already in place
- state and territory racing authorities can account for scheduling considerations when allocating funds.

For these reasons, distribution through state and territory racing authorities is the Commission's preferred option. Nevertheless, *the Commission seeks feedback on the feasibility of a direct distribution model.*

DRAFT RECOMMENDATION 13.1

The Australian Government should work with state and territory governments to develop a national funding model for the racing industry. This model should be underpinned by national legislation and should replace state and territory based arrangements.

The key element of this model would be a single levy, universally paid on a gross revenue basis:

- ***The levy should replace all other product fees currently paid by the wagering industry, but need not affect other funding channels, such as sponsorship of race meetings.***
- ***The levy should be set and periodically reviewed by an independent national entity with the object of maximising long-term consumer interests.***
- ***In setting the levy, the entity should engage in public consultation, and the bases for its decisions should be detailed in a public document.***

13.3 Other aspects of a national model

A number of participants have argued that a national racing and wagering model should have a broader regulatory scope than simply addressing funding issues. For example, Tabcorp recommended:

...a national approach to the regulation of wagering, including:

- Consistent regulation of credit betting and account opening inducements
- A single Code of Conduct dealing with responsible gambling, with which all wagering operators licensed in Australia will comply
- A single and mandatory integrity framework covering racing and sports, as well as all forms of betting and all operators. (Tabcorp, sub. 229, p. 26)

In general, the racing and wagering tribunal would not be the ideal body to administer this kind of regulatory regime. One possible exception to this is that, with its national focus, expertise and independence, the tribunal may be well placed to take on probity responsibilities for the racing and wagering industries. However, as existing institutions appear reasonably effective in this task, the incremental net benefits of further centralisation would have to be demonstrated.

Similarly, while there is a strong case for a national approach to consumer protection in online wagering, the tribunal would not be well suited to this role. Online wagering is part of the broader group of online gambling activities, including online casing games, poker, lotteries and virtual EGMs. All forms of online gambling should be subject to a consistent regulatory regime and overseen by a specialist body (discussed in chapter 12).

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 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. As such, the Commission considers that the Australian Government should refer this matter to the ACCC for further investigation.

DRAFT RECOMMENDATION 13.2

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

The urgency of national uniformity, and in particular federal intervention, is less evident in the raft of other specific issues facing racing and wagering. State and Territory governments and existing regulatory agencies already possess the authority, competency and infrastructure required to effectively regulate racing and terrestrial wagering. As such, outside of online gambling, states and territories should retain responsibility for the gambling activity that occurs within their jurisdictions. To the extent that benefits could potentially arise from a unified regulatory approach to racing and wagering, this should be achieved through coordinated action from those governments. The remainder of this section examines several key issues that State and Territory governments will need to address in the future.

Taxation

Taxation of wagering operators raises considerable revenue for state and territory governments. In 2007-08, this amounted to \$341 million, or 0.5 per cent of the total revenue raised by state and local governments (ABS 2009). The majority of this comes from TABs, although the specific taxation arrangements differ substantially

between jurisdictions. At the high end of the scale are Victoria and New South Wales, which both charge off-course totalisators 19.11 per cent of gross revenue, and fixed odds bookmakers 10.91 per cent of gross revenue. At the low end are Tasmania and ACT, which apply no special taxes to totalisators or fixed odds bookmakers at all.

Outside of sumptuary taxation (taxes aimed at reducing socially undesirable activity), governments tend to set higher taxes on goods or services whose demand and supply are relatively unresponsive to price increases. By this criterion, the changing structure of the wagering industry has made it a less attractive candidate for high taxation. The growth of online and telephone wagering providers has reduced the capacity to raise tax revenue as these highly mobile providers have the ability to avoid paying taxes by migrating to jurisdictions with lower tax rates.

To the extent that taxation of wagering beyond the GST is warranted, the remedy for tax competition is a binding agreement between all jurisdictions for a harmonised tax regime. However, even under such a regime, the scope to tax corporate bookmakers at rates historically applied in the wagering industry is limited by the capacity of these providers to simply operate from an overseas location and avoid taxation altogether.

DRAFT FINDING 13.2

There are grounds for state and territory governments to cooperate when setting taxes on wagering revenue, in order to avoid destructive tax competition. However, the increased capacity for competition from lowly-taxed offshore online suppliers will, in any case, increasingly limit the capacity to tax wagering activity.

‘Tote-odds’ betting

Tote-odds betting is amongst the most contentious wagering products offered by corporate bookmakers. Unlike traditional fixed-odds betting, where the bookmaker and the punter agree upon the potential payout at the time the bet is made, with tote-odds, the payout corresponds to the final dividend delivered from a nominated totalisator. This wagering product was first made available by Darwin All Sports (now known as IASBet) in 1996 and corporate bookmakers are currently permitted to offer tote-odds in all jurisdictions except for New South Wales, Tasmania and Western Australia.

From the perspective of consumers, tote-odds betting has two main advantages over betting directly with TABs. First, corporate bookmakers offering tote-odds provide better value than TABs. Most tote-odds providers either give the best available odds

from a number of nominated TABs, or they offer to beat the final dividend paid out by a nominated TAB by a certain amount. In part, this price advantage arises from a lower cost structure. Corporate bookmakers are subject to a lower rate of taxation than TABs and tend to have lower overheads as their services are provided over the internet and telephone.

Second, tote-odds are able to provide a more attractive product to punters seeking to make substantial wagers. With totalisators, if a punter makes a large bet (relative to the size of the pool) on a given outcome, then the potential dividend available to the punter will be proportionately reduced (should that outcome occur). This effect can be dramatic in small pools, and on exotic bets such as trifectas, reducing the attractiveness of totalisators to those making big bets. The risk of ‘crushing’ the dividend can be reduced when placing a bet with a tote-odds bookmaker, who is likely to hold at least some of the wager. Back-bets made into a linked (by the terms of the bet) totalisator pool may still reduce the final dividend. However, the bookmaker has an incentive to minimise this by laying the bet across a number of totalisator pools and other bookmakers, as not ‘crushing’ the dividend is the basis for their comparative advantage over TABs in the first place.

Whilst being advantageous to some consumers, the practice of offering tote-odds has been strongly criticised by Tabcorp and a number of racing authorities (Racing NSW, Australian Racing Board, Australian Thoroughbred Racehorse Owners Council, and Harness Racing Australia). In addition to submissions made to this inquiry, arguments in favour of a national ban on tote-odds betting have also been raised in relation to the Cameron review (2008), as well as the Cross-Border Betting Taskforce (Department of Justice, Victoria 2003). Specifically, opponents argue that tote-odds betting products:

- reduce funding to the racing industry as TABs are subject to higher fees and charges than corporate bookmakers
- increase the risks of totalisator pool manipulation by both punters and bookmakers. This may unfairly reduce the dividend that customers of TABs receive and undermine confidence in totalisator products
- steal market share from TABs, reducing their economies of scale and undermining their product by increasing the volatility of totalisator dividends
- infringe on the intellectual property of TABs by making use of the odds they calculate
- are a de facto totalisator, offering no additional benefit to consumers, and potentially breaching the TABs’ right to exclusively provide totalisator products.

While some of these arguments illustrate genuine problems associated with tote-odds betting, these can be remedied using less extreme regulatory responses than prohibition. For example, the loss of revenue to the racing industry as punters switch from TABs to tote-odds is best dealt with through reform to the funding model (discussed above) rather than by denying consumers access to a product they highly value. To the extent that tote-odds betting is based on ‘tax and fee arbitrage’ (Tabcorp, sub. 229, p. 11), uniform racing levy and taxation arrangements would eliminate any unfair advantage. Should corporate bookmakers still be able to ‘undercut’ TABs’ prices on an even playing field, they should be free to do so.

Similarly, there are several options for reducing the potential adverse impacts of totalisator pool manipulation without eliminating the benefits consumers receive from tote-odds products. Unlike TABs who operate on a cash basis, corporate bookmakers maintain comprehensive records of the transactions made between themselves, punters and other wagering operators. In theory, this should allow the relevant authorities to apply more stringent monitoring of corporate bookmakers offering tote-odds in order to detect any unusual behaviour. This kind of oversight would not prevent punters themselves from attempting to manipulate small totalisator pools in order to place large bets with tote-odds bookmakers on more favourable terms. However, the greatest risk of such behaviour is to the corporate bookmakers offering tote-odds, as well as to the pool manipulator themselves should the gamble backfire.

The effect of tote-odds betting on the size of the totalisator pools is a *potentially* more problematic concern. Were the pool to shrink significantly, this would make TAB dividends erratic and would poorly approximate the ‘true odds’. This would adversely affect customers of both the totalisator and tote-odds products (as well as providers of these products). Yet, it is not clear that allowing corporate bookmakers to offer tote-odds will shrink totalisator pools to a significant extent. For one thing, tote-odds providers commonly ‘back-bet’ into totalisator pools in order to reduce their risk exposure. Back-betting means that there is, in effect, an interdependent relationship between tote-odds and totalisator pools. This means that the pools will, at most, decline by only a proportion of the custom attracted away from the TABs by tote-odds providers. In addition, tote-odds betting will grow the market, attracting some new customers who would not have originally placed bets with the TABs. Given the interdependent relationship described above, this means that new customers attracted by tote-odds actually add to the totalisator pool. While the net impact of tote-odds on the totalisator pool is probably negative, the adverse scale effects are likely to be small and less important than the benefits of price competition in this segment of the market.

However, there is an important distinction between competition from tote-odds products and the competition that would ensue were governments to relax the exclusivity arrangements for the provision of totalisator betting. In the latter case, the adverse scale effects would be much more severe, as competing totalisators would quarantine wagering turnover into separate pools (rather than recirculate it through back-betting). This would be likely to substantially reduce consumer access to reliable totalisator products. For this reason, the Commission is not recommending that totalisator exclusivity arrangements be removed.

One possible remedy that addresses both the problems of totalisator pool size and their possible manipulation, is to allow TABs to comingle with pools in other jurisdictions. This already occurs to a certain extent with the Unitab pool covering Queensland, South Australia and Northern Territory, and the SuperTab pool covering Victoria, Western Australia, Tasmania and the ACT. There are two considerable advantages from further increasing the size of totalisator pools in Australia:

- larger pools are much harder to manipulate, less volatile and the dividends better approximate the true odds of wagering outcomes (i.e. win, place or trifecta) actually occurring, subject to the take-out rate by the TABs
- bigger pools decrease the effect of large bets on the final dividend. This increases the competitiveness of TABs relative to tote-odds providers.

The issue of whether tote-odds providers infringe on the intellectual property rights of TABs is more problematic and is currently the subject of Federal Court proceedings between Tabcorp and the corporate bookmaker Sportsbet. While this particular case is still undecided, the Commission more broadly considers that odds are essentially a price. The ability to observe, match or beat prices offered by other companies underpins meaningful competition. In principle, the recognition of prices as intellectual property — that could be legitimately subject to copyright law — would be fundamentally disruptive to commercial activity in the wagering industry and would set a highly problematic precedent for competition in Australian markets more generally.

DRAFT FINDING 13.3

Tote-odds betting should not be prohibited as there are better ways of dealing with the risks it involves.

Credit betting

Unlike most gambling providers in Australia, bookmakers are permitted to offer credit accounts to their clients. Credit betting refers to the practice of allowing customers to place wagers on credit (that is, without the use of cash or credit cards) and settle the account at a later date. These facilities are primarily used by large bettors and offer several benefits:

- they provide security and convenience for on-course punters, who would otherwise need to transact, and travel to and from the race course, with large amounts of cash
- they allow online punters to avoid fees associated with credit card use.

However, the potential problems associated with credit betting have led some to call for its total prohibition (Australian Racing Board, sub. 139, p. 69; Clubs Australia, sub. 164, p. 38) while others are more ambivalent, arguing that whatever position is taken should be universally applied to TABs as well as bookmakers (Tabcorp, sub. 229, p. 72).

The arguments against credit betting are similar to the arguments against betting with credit cards. That is, access to credit increases the capacity of problem gamblers to inflict financial harm on themselves and their families. These harms may be further compounded by the absence of a financial intermediary (such as a credit card company) with the proper skills or resources to accurately assess the credit worthiness of their clients.

These potential harms warrant, at a minimum, strict regulation and monitoring of credit betting. However, it is not clear that, in practise, the problems associated with credit betting are sufficient to justify its complete prohibition. As credit betting facilities are usually only extended to very large bettors, those with access will tend to be either wealthy individuals or ‘professional’ punters. For the former, losing apparently large wagers may not be indicative of harm, while access to credit offers considerable benefits in terms of convenience and security. For the latter, access to credit is simply an ordinary feature of a business relationship that is common in other sectors of the economy. In either case, the number of those with access to credit, and therefore exposed to the risks of its abuse, is small.

Moreover, bookmakers have a commercial interest in the prudential provision of credit facilities as they bear the cost of the collection of outstanding debts, as well as the risk of default. As credit tends to be offered to well-known and established clients, bookmakers’ commercial interests may be reinforced by a personal interest arising from the ongoing relationship they have with their clients.

The challenge for policy is to ensure that credit is directed towards those with a lower risk profile (such as professional punters), and that wagering providers who offer credit retain strong incentives for due diligence. This issue was dealt with in Cameron (2008) by recommending that credit betting be allowed only with established clients (three months was suggested as an indicative period for a client to be considered ‘established’). The Commission supports this approach. The Commission also sees merit in restricting credit betting to wagers above a minimum threshold. This has two rationales:

- credit betting represents a greater risk to ordinary gamblers than it does to professional punters. A high minimum threshold limits the access that ordinary gamblers have to credit
- a high minimum threshold means that wagering providers who offer credit have a large financial interest in the capacity of their individual clients to settle their debt.

The major difficulty of this approach is setting the correct minimum threshold. If the threshold is set too high it may disadvantage some punters who currently access (responsibly) credit for wagers below the threshold. If it is set too low, the incentive for providers of credit to conduct due diligence is diluted. In addition, punters with higher risk profiles may actually increase their bets in order to access credit.

Should credit betting continue to be permitted amongst bookmakers, subject to increased regulatory control, it raises the question as to why TABs should not also be allowed to offer credit facilities. Provided a minimum threshold is set sufficiently high, this would not dramatically increase access to credit, and would facilitate greater competition between TABs and bookmakers for high end clients.

Given concerns over the risks to problem gamblers, it would be important to evaluate the effects of credit betting under the new regulations (say two to three years after their implementation), and to remove the capacity for such betting if the risks are found to be high.

The Commission is seeking further feedback on whether credit betting should be extended to other betting providers and, if so, whether the proposed restrictions are appropriate and what minimum credit threshold would strike the right balance.

Inducements

While the Betfair Decision was generally interpreted as invalidating advertising restrictions on out-of-state wagering providers, states retain the authority to regulate

advertising within their jurisdictions (so long as the regulations are not discriminatory). As such, New South Wales, Victoria and South Australia have prohibited wagering providers from advertising promotions that include inducements — in particular, free bets — on the grounds that they may encourage problem gambling.

Whilst the overall costs of these restrictions for consumers are unlikely to be high, it is not clear why customers attracted by inducements such as free bets are more likely to develop gambling problems than customers attracted by other advertising strategies. Moreover, a large number of the customers accessing free bet promotions are likely to be simply shifting from one wagering provider to another. Indeed, as opening an internet or phone betting account with a corporate bookmaker involves some degree of effort, it is clear that the inducements are partly directed at overcoming ‘switching costs’ between providers (a practice common in a number of other industry such as telecommunications, health insurance etc.). As the wagering market is largely dominated by TABs, the prohibition on inducements risks advantaging incumbents with a significant degree of market power, at the expense of greater competition.²⁰

The inter-state discrepancy in the approach to inducements also disadvantages wagering operators based in New South Wales, Victoria and South Australia when competing for market share in jurisdictions that permit these practices. For this reason, a nationally consistent approach is preferred to the current arrangements, regardless of whether that involves banning or permitting free bets. Whichever regulatory path is chosen should be based on evidence and should balance the realistic risk of problem gambling against the possibility of unduly advantaging incumbent wagering operators.

DRAFT FINDING 13.4

Offering inducements to wager through discounted prices is not necessarily harmful, and may primarily serve to reduce switching costs between incumbent wagering operators and new entrants. 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.

²⁰ Tabcorp themselves have not argued in favour of a ban on inducements, rather that a consistent position is taken on the issue at a national level (sub. 229, p. 28).

Exclusivity arrangements

While TABs are facing increasing competition from online wagering providers, they still hold considerable market power through their exclusive right to provide off-course retail wagering in all Australian states and territories. Most of these exclusivity agreements are scheduled to expire between 2012 and 2016.²¹ Like monopolies in other areas, the exclusive retail provision of wagering has resulted in poor outcomes for consumers (as discussed in section 13.1). This raises the question of whether there are offsetting benefits from maintaining retail exclusivity. When first implemented, retail exclusivity was seen as beneficial as it:

- was an effective solution to the free-rider problem
- increased revenue from taxation
- facilitated regulation of the industry in terms of community access, consumer protection and probity.

The first of these arguments is obsolete, as retail exclusivity is no longer sufficient, nor necessary, to overcome the problem of free-riding on racing product. It is not sufficient in that, as recently demonstrated, retail exclusivity on its own could not prevent free-riding by online and telephone based wagering providers. It is not necessary in that free-riding can be more comprehensively dealt with through either the levy scheme described in section 13.3 or through existing race fields legislations.

The second argument does not have a strong underlying rationale. Retail exclusivity does generate a significant amount of taxation revenue. However, the benefits arising from the increased tax revenue are offset to some degree by the reduced welfare of consumers who face restricted choices and increased price for wagering products. The Australian Punter's Association expressed the situation in the following way

The Government has a conflict of interest. That is between maximising taxation revenue and maximising benefit to consumers (i.e. punters). It has clearly chosen the maximum taxation revenue option. (Australian Punter's Association 2008, p. 1)

Put differently, if raising taxation revenue is a legitimate justification for establishing a monopoly, this principle could be widely applied to the production of a variety of goods and services. In general, governments tend not to do this because of the unfavourable trade-off in consumer welfare generated by tolerating

²¹ Specifically, Tabcorp's licences expire in 2012 in Victoria and 2013 in New South Wales; UniTAB's licences expire in 2014 in Queensland, 2015 in Northern Territory and 2016 in South Australia.

monopolies. In this light, it is not obvious why the welfare of punters should be valued less than the welfare of consumers of other forms of entertainment.

The third argument has some merit. While there is already widespread access at TAB outlets, as well as at pubs and clubs, it is likely retail wagering would proliferate even more widely in an unrestricted market place. The increase in community access may contribute to a higher incidence of problem gambling. Moreover, it would also risk reducing the level of compliance with probity and harm minimisation measures by retail wagering providers, whilst increasing the costs of monitoring these measures.

However, maintaining control over access to retail wagering does not require monopoly provision. Similar to gaming machines, licenses for retail wagering could be capped, and the areas where they are permitted to operate prescribed by government. At an extreme, the venue licenses made available could be limited to the number of existing TAB outlets, implying no increase in access at all. These venue licenses could be purchased by single wagering companies, or shared in order to replicate the betting rings found at race meetings.

DRAFT FINDING 13.5

The arguments for renewing TAB retail exclusivity are not compelling.

14 Regulatory processes and institutions

Key points

- Over the past decade, governments have been more inclined to:
 - focus on the public interest for policymaking and incorporate health and consumer concerns into policies and programs
 - utilise stronger regulatory processes, including generally improved stakeholder consultation
 - commission research to improve understanding about gambling
 - facilitate a dialogue between jurisdictions and coordinate policy directions, including through the Ministerial Council on Gambling.
- But against well-recognised standards for best practice, significant deficiencies remain. While jurisdictions vary on which areas are most in need of improvement, in general, there is a need for:
 - greater independence of gambling regulators
 - a stronger commitment to public consultation and transparent processes
 - increased public access to Regulatory Impact Assessments (with their public release at the time policy decisions are announced)
 - policy decisions that are clearly articulated and exposed to public scrutiny.
- There are also costly differences among jurisdictions resulting from different electronic gaming machine standards and approvals processes:
 - efforts should be made to reduce these differences
 - variations should be based on legitimate concerns for harm minimisation and take into account the costs that differences impose
 - unwritten policy directions should be made explicit and public.

14.1 Introduction

The Commission has proposed changes to the existing set of government regulations, some for immediate implementation and some to be put in place over the medium term. However, in the long run, policy and regulation will need to respond to new gambling technologies and market developments. In that context, a key question is: how to ensure that *future* policies and regulations will accord with

the public interest? That question is all the more important given the pervasive role of government in gambling industries. Governments tax, supply, plan and regulate gambling and provide help services. Given their central and sometimes conflicting roles, there is abundant potential for unintended outcomes.

This chapter discusses areas where government institutions and processes affecting gambling can be altered to minimise these risks. It first looks at elements of best practice regulation. It then discusses:

- the need for independent regulators with responsibility for all gambling in each jurisdiction
- the relative merits of alternative placements of gambling policy in different departmental and ministerial portfolios
- the transparency and robustness of government processes
- national regulation and jurisdictional consistency.

14.2 What does best practice look like?

The main ingredients for good policy and regulatory frameworks are now well recognised and have been articulated in COAG (2007), Australian Government (2007), OECD (2005), and Argy and Johnson (2003). For these frameworks to function effectively, the institutional setting will generally have to meet a number of core criteria. Hence, drawing on the Commission's 1999 institutional blueprint for gambling regulation, some guidelines for structuring gambling governance are outlined in box 14.1 below.

Without reiterating in detail what is generally understood, the key ingredients of a best practice regulatory environment for gambling include:

- concentrating on the public interest, emphasising the broader interests of consumers rather than sectoral concerns or governments' revenue interests
- governance structures that limit political discretion and separate the independent activities of regulators from the parliamentary accountability of policymakers
- good communication between institutions with responsibilities for gambling
- rational and transparent policy development based on good evidence, evaluation, judgment and theory (and the accumulation of expertise and research to underpin decisions)
- appropriate levels of consultation so that all views can be heard.

Box 14.1 A model institutional setting for gambling regulation

In its 1999 report, the Commission proposed a 'regulatory blueprint' to address deficiencies then pervading the gambling regulatory environment. Drawing from that blueprint, and updating it to reflect what has been learnt from the range of institutional approaches now in place, a best practice institutional setting for gambling would involve:

- an independent statutory regulator with responsibility for monitoring and implementing all gambling regulations and a charter to:
 - further the public interest
 - address consumer protection issues
 - undertake and commission independent research and make public recommendations. (Core functions of gambling regulators are outlined in box 14.2.)
- policymaking functions within a portfolio preferably relevant to consumer, justice and health matters, but not specifically within treasury or industry orientated departments
- the relevant minister for gambling having direct responsibility for harm minimisation
- independent administrative arrangements for gambling counselling and help services, with decisions on how to allocate funds and monitoring the effectiveness of services occurring through either government health departments or a special purpose independent body
- an independent national policy research and evaluation centre.

Progress has been mixed

Since the Commission's 1999 review, governments have made progress in a number of areas. For example, policymaking has generally been more 'rational' and placed a greater emphasis on the public interest, including by:

- establishing independent regulators
- integrating health and consumer matters into gambling policy to balance the influence of treasuries
- formalising channels for stakeholder consultation, including by setting minimum consultation timeframes and releasing issues and discussion papers
- initiating regulatory impact analysis requirements
- undertaking major research programs and funding Gambling Research Australia as a forum for managing national research (chapter 15)

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- establishing the Ministerial Council on Gambling to facilitate a better dialogue between jurisdictions and to coordinate policy directions and determine broad national research priorities.

But, while governments and policymakers are aware of best practice principles, and have applied them in some areas, there are instances where other factors may interrupt their effective implementation:

- Governments face many conflicting incentives — revenue incentives, public health and community goals, industry development and pressures from political lobbyists. These competing interests can make it hard to develop coherent and consistent policy.
- The extent to which best practice is adopted will be influenced by the personalities of politicians and senior officials, the will of government and the quality of bureaucratic advice, each of which are inherently difficult to control for.

There are some particular areas where many jurisdictions' institutional and regulatory structures in gambling fall below best practice:

- Although there are common aspects of regulation across many gambling activities, most states and territories are yet to bring all forms of gambling under the responsibility of a single regulating body in each jurisdiction.
- The gambling regulator in some jurisdictions does not have sufficient purview to be effective, even if independent, with the functions of some regulators falling short of core regulatory functions that necessitate independence.
- Other regulators have broad ranging responsibilities, but lack independence to enforce decisions without potentially facing pressures from government, industry lobby groups and other advocates.
- Because gambling regulation and policy spans a diverse range of disciplines, the government department with the main carriage for gambling policy usually coordinates between agencies involved in gambling-related activities. Some jurisdictions do this better than others, but some agencies with expertise in ways to reduce and address harms from gambling (such as those dealing with consumer, health and justice issues) are sometimes left on the periphery of policy development.
- Although consultation has improved considerably since the Commission's 1999 report, there is concern that it could be carried out more fully, particularly by governments being more transparent about the basis for their decisions and engaging in consultation earlier in the process of policy development.

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- Regulatory gate-keeping requirements have not been well applied. Public access is poor and the timing of the public release of regulatory impact assessments often lags the announcement of policy decisions.

The next two sections look more closely at how the commitment of governments to best practice regulatory processes and institutions wavers in some instances, including what kinds of specific improvements could be made.

14.3 Governance structures still need work

Although state and territory governments have made changes to the structure of their gambling regulatory institutions, there is scope for improvement. The core institutional requirements proposed below essentially recap the proposals the Commission made in its 1999 report, with a few changes to reflect what has been learned from the range of approaches adopted by jurisdictions over the last ten years. For some jurisdictions, implementation of this model would require only minor changes, but for others, more substantial changes would be required.

Regulators should be fully independent

In the absence of statutory independence, ministers and governments can come under pressure to influence regulatory activities in ways that may not be in the public interest, nor transparent and open to public scrutiny. (Independent regulators are helpful to governments precisely because they short circuit any expectation that government should step in on particular matters — whether this be triggered by popular opinion or pressure from advocates.)

Pressures can be placed on organisations if their financial independence or staffing decisions can be unilaterally altered. As such, independence should extend to:

- financial matters, including personnel and resourcing
- management, including the security of tenure of the executive and rules for their appointment and removal
- the ability to undertake research, which should be freely accessible to the public
- public accountability and transparency, including both advice and recommendations made to ministers as well as any directions coming from a minister.

In addition, the regulatory activities of an integrated agency with both policy and regulatory oversight have a greater potential to be ‘captured’ by industry groups.

The Commission stressed the importance of independent regulators in its 1999 report, and that view was supported by a number of participants in this inquiry including Anglicare Tasmania (sub. 83, pp. 2–3) and the Victorian Interchurch Gambling Taskforce (sub. 220, p. 14). However, McMillen observed that no state or territory government has truly embraced an independent model:

With the possible exception of South Australia, close structural and procedural links between policy agencies and the statutory authorities have been retained or strengthened since 1999. As in the past, ministers and Parliaments ultimately determine policy, while government departments are responsible for policy advice and implementation, as well as many regulatory functions. In most states/territories, ‘independent’ control authorities in Australia function essentially as agencies of government ... and have limited capacity for independent action. (sub. 223, pp. 14–15)

Moreover, while most jurisdictions have now established a statutory ‘independent’ regulator or control body of some form, there is considerable divergence in implementation. For example:

- In South Australia, there are effectively two regulators. The Independent Gambling Authority (a statutory body) is the principal regulator and undertakes ‘structural’ regulatory activities. The Office of the Liquor and Gambling Commissioner is housed within government and performs the role of an ‘operational’ regulator, carrying out both regulatory and enforcement functions, including approving gaming machines and undertaking ‘on-the-ground’ enforcement. Such an arrangement may lead to confusion and inefficiencies.
- In New South Wales, there is no statutory independent regulator for all forms of gambling, and although a Casino, Liquor and Gaming Control Authority was established in 2008,¹ its regulatory responsibilities are shared with the Director of Liquor and Gaming within the associated policy department.
- The Queensland Gaming Commission (the independent regulatory body for gaming in Queensland) has decision-making responsibilities somewhat similar to those of gambling regulators in other jurisdictions, but is restricted to dealing only with gaming, meets monthly, and relies on secretariat support and advice from within government.

Clearly, the breadth of responsibility across gambling regulators varies significantly. Some undertake regulatory reviews and oversee research projects, while others have significantly narrower regulatory responsibilities. In some jurisdictions, the policy department has the main carriage over matters that are reserved for the regulator in other jurisdictions.

¹ The Authority is a New South Wales Government agency, but is not subject to the direction or control of the minister, except in clearly defined circumstances as prescribed in legislation.

Ensuring independence

Statutory independence usually involves drawing a boundary around the regulatory responsibilities provided to the statutory regulatory agency, with policy development and some residual quasi-regulatory functions left to the policy agency or agencies. A range of core functions commonly undertaken by gambling regulators is outlined in box 14.2.

Even though a regulator may possess statutory independence, it has a responsibility to advise and report to a minister and is accountable to parliament. While such arrangements can effectively balance independence and accountability, processes are also needed to ensure that the minister does not provide direction to the regulator or, if this does occur, such directions are published and tabled in parliament.

Transparency helps regulators to demonstrate to third parties that they are operating free from any influence or direction (perceived or otherwise). Moreover, by publicly reporting to the minister, the basis for any regulatory decisions that flow from its advice is also transparent.

While operating at arms length from government may impede communication between government and the regulator regarding policy development, independent regulators can contribute via formal channels with the relevant minister. This could require the government to publicly respond to any formal recommendation received from the regulator. Indeed, avenues for regulators to contribute to gambling policy already exist in some jurisdictions through the accountability requirements placed on the regulator to report to and advise the minister.

The regulator should cover all forms of gambling

In its 1999 report, the Commission proposed that all forms of legalised gambling be controlled by a single, independent regulatory agency in each state and territory. The reasons for this are to minimise the risk that:

- special arrangements will be established and maintained for different groups, venues or providers at the expense of the broader public interest
- inconsistent policies will be put in place in what are ostensibly like circumstances, especially so far as measures to protect consumers are concerned.

Governments have variously taken steps to integrate overlapping agencies and apply more consistent approaches to the regulation of gambling. But, there are still a number of instances where casinos, lotteries and various forms of racing are

regulated by separate bodies, which may or may not be independent of government. As stated by McMillen, arrangements often reflect ad hoc decisions and customised fixes to issues emerging from liberalisation:

Current regulatory structures are characterised by a wide variety of approaches, heavily influenced by the changing views of governments at different times and by specific arrangements entered into with particular providers (sub. 223, p. 15)

Prolonging such arrangements is likely to be administratively more costly and often less effective than having more integrated regulatory responsibility.

Box 14.2 Core functions of gambling regulators

The breadth of regulator responsibilities in gambling can vary widely. In part, this reflects that the boundary between the respective roles and responsibilities of regulators and policymaker is often unclear. There is also considerable potential for gaps and overlaps, and while necessary demarcations develop, there are some functions that are clearly more regulatory in nature, and where a degree of independence is often warranted.

At the broadest level, there is a case for gambling regulators to control, supervise and regulate all gambling within their jurisdiction. This would include administering gambling legislation, regulations and Codes of Practice relevant to all commercial forms of gambling — casinos, gaming machines, lotteries, racing, wagering and bookmakers. Associated with these responsibilities, regulators would also have more specific functions to:

- approve gambling activities
- administer regulations covering the integrity of the gambling product, including equipment and procedures
- developing guidelines for
 - approving applications for licences
 - approving games and evaluating the potential for increased harm
 - abiding by conditions of licences, such as responsible gambling staff training and player information signage
- perform research on how aspects of the regulatory environment might be improved and, in turn, advise and make public recommendations to the relevant minister(s).
- provide public access to comprehensive industry data, including gaming machine numbers, expenditure and tax revenue for all forms of gambling.
- collect taxes, fees and charges relevant to gambling laws.

In undertaking their functions, regulators should be explicitly required to operate in the public interest, including protecting consumers and reducing gambling-related harm.

Although governments have signalled their intent to bring all forms of gambling under the one regulatory umbrella and, where relevant, standardise control mechanisms and consumer policies, most are yet to consolidate multiple bodies. There are strong grounds for governments to fast-track efforts to bring all forms of gambling within their jurisdiction under the regulatory control of a single independent body.

DRAFT RECOMMENDATION 14.1

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.*

Departmental and ministerial carriage of gambling policy

Gambling has traditionally been a treasury responsibility, reflecting its important revenue-raising role. While most jurisdictions have moved principal responsibility for gambling policy out of the treasury portfolio, South Australia, the ACT and Tasmania have not.

There are likely to be benefits in having gambling within a portfolio where a broader range of policy-related considerations are more readily taken into account. Many portfolios have some expertise relevant to gambling. However, departments responsible for health, consumer policy and justice would have more direct relevance, as they have specific expertise relating to the risks and harms of gambling.

While currently no jurisdiction has gambling policy falling within its health portfolio, having well-functioning channels for communicating and exchanging information with health departments is essential. In particular:

- Counselling and other help services for gambling have important parallels with the expertise of health departments, especially given co-morbidities.
- Agencies with gambling responsibilities can also make valuable contributions to health policies. For example, the link between smoking and gambling (including the impact of the smoking ban on the social costs of problem gambling) featured prominently in the Regulatory Impact Statement for the New South Wales Smoke-Free Environment Regulation 2007 (Allens 2007).

Similarly, examples of where broader consumer and legal concerns intersect with gambling policy include:

-
- privacy issues related to card-based gaming and pre-commitment systems, including anonymity, the kind of information that should be collected and the rules that should be applied to data collection and use
 - the implication of any changes in the courts' interpretation of venues' statutory duties and their duty of care to patrons, and in cases where they have been alleged to have acted negligently, or engaged in unconscionable or misleading and deceptive conduct
 - the effectiveness of strategies for informing and empowering consumers.

Linkages between gambling policy and revenues mean that governments have in-built incentives to involve treasuries in policymaking. Designing gambling regulations often touches on a number of transitional issues requiring specialist modelling expertise and information from treasury. However, the placement of gambling policy within a portfolio with responsibilities for raising revenue, fostering tourism or supporting industry increases the potential that gambling policies will be exposed to conflicts of interests. It is also less compatible with the most important considerations for developing effective measures to empower consumers, reduce harm from gambling and effectively deal with the social costs of problem gambling.

Regardless of which department has main carriage for gambling policy development, it is important that good working relationships be established with all relevant portfolios.

Ministerial responsibility

Currently, responsibility for gambling in nearly all jurisdictions is that of a single minister (and in some jurisdictions, there is also a separate minister for racing). There is an argument, however, that the breadth of a minister's portfolio responsibility can also affect the coherency of gambling policy with respect to relevant health, consumer and legal issues. If ministerial responsibility for gambling were to include greater recognition of these issues, it is likely that decisions on gambling policies would be better informed and provide the minister with direct access to advice that spans the breadth of gambling policy. However, to ensure that consumer, legal and public health matters are given due attention in gambling policy, the relevant gambling ministers' responsibilities should include an explicit responsibility for harm minimisation.

DRAFT RECOMMENDATION 14.2

The relevant minister for gambling should have an explicit responsibility for minimising harm from gambling.

14.4 Improving regulatory processes

A common complaint from many participants has been the difficulty of obtaining a clear understanding about why regulatory decisions were made and the evidence upon which the decision was made. This is both a transparency issue and one of process and appropriate consultation. This section evaluates how governments can:

- improve the way they consult with stakeholders
- improve transparency about the reasons for policies
- better communicate the rationale for, and expected outcomes from, policies through regulatory impact analysis.

Improving consultation

When conducted properly, public consultation is an important source of evidence for governments, and helps increase accountability. Lack of public consultation increases the risk that regulation will be poorly designed, ineffective and costly to comply with. For example, regulation of gambling frequently touches on technical aspects of machine operation, but to ensure that a regulation will work efficiently in practice, it is important that governments adequately consult on the technical viability and transition costs of proposed measures. That said, even the best consultation processes will not necessarily build agreement.

Effective consultation with a full range of stakeholders — including gambling providers, manufacturers, community groups, local councils, problem gamblers and gambling support service providers — will also draw out deficiencies in how gambling governance is structured (for instance, if policymaking is positioned too close to the interests of any particular sector or interest group).

Principles for best practice consultation are well-known to governments and generally require that it should:

- be continuous and initiated early in the policy development process
- be broad-based and take in the views of a diverse range of stakeholders
- allow sufficient time for considered responses
- clearly inform what is to be achieved out of consultation and how responses have been taken into consideration
- be reviewed periodically to look at ways that make it more effective.

Although progress has been made in improving consultation and increasing transparency in the regulation of gambling, and most jurisdictions have developed clear guidelines on consultation, there are still significant lapses in practice. This is an ongoing frustration for those forced to comply with, or otherwise affected by, gambling regulations. Both industry and the community sector have raised concerns about this.

For example, Gaming Technologies Association (GTA) said that governments' consultation with industry experts is often deficient:

It has been the experience of GTA members that all too often decisions are made in response to emotive triggers in the absence of sound evidence and appropriate industry and expert consultation. (sub. 263, p. 3)

GTA also said that South Australia, Queensland, Tasmania and Victoria have made announcements about introducing various responsible gambling measures without apparent evidence or consultation with key stakeholders (sub. 263, p. 5). In particular, the Commission understands that there is some disquiet about a lack of consultation with gaming venues and gaming machine manufacturers concerning:

- the legislated requirement for pre-commitment, and the costs and implication of the prospective ban on ATMs in Victoria
- significant regulatory changes to gaming machines announced by the Tasmanian Government in 2009 (including bet limits and cash input limits).

Commenting on the commitment of governments to community consultation in the development of gambling policy, the Gambling Impact Society said that:

Unlike many other areas of government it appears that there is minimal allegiance in this area of policy development to the notion of consumer representation or inclusiveness. (sub. 253, p. 6)

Jurisdictions variously specify minimum consultation timeframes for all regulatory proposals to ensure proper account is taken of the knowledge, experience and opinions of stakeholders. But despite these policies, community groups and smaller organisations can struggle to meet the timeframes specified by governments for making formal submissions. Tight timeframes can mean that smaller community organisations, which usually have access to fewer resources and expertise, are less able to properly address pertinent aspects of a policy proposal. As this tends to be less of an issue for well-resourced organisations and industry groups, governments can sometimes receive unbalanced feedback.

The time period provided for consultation is important. For example, the Victorian Government's call for submissions on the Exposure Draft of the Gambling Regulation Further Amendment (Licensing) Bill opened on the 11 December 2008

and closed on the 13 January 2009. Although this satisfied the minimum allowable period of consultation, it did not conform to the 60 days recommended, and was conducted over a period that is inconvenient to all stakeholders. As stated by one party that made a submission on the exposure draft:

It is difficult to avoid the impression that the timing and timetabling of the call for comments has been arranged in order to limit the range and/or quality of comments received. This is most unfortunate and suggests that the Government does not wish the Bill to be subject to careful scrutiny. (Livingstone 2009, pp. 1–2).

Similarly, in assessing the Victorian Government’s decision to increase the number of gaming tables permitted at the Crown Casino, the Victorian Commission for Gambling Regulation (VCGR) allowed only 18 days to receive public submissions on the economic and social impacts of the proposal. Only one submission was received, which also criticised the short timeframe for the VCGR’s inquiry and receipt of submissions (VCGR 2009, appendix 2).

Governments should resist seeing consultation processes as an obstacle and recognise that it is helpful for facilitating effective implementation and encouraging public acceptance. In particular, efforts to provide consultation that is more effective should take the following into consideration:

- The length of formal consultation should be proportionate to the magnitude and complexity of the regulatory proposal. As there is often a lot at stake for different parties with interests in gambling, longer timeframes may be necessary to allow development of a considered and informative response. Although this may take more time, consultation that is initiated early may help to avoid delays in the policymaking process.
- Industry and manufacturers are an important source of information about the potential costs of regulatory measures, unintended impacts and issues affecting the implementation of policies. An expectation that there will be genuine and early consultation can significantly reduce the regulatory uncertainty they face, and avoid unnecessary costs and disincentives.
- The power of local governments to influence gambling policy is often weakened by their lack of comprehensive and strategic policies on gambling. Local councils may need more expertise to represent the views of their local community on gambling issues, particularly concerning the number and location of Electronic Gaming Machines (EGMs) within their local area.
- Consultation should be transparent and ensure that particular stakeholders do not unduly influence the direction of policy. Particular interests or personalities should not be able to dominate policy advisory or consultative groups that comprise representation from a variety of interest groups. Equally, it is important

that input from less well-organised groups such as consumers and local communities is not marginalised by more powerful players.

DRAFT RECOMMENDATION 14.3

Governments should strengthen consultation processes and incorporate the views of stakeholders, including gambling providers, manufacturers and consumer representatives, into the process of policy development. 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.

Improving transparency — reasons and evidence for policies

Transparency is especially important where governments face sectoral pressures and other potential conflicts of interest that could lead to policies and regulations that are not always in the broader public interest. In particular, transparency about the reasons and evidence for policies can draw government and public attention to areas where:

- evidence appears to be missing
- there could be unintended impacts or additional problems that the policy does not address
- there is a possible flaw in analysis or evaluation methodology.

Importantly, transparency deters governments from being ‘sloppy’ about implementing best practice regulatory processes. If a poor decision is made, they should be accountable to the public that regulations have a clear rationale and are in the public interest.

In some areas, governments have become more comfortable with increased transparency, including by publishing EGM statistics, requiring more accountability for community benefit contributions and making processes for allocating gaming machines more clearly structured and open to community input. But well-articulated and publicly available evidence about the desirability of gambling policy decisions, and the expected impacts (positive and negative) of new measures, is often absent for matters that are more contentious.

While it may be that governments would still have made the same regulatory decisions, lack of transparency heightens the risk of unintended consequences, and can diminish the credibility of some decisions, including their acceptance by stakeholders and the public. For instance, the recent decision by the Queensland

Government (currently under review) to allow \$100 and \$50 notes to be used in EGMs in premium play areas of casinos may well have merit (chapter 11), but was not well-explained or consulted upon, despite conflicting with previously stated responsible gambling objectives and an earlier decision not to permit this.

A number of participants commented on lack of transparency in regard to gambling policies. For example, the Victorian Local Government Association argued that decision-making should be much more transparent and include the measurement of the social and economic costs and benefits (sub. 75, p. 28). Similarly, the Council of Gamblers' Help Services commented that:

... the rationale for variations in harm minimisation measures across jurisdictions is not transparent, which stems from the lack of public knowledge of the evidence base behind decisions. (sub. 132, p. 4)

Governments can improve the transparency and public articulation of policymaking in gambling by:

- more openly evaluating policy options and clearly stating what evidence was used to support policy decisions
- providing more information and data on the effectiveness of gambling policies by, for example, improving public access to:
 - nationally consistent data on government-funded gambling counselling services
 - deconfidentialised unit record survey results and up-to-date estimates of gambling expenditure
- providing more information about the operations of the Ministerial Council on Gambling, including its processes, more detailed meeting outcomes and its proposed future directions. A key purpose of this would be to reduce uncertainty for stakeholders and allow them to be better positioned to provide useful and targeted input about the potential risks and impacts of any foreshadowed policy directions.

Understandably, governments perceive practical limits on having more transparent processes in gambling, particularly when commercial or competitive issues are concerned, or they believe there is a risk of various interest groups misrepresenting or wrongly interpreting the information provided. Governments may also limit public disclosure to speed up policy development, or perhaps to minimise debate about controversial issues.

Nevertheless, a clear, comprehensive public explanation about why a regulatory proposal has become policy should be seen as a key responsibility of governments,

and is especially important in areas where the views of stakeholders vary widely. For most matters, any risks or inconvenience to governments from greater transparency about their policy decisions does not warrant withholding this information. In some cases, information may be commercial-in-confidence, but that should not be used to undermine transparent processes more broadly.

Improving transparency — regulatory impact analysis

A Regulatory Impact Assessment (RIA) provides a framework for helping policymakers incorporate evidence into the formulation of policy. While having a range of associated benefits, its overarching purpose is to increase the quality of regulation. This helps ensure that policy design and decisions will be adequately informed and, in turn, that regulations will be more efficient and effective by identifying:

- the problem the regulation is to address
- the objectives of a policy response
- the impacts, costs, benefits and risks of different options
- the approach that provides greatest net benefit to society.

The design of some gambling policies can be all but ‘locked in’ before alternatives have been carefully evaluated and adequately consulted on. The purpose of RIA is considerably eroded if it is only performed at the end of the policymaking process and government, or other decision-making bodies, have already made a decision.

In addition, public access to RIAs and related documents is often poor and lacks appropriate timeliness to be influential in regulation and decision-making. Improved transparency of RIA documents will help to make governments more accountable and help drive an evidence-based culture that, over time, should improve the quality of policy design and the standard of decision-making.

Improving the timeliness and ease of access to Regulatory Impact Assessments

Public exposure of RIA documents, whether initially in the form of a ‘consultation Regulatory Impact Statement (RIS)’, or later in the more comprehensive form of a ‘decision RIS’, is useful for a number of reasons:

- it helps to increase public understanding and support for proposals
- it highlights any weaknesses in design, including any unintended consequences, often relating to unforeseen costs and business impacts

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- it can reduce compliance costs if the design of a regulation addresses some unforeseen impacts and, in turn, raises compliance.

Currently, most gambling regulations are not exposed to public scrutiny in this way until well after governments have announced their decision. Sometimes it can take months or even years for a regulation to be tabled after an initial decision to regulate has been agreed. Moreover, in some jurisdictions, such as South Australia, public availability of RISs is non-existent, while in others, such as Western Australia, RIA procedures are only just being implemented.

There are compelling reasons for a RIA to accompany all major policy proposals submitted to decision-makers, and indeed, some jurisdictions already require it. But, the release of RIA documents often occurs too late to allow sufficient time for stakeholders to provide feedback and for the community to engage in discussion before the matter goes to parliament. For all significant regulatory proposals, the Commission sees benefits in the public release of regulatory impact statements *at the time government decisions are made public*.

This requirement would change current arrangements in a number of ways. For example, the announcement by the Victorian Government that ATMs will be removed from gaming venues by 2012 does not appear to be associated with a publicly available RIS. Moreover, the *Gambling Regulation Amendment (Licensing) Act 2009* (Vic) was assented to in June 2009 and includes a provision about the placement of ATMs, but the Commission has been told that public discussion about the merits of this specific provision is yet to take place. In the absence of a publicly available RIS, stakeholders face considerable uncertainty.

Currently, even after a RIA has been released for public information, ease of public access can be difficult. The Commission sees an important role for an online register of regulatory impact analysis documents in each jurisdiction (as was also proposed in the Commission's Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services (2009)). At the time of the public announcement of a regulatory decision, the community could access the relevant rationale and evidence contained in the RIA that informed the decision. Such improvements to both the ease of access to information and its timeliness would be of value to the community, allay some of the frustrations of many stakeholders and instil a discipline on governments.

What determines whether a Regulatory Impact Assessment is undertaken?

In most jurisdictions, a RIA (or equivalent document) is required for all *significant* new and amending regulation. Whether this is the case is usually determined by the

portfolio minister (for example, if an appreciable economic or social burden is likely to be imposed on a sector of the public). Many gambling regulations do not appear to trigger a RIA, and it is not always clear why a regulatory impact assessment was not required for some gambling regulatory proposals. The apparent absence of RIAs could indicate two things:

- many gambling regulations, including those flagged to have the specific intention of reducing harms from gambling, are not expected to have significant impacts (which may suggest something about the expected effectiveness of some regulatory measures)
- a lack of consultation and transparency in regulation.

A ‘consultation RIS’ can serve an important function by assisting with consultation prior to a policy proposal going to decision-makers, and in turn, by ‘demystifying’ the expected impacts. And, while a consultation RIS would not usually include the detail of a ‘decision RIS’, it can assist stakeholders to provide useful and directed feedback. Other measures for facilitating consultation include the release of issues papers, consultation and discussion papers and exposure drafts. Jurisdictions increasingly use these devices, and the consultation they encourage can result in changes to the draft Bill or regulations, but they should not be used as a substitute for the preparation of a proper RIS and its public release.

There is also scope to improve the quality of regulatory impact assessments relating to gambling. In many instances, an evaluation of the impacts is all that takes place, which is a weaker regulatory hurdle than a cost–benefit evaluation. For many regulatory proposals, the costs of implementing policy changes may be high, or involve unintended consequences. But as noted earlier, stakeholders are not always adequately consulted about the potential costs or effects of proposed regulations. Greater modelling of, and consultation about, such costs — even if these are not readily quantifiable — would improve policymaking.

In many instances, estimates of the benefits of a regulatory change can only be broadly conceived and will be subject to significant uncertainties. Being mindful of the degree of uncertainty is important, especially in view of the costs of implementing a regulatory change. Equally, the extent to which uncertainty might be tolerated would require firm evidence that the costs of policy inaction are high.

DRAFT RECOMMENDATION 14.4

Given the potentially adverse social impacts and the costs to business related to gambling policy, governments should routinely undertake regulatory impact analysis for all major regulatory proposals and make them publicly available at the time government decisions are made public.

14.5 National regulation and jurisdictional consistency

Gambling regulation is a state and territory responsibility, and current arrangements reflect this. Nevertheless, governments have agreed that addressing problem gambling should be approached jointly, and intergovernmental processes were established around the time of the Commission's 1999 report to help achieve this. For example:

- COAG established the Ministerial Council on Gambling, comprising state and territory gambling ministers, in April 2000.
- The Council oversaw the development of a national framework on problem gambling to address education, training, responsible gambling environments, and counselling and support services.
- It also established Gambling Research Australia to develop and manage a national research program.
- The *Australian/New Zealand Gaming Machine National Standard*, which was introduced in 1998 and agreed to by all states and territories (and New Zealand), was progressively adopted and refined.

Notwithstanding these intergovernmental arrangements, there remain different views among the states and territories about the best ways of regulating gambling. Some of these differences are considerable, in terms of both the regulation employed and the administration of that regulation.

In many areas, the policy approaches recommended in this report are best administered at the level of an individual jurisdiction (although there would be benefits from consultation and information sharing among jurisdictions). Examples include the proposal for gaming machine pre-commitment options (chapter 7) and many venue-based interventions (chapters 8–10).

However, in some cases there would be benefits from a single national approach, or a formally coordinated approach across jurisdictions. This report has made recommendations in a number of areas where this would be the case, including:

- gambling prevalence surveys (chapter 4)
- a national framework to improve counsellor training and accreditation (chapter 5)
- online gambling (chapter 12).
- funding of the racing industry (chapter 13)
- the collection of data and research questions (chapter 15).

The gaming machine national standard

One area where there are continuing unresolved differences among jurisdictions concerns gaming machine standards. There are major differences in policy parameters and technical specifications, notwithstanding that a national EGM standard exists and there are longstanding intergovernmental arrangements for reviewing its requirements.

The purpose of the Australian/New Zealand Gaming Machine National Standard is to:

... set out the core requirements, common to all jurisdictions, for the design of gaming machines and games for operation throughout Australia and New Zealand and to guide testers in their testing for compliance with the Standard. (Rev. 10, p. 12)

However, each jurisdiction contributes an appendix that sets out ‘any additional or differing requirements for that jurisdiction’ and:

It is the prerogative of each jurisdiction on the extent to which this document is adopted. (GMNS, Rev. 10, p. 12)

The New South Wales Government said that the appendices mainly contain technical requirements such as those relating to compliance plates, locks and keys and application for approval ‘submission requirements’. It argued that such differences are justified and ‘cause minimal inconvenience to manufacturers’, but it acknowledged that inconsistencies in centralised monitoring systems and game design harm minimisation measures were problematic for manufacturers (sub. 247, p. 42).

The GTA, representing gaming machine manufacturers, expressed concern that, in the decade since the inception of the Standard, regulators have not been able to agree upon a common set of technical requirements, nor on a common set of principles to meet concerns regarding responsible gambling:

... [the national approach] was expected to unify and simplify the technical requirements and submission process throughout Australian and New Zealand jurisdictions, which should have resulted in significant cost reductions to industry. Unfortunately after ten years, the respective regulatory authorities continue to hold divergent views. (sub. 147, p. 28)

Moreover, the Standard ‘appears to lean toward perpetuating interjurisdictional inconsistencies’ by the inclusion of separate appendices for each state and territory, some of which are ‘unduly onerous’ (pp. 27–8). Manufacturers face significant costs in having to obtain regulatory approval in up to eight jurisdictions, whose requirements can differ markedly. The GTA said that this imposes significant financial costs and time delays, and:

... it is virtually impossible to provide one common game or gaming machine across all Australian jurisdictions, as (for example) parameters to tolerate the differences are very difficult to 'build in' to game or machine architecture. (sub. 147, p. 30)

The GTA argued that national standard setting:

... would overcome unnecessary jurisdictional differences, unnecessary delays that are costly to the industry and to jobs, and unnecessary red tape that creates uncertainty [and stifles] innovation, investment and ... the implementation of measures which address the needs of various audiences. (sub. 263, p. 3)

But not all differences may be unwarranted

While a greater degree of national uniformity (or at least consistency) would lead to cost savings to manufacturers and venues, it is difficult to argue that all jurisdictional differences are unwarranted.

Each jurisdiction has regulatory arrangements that it justifies on harm minimisation grounds, although the evidence base for implementing some measures is highly variable. It can comprise a mixture of findings from experimental studies and prevalence surveys, observations of how recreational and problem gamblers behave in different circumstances, professional advice from counsellors and the views of gamblers themselves. Taken together, this evidence might present a compelling case, but for many measures the available evidence is more equivocal.

In some cases, different policy approaches reflect different judgments about the likely effectiveness of a particular measure in reducing harm. It also reflects different degrees of willingness to experiment with policy changes that may not always be well-based empirically, but where it can reasonably be presumed that a particular policy change would have some beneficial effects. (The markedly different attitudes among the jurisdictions to note acceptors on EGMs provide an example — chapter 11.)

Efforts should be made to reduce differences

Nevertheless, it remains the case that differences are costly. To some extent, they reflect a legacy of different EGM technologies and communications systems, which reduces the scope for (or at least raises the cost of) a more unified approach. For example, the New South Wales Government acknowledged that there would be benefits from all jurisdictions using the same centralised monitoring system protocol but noted that:

... once a protocol has been established in a jurisdiction, there is a significant cost associated with switching over to a new ... protocol. This is because all gaming

machine software needs to be upgraded as well as the entire [centralised monitoring] infrastructure. (sub. 247, p. 42)

However, many differences do not fall into this category, and efforts should be made to limit differences to those that are justifiable in the light of different judgments by governments about the effectiveness of particular harm minimisation measures. As the GTA pointed out,

... legislators and regulators should be mindful of the impacts of their decisions on venues, suppliers and their various support resources. (sub. 263, p. 5)

The GTA said that whenever change is required to the configuration of EGMs, software retrofits may be required:

The process involves retrieval of the original software which must be redesigned, redeveloped, retested (by the [supplier] and also by licensed external test laboratories), resubmitted to the respective regulator and approved for distribution. Every affected gaming machine must then be physically visited by a licensed technician, who must enter the machine, break security seals and record their destruction, locate/remove and replace computer chips, re-secure and test the machine before re-establishing connectivity with the respective electronic monitoring system and logging all of the above activity. (sub. 263, p. 5)

A starting point should be a presumption of uniformity of standards, with jurisdictions being required to make a case for a different approach. Ideally, if one jurisdiction were to decide that it wanted to introduce a particular change to an EGM on harm minimisation grounds, it could first seek the agreement of all jurisdictions as to how such a function ought best be implemented. To the extent that agreement could be achieved, it would allow for greater uniformity in software and EGM design, and also reduce costs for other jurisdictions were they later to decide to introduce such a feature.

There are also differences among the states and territories in the processes for obtaining approval for EGMs. Approval must be obtained from the regulator in each jurisdiction for which the game is intended. Among other things, manufacturers are required to engage an approved testing facility to undertake independent verification of all software and various other matters, and to report to the regulator. This process is required independently by each regulator. GTA members collectively pay \$20–\$30 million annually to approved testing facilities. (GTA, sub. 147, pp. 29–30).

While a jurisdiction may want to test a new game or machine to see that it meets its requirements, many aspects will be common across jurisdictions (for example, the operation of the random number generator) and there may be scope for one

jurisdiction to accept an accreditation for some matters that have already been tested in another jurisdiction.

DRAFT RECOMMENDATION 14.5

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

- ***Variations should be based on legitimate concerns for harm minimisation 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.***

Different approval criteria; different approval processes

In addition to state and territory differences in the rules for EGM approval, manufacturers indicated that they face additional uncertainty about approvals due to the interpretation of each jurisdiction's requirements by the regulator. The GTA said that:

Some of these requirements are written into appendices, some are documented into separate guidelines, some are specific [such as the NSW gaming machines prohibited features register] and some are general [such as the SA game approval guidelines]. All are subject to ad hoc rejection decisions, often after costly external laboratory testing has been successfully completed and the approval submission has been provided. (sub. 263, p. 8)

For example, in South Australia, the Liquor and Gambling Commissioner must refuse to approve a game if approval is 'likely to lead to an exacerbation of problem gambling'. The guidelines are issued by South Australia's Independent Gambling Authority, and:

... provide, in effect, that if a game has certain characteristics, it is presumed in the absence of evidence to the contrary as likely to lead to an exacerbation of problem gambling. (GTA, sub. 147, p. 15)

The GTA said that it was not clear what evidence the Independent Gambling Authority relied on when it identified certain game characteristics as problematic, adding that those characteristics in question are permitted by regulators in other Australian jurisdictions, but not in South Australia (sub. 147, p. 14).

In the case of Victoria, the GTA noted that the responsible minister may make an interim ban order in respect of a gambling product or practice if the minister considers that it ‘undermines or may undermine a responsible gambling objective’:

The term ‘responsible gambling objective’ is defined, although in part by reference to ‘problem gambling’, which is not defined. ... Such provisions are aimed at addressing problem gambling. However, they are rendered unworkable by the absence of a definition of problem gambling. (sub. 147, p. 16)

Other examples include the ‘prohibited features register’ in New South Wales, and the ‘general principles’ adopted by the OLGR in Queensland when assessing new games and products (sub. 234, p. 23). In both jurisdictions, the industry may not realise that a game feature is unacceptable until very late in the approvals process.

Moreover, the GTA said that if a regulator makes a decision that a new product is not acceptable, there is no obligation for it to justify that decision. And ‘even when a reason is provided, there is no empirical evidence or policy investigation provided’ to support it:

A regulator can simply indicate that a decision was made not to accept the innovation and the manufacturer has no choice but to accept the decision. This can result in aborted research and development efforts, strategic re-evaluation and enormous waste of human and technology resources. (sub. 147, p. 19)

GTA added that its members ‘regard it as imperative’:

... that games are approved against a clear evidence based mandate and specific requirements, [and] that some form of ‘appeal’ mechanism be implemented whereby gaming machine manufacturers are apprised of reasons for declined submissions, have the opportunity to address or refute those reasons and thus avoid repeat declined submissions. (sub. 147, p. 27)

The Commission understands that there can be a large element of judgment in assessing some game features, but there are also significant costs to manufacturers and to venues when game features are refused approval. To guide manufacturers, and to minimise any unnecessary costs, there would be benefits in each jurisdiction making clear in advance what it will and will not accept when assessing gaming machines for approval.

In cases where particular features are rejected, the reasons for the rejection should be explained in sufficient detail to guide future decisions by manufacturers.

DRAFT FINDING 14.1

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 will not be possible, greater clarity of the expectations of jurisdictions would reduce costs for manufactures and venues.

DRAFT RECOMMENDATION 14.6

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 the community.***

15 Gambling policy research and evaluation

Key points

- Over the last decade, government-funded research has improved public understanding about the nature and extent of gambling and its impacts. But it has been poorly directed at informing policymakers on the key issue of how to effectively reduce harm from gambling.
- Governments can pursue improvements in gambling data and research by:
 - addressing gaps in data collection and improving coordination between jurisdictions, to ensure that data are consistent and comparable
 - increasing transparency, by allowing free public access to deconfidentialised datasets for research purposes and providing timely public access to data, methodologies and results
 - refocusing research agendas, paying increased attention to measures that can effectively reduce harms from gambling
- Gambling Research Australia (GRA) is a key institutional innovation. But it has been slow to produce research, and that which has been undertaken has not focussed sufficiently on the major questions for gambling policy.
 - Because government officials (as nominated by the Ministerial Council on Gambling) set project briefs and manage research, this sometimes means that research on important, but sensitive, policy issues is not undertaken.
 - There is a case for national research arrangements to be restructured. In particular, there would be benefits in replacing the GRA with a specialist, policy-focused centre for gambling research and evaluation. Alternatively, aspects of GRA could be reformed to improve its performance. Whichever option governments pursue, it seems desirable that the Australian Government strengthen its involvement.
- Overall, policy evaluation and review of gambling programs and regulations has not been adequate. There are strong grounds to:
 - perform more post-implementation evaluations and reviews, especially of any significant policy initiative
 - increase public accountability through greater transparency of review evidence
 - raise the standard of reviews, including through more independence.

15.1 Introduction

Evidence that is based on good research is a key tool of policymakers in determining the most effective design of policies. Given the complexity of the regulatory landscape in gambling, and the disparity of community views about the type of regulation required, good quality evidence is especially important to inform policy decisions and maintain public confidence.

Since the Commission's 1999 review, a significant body of research has accumulated on many aspects of gambling. Although much of this has been commissioned and funded by governments, its usefulness in guiding policy has been mixed. As noted throughout this report, scarcity of policy relevant evidence has been evident, notwithstanding a decade of apparent effort, and this has constrained the scope to design more effective and efficient regulations.

Even where evidence from good experimental studies is available, the findings are rarely conclusive. This is true for even the best designed experiments, and is a common feature of research in social policy areas. However, in making policy decisions about gambling, governments have to weigh this uncertainty against the potential costs of inaction (and the possibility also that the results of experiments will not play out in practice as discussed in chapter 3).

Reflecting this, governments have often implemented regulatory measures based on judgment and expert opinion. However, many participants to this inquiry have suggested that it is possible to do more to accumulate good evidence in gambling and to embed it in processes for the development and refinement of policies (box 15.1). This needs to be done by addressing problems with:

- data collection
- transparency of data and research findings
- governments' research agendas
- coordination between governments
- policy and program evaluation.

This chapter looks at the scope for advances in each of these areas.

Box 15.1 **Research: some participants' views**

Researchers

Researchers participating in an Inquiry Roundtable and in other informal discussions during this inquiry have contended that a strategic national approach to gambling research was still lacking. There was also a view that inter-state rivalry inhibits the sharing of information across jurisdictions, and that governments are unwilling to use GRA for comparative research projects.

Concerns were also expressed about a lack of transparency in government research, with some researchers indicating that governments sometimes suppress the publication of research and restrict access to data for further analysis.

Industry and community groups

Clubs Australia

... much of the new regulation surrounding gaming machines has been introduced without adequate supporting research. It is crucial that harm minimisation strategies are not initiated on an ad hoc basis or introduced on the strength of one stakeholder's urging in the absence of supportive evidence of its efficacy in addressing harm minimisation or problem gambling. ... it is vital for all parties to use the same statistics so that a rational debate can be conducted about steps that might be taken. (sub. 164, pp. 45, 227)

Australasian Casino Association

... there is now an opportunity to establish a nationally focussed research capability that will focus on issues surrounding gambling in a more systematic and strategic way and to inform future policy development in relation to gambling issues. (sub. 214, p. 3)

Australian Hotels Association

The history of gambling in Australia is littered with 'knee jerk' decisions designed to deliver Government a political quick fix ... A commitment to evidence-based policy making is long overdue. (sub. 175, p. 7)

Australasian Gaming Council

States and territories undertake regular activity assessment reports i.e. prevalence studies. These have been successful activities but the published reports have not made maximum use of the rich data for insights into problem gambling. (sub. 230, p. 27)

In their adoption of a range of restrictions upon access to cash facilities, governments are, however, yet to implement any system, benchmark or ongoing data collection to assess the effectiveness of those restrictions in place. (sub. 230, p. 58)

Relationships Australia (SA)

Whilst some may suggest there has been an 'explosion of scientific research focusing on gambling' ... this focus has been directed primarily upon the gamblers' habits rather than on the effectiveness of problem gambling interventions. There is a dire lack of research regarding the effectiveness of different types of interventions with problem gamblers ... This includes little or no research/evaluation of telephone counselling, the self-exclusion process, venue-level and machine-based interventions, cultural differences in gambling ... and the link between counselling outcomes and counselling processes. (sub. 203, p. 10)

15.2 Improving gambling data: collection, national consistency and access

One area in which useful gains could be made relates to gambling data. While much is collected, there is a shortage of data that are directly applicable to policy issues. Moreover, the usefulness and value of gambling data is diminished by differences in the way that some jurisdictions specify, measure, record and report the data. For example, while most prevalence surveys adopt the Problem Gambling Severity Index (PGSI) of the Canadian Problem Gambling Index:

... differences in sampling and recruitment methodologies and in some cases the modification of the scoring methods used in the PSGI have lead to substantial difficulties in comparison of the prevalence rates obtained in different studies. (Jackson et al. 2009).

There would be clear benefits were jurisdictions to coordinate their collection of data to obtain more comprehensive coverage and greater consistency across jurisdictions. But to make use of such data, greater transparency is also needed.

Current restrictions on the extent to which government-funded gambling datasets are made public limit their usefulness in helping researchers and the community evaluate the effectiveness of different policy approaches. Internationally, efforts have been made to make social science data more available — for example, through the Harvard Medical School’s *Brief Addiction Science Information Source* data repository of privately-funded research datasets related to gambling. Such developments contrast with the situation in Australia, where public access to data remains poor.

The issues discussed in this section relate to:

- problem gambling prevalence survey data
- industry data, including gaming machine numbers, expenditure and tax revenue
- data and information on counselling and treatment services
- trials and pilot studies of harm minimisation measures.

Prevalence surveys

Jurisdictions have been undertaking their own surveys of the prevalence of gambling problems (chapter 4), and while these have proved valuable, there are significant limitations arising from the considerable divergence in the quality of these surveys and how they are conducted. Differences mainly relate to: their frequency; scope (including whether expenditures are measured and what gambling activities are included); consistency in the questions used, and in their ordering; the

gambling screens applied; and in the definition of terms (such as what constitutes a ‘frequent’ or ‘regular’ gambler).

In the Commission’s view, these deficiencies could easily be remedied by agreeing to some basic level of national consistency by way of a common set of core questions about gambling and gambling behaviour. If jurisdictions consider that additional questions were appropriate, these could be added to the core survey.

There is also a strong case for improving transparency. The ability of researchers to undertake analysis is hamstrung by poor data access, which prevents useful scrutiny of existing research findings and limits productive public debate. Jurisdictions vary in the extent to which they provide access to survey data, commonly citing concerns over the privacy and the commercial nature of some unit record data. Meeting these concerns need not preclude release of data in some form.

One participant said that it was ‘exceptionally difficult’ to obtain datasets from state and territory gambling prevalence surveys, arguing that it is a simple matter to ‘deconfidentialise’ a dataset:

Without fresh insights obtained by analysis of these data that are paid for by public funds, there is less knowledge about gambling than there should be for objective evidence driven public policy. (Miller, sub. 260, p. 1)

In the Commission’s view, there would be considerable benefits for the development of gambling policy if governments were to place all (deconfidentialised) survey data into a public domain data archive. As is normal for other such datasets, researchers should not need to obtain approval to use the data, nor face any conditions about publication of research results. Access to the data should be provided without cost, in view of the broader benefits and recognising that the additional costs of providing such data are very small. Such free and open access would:

- allow researchers to replicate any already published results — an important feature of scientific research
- provide a capacity for researchers to employ more complex analysis of the data
- allow datasets to be merged for a more informed assessment of the impacts of the different regulatory and other arrangements among jurisdictions
- encourage gambling research, without necessarily requiring additional earmarked research funding from state and territory governments. Researchers would have increased incentives to use existing Australian Research Council and university funding to undertake data analysis. In that sense, free data access may be a low cost means of motivating additional research into problematic gambling

behaviours (in the same way that the availability of the HILDA¹ and LSAC² datasets have spawned a large range of separate research studies).

An associated benefit is that public access would allow researchers to explore issues that have not been fully analysed in government reports. Survey reports tend to be summary documents, and some important questions that the collected data would allow to be examined are sometimes not addressed in them, notwithstanding that they may be of great interest to policymakers around Australia. For example, the 2006-07 Queensland survey asked questions about gamblers' views on loyalty cards as a pre-commitment mechanism, but no results for this question were published despite its obvious policy relevance. Other jurisdictions included questions on player behaviour that likewise were not reported upon. This limitation could be overcome by ensuring that analysis of all questions were published — if necessary, with qualifications where the results are deemed to be inaccurate or imprecise.

DRAFT RECOMMENDATION 15.1

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

- ***conducting prevalence surveys at the same time and using a common set of core questions***
- ***making de-confidentialised unit records of gambling surveys available in a public domain data archive, at no cost to users.***

Basic data on the gambling industry

Data on turnover, expenditure, gaming machine numbers and tax revenue are published annually in *Australian Gambling Statistics* (compiled by the Queensland Office of Economic and Statistical Research). Some jurisdictions also provide comprehensive data that are easy to access online, in annual reports and budget papers. However, the way that such data are specified and collected, and the extent to which they are made available for public access (if at all) differs among jurisdictions. Some provide more extensive data than others, some offer more cross-sectional detail (such as expenditure by individual venues), while others provide more longitudinal detail.

Similarly, gambling regulators report various summary statistics about self-exclusion activity. However, this information is often patchy and provided in a way that is highly inconsistent across jurisdictions. In addition, the usefulness of some self-

¹ The Household, Income and Labour Dynamics in Australia Survey.

² The Longitudinal Study of Australian Children.

exclusion information is doubtful — for example, when statistics are aggregated and ‘self-exclusions’ are combined with ‘involuntary exclusions’ (appendix E).

Researchers and consultants have expressed concern about access to gaming machine data, including variation among jurisdictions in authorising access. For example, Livingstone et al. said that, whereas Victoria, South Australia and Queensland provide regular and locally disaggregated data about EGM revenue, New South Wales does not, and this is a major obstacle to independent analysis and community debate:

National data collection and speedy provision of such data ... is ... highly desirable in the interests of public debate about, and informed analysis of, matters relating to EGM harm, costs and benefits. (sub. 134, p. 7)

The inability to access government held datasets was also raised by Harvestdata as a barrier to more open and transparent policy debate. It said that its requests for gambling prevalence data were denied by authorities in Queensland, Victoria, New South Wales, the ACT and Northern Territory (sub. 261, p. 1). The Commission encountered similar difficulties in accessing data from certain jurisdictions.

In some cases, legislation limits information being supplied by government agencies. For example, under the *Victorian Gambling Regulation Act 2003* (s. 10.1.29), gaming expenditure data for Crown Casino is protected information and cannot be disclosed unless the Minister determines that it would be in the public interest. That Act similarly prohibits the publishing of data for individual hotels or clubs (though, in practice, EGM expenditure data at this level has been published for some time).

Given that governments already collect and maintain datasets relating to gambling, providing better public access to this data is likely to generate a sizeable net benefit. Moreover, the development of server-based gaming technology would lower the incremental costs of collecting more detailed data. Subject to records being de-identified, access to these data could be used for research and analysis. To make best use of this, and to enable comparison of regulatory environments and outcomes across jurisdictions, governments should, at the outset of any such developments, agree to processes for the collection (and public release) of nationally consistent data.

In summary, more consistent and usable data could be available for researchers, the public and policy makers across the country if jurisdictions agreed to:

- collect a basic level of nationally consistent industry data
- make these data freely accessible
- disaggregate EGM data by location (local government area) and venue type (club, hotel and casino).

-
- publish more comprehensive data for casino gaming and wagering (to more fully account for a wider range of gambling types)
 - make available, for the most recent year, estimates of gambling taxation from state budget papers, as well as the corresponding expenditure figures.

DRAFT RECOMMENDATION 15.2

Governments should publicly provide timely data on:

- ***gaming machine numbers, expenditure and tax revenue by type of venue (club, hotel, casino) and related information on other forms of gaming, such as table games***
- ***wagering expenditure and tax revenue by type of wagering (racing and sports)***
- ***lotteries expenditure and tax revenue***
- ***self-exclusion information, such as the number of self-exclusion agreements for each year that are current, have lapsed, been revoked, or breached.***

Counselling and treatment services information

Using and getting access to data on counselling and treatment services presents some challenges. There are significant differences in the way that jurisdictions measure and collect gambling help services data, which makes it difficult to put together a national picture on clients accessing these services and to undertake comparisons across jurisdictions. In the Commission's view, governments can improve the quality of these data by:

- agreeing to a national minimum dataset, based on consistent approaches for collecting data to enable evaluation of the relative effectiveness of different treatment approaches. (Although jurisdictions have already agreed to a 'data dictionary', there continues to be considerable variation in the format of data collected.)
- providing public access to data, recorded in a national client database administered by the Australian Government (possibly, the Australian Institute of Health and Welfare, which already collects statistics for drug and alcohol services)
- using longitudinal studies to collect more follow-up data about the effectiveness of counselling treatments
- in the longer term, improving the tracking of clients to enable cross-referencing of clients' access of other health services
- systematically recording information that is already generated as part of existing administrative processes. In many cases, program administration already generates valuable information, but this is collected more for auditing and

accountability purposes than for data analysis (some potentially useful data are not even in electronic form).

The Commission has made a draft recommendation on these matters in chapter 5 (draft recommendation 5.5).

Trials, pilot studies and experiments

Governments are often faced with situations in gambling policy where the empirical evidence as to the effectiveness of a proposed policy measure is uncertain, but the risks of inaction are high (chapter 3, figure 3.1). In such circumstances, they might choose to experiment to test what works, such as by undertaking pilot studies or randomised trials. But to enable learning across jurisdictions and reduce the risk of unintended consequences, any ‘experimentation’ should have a sound conceptual basis and, wherever possible, governments should use consistent methodologies.

However, it is rare to find such a cooperative and systematic approach being adopted for the development and refinement of gambling policies, notwithstanding the existence of the Ministerial Council on Gambling (MCG) and the GRA. This can reflect the political reality that governments often face pressures to be responsive to particular pressures within their own jurisdictions. Also, proper experimentation will often be expensive. There are nevertheless valuable gains to be had from conducting small scale policy experiments, including to prevent failures that would be much more costly, and to enable learning about how best to implement policies prior to proceeding with a large scale roll-out.

In the Commission’s view, state-based policy ‘experimentation’ and learning from different policy approaches across jurisdictions should continue to play a role in the development of gambling policy. To gain nationally from such initiatives, it would be useful to:

- specify a clear rationale for what the regulation is seeking to achieve and how the design of the regulation would give rise to the impacts expected (see chapter 3, section 3.2)
- build into the policy initiative or program a mechanism for data collection (with funding)
- establish formal requirements for post-implementation review (including specified repeal processes triggered within three to five years of policy inception) and based on clear criteria to evaluate policy success.

Recent trials in South Australia and Queensland to evaluate the effectiveness of pre-commitment measures provide examples of where this approach might have been

followed. Though under the control of different jurisdictions, there may have been scope to coordinate these trials in a way that would have permitted a comprehensive evidence base to accumulate. But as each trial has been conducted in isolation, different evaluation methods have been used. The Commission proposes that mechanisms be put in place to facilitate such coordination in future (section 15.4).

15.3 Improving national gambling research

In its 1999 report, the Commission saw considerable merit in Australian governments establishing a national research body to facilitate cooperation and coordination in data collection and research across jurisdictions. Core features of the proposed national research facility included:

- independence of decision making about information needs and priorities
- a capacity to undertake its own, as well as to commission, research
- co-funding by governments, with no direct funding by industry
- processes involving all jurisdictions, including supervision by a board with representation from all states and territories
- industry and community consultation mechanisms and transparent processes
- early public release of data, results and methodologies, to allow further research and replication by other researchers
- no formal role in policy development or decision-making, with activities limited to information and research (PC 1999).

Following the Commission's 1999 report, the concept of a national research institution was broadly supported. At a meeting of the Ministerial Council on Gambling (MCG) in 2001, instead of creating an independent national research institution, governments chose to establish Gambling Research Australia (GRA) as a satellite of the MCG (box 15.2). It has been located within the Office of Gaming and Racing within the Victorian Department of Justice, and is managed by representatives from each jurisdiction with resourcing sufficient for a secretariat of two full-time staff. The budget for research is about \$5 million over four years.

GRA's institutional structure and the way it undertakes research, differs from some of the core features identified for an effective national research body. In particular, GRA:

- lacks independence in determining information needs and priorities
- has no research capacity of its own, and has limited capacity to assess the quality of the research it commissions

-
- has not incorporated stakeholder input (although the Commission understands that a proposal is being considered for it to do so)
 - does not have transparent processes and is not publicly accountable. (For example, it has no annual reporting obligations, its operation and performance have not been publicly reviewed, and explanations of what research projects are considered, and why a project was or was not undertaken, are not provided.)

Further, in light of the paucity of government-funded research that can directly inform policy (box 15.3), it is crucial that national gambling research *only* be undertaken if directly relevant to policy. (Universities, for example, can undertake theoretical and informational research into gambling, facilitated through the usual funding mechanisms and improvements to the accessibility of data for analysis (draft recommendation 15.1 and 15.2).)

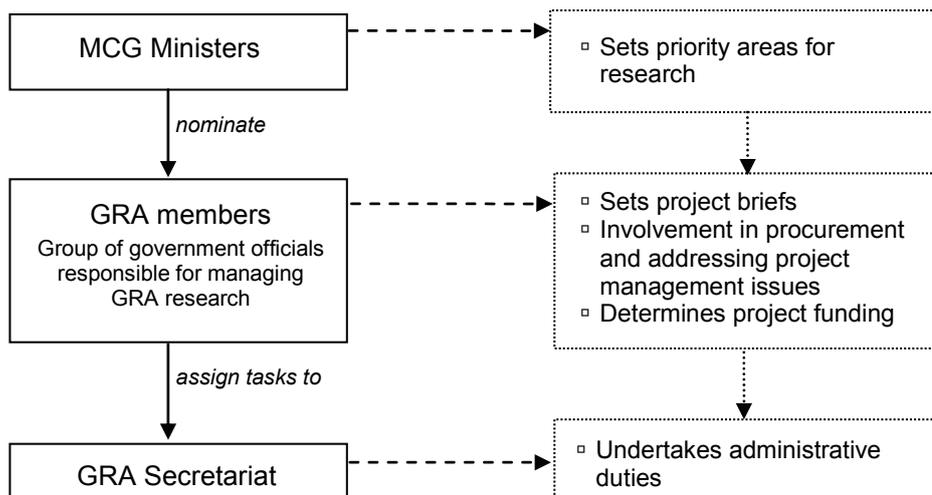
This would not preclude the states and territories undertaking their own research as appropriate. Though often lacking national coordination, research commissioned by the states and territories has been helpful for informing a variety of policy areas. For example:

- South Australia has contributed some useful analysis of potential harm minimisation measures, particularly involving smart card technologies.
- NSW has produced a sizeable body of research on their gambling counselling and help services.
- Victoria has undertaken a number of policy evaluations, including of self exclusion programs and the impact of regional caps on EGMs (supported with quantitative modelling), and has recently evaluated the impacts of changes to EGM characteristics.

An explicit mandate to perform only policy-relevant research goes further than suggested by the Commission in 1999. However, it has become clear that a more explicit focus on areas directly relevant to policy, particularly measures to reduce harms from gambling, is urgently needed to address the void in evidence needed to inform the design of gambling policies and programs. Moreover, it will mean a more consistent evidence base for each jurisdiction's policy activities, with a greater likelihood that policy approaches will be better coordinated (section 14.5).

Box 15.2 The structure of Gambling Research Australia

State, territory and Australian Government officials manage GRA commissioned research, including project briefs for research based on priority areas agreed by the MCG. The Office of Gaming and Racing, within the Victorian Department of Justice, performs secretariat duties including administering aspects of project procurement, operating an online clearinghouse for gambling research and developing an up-to-date gambling research database. The annual budget of the GRA secretariat is around \$200 000.



The GRA's priority areas for research (as set by the MCG) are listed as follows:

- National approaches to definitions of problem gambling and consistent data collection.
- Feasibility and consequences of changes to gaming machine operation such as pre-commitment of loss limits, phasing out note acceptors, imposition of mandatory breaks in play and the impact of linked jackpots.
- Best approaches to early intervention and prevention to avoid problem gambling
- Major study of problem gamblers, including their profile, attitudes, gambling behaviour and the impact of proposed policy measures on them.
- Benchmarks and on-going monitoring studies to measure the impact and effectiveness of strategies introduced to reduce the problem gambling, including studies of services that assist problem gamblers and their effectiveness.
- To research patterns of gambling and consider strategies for harm reduction in specific communities and populations, such as Indigenous, rural, remote or culturally and linguistically diverse communities, young people or older people.

In July 2008, the MCG agreed to new priority work areas for reducing harms from gambling. These are expected to inform the commissioning of current research by GRA and broadly include access to cash and pre-commitment tools; responsible gambling environments; and assessing gaming machine standards that support harm minimisation.

Sources: www.gamblingresearch.org.au; pers. comm. GRA secretariat.

Is GRA research well targeted?

In practice, research commissioned by GRA has concentrated on information reports, covering such matters as the appropriate definition of gambling and the nature and characteristics of gamblers, particularly focusing on youth and Indigenous gambling. It has been less active in undertaking research into many harm minimisation measures, such as pre-commitment and aspects of machine design.

An analysis of GRA-commissioned research indicates that its direct policy relevance is low (box 15.3), notwithstanding the relevance of broad priority areas established by the MCG (summarised in box 15.2). The few projects that relate to potential harm minimisation measures have only peripheral relevance to the actual design of policy. For example, the study into pre-commitment looks at the attitudes and behaviour of gamblers and the likelihood that they would use pre-commitment, but does not evaluate alternative forms of pre-commitment, or examine what design features an effective pre-commitment system might have.

The states and territories appear hesitant to use GRA as the vehicle for conducting research that directly informs their policy activities. There may be a number of reasons for this:

- jurisdictions run their own regulatory regimes and choose to implement new regulatory measures in different ways
- a policy question that is particularly relevant for one jurisdiction may not be for another, making it difficult to reach agreement
- GRA-commissioned research has lacked timeliness, reducing its capacity to inform policy questions when governments are seeking to be responsive. It may also be seen not to be sufficiently ‘practical’. The Northern Territory Government said:

While GRA undertakes considerable research that is of national significance; the local gambling agenda in the NT usually requires responses to address harms more expeditiously than can be addressed through either MCG activity or GRA research. (sub. 252, p. 10)

Box 15.3 What has been the focus of government-funded research?

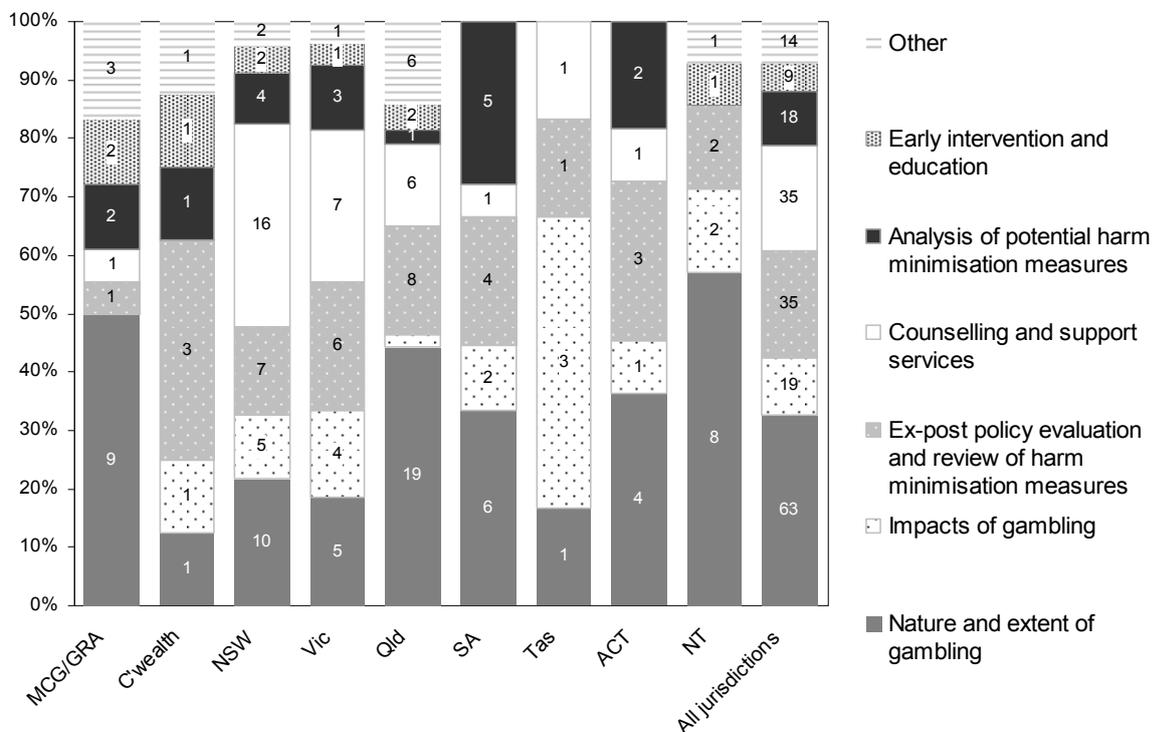
Over 40 per cent of all government-commissioned research during the last decade has focused on understanding the ‘impacts’ and the ‘nature and extent of gambling’ — gambling prevalence, participation and access; and gambler behaviour and demographic characteristics, including age and culture. Fewer than one in ten projects have investigated the potential for harm minimisation measures in gambling.

Ex-post policy evaluation and reviews account for almost 20 per cent of research. But the quality of this research has generally been poor, often stating only perceived effects and not providing causal links to outcomes. There is also variation across jurisdictions, with smaller jurisdictions tending not to undertake policy evaluations, possibly reflecting the cost, data needs and technical difficulty encountered in properly undertaking such analysis.

While, compared to larger jurisdictions, South Australia has produced fewer reports; it has undertaken projects that are generally more helpful for informing policy. New South Wales has focused much of its research on counselling and treatment services. Queensland has contributed significantly to the accumulation of baseline data on gambling, which is of use to other jurisdictions, but has done little research into harm minimisation measures.

Government research over the last decade

Per cent of reports in each research area by jurisdiction^a



^a Specific data labels indicate the number of reports (completed, in progress, or commissioned). ‘All jurisdictions’ includes Western Australia (two reports).

Sources: Government agency websites, www.gamblingresearch.org.au and participant submissions.

More timely research?

The delays in GRA-commissioned research can significantly constrain its usefulness in informing jurisdictions' regulatory and policy activities. GRA has attempted to remedy some shortcomings in this respect — including through a new grants scheme whereby researchers submit applications to investigate particular research topics based on themes nominated by GRA. Nevertheless, it could focus further effort on:

- The procurement area and ways to reduce the time between when GRA specifies a project brief to when researchers are commissioned and contracts signed. (This can take over a year.)
- The research and analysis phase itself and what protocols operate to control for the quality and timeliness of research, including progress reports, setting timeframes and other contingencies. Given their outcomes-driven focus, the use of appropriately skilled consultants may reduce risks of budgets and timeframes blowing out.
- Quality assurance, including the role of early peer review, and scope to monitor the quality of research output internally by GRA, such as by overseeing the quality and editing of early drafts.

Looking specifically at delays in procurement, there are a number of confounding factors. For example:

- The pool of researchers suitable to undertake GRA-commissioned research is relatively small (especially in comparison to more established research markets, such as education and health analysis).
- The procurement panel within GRA involves departmental representatives from each jurisdiction, which can pose coordination problems.
- Problems with contracting researchers within universities can sometimes result in avoidable delays (for example, if researchers do not sufficiently understand contract terms).
- GRA specifies the brief, but it is up to the researchers to specify *how* they intend to go about the research.

Greater independence?

In its 1999 report, the Commission highlighted the particular importance of independent research to inform gambling policy. This is necessary to reduce the potential for conflicts of interests to influence the types of projects undertaken and their findings, and to maintain public confidence that the results are reliable.

Under the GRA, a group of officials determine project briefs, which are drawn from broad national priority areas for research as periodically agreed to by the MCG (box 15.2). One researcher has commented:

...some crucial research questions can become ‘off limits’ due to their electoral and industry sensitivity. (Morrison 2009, p. 10)

Decisions by GRA members about research projects are made by consensus. Unless all members agree on the topic and the particular research question, the project will not proceed. Under this arrangement, jurisdictions that have already taken policy action or initiated their own research may be reluctant to support and fund research in those areas. Those that may have implemented regulatory measures with little evidential proof may be sensitive about approving research that could call these into question.

Options to improve current arrangements

Many participants have said that there is insufficient institutional capacity for gambling research, with many signalling support for a nationally focused research capability that takes a more systematic and strategic approach to informing policy. For example:

... Clubs Australia supports and calls for the development of a national [research] body, coordinated and funded by the Federal Government together with the States and Territories, as the preeminent Australian authority on gaming research and statistics. This is a leadership opportunity for the Federal Government to coordinate and better direct analysis and funding on a national level. ... Most importantly, it would concentrate research dollars in the hands of an agreed independent body, thereby eliminating disputes over the veracity of statistical findings. (sub. 164, pp. 44–45)

Similarly, some researchers see a need for a more comprehensive national research framework, and attribute the apparent weaknesses of GRA to insufficient capacity for gambling research in Australia, especially to fulfil GRA project briefs. For example:

... the tender basis that exists at the national level — specifically for GRA funding — implicitly assumes that a critical mass of experienced gambling researchers exists within Australia which is freely available for commercial hire ... this is not the case with gambling. Continued reliance on commercially competitive funding fails to provide the necessary institutional infrastructure and career continuity to develop a critical mass of specialist gambling researchers. (Morrison 2009, p. 11)

Some specific proposals for building on national research arrangements have been presented to governments, including, for example, by Southern Cross University who sought funding in 2008 to establish an independent national gambling research institute.

What is the best way forward?

In the Commission's view, there are some inherent obstacles to the GRA becoming sufficiently independent, timely and policy-focused, and it is desirable to replace it with a properly constituted, specialised research centre. Such a centre (drawing on the social sciences, statistics and an array of research methodologies) should have:

- a charter to undertake research that is of direct relevance to policy, and
- the capability to perform policy relevant research itself where appropriate.

To complement the policy orientation of its research on gambling, the centre could also have a role in coordinating and strengthening policy and program evaluations by the states and territories. In particular, the centre should facilitate more rigorous and transparent evaluation of gambling regulations and policies, including by overseeing and peer reviewing evaluations, based on nationally agreed guidelines. (section 15.4)

To emphasise the importance of these dual roles, a centre for gambling policy research and evaluation should also include:

- an advisory panel (with no executive functions) including representation from government, the community, industry, other researchers and international experts to provide input on the direction of gambling policy research.
- accountability to the public and stakeholders through publication of research and findings and meeting explicit performance outcomes.

In principle, joint funding of the centre by all Australian governments could help to leverage its standing among jurisdictions and provide a platform for cooperation. However, achieving agreement on funding could take some time and thereby delay or stymie the centre's establishment. To avoid this, the Australian Government could proceed to fund the centre itself.

Reflecting its role in funding, and as a relatively independent player in the field, the Australian Government could have the power to request the centre to undertake specific policy-oriented research tasks. There would also be advantages in maintaining the involvement of state and territory governments in determining broad priorities for research. But any specific request for research should include public terms of reference.

The centre's own researchers should be co-located to build a critical mass of specific expertise with the ability to link with other research centres and researchers. Expertise located within other jurisdictions could also be utilised, especially for state-based contributions to national research projects (subject to consistent implementation and design across jurisdictions). Such a centre should prove cost-effective in comparison to more 'network' based structures (box 15.4).

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 an advisory panel, with representation from the community, industry, other experts and all governments*
- *coordinate evaluations, surveys and reviews nationally*
- *establish guidelines, methodologies and processes for research and evaluations undertaken by state and territory governments*

Box 15.4 Possible models for national research

The relative merits of alternative national research models depend on the nature of research, timelines sought, the maturity of the research market and the costs of building and maintaining research infrastructure, resources and working relationships.

The existing GRA model for performing national gambling research is not a conventional research structure, and has been criticised widely for failing to build institutional capacity in gambling research and producing research that lacks direct policy relevance.

In contrast, the Commission's proposed gambling policy research and evaluation body would be a centralised research centre with specialist expertise in performing policy-oriented research and evaluation, with some contracting out of projects to suitable researchers elsewhere. Other models for national research could include:

- *Hub and spoke models.* These establish structured relationships between a centre and various researchers, relationships are usually contractually based and require formal reporting back to the centre.
- *Decentralised and network models.* These often operate with a central hub that performs administrative and coordinating functions to facilitate the operation of a network of relationships between researchers. This model is similar to the approach take by Cooperative Research Centres.

There may also be advantages in involving New Zealand in these arrangements.

- New Zealand is already involved in some aspects of gambling policy and regulation, including the gaming machine national standard.

-
- Given differences in regulatory regimes for gambling, there is potential for policy learning across the two countries.
 - New Zealand has built up considerable research expertise in this area.

The Commission invites feedback on the likely merits or drawbacks of involving New Zealand in a proposed centre for gambling policy research and evaluation.

A possible fallback: reforms to Gambling Research Australia

While the Commission sees a standalone research centre as the most suitable institutional structure, were governments to prefer the embedded GRA framework, changes would be needed to help overcome some of its weaknesses.

In particular, transferring GRA secretariat responsibilities and broad administrative control to the Australian Government could have a range of benefits:

- An Australian Government controlled research facility, overseen by FaHCSIA, could build institutional capacity to monitor commissioned research, improve the quality and timeliness of outputs, and engage in its own discretionary research.
- FaHCSIA already deals with gambling, drugs and mental health issues at a national level, including through program and service provision and collaborating with key stakeholders and governments.
- It would be well placed to advance topics for policy research that are most appropriately undertaken at the national level.
- There would be greater possibilities for the national coordination of data collection.

An important additional argument to support increasing the independence of the new GRA and expanding its institutional capacity is to enable it to assist with evaluation and review of governments' policies and programs.

DRAFT RECOMMENDATION 15.4

In the event that governments do not implement draft recommendation 15.3:

- *the Australian Government's Department of Families, Housing, Community Services and Indigenous Affairs should administer the work of Gambling Research Australia*
- *the functions of Gambling Research Australia should be made to align wherever possible with those proposed in draft recommendation 15.3*
 - *with particular emphasis on evaluating the effectiveness of harm minimisation measures and facilitating improved evaluation by jurisdictions.*

15.4 Improving policy evaluation and review

Policy and program effectiveness is hard to pin down

Post-implementation evaluations can reveal the impacts of a policy or program, and shed light on how outcomes might be improved by changing policy design and/or implementation. Deficiencies in the quantity and quality of evaluation — and sometimes its complete absence — make it difficult to ensure that the intent and expected impacts of harm reduction measures have occurred, or that policies have been cost effective. It also makes it difficult to compare the effectiveness of one approach against another.

Several factors account for these deficiencies, including that it is difficult and expensive to undertake comprehensive evaluations that identify and quantify the impacts of a policy measure. In particular, the relationship between regulatory measures and outcomes is usually indirect, and because regulatory measures in gambling are rarely introduced in isolation, determining the impacts of particular regulations can be challenging. Overcoming many of these obstacles often requires careful quantitative analysis and sometimes experimental approaches.

Apart from this, obtaining reliable knowledge about the effectiveness of gambling regulations is compounded by the following:

- There is little good baseline data, especially of sufficient disaggregation and duration, and access to data is often restricted because of commercial reasons, protected information clauses in legislation, or political sensitivities.
- Potentially rich sources of information, such as regulation impact statements, rarely *quantify* the expected benefits, costs and overall public benefit of new regulations.
- Standard post-implementation reviews do not usually measure the change *caused by* policy measures, so data and evidence does not accumulate.

Problems with policy evaluation and review are not unique to gambling policy, as problems with evaluations in social science research are widespread. For example, the Centre for Global Development (2006, pp. 2–3) noted that agencies regularly seek ideas and guidance to develop or improve programs, but with timeframes and budgets that do not allow rigorous evidence to be developed.

Borland et al. argued that, in comparison with Europe and North America, there appears to be less commitment by governments in Australia to this type of research:

There is minimal government funding for program evaluation (either in-house or externally), little effort to facilitate evaluation through the way in which policies are

implemented, or by data collection and dissemination, and what evaluation occurs within government departments is often not of high quality.

They also noted that there were exceptions, including FaHCSIA, which they considered had a:

... very strong record for commissioning and sponsoring evaluation-orientated research, and in seeking to facilitate research through its construction and dissemination of administrative and general purpose data sets. (Borland et al. 2005, p. 34).

Do governments review their gambling-related legislation and regulation?

Most major reviews of gambling-related legislation have been conducted to fulfil National Competition Policy requirements. For example, New South Wales completed five reviews of nine Acts relating to gambling and Victoria performed three reviews of 12 Acts. However, most NCP reviews are five to ten years old and reviews of gambling legislation conducted more recently have not been common. Some gambling legislation includes provisions requiring periodical review of the legislation, but most do not.

Reviews of gambling regulation can also come about through automatic repeal processes, which are a legislated requirement in most jurisdictions. Such reviews variously require gambling regulations to be assessed for effectiveness and consulted on in line with normal procedures for the making of new regulations. The period before repeal and review varies across jurisdictions, but in most cases, repeal and review of regulation is triggered ten years after its inception.

Who is charged with reviewing gambling policies and legislation?

The party responsible for conducting reviews in gambling varies across jurisdictions and depends on the nature and scope of the review. In many cases, reviews are undertaken within government, usually by the agency with policy responsibility for gambling, although other agencies are sometimes involved. In other cases:

- an independent review panel is established, although this is often supervised and supported by government
- gambling regulators are requested to review specific matters including the adequacy of existing regulatory measures
- private consultants are contracted by government or an independent economic regulator is requested to conduct the review
- a prominent person is asked to chair an ‘independent’ review with technical support and advice from within government or consultants.

The Commission has some broad concerns about the extent of independence and analytical rigour associated with who is given responsibility for reviewing and evaluating gambling policies. The issues surrounding the appropriateness of different review bodies is discussed later in this section.

What aspects of review and evaluation need improving

A number of improvements could be made to the evaluation and review of gambling policy.

Requirement for review and evaluation

Evaluations and reviews should be written into legislation, regulations and programs at their inception. This already occurs in some jurisdictions, but it is not entirely consistent. However, unless there is an ‘in built’ requirement in the Act or subordinate legislation, a review will often only occur if there is a political imperative or emerging policy issue.

Improving the quality of reviews and evaluation

The quality of reviews and evaluations could be addressed by:

- improving access to data and building expertise to analyse the impacts of policy measures
- better coordination between policymakers, regulators and administrators, gambling enforcement bodies and evaluation specialists, within and across jurisdictions
- using consistent evaluation methodology to conduct evaluations and reviews, to enable comparison of regulatory approaches across jurisdictions
- improving the transparency of reviews and evaluations, including requiring that they be publicly available in a timely manner, and used as a basis for consultation about policy responses.
- removing the influence of governments and any other parties likely to have conflicts of interests on the review process.

The appropriateness of evaluation/review bodies

There is also the issue of determining the most appropriate body to conduct the review and evaluation given the trade-off between the independence of the

evaluation body and the level of in-depth knowledge and familiarity with the subject at hand.

The Commission seeks feedback on the suitability of different parties for evaluating and reviewing gambling programs, regulations and legislation. In particular, views are sought on ways to balance the appropriateness of reviewers and evaluators, considering both their expertise in gambling regulation and policy, and the importance of minimising any potential for conflicts of interest.

The choice of possible evaluators is broad, including internal evaluations performed within departments, regulating agencies, special purpose institutions such as auditor general offices, parliamentary committees, private consultants, independent review panels and academic researchers. Some broad considerations of various options are summarised below.

Government agencies

Governments agencies with policy responsibility for gambling have valuable expertise in designing and understanding the objectives of gambling regulations and programs. They also have ready access to data and can benefit from the organisational learning that performing reviews can bring about. While this means that government agencies can provide an effective way of achieving a succinct and relatively low-cost evaluation of the policy or program, government agencies, and particularly those who designed the policy, have clear conflicts of interest. This can undermine their incentives to evaluate properly. The use of multiple agencies can reduce the potential for conflicts of interest, but in practice coordinating diverse interests can be difficult, more protracted and, in turn, more expensive.

Gambling regulators

Because gambling regulators are similarly ‘close to the action’, they have a number of advantages in common with policy departments, including ease of access to data and information about operational aspects and other ‘micro’ details of the regulatory framework. When established with statutory independence, they may not be as susceptible to many of the conflicts of interest characteristic of government agencies. Nevertheless, regulators may have their own biases, including a tendency to increase the prescriptiveness of regulations and seek stronger compliance, rather than maximising the efficiency of regulations. (Although there may be circumstances where greater prescription provides businesses with increased certainty that actually lowers compliance costs.)

Private consultants

Consultants have sometimes been contracted by governments to do reviews of gambling regulations, which again exposes conflicts of interest as funding is provided by a potentially conflicted party. One way to resolve this is to have an independent third party, such as the Auditor General's Department, administering funds to consultants. (Although, such a proposition could lead to sectors outside of gambling seeking similar arrangements, which would require significant changes to the machinery of government.)

Of the review bodies potentially available to governments, it is unlikely that any single review body will be ideal in all circumstances. Indeed, evaluation should be decentralised and embedded in the way every policy agency works, with the evaluator chosen according to the policy review task at hand.

The risk that a chosen evaluator will not be ideal for a particular review task means that transparency of policy evaluations and reviews is especially important. In particular, by allowing the public to scrutinise terms of reference, evaluation methodologies, findings and recommendations, the potential for conflicts of interest to bear on the findings is reduced. Some jurisdictions publish this information already, although timeliness is often lacking and the Commission is aware that some policy evaluations are only made available upon request.

Harnessing cooperation and a collective commitment by governments

A centre for gambling policy research and evaluation could improve cooperation and coordination between governments in relation to policy and program evaluation (draft recommendation 15.3). In particular, such a body could facilitate common research infrastructure and resources to underpin systems for evaluating policies in gambling, including by:

- setting evaluation guidelines and benchmarks and identifying and advising on appropriate methodologies
- prioritising and coordinating evaluations and reviews nationally
- peer reviewing the robustness of evaluations and reviews against established guidelines
- providing an established body of expertise to undertake, or manage, statutory reviews. For example:
 - the centre could be commissioned by state and territory governments to either undertake reviews, or contract them out in an independent manner

-
- the Australian Government could request the centre to undertake statutory reviews as determined to be of a priority and in the national interest.

Because governments can be reluctant to publically release their data and evaluation findings, more rigorous and transparent evaluation of gambling regulations and policies is likely to require a joint commitment by governments to systematic, open evaluation. In particular, this commitment could include an explicit role for a centre for gambling policy research and evaluation to impartially review all significant policy arrangements in gambling.

Such a public commitment by the states and territories would also make it more difficult for a government to avoid evaluation of a policy that appears to have significant flaws.

While a new institutional setup to support evaluation of regulatory frameworks in gambling will involve some additional resourcing, it is important to balance this against the potential costs of regulations that have not been tested for effectiveness, both for industry and those experiencing harms from their gambling.

15.5 A forward agenda for gambling research

The Commission has identified a range of policy interventions aimed at harm minimisation. Some of these should be implemented immediately (chapter 16), in which case the priority will be in determining the appropriate evaluation strategies. Others will take some time to implement or require further evidence, such as the pre-commitment strategies discussed in chapter 7.

Beyond some of those areas already canvassed in this report, some specific areas of research that governments should undertake, preferably at a national level, include:

- *Structural features of machines*: What machine structural features are important for influencing play behaviour, enjoyment and generating harm
 - what is the effect of event frequency, volatility and expectation of winning (for example, near misses, and how effective have machine design changes, such as setting bet and win limits, been at reducing harm)?
 - what advantages and disadvantages are associated with the use of cash, cards, token, note acceptors and bill changers, with particular regard to reducing risks to problem gamblers and minimising inconvenience to recreational gamblers?
- *Jackpots*: To what extent do jackpots increase bets, extend the duration of play or cause false cognitions? Should additional restrictions be placed on jackpots?

-
- *Counselling and treatment services*: What is the appropriate level of training for counsellors to treat clients effectively and the relative effectiveness of various gambling treatments? Do they vary across individuals? Also, does natural recovery occur in gamblers, is it permanent and how effective are campaigns to raise public awareness about gambling issues and counselling and support services?
 - *Interactive gambling*: What scope is there to develop international standards on harm minimisation measures for online gambling and how could they be progressed? How can a common pre-commitment harm minimisation system be delivered for all online gamblers in Australia? Is there the capacity for extending self-exclusion through the payments system or software solutions?

Some additional issues warranting further research include:

- the appropriate tax level for different gambling products and venues (to the extent not covered by the Henry Review of Australia's tax system).
- the tax concessions provided to clubs on their profits and in relation to their EGM quotas.

16 Transitions

The Commission has recommended many changes to gambling regulations and policies to reduce harm or otherwise improve outcomes for consumers. Governments should implement the measures embodied in this report's draft recommendations within six years.

While many measures can be introduced quickly, in some cases, implementation will be more complex, and will require:

- extensive *consultation* among governments, gambling venues, gaming machine manufacturers and other vendors, community organisations, and the community more generally
- *preparatory work* by governments (such as in standards development, trials, research and development) before implementation can begin — though desirably against realistic deadlines
- a reasonable *transition* period to reduce costs for affected parties (for example, to allow venues to plan for the changes, to avoid the premature retirement of a large share of the stock of their gaming machines, or to give gaming machine manufacturers and other vendors the time to adopt new technologies)
- *packaging* of measures where possible to reduce the costs of implementation for venues and gaming machine manufacturers
- particular attention in some cases to the *monitoring* of outcomes (such as pre-commitment and online gaming) to ensure that the policy is working effectively.

In addition, implementation plans need to take into account the:

- imperative to evaluate all the measures for their effectiveness, and the associated need to collect relevant evidence prior to the evaluation
- likely potential that some regulatory measures can be modified or revoked as longer-term policies are implemented. This particularly applies to regulated machine features and controls on access to money that may be made redundant through an effective pre-commitment system (see below).

Give high priority to pre-commitment, but implement over time

Governments should give a high priority to the implementation by 2016 of an effective pre-commitment system (draft recommendations 7.4–7.5). This is likely to be the most effective of the measures recommended by the Commission in addressing gambling harms. However, as emphasised in this report, a successful scheme must have certain features and the details of its design is crucial. Consequently, all governments should commence the development of a pre-commitment system now — and in cooperation with each other, given the requirements for common standards and features. This process will involve significant consultation, research and development, and notice to venues and vendors.

The approaches adopted for the implementation of an effective pre-commitment system in land-based venues should be matched by equivalent and coordinated policy work in relation to an effective pre-commitment system in the online environment.

Many proposals can be implemented more quickly and at low cost

Governments can implement many proposals relatively quickly. These include:

- enhancements to public awareness campaigns relating to problem gambling and diffusion of a simple screening tool as part of other health diagnostics (draft recommendation 5.1), and changes to the funding and coordination of help services (draft recommendations 5.3 and 5.4)
- more effective warnings for gaming machines (draft recommendation 6.1), appropriate price disclosure on machines (draft recommendation 11.3) and barring the provision of information that reinforces faulty cognitions (draft recommendation 6.4)
- further limits on inducements to gamble in certain circumstances (draft recommendation 8.4)
- modifications to existing self-exclusion arrangements, including the establishment of a database (draft recommendations 7.1 to 7.3)
- enhancements to gambling regulators' compliance and complaints-handling mechanisms (draft recommendation 8.1) and development of a new capacity for judicial redress for gamblers (draft recommendation 8.2)
- warning and help messages for ATMs/EFTPOS facilities and reductions in existing cash withdrawal limits (draft recommendation 9.1), and other changes

that provide barriers to impulsive spending by problem gamblers (draft recommendations 9.2 to 9.4)

- extended and earlier mandatory shutdowns of gaming machines (draft recommendation 10.1)
- a review by the Australian Competition and Consumer Commission of ownership arrangements for Sky Channel (draft recommendation 13.2)
- improvements to the governance arrangements for gambling policy (draft recommendations 14.1 to 14.4), including the nature of the regulator, better consultation practices, and appropriate processes for assessing new regulations
- public and timely provision of data (draft recommendations 15.1 and 15.2).

These are low cost measures for governments and (generally) the industry. They do not require significant preparatory work by governments or coordination between them.

Governments need to coordinate in some cases

Some measures will require agreement amongst governments, which will usually require a longer timeframe for implementation, including:

- the establishment of a national minimum standard of training for problem gambling counsellors (draft recommendation 5.2)
- the development of a nationally-consistent and publicly-available data set on gambling help services (draft recommendation 5.5)
- the managed liberalisation of online gaming (draft recommendations 12.1 and 12.2) — an area where the Australian Government will play a central role as it has legal responsibilities for the regulation of the online environment
- the development of a national funding model for the racing industry (draft recommendation 13.1)
- reforms to the gaming machine national standards (draft recommendation 14.5) — with this needing to be coordinated with the work required to implement a pre-commitment system and the development of machine-based warnings and player statements (draft recommendations 6.3, 7.4 and 7.5)
- adaptation of existing arrangements for coordinating gambling policy research and evaluation through the creation of a new national research centre (draft recommendations 15.3).

Gaming machine changes to be done as a package

Measures requiring specific modifications to gaming machines would be more cost-effectively implemented as a package, rather than individually. In particular, this applies to measures to reduce the maximum bet limit to \$1 (draft recommendation 11.1) and set a maximum cash input of \$20 (draft recommendation 11.2). In many cases, the costs of making several changes to a gaming machine would be nearly the same as making one change.

Revoke or modify some regulations in the long run

Once an *effective* pre-commitment system is implemented by governments, there is scope for some of the other measures to be either removed or modified:

- the \$200 daily withdrawal limit on ATM/EFTPOS transactions (draft recommendation 9.1)
- cheque cashing requirements (draft recommendation 9.4)
- gaming machine shutdowns (draft recommendation 10.1).

An effective pre-commitment system, being more targeted and flexible, would be superior to these measures in setting limits on expenditure and time spent gambling.

DRAFT RECOMMENDATION 16.1

As far as is reasonable and practical, regulatory changes should be introduced with advance warning, and implemented at the same time, to reduce costs to venues, gaming machine manufacturers and others.

The Commission has set out in very broad terms a framework for implementation of the draft recommendations. It seeks feedback on the transition and coordination issues for the Commission's consideration for the final report.

A Consultation

A.1 Conduct of the inquiry

In December 2008, the Commission released an Issues Paper inviting public submissions and personal responses, and indicating some particular matters on which it sought information. To date, 264 public submissions have been received and placed on the inquiry website. A full list of public submissions is contained in section A.2.

In addition, the Commission received a few confidential submissions that expressed opinions on gambling and in some cases advised of personal experiences. In addition, some emails received in the course of the inquiry subsequently became public submissions.

During the initial stages of the inquiry, the Commission consulted with a range of interested parties to obtain an overview of the key issues. A list of individuals and organisations that the Commission met with is contained in section A.3. A series of formal roundtables were held in late 2008 and early 2009 and a list of those participants who took part is contained in section A.4.

The Commission thanks all those who have so far contributed to this inquiry.

A.2 Submissions

<i>Participants</i>	<i>Submission no.</i>
Aboriginal Health & Medical Research Council of NSW	150
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Western Sydney Academy of Sport	154
Wests Ashfield Leagues	40
Wheelchair Sports NSW	48
Williams, John MP	209
Windross, Allen	15
Wollongong RSL Bowling Club Ltd	68
Woman's Christian Temperance Union of WA Inc	6
Woodburn-Evans Head RSL. Club	18
Xenophon, Senator Nick	99
Youth Off The Streets (YOTS)	66

A.3 Visits and meetings

ACT Gambling and Racing Commission
ACT Treasury
Aristocrat
Aristocrat Leisure Industries
ATM Industry Reference Group
Australasian Gaming Commission
Australasian Gaming Council
Australasian Casino Association
Australian Communications and Media Authority
Australian Hotels Association
Australian Racing Board
Betchoice
Betfair
Burswood Casino
Casino Canberra
Centrebet
Clubs Australia
Clubs NSW
Clubs WA
Community and Disability Services Ministerial Advisory Council
Crown Casino
Customers Limited
Department of Families, Housing, Community Services and Indigenous Affairs
Department of Prime Minister and Cabinet
Gambling Care
Gaming Technologies Association
Heads of Churches Gambling Taskforce
Huggins, Sarah
Ibus Media Limited
International Gaming Technologies (IGT)
Jackson, Alun and Thomas, Shane
Livingstone, Charles (Monash), Woolley, Richard (UWS) and Keleher, Helen (Monash)
Ministerial Council on Gambling Officials
New South Wales Government
Northern Territory Government
Queensland Office of Liquor, Gaming and Racing (OLGR)

Queensland Responsible Gambling Advisory Committee
Queensland Treasury
Redcliffe RSL
Salvation Army
Sandgate RSL
South Australian Government
Southern Cross Club
St Vincent de Paul
Star City Casino
Tabcorp
Tasmanian Department of Health and Human Services
Tasmanian Department of Treasury and Finance
Tasmanian Gaming Commission
Toneguzzo, Steve
Treasury
UnitingCare Kildonan
UnitingCare Wesley Adelaide
Victorian Government
Victorian Interchurch Gambling Taskforce
Vikings Club (Tuggeranong Valley Rugby and Amateur Sports Club)
WA Government
Xenophon, Senator Nick

A.4 List of roundtable attendees

Gambling Industry 24 November 2008

Australasian Casino Association
Australasian Gaming Council
Australian Hotels Association
Australian Leisure and Hospitality Group
Clubs Australia
Crown Ltd
Gaming Technologies Association
Tabcorp Holdings

Community Sector 24 November 2008

Anglicare Australia
Australian Council of Social Services
Catholic Social Services
Council of Gamblers Help Services
Interchurch Gambling Taskforce
Relationships Australia
St Vincent de Paul Society
The Salvation Army
The Smith Family
UnitingCare Australia

Academic/Experts 25 March 2009

Allcock, Clive
Battersby, Malcolm
Blaszczynski, Alex
Delfabbro, Paul
Hare, Sarah
Jackson, Alun
Marshall, Penny
McMillen, Jan
Thomas, Shane
Walker, Michael

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