

Mandatory pre-commitment

In terms of pre commitment, the reality is there is no clear evidence of its effectiveness.

The Productivity Commission has effectively 'jumped the gun' by making recommendations prior to the finalisation of comprehensive national and state based research.

Evidence from trials of pre-commitment strategies conducted in an Australian context should be analysed and used to inform Australian decisions.

Small Hotel & regional impact

It does not appear the Productivity Commission has taken into consideration the relatively small turnover of EGMs in the hotel industry. In recommending mandatory pre-commitment, there has been no appreciation of the implications this will have on many small hotels.

According to the Productivity Commission in 2009 there are 69,929 gaming machines operating in Australia's hotels²³.

In 2008 there were 3,448²⁴ hotels operating gaming machines, meaning that each hotel operated an average of only 20 EGMs.

Of course, there are many hotels operating far less than 20 gaming machines.

In South Australia, 48% of hotels operate no more than 20 EGMs, with 27% of all South Australian hotels operating no more than 10 gaming machines.²⁵

In NSW, two thirds (1,119 hotels) of all NSW hotels operate no more than 15 gaming machines²⁶, while the overwhelming majority of NSW hotels operating gaming machines are located outside Sydney²⁷.

In fact, 32% of all Australian hotels with gaming machines are located in country & regional NSW.²⁸

These smaller country hotels operate throughout Australia and are generally not in a position financially to adapt to any major regulatory change, such as mandatory pre-commitment.

²³ Productivity Commission Draft Report: Gambling October 2009 p 2.24

²⁴ Australasian Gaming Council (2008). The Productivity Commission did not provide a figure for the number of hotels operating gaming machines.

²⁵ 2008/09 SA Office of the Liquor and Gambling Commissioner

²⁶ NSW OLGR gaming data 2008

²⁷ Note: Sydney includes the outer Sydney LGAs of Camden, Campbelltown and Hawkesbury.

²⁸ NSW OLGR gaming data & Australasian Gaming Council (2008)

Figures compiled by the NSW OLGR and previously provided to the Productivity Commission²⁹ reveal only 5% of NSW hotel gaming machines are replaced each year.

This low hotel gaming machine turnover is due to the fact these small country & regional hotels operate only a small number of gaming machines and do not have the financial capacity to regularly update their stock.

Many country hotels operate gaming machines close to, or past retirement. With only a handful of gaming machines, these hotels do not have the financial strength or economies of scale to implement substantial gaming related regulatory change without threatening the ongoing operation of their businesses.

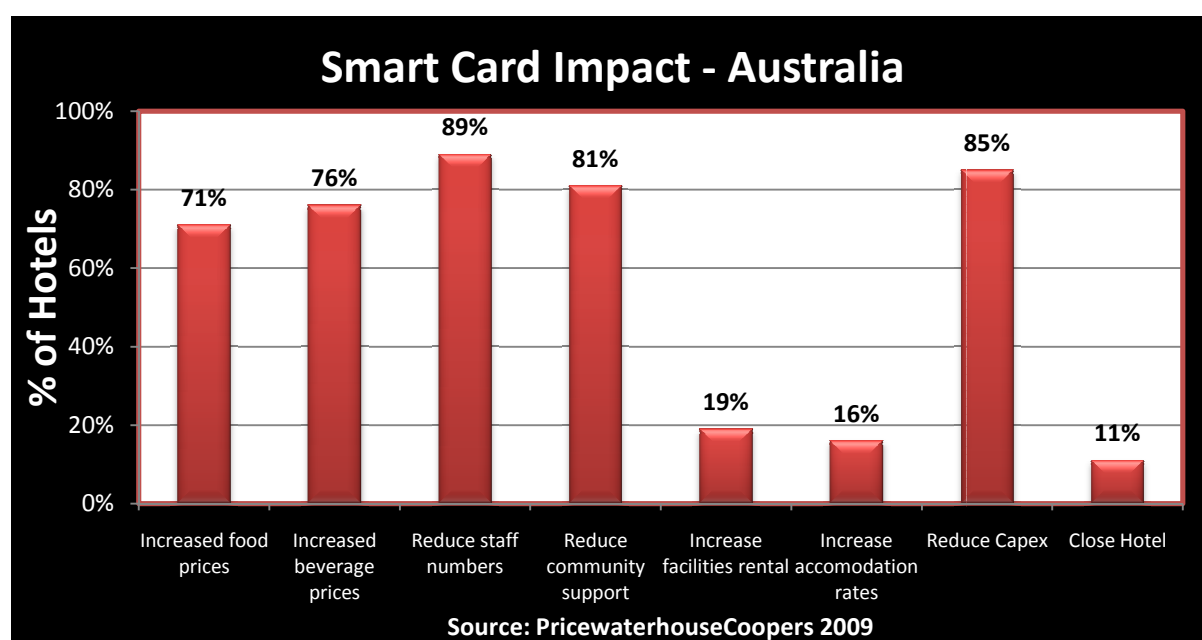
Unfortunately it is evident the impact on these smaller, country & regional based hotels has been ignored by the Productivity Commission.

Instead it appears the Productivity Commission has simply targeted its recommendations at the small percentage of larger, more financial gaming venues.

Impact on employment & the community

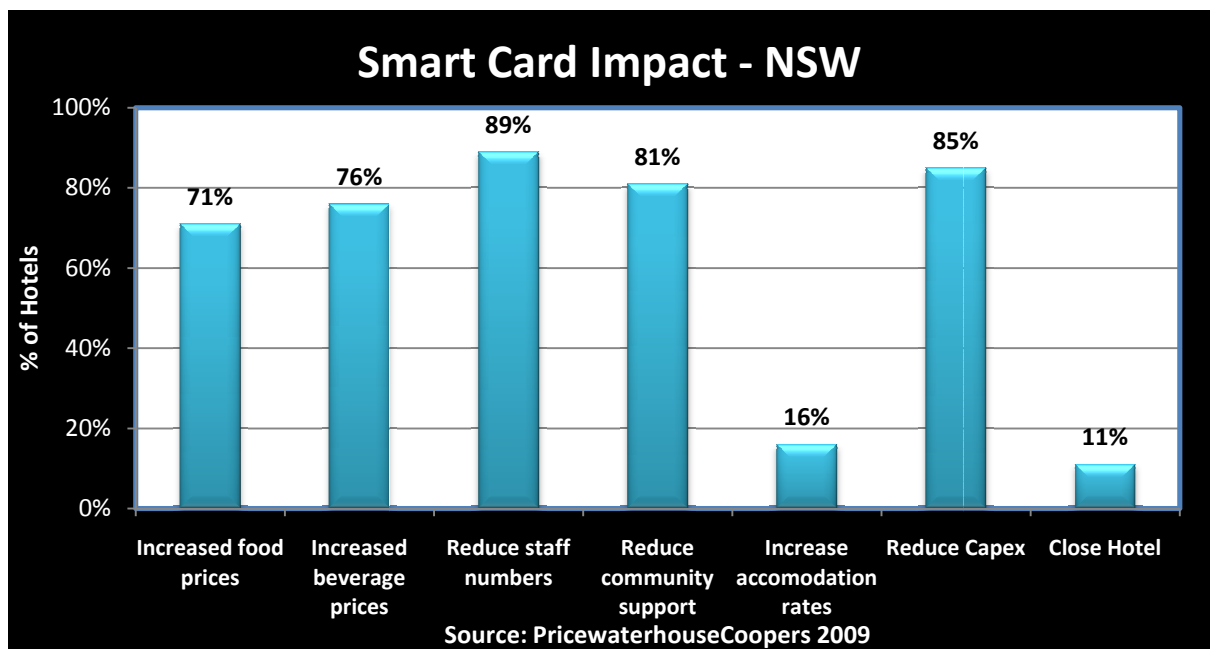
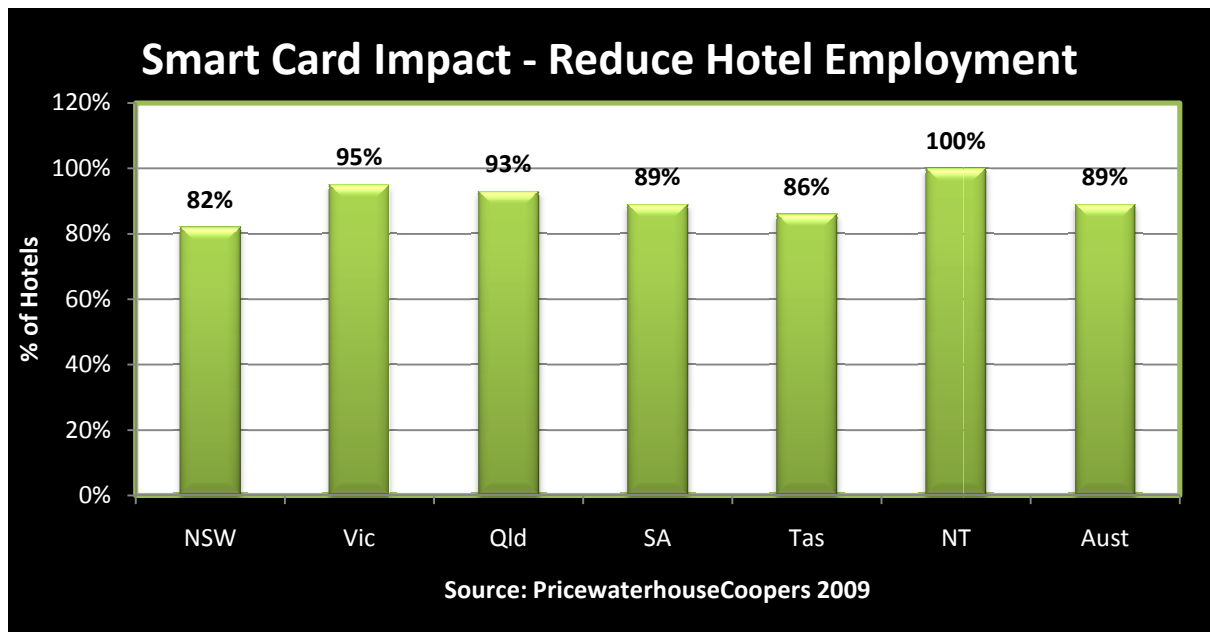
The Australian Hotels Association engaged PricewaterhouseCoopers to survey 1,100 Australian hotels on the expected impact the introduction of mandatory pre-commitment technology would have on their businesses.

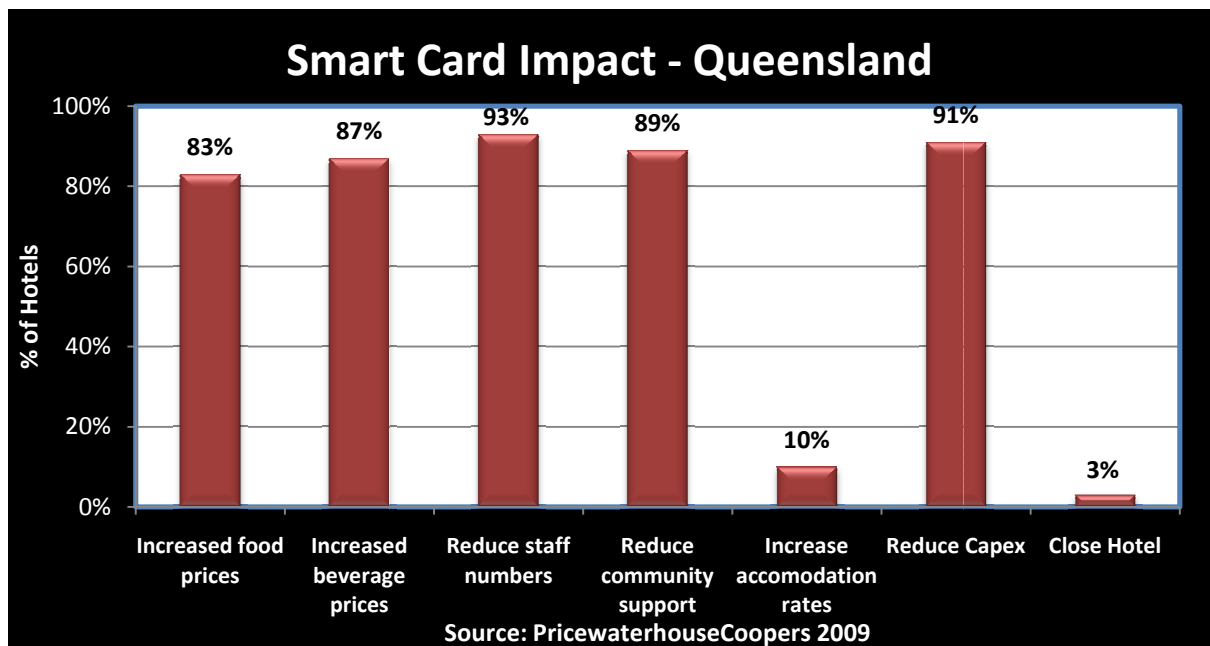
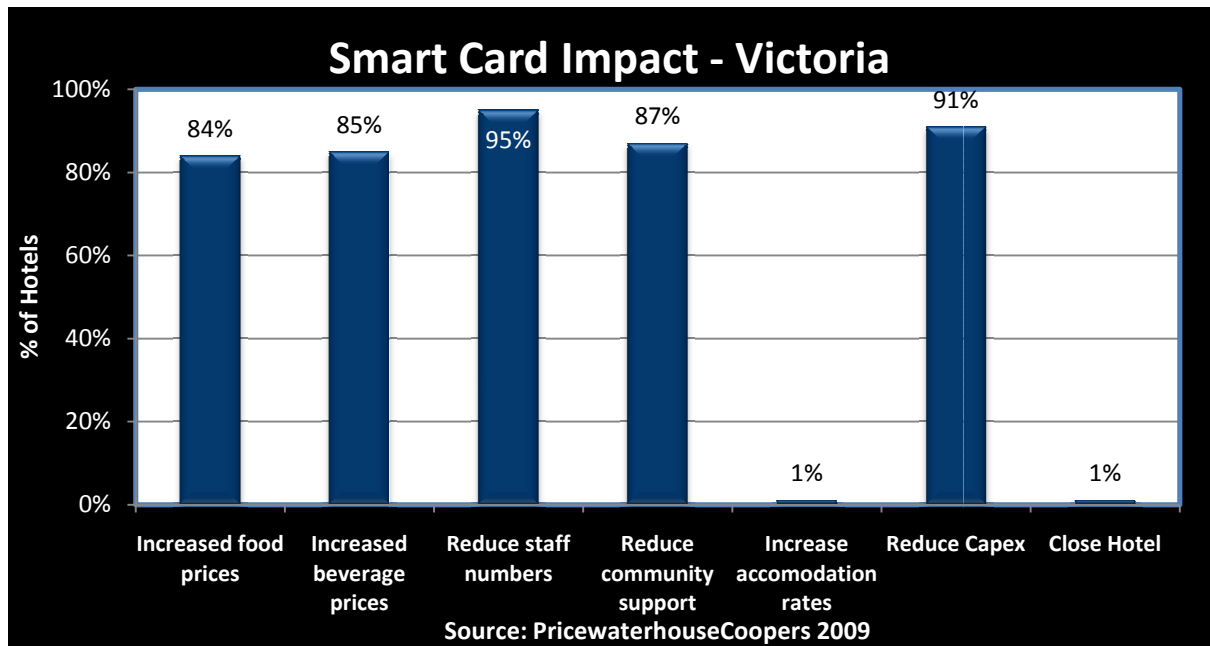
The summary charts below shows hotels will be forced to undertake many cutbacks and increase prices³⁰.

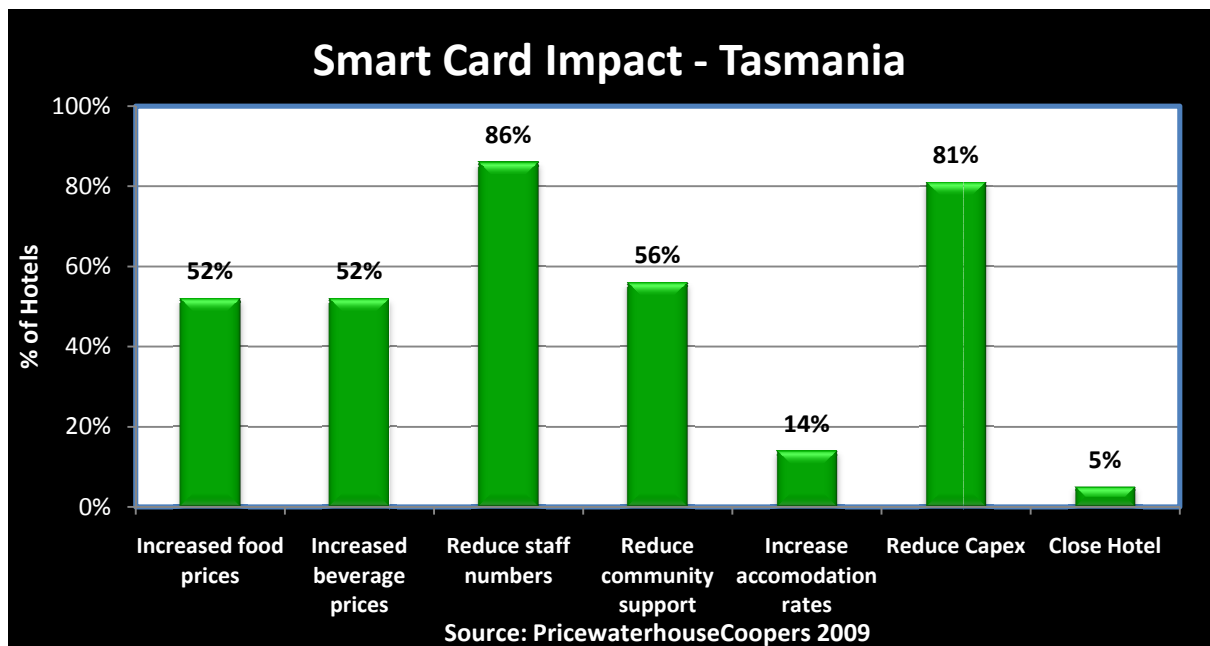
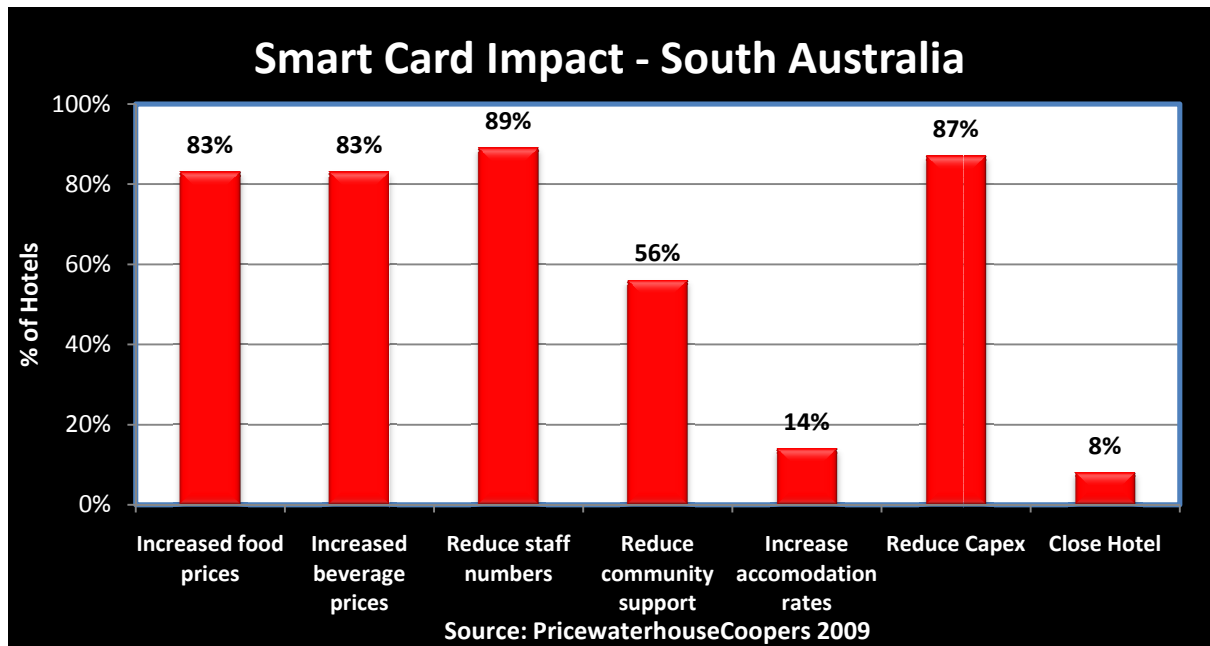


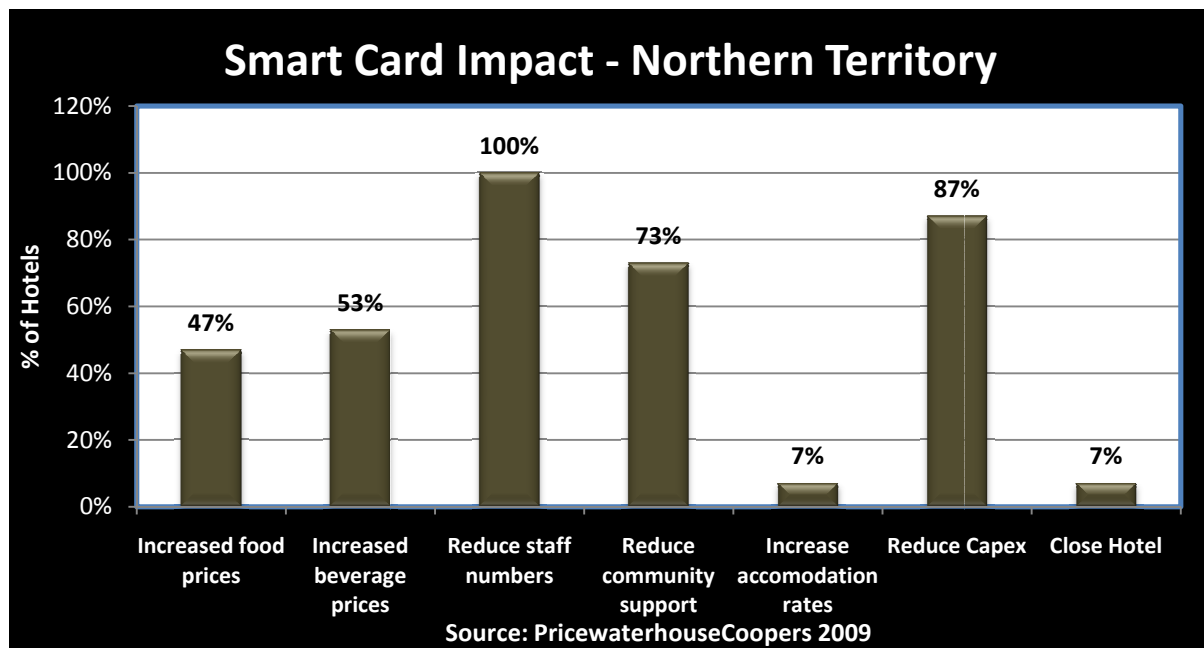
²⁹ E-mail to Productivity Commission, 25 August 2009

³⁰ PricewaterhouseCoopers: An overview of the Australian Hotel Industry, April 2009.









No evidence

The Chairman of the Productivity Commission during his 'Evidenced based policy-making' speech in January 2009 correctly noted that:

"It is as important that we have a rigorous, evidence-based approach to public policy in Australia today as at any time in our history"³¹

He also promoted the Productivity Commission as having a proud history in terms of evidenced-based policy

"the Productivity Commission — which with its predecessors has been at the heart of evidence-based policy making in Australia for over three decades"³²

The Chairman even noted the dangers of making policy on theory alone

"Among other things, policies that haven't been informed by good evidence and analysis fall more easily prey to the 'Law of Unintended Consequences' — in popular parlance, Murphy's Law — which can lead to costly mistakes."³³

It is therefore surprising the Productivity Commission has recommended the introduction of mandatory pre-commitment without solid evidence.

³¹ Banks, G. Chairman Productivity Commission, February 2009 speech Evidence Based policy-making: What is it ? How do we get it ? p2

³² Banks, G. Chairman Productivity Commission, February 2009 speech Evidence Based policy-making: What is it ? How do we get it ? p3

³³ Banks, G. Chairman Productivity Commission, February 2009 speech Evidence Based policy-making: What is it ? How do we get it ? p6

Gambling Research Australia (GRA) is an initiative of the Ministerial Council on Gambling. GRA is responsible for managing and implementing a national research agenda.³⁴

In terms of gaming machine pre commitment, the only national research available at present is the 2006 McDonnell-Phillips analysis of gambler pre-commitment behaviour for Gambling Research Australia.

This McDonnell-Phillips study was phase one of Gambling Research Australia's two-phased pre commitment project.

The report acknowledged that in terms of research and evidence of the effectiveness of pre commitment measures, they were at a very preliminary stage

“readers may wish to consider this exploratory study as a starting point for discussing and researching precommitment at a national level.”³⁵

GRA's phase two study into *Factors that Influence gambler adherence to pre commitment decisions* is currently underway with a final report not expected until 2010.

The Productivity Commission's recommendations regarding mandatory pre commitment are not in line with the phase one findings of this Government endorsed, national research program.

The Productivity Commission have also not waited for the phase two research to be completed.

As the Productivity Commission has acknowledged, around Australia there are currently a number of other pre commitment trials. These trials are either still in progress or have not been thoroughly analysed.

Surely it is appropriate to wait for the results of these trials, along with the Australia's most significant study into pre- commitment, a process that has been endorsed by all Governments, before making any recommendations.

There is no reason for the Productivity Commission to ignore all the work that is currently underway & recommend a form of pre-commitment that is simply not supported by evidence.

³⁴ Gambling Research Australia website – 7 December 2009

³⁵ McDonnell-Phillips for Gambling Research Australia (2006), *Analysis of Gambler Pre-Commitment Behaviour*, p49

The greater good

The Productivity Commission argue that sometimes it is appropriate for industry to suffer if it is for the greater community good.

“The goal of consumer and public health policy is to achieve better outcomes for consumers and the community generally, including addressing any harms they may face, and not preserving industry revenue *per se*. Accordingly, it is sometimes appropriate for an industry to suffer revenue losses if there is a sufficient public good.”³⁶

The problem with the above statement is that there is no evidence the measures recommended by the Productivity Commission will actually do any public good – however it is clear they will have a significant impact on community employment & community support.

Cost

It is concerning the Productivity Commission doesn't really know the cost of 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”³⁷

And yet the Productivity Commission claim the evidence does not support the AHA view that the cost could be substantial

“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”³⁸

The AHA request the Productivity Commission produce the evidence they have showing the cost to hotels will not be substantial ?

It is also worth noting the Victorian Government, the most advanced State in terms of pre-commitment, still don't know the cost.

While a general announcement has been made, the detail of how this new regime will operate is yet to be finalised. In addition all announcements made by government are conditional

“The Victorian Government has specifically noted that plans to link EGMs for the

³⁶ Productivity Commission Draft Report: Gambling October 2009 p C.19

³⁷ Productivity Commission Draft Report: Gambling October 2009 p 7.38

³⁸ Productivity Commission Draft Report: Gambling October 2009 p 7.37

purposes of pre-commitment (either within a venue or state-wide) were conditional on advice that the cost would not be prohibitive (Victorian Government, sub. 251).”
39

How many ?

The Productivity Commission did not report on the number of gaming machines that could be modified or need to be replaced to be ‘pre-commitment ready’ ?

This is essential information when attempting to assess the impact mandatory pre-commitment gaming will have.

Privacy

The possible introduction of an ‘Australia Card’ style personally identified smart card also raises many significant privacy issues.

Gamblers will be extremely reluctant to reveal all their personal information just to have an occasional flutter on the pokies. They certainly won’t want all their activity collected & tracked by a third party.

Further, if player information ends up in the wrong hands, it could be used to track gambling patterns and allow unscrupulous operators to target people who are most vulnerable.

History has shown that when specific gambling restrictions are too severe it only drives gambling underground, into an unregulated environment or to other forms of legal gambling, such as online casinos.

The Productivity Commission claims that Australians will not be concerned with privacy issues as they are used to providing ID to borrow books & DVDs⁴⁰.

There is a big difference between the mandatory use of a smart card to place a bet & the production of ID to borrow a DVD

- Video shop ID cards are a dime a dozen - Customers lose them all the time. Others use their sisters, husbands or neighbours card to borrow a movie
- Customers don’t have a problem with video shop ID cards because they know there is really no enforcement – people simply change video shops when the fines get too high
- Video store ID is required to prevent theft and to impose late fines – not to monitor a customer’s expenditure.

³⁹ Productivity Commission Draft Report: Gambling October 2009 p c.13

⁴⁰ Productivity Commission Draft Report: Gambling October 2009 p 7.20

The Productivity Commission also mention ‘biometric methods’ such as a fingerprint reader⁴¹.

These highly intrusive personal identification requirements will significantly reduce the enjoyment of playing gaming machines for all players.

Voluntary v Mandatory

While there is no conclusive evidence any form of pre-commitment (whether voluntary or mandatory) will be effective in preventing problem gambling, the Productivity Commission has not taken notice of preliminary Australian research & trials.

In terms of a mandatory approach McDonnell-Phillips found

“Precommitment will have the greatest impact if it is offered as a voluntary rather than compulsory – service option to Australian gamblers”⁴²

The Victorian Government have also announced that their pre commitment model will be “voluntary for players to use”⁴³

The Productivity Commission acknowledge the pre-commitment trials in South Australia and Queensland relate to a voluntary pre-commitment system, and have limited relevance to alternative designs of pre-commitment systems, such as a mandatory smart card.⁴⁴

Unfortunately the Productivity Commission still recommended a mandatory system based on no Australian evidence. Instead they have chosen to take the lead from technology operating in small international jurisdictions that are not related to the Australian gambling environment.

This is in spite of a recent warning by the Chairman of the Productivity Commission on the risks of importing international experience into Australia

“The other risk is that overseas studies will be resorted to inappropriately as a substitute for domestic studies.....Translating foreign studies to Australia can sometimes be perilous, given different circumstances and the scope for misinterpretation.”⁴⁵

The fact is there is little Australia can learn from recent international pre-commitment experiences.

⁴¹ Productivity Commission Draft Report: Gambling October 2009 p 7.19

⁴² McDonnell-Phillips for Gambling Research Australia (2006), Analysis of Gambler Pre-Commitment Behaviour, p46

⁴³ Victorian Office of Gaming & Racing, Pre Commitment Fact Sheet 2009

⁴⁴ Productivity Commission Draft Report: Gambling October 2009 p 3.24

⁴⁵ Banks, G. Chairman Productivity Commission, February 2009 speech Evidence Based policy-making: What is it ? How do we get it ? p11

Nova Scotia

The 'mandatory' trial from October 2005 to March 2006 involved only 9 venues & only 51 gaming machines.

However, gamblers could still play without cards on other gaming machines, meaning that this was not a true mandatory trial.

With regard to the cost, the Productivity Commission acknowledge they are largely in the dark

"There is little available evidence about the costs of the Nova Scotia precommitment rollout, beyond the claim that the annual running costs would be around \$4–5 million (\$ Canadian)." ⁴⁶

Norway

With the re-introduction of state owned gaming machines in late 2008 a card based, cashless system was introduced.

As noted in the AHA's submission to the Productivity Commission the

"new Norwegian model is not readily transferable to the private ownership gaming models of Australia which have comparatively high levels of regulation and compliance requirements based around controlled liquor licensed premises." ⁴⁷

However, even ignoring the vast differences between gaming in Norway & Australia, the Productivity Commission acknowledges the rollout is only very recent ⁴⁸. There has clearly not been enough time for any meaningful analysis.

Again, with regard to cost, the Productivity Commission are unable to provide any information

"The Commission is not aware of the incremental costs of the pre-commitment features of the Norsk Tipping system." ⁴⁹

⁴⁶ Productivity Commission Draft Report: Gambling October 2009 p C.20

⁴⁷ AHA submission to the Productivity Commission 2009. Submission 175

⁴⁸ Productivity Commission Draft Report: Gambling October 2009 p C.17

⁴⁹ Productivity Commission Draft Report: Gambling October 2009 p C.20

Impact on the recreational gambler

It is very clear that the overwhelming majority of recreational players will be inconvenienced by mandatory smart cards

Patrons don't want to have to use a personal ID card to play a gaming machine.

This will make their experience at a hotel less enjoyable which is likely to negatively impact food & beverage sales.

The AHA is not aware of evidence that suggests otherwise.

Victorian gaming is not Australian gaming

The Productivity Commission claim it is reasonable for the current Victorian pre-commitment timeframe of 2016 to apply to all States⁵⁰.

However the Productivity Commission should be aware the Victorian gaming environment is very different to all others.

It is vitally important to recognise that any regulatory change targeted at larger gaming venues is likely to have a significant unintended impact on the viability of over one thousand small hotels.

It is also important to note the implementation of pre-commitment in Victoria is conditional and appears to be far from finalised

"The Victorian Government has specifically noted that plans to link EGMs for the purposes of pre-commitment (either within a venue or state-wide) were conditional on advice that the cost would not be prohibitive (Victorian Government, sub. 251)."

⁵¹

Changes to recruit new gamblers

The AHA is surprised by the Productivity Commission's prediction their hard line pre-commitment recommendation will attract new 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."⁵²

⁵⁰ Productivity Commission Draft Report: Gambling October 2009 p 7.39

⁵¹ Productivity Commission Draft Report: Gambling October 2009 p c.13

⁵² Productivity Commission Draft Report: Gambling October 2009 p XXXII

There is no evidence to suggest this will be the case. The Productivity Commission don't know what new technologies will emerge or whether these technologies will be popular with consumers.

Is the Productivity Commission's policy is designed to increase the overall appeal of EGMs and attract a new breed of gambler ?

There is no safe play for problem gamblers

Finally, the AHA does not want to restrict the way a problem gambler plays gaming machines with pre commitment technology.

The AHA does not want problem gamblers to play gaming machines at all !

The Productivity Commission's focus should be on education, information and prevention – not allowing problem gamblers to play a modified gaming machine.

Maximum bet limit of \$1

\$1 maximum bet won't help problem gamblers

The Productivity Commission's motivation is to assist problem gamblers

"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"⁵³

With the above statement in mind, it is of note the Productivity Commission's 1999 survey found that problem gamblers only bet an average of \$1.62 per button push.

"The Commission's *National Gambling Survey* suggests that problem gamblers stake around \$1.62 per button push"⁵⁴

With the typical problem gambler bet at only \$1.62, it is difficult to understand how limiting the maximum bet to 62 cents below this level will really be of benefit.

As the Productivity Commission previously reported, the typical bet placed by a problem gambler is already around this level, a fact acknowledged by Delfabbro in his *June 2008 Australasian Gambling Review*.⁵⁵

\$1,200 loss per hour is 'sensational' and not realistic

From media statements and throughout the report a theme is apparent that the Productivity Commission is attempting to reduce the maximum hourly loss.

The Productivity Commission have publically stated this to be up to \$1,200 per hour – in fact the Chairman discussed only the \$1,200 loss per hour during his recent Whitlam Institute speech.

Throughout their 1999 Report, the Productivity Commission made a number of references to the maximum average spin rate.

However, in 1999 an average spin rate of 5 seconds per game was used.

"For a \$10 bet, a speed of play of 5 seconds per game, and a payout rate of 90 per cent, the maximum average loss is around \$720 per hour"⁵⁶

"using the average speed of play for an Australian game of 5 seconds"⁵⁷

⁵³ Productivity Commission Draft Report: Gambling October 2009 p 11.11

⁵⁴ Productivity Commission, Australia's Gambling Industries, Inquiry Report, November 1999, p 16.80

⁵⁵ Delfabbro in his *June 2008 Australasian Gambling Review*, June 2008 p179

⁵⁶ Productivity Commission, Australia's Gambling Industries, Inquiry Report, November 1999, p N.17

In addition, CIE in 2001 specifically looked at the average spin rate and found

“Independent sampling showed 5.5 seconds per game as the average”⁵⁸

In 2009 the Productivity Commission throughout the Report and in the media now refer to a 3 second spin ?

We are unsure why this change has been made & whether there has been any recent research into average spin rates.

While mention of a spin rate of 5.5 seconds is also buried within the 2009 Draft Report⁵⁹, the AHA is concerned the Productivity Commission have promoted this ‘new’ high hourly loss figure based on a 3 second spin because it produces an unrealistic but ‘sensational’ number.

Inflationary impact

It is also important to note the impact of inflation on these maximum bet limits, many of which have not been adjusted for a number of years.

In NSW the maximum bet limit of \$10 was introduced for all gaming machines manufactured after 1 July, 1987.⁶⁰ Today, the value of this \$10 is half what it was 22 years ago – or \$4.98.⁶¹

This inflationary impact was recognised by the NSW Government in 2008

“The claim that the real value of fixed dollar amount limits can be deflated by around 15% every 5 years through inflation is noted and may be considered in the future in light of applicable research.”⁶²

All EGM maximum bet limits have fallen significantly in real terms and will continue to fall over future years. There is no need to make further reductions.

Cost Impact – employment & community Implications

CIE estimated the introduction of \$1 maximum bet limits would lead to a reduction in hotel EGM revenue of 39%. This CIE report was acknowledged by the Productivity Commission.

⁵⁷ Productivity Commission, Australia's Gambling Industries, Inquiry Report, November 1999, p N.17

⁵⁸ Centre for International Economics, Gaming Machine Revenue at risk, October 2001, pg XI

⁵⁹ Productivity Commission Draft Report: Gambling October 2009 p 11.6

⁶⁰ NSW Office of Liquor, Gaming & Racing advice. 25 February 2009

⁶¹ PricewaterhouseCoopers, 25 February 2009.

⁶² NSW Minister for Gaming & Racing; Report on the five year statutory review of the Gaming Machines Act 2001, p33

“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).”⁶³

If a fall of half this predicted reduction occurs, it will have a devastating impact on the hotel industry, flow through to falls in local employment, community support and government revenue.

The Productivity Commission have not advised Government on the numbers of jobs that will be lost following the introduction of a \$1 maximum bet, nor have they provided advice on the impact such a decision would have on community support.

Again, the Productivity Commission has not provided any costings associated with modifying the EGMs, other than advising it may be “as high as several thousand dollars per EGM.”⁶⁴

As the Productivity Commission do not know the cost in terms of jobs to be lost and community support to be cut, it is difficult to understand how they could be in a position to recommend a \$1 maximum bet.

No evidence

There is no clear evidence the limiting of maximum bets will have a positive impact on problem gambling.

Such a severe restriction would certainly encourage gaming machine players to shift their attention to other forms of gambling such as horse racing, casino games or internet gambling where very large bets can still be placed. Those with a problem will still be able to gamble significant dollar amounts.

In 2007 the NSW Government examined bet limits during their Statutory Review of the Gaming Machines Act 2007. The NSW Government found:

“Proposals to increase or reduce bet limits are not supported at this stage, particularly in the absence of any significant research on bet and prize limits and problem gambling.”⁶⁵

After considering available research on modifications to gaming machines, including limiting the maximum bets Dr Paul Delfabbro in the June 2007 *Australasian Gambling Review* concluded

⁶³ Productivity Commission Draft Report: Gambling October 2009 p 11.15

⁶⁴ Productivity Commission Draft Report: Gambling October 2009 p 11.17

⁶⁵ NSW Government (2007). Report on the five year statutory review of the Gaming Machines Act 2001, p33

“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.”⁶⁶

⁶⁶ Dr Paul Delfabbro - Australasian Gambling Review June 2007 – a report prepared for the Independent Gambling Authority of South Australia. p154

\$200 daily ATM withdrawal limit

The AHA is not aware of any substantive research to support a recommendation to reduce the ATM withdrawal limit to \$200.

This is recognised by the Productivity Commission

“There appears to be only very limited evidence on the behavioural responses of gamblers to existing withdrawal limits in venues.”⁶⁷

The Productivity Commission even recognised that “there is little clear relationship” between ATM withdrawals & gambling revenue⁶⁸, but still decided to recommend a \$200 withdrawal limit.

All Australian governments now have the opportunity to monitor the effectiveness of Victorian gaming venues \$400 daily withdrawal limit, which will commence in 2010 and will be in place for two years.

This should have been the approach recommended by the Productivity Commission.

Impact on food & beverage patrons

It is extremely important that any research into ATMs in hotels look not only at the impact on gamblers, but on all patrons in the venue.

Non gamblers will certainly be inconvenienced by an ATM withdrawal limit and this must be recognised. Why should the impact on all patrons in a venue be ignored ?

As noted in the AHA submission, Australian Bureau of Statistics data and the recent PricewaterhouseCoopers report : An overview of the Australian Hotel Industry, confirm removing ATMs will have the greatest impact on food and beverage sales, seriously threatening the viability of hotels.

For pubs, taverns and bars with gambling facilities, the ABS found around 72% of income generated is from food and beverage sales, with gambling accounting for only 28% of total income.⁶⁹

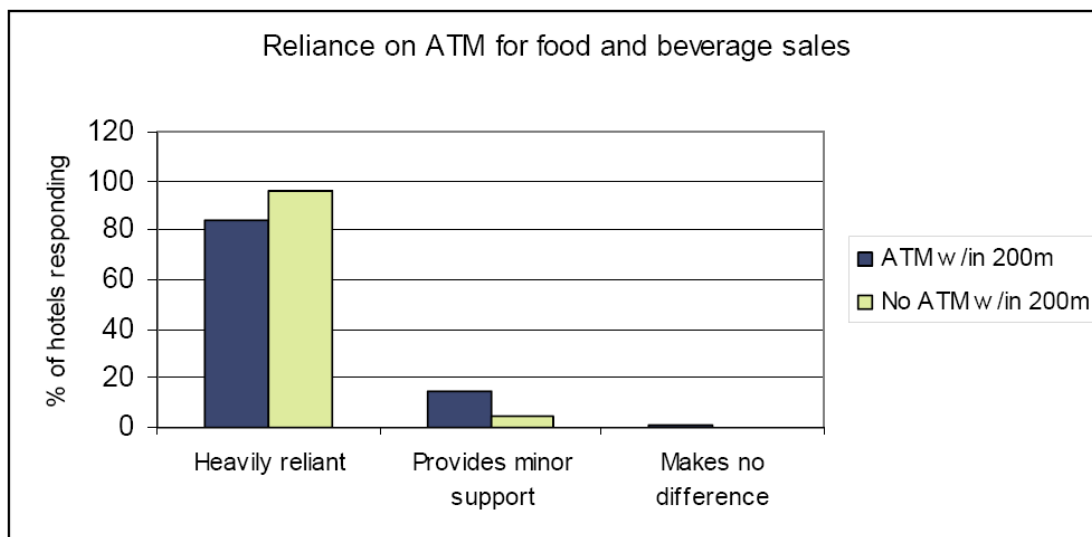
The recent PricewaterhouseCoopers survey of Australian hotels also found venues are heavily reliant on ATMs to generate food and beverage sales.⁷⁰

⁶⁷ Productivity Commission Draft Report: Gambling October 2009 p 9.23

⁶⁸ Productivity Commission Draft Report: Gambling October 2009 p G.7

⁶⁹ Australian Bureau of Statistics 2004-05: 8687.0 pg 8

⁷⁰ PricewaterhouseCoopers Report (2009), Australian Hotels: More than just a drink and a flutter. An overview of the Australian hotel industry



It is disappointing the Draft Productivity Commission Report only mentions in passing the impact on food & beverage sales

“there would also be a reduction in non-gambling related sales such as in food and drink, which could be substantial.”⁷¹

The Productivity Commission should acknowledge the biggest impact arising from the removal of ATMs will be on food & beverage sales. As noted by the NSW government

“The 2006 study into the prevalence of problem gambling in the community indicated that the majority of users of ATMs in venues used them as a generally convenient way to access cash, and for purposes unrelated to gambling in venues.”⁷²

Food and beverage sales are the most important element influencing the success or failure of most hotels. It is certainly not reasonable to restrict the availability of cash to purchase food and beverages simply because the hotel legally operates a number of gaming machines.

Disappointingly the Productivity Commission has not made any attempt to estimate the impact their recommendation will have on food & beverage sales in hotels.

In addition, the Productivity Commission does not appear to have taken into account the impact of a \$200 daily withdrawal limit on couples operating a joint account. The proposed \$200 withdrawal limit in such circumstances essentially becomes a \$100 daily limit per person.

⁷¹ Productivity Commission Draft Report: Gambling October 2009 p 9.16

⁷² NSW Government 2007. Report on the five-year Statutory Review of the Gaming Machines Act pg 27

Exemptions

While the Productivity Commission has recognised the preference of self excluded problem gamblers to participate in a form of ATM self-exclusion and suggested an exemption for venues be considered

“Were governments to introduce bans on ATMs from venues, they should consider exempting venues with self-regulatory mechanisms that restrict ATM access”⁷³

The AHA strongly argues that an exemption from any withdrawal limit should also be available to venues operating self exclusion enabled ATMs.

The AHA are continuing to work with ATM providers on the development of the ‘self-exclusion’ ATM. It is expected a trial will commence in early 2010.

⁷³ Productivity Commission Draft Report: Gambling October 2009 p 9.29

Online gambling & credit card bets

The Productivity Commission in 1999 and 2009 recognised the dangers of online gambling.

“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”⁷⁴

And 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.”⁷⁵

With this evidence it is difficult to understand why the Productivity Commission has recommended any form of ‘liberalisation’ of online gambling and rejected calls to restrict the use of credit cards to place bets.

Online gaming features that mitigate harm⁷⁶ ?

In defending their position the Productivity Commission discuss a range of features they believe mitigate harm. As outlined below, the AHA does not agree with the arguments made by the Productivity Commission.

1 – online gambling is monitored by family members

“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.”⁷⁷

The AHA does not agree with the Productivity Commission’s reasoning. ‘Sex’ is the most popular topic searched on the internet & this is certainly not done in front of family & loved ones.

If a problem gambler wants to gamble online, they can easily find a way.

⁷⁴ Productivity Commission Draft Report: Gambling October 2009 p 12.11

⁷⁵ Productivity Commission Draft Report: Gambling October 2009 p 12.16

⁷⁶ Productivity Commission Draft Report: Gambling October 2009 p 12.9

⁷⁷ Productivity Commission Draft Report: Gambling October 2009 p 12.9

2 – credit cards provide receipts

The Productivity Commission claims

“the use of credit cards when gambling online creates evidence of gambling transactions on credit card statements”⁷⁸

But so do ATMs, which provide immediate receipts and monthly bank statements.

The problem with a credit card receipt is that it only arrives a month after the debt is incurred. With a credit card there is no immediate financial deterrent.

3 – cheaper overheads = better odds

The Productivity Commission claims that

“due to lower cost structures and greater competition, online gaming is usually offered more cheaply than venue-based competitors such as casinos”⁷⁹

But there is the real risk of playing in an unregulated environment – and there is no guarantee of payment. Research has found that

“A significant proportion of sites have unsatisfactory business and responsible gambling practices.”⁸⁰

Unlike gambling in an Australian hotel, which is regulated by Government to ensure consumer fairness and protection, many online gambling sites operate in a relatively unregulated environment and have little regard for the player.

4 – Gamblers play at their own pace

The Productivity Commission claims that

“online gaming allows players greater freedom to play at their own pace, rather than at the pace dictated to them by casino conventions”⁸¹

However, when an online gambler plays without any social interaction, there is less of a reason to take a break.

In gaming rooms this is not the case as staff, other players and technology such as TITO or ‘reserved’ buttons often provide a reason for players to take a break.

⁷⁸ Productivity Commission Draft Report: Gambling October 2009 p 12.9

⁷⁹ Productivity Commission Draft Report: Gambling October 2009 p 12.9

⁸⁰ Wood, R. Williams, R. (2009): Prevalence, Patterns, Problems and Policy Options, p94

⁸¹ Productivity Commission Draft Report: Gambling October 2009 p 12.9

In addition, nonstop 24 hour play is freely available online. This is not possible in an Australian hotel.

Credit Card Betting

The AHA does not accept the arguments made by the Productivity Commission in relation to credit card betting.

The Productivity Commission claim a ban on credit card betting will cost consumers

“a ban on the use of credit cards for internet gambling would impose a significant costs on consumers.”⁸²

It is difficult to understand how there will be an additional cost on consumers, in fact there will be a discount in some circumstances.

At present a 3% credit card deposit charge is standard. Deposits from their saving or cheque accounts do not incur a fee.

Did the Productivity Commission consider the convenience of consumers (most of whom are not gamblers) when they recommended a \$200 ATM withdraw limit?

Internet Gambling – A Commonwealth responsibility

Unlike most other forms of legal gambling, the regulation of online gambling is a Commonwealth responsibility.

For many years it has been legal for Australians to engage in risky gambling activity with offshore online casinos. The Commonwealth Government now has a responsibility to regulate these casinos to ensure they operate in a fair manner with a focus on consumer protection and harm minimisation.

The AHA is seeking regulation of the existing online gambling environment – not any form of liberalisation.

⁸² Productivity Commission Draft Report: Gambling October 2009 p 12.25

Maximum cash input limit of \$20

There is very little research on cash input limits.

There is equally no evidence in terms of the effectiveness of this measure helping problem gamblers or the impact it will have on recreational gamblers.

While this is acknowledged by the Productivity Commission,

“While the evidence on this matter is not clear, and there can be no precise way to pick an appropriate figure”⁸³

The Productivity Commission still chose to recommend a ridiculously low level of \$20.

In NSW, IPART examined note acceptors & found

“The Tribunal (IPART) is of the view that banning note acceptors could have very significant effects on the economics of the gaming industry but there is very little evidence regarding the effectiveness of the measure.”⁸⁴

The Productivity Commission also recognised the lack of evidence in this area

“evidence on the efficacy of prohibiting note acceptors or limiting their use to low denomination notes is not wholly clear”⁸⁵

This is an extremely disappointing recommendation made without the benefit of evidence or research. The implications for employment and community support have not been considered.

Finally the AHA notes that during his recent Whitlam Institute, the Chairman of the Productivity Commission suggested that the maximum input limit should be \$20 to \$40 –

The AHA is interested to know if there has there been a shift in the Productivity Commission’s views on the issue ?

⁸³ Productivity Commission Draft Report: Gambling October 2009 p 11.24

⁸⁴ IPART NSW (2004): Gambling – Promoting a culture of responsibility, p 102

⁸⁵ Productivity Commission Draft Report: Gambling October 2009 p 11.22

Cheque cashing limit of \$250

The Productivity Commission has made this recommendation without the support of research or evidence.

In fact the Productivity Commission acknowledge research does not call for a change

“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.”⁸⁶

The Productivity Commission also surveyed counselling clients on the effectiveness of lowering the cheque cashing threshold with the results far from clear cut.

The survey found that a large percentage of problem gamblers believed this move would not be effective with a significant 31% of respondents reporting it would not work well, while less than half (42%) said they believed it would work well.

It also evident the Productivity Commission has arrived at the \$250 amount without any supporting research.

“While there is little evidence to support the appropriate cash threshold, the Commission considers that a level of around \$250 would be appropriate”⁸⁷

⁸⁶ Productivity Commission Draft Report: Gambling October 2009 p 9.38

⁸⁷ Productivity Commission Draft Report: Gambling October 2009 p 9.40

Why the focus on EGMs ?

While the Productivity Commission briefly recognise gaming machines are “probably also one of the most important sources of enjoyment for gamblers”⁸⁸ the focus of the entire report is on the problems with EGMs.

Problems associated with other forms of gambling have not been addressed.

This is despite the Assistant Treasurer specifically requesting “that the Productivity Commission undertake an inquiry into Australia’s gambling industries”

In 1999 the Productivity Commission assessed the share of spending accounted for by different types of gambling products.⁸⁹ As shown in the table below, problem gamblers accounted for a significant share of spending on wagering and scratchies.

	Severe Problem	All Problem
EGMs	33.7%	42.3%
Wagering	23.5%	33.1%
Scratchies	7.8%	19.1%
Casino Games	2.5%	10.7%
Lotteries	2.1%	5.7%

In addition, the 2009 Productivity Commission survey of problem gamblers in counselling found that 19% listed ‘betting’ (wagering) as a form of gambling that causes them problems.⁹⁰

Despite this evidence, the Productivity Commission has not allocated a single page of their Draft Report to addressing the harms that can be caused by other forms of traditional gambling.

In fact the entire chapter on wagering in the 2009 Draft Report (Chapter 13) only looks at funding and the structure of the industry – no consideration is given to any wagering related gambling harm.

The Productivity Commission should be aware it is wagering and sports betting that are rapidly growing online – largely due to extensive advertising to households throughout Australia.

⁸⁸ Productivity Commission Draft Report: Gambling October 2009 p XXIII

⁸⁹ Productivity Commission, Australia's Gambling Industries, Inquiry Report, November 1999, p 5.15

⁹⁰ Productivity Commission Draft Report: Gambling October 2009 p F.8, table F.11

In addition, feedback from researchers & help providers at the November 2009 Gambling Research Australia stakeholder forum indicates the latest 'boom' area in problem gambling was lotteries, following aggressive e-mail marketing campaigns leading up to a large draw.

Again, the Productivity Commission makes no mention of this in their entire 630 page report.

The Productivity Commission has had a full year to prepare this Draft Report.

The AHA cannot understand why all other gambling industries have been ignored.

Rate of return @ 100%

The Commission seeks feedback on the use of loss-limited gaming machines such as a 100% RTP.⁹¹

It is of concern the Productivity Commission has even suggested this proposal as it is certain to create gambling harm and confusion.

Encourage 'can't lose' gambling

There is a high likelihood the gambler will think that playing at 100% return will mean they can't lose – this is certainly not the case.

This is extremely dangerous for the gambler who is likely to play recklessly & without fear. This type of gaming mode is also certain to create player confusion – and frustration.

Encourage longer play to reach the 100% threshold

There is a real likelihood this proposal will encourage gamblers to continue playing so they reach the 100% threshold. Of course, these gamblers will be losing more along the way until they get there!

The AHA was surprised to see the Productivity Commission view this as a positive.

“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.”⁹²

Cost of reconfiguring machines

There will also be a cost to reconfigure the machines.

Again, the Productivity Commission has not provided any estimate as to what it would cost to make this change to 200,000 gaming machines throughout Australia and the impact this will have on industry, employment, government & community support.

⁹¹ Productivity Commission Draft Report: Gambling October 2009 p 11.29

⁹² Productivity Commission Draft Report: Gambling October 2009 p 11.27

Jackpots

With regard to gaming machine jackpots, we note the Productivity Commission in 1999 found there was no available evidence to suggest they create risk

“Currently there appears insufficient evidence that jackpots do exacerbate risks. In this case, a ban appears premature, given their possible consumer benefits.”⁹³

In the 2009 Draft Report the Productivity Commission again acknowledge there is no clear evidence this feature creates harm

*“In view of the limited research on the effects of jackpots on gaming machine play....”*⁹⁴

In light of this, the AHA strongly believes there should be no change to the way EGM jackpots operate.

⁹³ Productivity Commission, Australia's Gambling Industries, Inquiry Report, November 1999, p 16.83

⁹⁴ Productivity Commission Draft Report: Gambling October 2009 p 11.37

Problem gambling services funded by EGMs

Table J.8 on page J.19 has identified that in 2007-08 around \$48 million was spent by all jurisdictions on counselling & support services.

When one considers the very small percentage of the population experiencing gambling related problems, this appears to be a significant amount.

It is of note the majority of this funding is allocated to counselling services. While counselling & help services have proven to be extremely effective⁹⁵, the AHA is strongly of the view prevention is always better than a cure. As such, we support improved player information and gambler education.

Prior to any consideration of additional funding or alternate funding sources, detailed analysis should be undertaken into the \$48 million that is already allocated to counselling & support services.

The real priority is to assess whether this significant level of funding is being allocated as effectively as possible.

⁹⁵ see AHA submission 175, pg 81 & 82

Legal Challenges – Statutory ‘cause of action’

The AHA does not support the Productivity Commission’s recommendation 8.2.

Currently, gamblers are protected by existing legislation under which venues face significant penalties for encouraging those with problems to continue gambling. For example, under the NSW *Gaming Machines Regulation* it is illegal to offer inducements to gamble

48 Offering of inducements to gamble

A hotelier or registered club must not:

- (a) offer or supply any free or discounted liquor as an inducement to play, or to play frequently, approved gaming machines in the hotel or on the premises of the club, or*
- (b) offer free credits to players, or as an inducement to persons to become players, of approved gaming machines in the hotel or on the premises of the club by means of letter box flyers, shopper dockets or any other similar means, or*
- (c) offer or provide, as an inducement to play approved gaming machines in the hotel or on the premises of the club, any prize or free give-away that is indecent or offensive.*

World Share of gaming machines

The AHA believes there is an urgent need for the Productivity Commission to correctly identify the number of EGMs throughout the world.

As advised in the AHA's original submission (175)

“A recent study by Taylor Nelson Sofres PLC has estimated the world count of gaming machines at 7,678,528 with Australia accounting for 2.4% of this total.⁹⁶ “

Unfortunately incorrect figures produced by the Productivity Commission in their 1999 Report continue to be quoted & sensationalised in the media.

The latest example is in *The Australian* on December 17, 2009

“In 1999 Australia was home to 21 per cent of the world's gaming machines – with just over half of them in NSW”⁹⁷

Unless the Productivity Commission corrects this figure in the Final Report the same incorrect and misleading percentage will continue to be quoted for the next decade.

⁹⁶ Taylor Nelson Sofres PLC, World Count of Gaming Machines 2008, p7

⁹⁷ *The Australian*, 17 December 2009, pg 17

‘Moderate’ is not ‘significant’

There is an important difference between a person who experiences ‘moderate risks’ and a person facing ‘significant risks’

It is not appropriate for the Productivity Commission to combine ‘problem gamblers’ with ‘moderate risk’ gamblers into one ‘significant risk’ group

“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**.” (pg 4.1)⁹⁸

Quite simply, moderate does not mean significant.

⁹⁸ Productivity Commission Draft Report: Gambling October 2009 p 4.1

Server based gaming

The Productivity Commission appear to be strongly supportive of server based gaming and have an expectation the Australian introduction of server based gaming is imminent.

At present, server based gaming is not operating in an Australian jurisdiction. Any future introduction will ultimately depend upon both consumer appeal and cost.

The Australian Casino Association have also advised that server based gaming is still a long way off⁹⁹

“market conditions around the world suggest that the roll-out of SBG technology will be very slow due to the combination of the size of the capital investment and the unquantifiable return on that investment.”

The Productivity Commission must also be aware that implementation costs are likely to be significant – particularly in the many country & regional hotels operating a small number of ‘old’ gaming machines.

The AHA support the view that server based gaming still has a ‘long and uncertain path’ to navigate prior to any implementation.

⁹⁹ Productivity Commission submission 264

Longer shutdown period

There is no clear evidence the extension of shutdown periods will be of benefit to problem gamblers and those at risk.

In December 2008, an independent report on the *Evaluation of the 6-hour shutdown of electronic gaming machines* found

“there is no compelling evidence supporting a change in the current arrangements. The research found that the shutdown period was effective in reaching those problem gamblers playing before the commencement of the shutdown period, that it achieves a break in play and encourages the majority of problem and moderate risk gamblers to go home.”¹⁰⁰

The Productivity Commission also recognised that the 2005 ACT study by McMillen and Pitt concluded

“there was insufficient evidence or consensus about the value and effectiveness of this measure”¹⁰¹

And the Productivity Commission went onto to recognise that

“operating hours of gaming machines and other restrictions on accessibility are unlikely to be as effective as other harm minimisation measures”¹⁰²

It is also important to note a shutdown will also not be effective if some gambling venues are not subject to the shutdown – patrons will simply move from one venue to another – or instead only frequent a venue not subject to shutdown restrictions.

Again the Productivity Commission has not based this recommendation on evidence, nor have they assessed the impact the implementation of this recommendation will have on employment, industry, government and community support.

¹⁰⁰ NSW Govt submission to Productivity Commission pg 33

¹⁰¹ Productivity Commission Draft Report: Gambling October 2009 p 10.18

¹⁰² Productivity Commission Draft Report: Gambling October 2009 p 10.26