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LEGISLATIVE COUNCIL  
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Mr G Banks & Mr R Fitzgerald  
Commissioners  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616  
By facsimile: (02) 6240 3300

Dear Sirs

**Re: Productivity Commission Inquiry Into Australia's Gambling Industries**

I refer to my previous discussions with the Productivity Commission in relation to this matter, and I now provide my interim submission with respect to your Inquiry. The purpose of the interim submission is to set out a number of broad areas of concern, and further to set out a number of potential strategies, both short and long term, to assess and minimise the negative social and economic impacts of the gambling industry.

As a preamble, I understand that the Inquiry has copies of the books "Crapped Out", and "The Luck Business" which discuss the impact of gambling in the United States. I further understand that the Inquiry has seen the article in the December 1997 edition of *"The Alternative Law Journal"* (Australia) "Who's Holding The Aces" which sets out the link between compulsive gambling and crime.

I now set out the following interim matters for the Inquiry to consider:

**1. Definition of Problem Gambling**

- 1.1 I note the Australian Hotels Association (at least in South Australia, and I understand elsewhere) has publicly stated that only 1.5% to 2% of poker machine players develop a problem playing the machines. This "prevalence" rate of problem gambling contradicts overseas studies, particularly in the United States, which indicates a prevalence rate at least in the order of 5% to 6%. I refer to the studies referenced in "Crapped Out" and in "The Luck Business".

- 1.2 In any event, there is a good deal of controversy as to the definition of "problem gambling", with the gambling industry (and a number of researchers) using quite narrow definitional criterion based on a medical model (with particular reference to DSM4 criteria). A more appropriate definition or criteria of problem gambling ought to take into account social and economic factors, and whether an individual's level of gambling, both in terms of time spent and money lost adversely affects the quality of his or her life and/or that persons family or friends. Such an approach at defining problem gambling would necessarily have to take into account a person's income. A \$20.00 a week loss on poker machines for a person on Social Security Benefits would obviously have a much greater impact on that person's life than someone earning, say, \$50,000.00 per annum. There ought to be a national benchmark definition of problem gambling that encompasses these concerns, which in turn can facilitate compilation of statistics on a national basis on a level of problem gambling in the community.

## 2. Social and Economic Research

- 2.1 There is a distinct lack of research into the effects of gambling in the community. The VCGA (Victorian Casino and Gaming Authority) undertakes research and releases reports on a regular basis. However, whilst a number of those reports are useful in improving a general understanding of the impact of gambling on individuals and communities, there appears to be a distinct lack of research and published reports on the actual costs of gambling on individuals and the community.
- 2.2 Given the size of the gambling industry in Australia, it is extraordinary that there is a lack of comprehensive social and economic data on the costs of problem gambling. The research carried out by Professor Robert Goodman, referred to in "The Luck Business", which sets out that for every dollar a State Government obtains in gambling revenue there are negative externalities of between \$3.00 to \$7.00, taking into account gambling-related costs with respect to unemployment, small business failure, crime and family disruption. Professor Goodman also sets out (p 51) the estimated yearly average of combined private and public costs of each problem gambler ranging between \$US20,000 and \$US30,000 in 1993, with figures as high as \$US52,000. Professor Goodman directed the United States gambling study which arrived at a much more conservative figure of \$US13,200 per problem gambler per year in 1993.

- 2.2 The States, given their heavy dependence on gambling revenue (approximately one in every eight dollars in State taxation receipts) cannot be trusted to undertake a comprehensive social and economic audit of the costs of gambling. Such an audit ought to be carried out at a Commonwealth level, particularly as there appears to be a degree of cost shifting between the States and the Commonwealth with respect to gambling. For instance, the Commonwealth often has to pay the full cost of increased welfare payments as a result of problem gambling.
- 2.3 Given the magnitude of Australia's gambling industries, and the per capita level of gambling losses in Australia compared with any other nation, consideration should be given to the establishment of a National Gambling Impact Commission, which should have a monitoring role on the ongoing impact of gambling industries, with particular reference to the impact on individuals, communities, and economic development generally.
- 2.4 The gambling industry should not have a determinative role in research on the impact of gambling. There are segments of the industry that potentially have a pernicious influence, directly or indirectly, on the extent and quality of research.
- 2.5 Any research into the impact of gambling should distinguish between the various gambling codes, and also taking into account the location and accessibility of various forms of gambling products.

### **3. Rehabilitation Services and their Accessibility**

- 3.1 Rehabilitation Services for problem gamblers should be completely independent of the industry. For instance, the current system of funding in South Australia where there is a "voluntary" contribution from the hotels and clubs industries to fund the Break Even Gambling Services is entirely unsatisfactory. Further, rehabilitation services should be at arms length from Government Departments, particularly Treasury and Finance which have an inherent vested interest in obtaining gambling revenue.
- 3.2 Despite the prevalence of gambling services and an exponential increase in gambling losses in the past six years nationally, there appears to be a distinct lack of wide spread community awareness of problem gambling services. A study carried out by a marketing consultancy in South Australia last year on the

extent of public awareness of South Australia's Break Even Gambling Services indicated that, even after a \$200,000 campaign, only 5% of the population were aware of Break Even Gambling Services. This is clearly an inadequate level of awareness. Gambling counsellors I keep in contact with on a regular basis tell me that every time there is an advertising campaign on the availability of Break Even Services there is a significant increase in the number of calls to referral agencies - with agencies having difficulty in coping with the increased demand for services.

#### 4. Gambling and Crime

- 4.1 I refer the Committee to the article that appeared in *"The Alternative Law Journal"* in December 1997, and propose that any audit on the cost of the gambling industry would necessarily have to include an assessment of the link between gambling and crime, and the costs both to victims and to the State of dealing with that.
- 4.2 Further, as State Governments derive significant revenue from gambling taxes, there is a compelling argument that the State Government has a responsibility to assist victims of crimes committed by persons suffering from a gambling addiction. The criteria for the payment of compensation ought to be limited to circumstances where:
- (a) the defendant at the time of the offence was suffering from a gambling addiction as certified by a psychiatrist;
  - (b) that there was a direct link between the defendant's gambling addiction and the commission of the offence;
  - © that an order for compensation takes into account any act or omission on the part of the victim that contributed to the loss.

#### 5. Gambling as a Consumer Issue

There appears to have been an inadequate focus, to date, on gambling as a consumer rights issue, taking into account the design of gambling products, advertising, and practices of the gambling industry.

## **5.1 Advertising**

- 5.1.1 In South Australia at least, there has been an aggressive expansion of advertising and advertising practices for all forms of gambling in the past four years, particularly involving the TAB, the Lotteries Commission and the Adelaide Casino. The advertising invariably does not provide details of the odds of winning nor the potential harm from the risks involved.
- 5.1.2 Consumers of gambling products ought to know the odds, and further, in the instance of poker machines, ought to know how long it will take to lose a particular amount of money assuming average pay out rates.
- 5.1.3 Advertising that depicts a person winning as a result of gambling or misrepresents or suggests that the chance of winning as a result of gambling is greater than the actual chance of winning ought not be allowed. Any other advertisement should carry appropriate warnings and a contact number for a 24 hour gambling help hot-line.

## **5.2 Warnings Displayed at Gambling Venues**

- 5.2.1 All gambling codes should have warning signs both at venues, on machines (including poker machines and Keno terminals), on tickets as to the potential problems gambling can cause, with access to a universal 1-800 number for a telephone counselling service.

## **5.3 Consumer Information**

- 5.3.1 Any person that bets on any form of gambling should be able to know before placing the bet the chances of winning (and also the rate of loss).
- 5.3.2 For instance, the current practice of the Adelaide Casino to advertise that a "selected" number of its poker machines pay "up to 98%" should be prohibited, in the absence of the Casino specifying which machines paid out at that higher rate.

## **5.4 Prohibitions Related to Food and Drink and Inducements**

- 5.4.1 The practice of providing inducements to players at any gambling venue should not be allowed, because (according to gambling counsellors and numerous problem gamblers I have spoken to) there is a link between the level of inducements

offered to play and the extent of problem gambling in many cases.

- 5.4.2 The definition of "inducements" should include free cash, or free vouchers or gambling chips that can be used for the purposes of gambling as well as free points or credits on any game or machine played at the venue as well as membership (whether on payment of a fee or not) of a gambling or 'jackpot' club.

## 5.5 **Clocks**

- 5.5.1 The fact that gambling venues generally do not have clocks that are easily accessible is a problem that gambling counsellors and problem gamblers have referred to. Clocks should be provided in gambling venues that are reasonably accessible from any part of the venue.

## 5.6 **Modification of Existing Poker Machines and Games**

- 5.6.1 There appears to be a clear link between developments and poker machine technology and design and levels of problem gambling. I understand that poker machine manufacturers retain the services of psychologists in the designs of the machines, and the Commission should seriously consider obtaining production of all documentation from poker machine manufacturers in relation to the designs of machines, particularly where advice has been obtained from psychologists.

## 5.7 **Restrictions of Poker Machines that Allow High Stakes or Rapid Betting**

- 5.7.1 In 1992, while the Gaming Machines Bill was being debated by the South Australian Parliament, the Marketing Development Manager of Aristocrat Leisure Industries was reported as saying in "The Advertiser" (15/2/92) that playing poker machines was "entertainment, not gambling" and "it would take a month of Sundays to lose \$100.00 on these things". On my calculations, poker machines currently available in hotels and clubs allow (assuming \$1.00 bets on maximum lines and a constant 88% pay out rate) a player could lose \$100.00 in the vicinity of ten minutes.
- 5.7.2 The poker machine industry and the Hotels Association often mention that playing poker machines is a form of "entertainment". Problem gambling is accelerated by the level of losses and the fact that significant amounts can be lost in a

very short period. Consideration should be given to a significant reduction of a maximum amount that can be bet on a poker machine and/or by an automatic process.

- 5.7.3 Medical practitioners who have an interest in this field have referred to poker machines as "the most seductive and addictive form of gambling", and poker machines as "hypnotic mechanistic devices". There ought to be independent research carried out on the psychological impact of machines in players and whether this can lead to increased levels of problem gambling. There appears to be a dearth of research on this particular aspect of machine design.

## **6. Gambling and Children**

- 6.1 There is a lack of research on the impact, both in a direct and indirect sense of gambling on children. Overseas research, particularly that carried out by Dr Durand Jacobs (viz. "Who's Holding The Aces?") refers to children of problem gamblers being at risk, to a greater extent of the general population, of developing substance abuse and gambling related problems later in life. The accessibility of gambling products, and the advertising of such products, together with the potential impact it has on minors on attitudes towards gambling, needs to be looked at.
- 6.2 Gambling venues, and in particular gambling areas at hotels and clubs should be completely separated from other parts of the venue by walls and doors to the ceilings so that anyone outside the gambling area cannot see into or hear any noise emanating from the gambling area. Dr Durand Jacobs is of the view that this proposal has merit.

## **7. Alcohol and Gambling**

- 7.1 One of the curious aspects of the South Australian Gaming Machines Act (and indeed legislation in other jurisdictions) is that only a licenced premises can obtain a Gaming Machines Licence. There is an increasing body of evidence that refers to the link between alcohol consumption and the levels of gambling. There is a suggestion that just two standard drinks can double a persons gambling losses or can lead to the doubling of a player's losses.
- 7.2 There ought to be a compulsory code established as to the service of alcohol at gambling venues and a consideration of a

reversal of the onus of proof (similar to the Northern Territory liquor laws) which requires a venue to take a proactive approach in ensuring that a player is not under the influence of alcohol to a material extent that could affect the levels of gambling losses.

**8. EFTPOS or ATM Facilities at Gambling Venues**

8.1 The ability of a problem gambler to obtain ready access to cash flow and EFTPOS or ATM facility at a gambling venue is recurring theme in my discussions with gambling counsellors and problem gamblers.

8.2 EFTPOS and ATM facilities should be removed from gambling venues, or at the very least their access be restricted for the payment of food and drink only.

**9. Enforcement of Gambling Laws**

9.1 In South Australia, there is a prohibition on the provision of credit referred to in the Gaming Machines Act (which should also clearly apply to all gambling codes). However, to my knowledge, there is yet to be a prosecution under that provision, despite the information I receive from gambling counsellors that the provision of credit has occurred at a number of hotel poker machine venues. This raises issues of the enforcement of the legislation, and whether there are adequate resources in the various State gaming squads. I emphasise that I am not reflecting on the integrity of various enforcement agencies, but rather an enforcement regime that effectively leads to gaming squads having one hand tied behind their back in enforcing current laws.

9.2 Consideration ought to be given to a reverse onus of proof approach with respect to the enforcement provisions, placing a greater degree of emphasis of venues acting pro-actively in the provision of gambling products. Further, a system of expiation notices for a number of offences, including minors being on premises should be implemented which will enable a greater degree of tracking of compliance on the part of gambling venues of existing laws.

**10. Prohibition of Lending or Extension of Credit**

10.2 The prohibition on the provision of credit in the Gaming Machines Act should clearly apply to all gambling codes, and



further it should also encompass the use of a credit or charge card for the purpose of gambling. I refer in particular to the SA TAB's "phone bet credit card" facility announced in April which has received very strong condemnation from both Dale West of the Gamblers Rehabilitation Fund and Dr John O'Connor of the National Council on Education on Training and Addiction (NCETA). Both Mr West and Dr O'Connor consider that problem gambling rates will increase with the provision of such a service.

## **11. Economic Impact Studies - Particularly in Regional Centres**

- 11.1 Any social and economic research into the impact of gambling should include economic modelling of the impact of gambling on regional economies. The information I have obtained on the impact of gambling losses in SA regional centres indicates a significant level of gambling losses in relatively small communities. For instance, the Port Augusta figures (a town of approximately 13,000 people) with respect to poker machine losses alone are equivalent to some 20% of households are losing an average of \$100.00 a week on poker machines on a weekly basis - in a community which has been economically disadvantaged as a result of job losses with Australian National and ETSA in recent years.
- 11.2 Any economic survey should include some detailed economic modelling on the impact of gambling on a regional community, and also the extent to which regional centres have had a drain of income out of the centre as a result of gambling losses (particularly where gambling venues are owned by entities outside that centre).
- 11.3 The impact of gambling industries on the overall employment market, should also be investigated. The hotels industry in South Australia regularly asserts that 4,000 new jobs have been created by the introduction of poker machines into hotels. However the Small Retailers Association of SA in its own surveys estimates that at least 8,000 jobs have been lost in the small retailing sector because of the introduction of poker machines into hotels.

## **12. Internet/Interactive Home Gambling**

- 12.1 This poses a significant challenge to regulators, and to the community generally, given the potential for a rapid increase in problem gambling with increasing levels of accessibility of the

Internet, and the universal accessibility (within the next ten years) of digital TV and the increased potential for interactive home gambling.

12.2 Given current levels of problem gambling in Australia, a prohibition of this form of gambling should be a legislative priority at a Federal level (given Commonwealth powers over banking and telecommunications). The use of credit cards for this form of gambling is clearly undesirable as it is effectively a form of credit betting which legislators in a number of States have acknowledged to be an undesirable method of gambling.

12.3 Technically, prohibition at a State level is more difficult than at a National level, but this is not insurmountable. Further, since almost all transactions for Internet/interactive home gambling would require the use of credit card, the prohibition could be made effective by allowing a person who has lost of wage of via his or her credit card to void the transaction within a short period of time.

### 13. Political Influence of the Gambling Industry

13.1 In the State of New Jersey, gambling laws prohibit political donations from the gambling industry. The preamble to that law states:

*"This prohibition is designed to protect the public interest in both the fact and the appearance of the independence of the political process, and the insulation of the Government Institutions that are responsible for the supervision of the Casino industry, from the uniquely powerful economic force that is presented by that industry".*

The political influence of the gambling industry in Australia ought to be investigated, and consideration be given, on public policy grounds for a restriction on the ability of the industry to make political donations.

I look forward to discussing these submissions with the Commission at its hearings in Adelaide next week.

Yours faithfully



NICK XENOPHON