The Effect of Gambling, Particularly Gaming on the Retail Industry & Small Business in Tasmania

A

Submission

to the

Productivity Commission

On behalf of the

Retail Traders Association of Tasmania

Prepared by

Guy Barnett & Associates
81 Salamanca Place
Hobart Tasmania 7000
PH: (03) 6223 3333 Fax: (03) 6223 2299

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FOREWORD

We commend the Productivity Commission for holding an inquiry, with broad terms of reference (Attachment 1), into Gambling Industries in Australia, and hope our input will assist in the formulation of effective recommendations to the Government.

We believe Tasmania, being a unique island state and recently relaxing its gambling restrictions has much to learn from experiences interstate. We applaud the Victorian Casino and Gaming Authority in their initiative to measure the impact of gaming on the economy as a whole and the retailing sector in particular. We hope to be able to contribute to similar studies in Tasmania.

We also commend the Tasmanian Government for introducing the Community Support Levy, for the benefit of those gamblers that now suffer from gambling problems that have arisen as a result of the introduction of widespread gaming machines. However, the glaring omission from the Community Support Levy Guidelines and the Tasmanian State Government Gambling Policy is the need to monitor the impact of the widespread introduction of electronic gaming machines (EGMs) upon the economy and particularly small business retailers.

Our major concern is that the small business community was not adequately consulted prior to implementation, as to the economic impacts of the introduction of widespread gaming. We believe an under-rating of the economic implications of gaming, will inevitably pose threats to Tasmania's economy in the future.

It is our firm belief that the impacts of widespread gaming on the retail sector are significant and the adverse consequences for the economy as a whole could prove to be dramatic. Considering the severe impacts of gaming on the economy and small business in particular, which we have highlighted throughout this submission, we have taken the liberty to enclose a proposed Terms of Reference for a study of the impact of gaming on small business.

These proposed Terms of Reference entitled, *The Impact of the Expansion of Gaming on Small Business Retailers including those in Rural and Regional Centres in Tasmania*~~, we~~ believe should serve as the basis for an in-depth study on the subject, with Tasmania being the ideal case study at point.

KEY CONCERNS

A National Accounting firm Deloitte Touche concluded that compulsive gamblers account for about 22% of casino incomes[1].

On the worldwide scale, outside the United States, few references have been found that provide comprehensive data on gambling and its socio-economic influences.[2]

- *"Atlantic City has shown how gambling can become a drain on the local economy and harm existing businesses as the local community redistributes their spending"."*

- *...the net effect of gambling was that approximately one job was lost for each gambling job created."*[3]

- *"Jobs provided by casinos are low-skill, low pay positions that do not help prepare a workforce to compete in the global market".*[4]

- *"Nationwide experience suggests that casinos capture customers rather than distribute them throughout a town. At best, it appears that in many cases, casinos shift jobs around communities rather than create new ones".*[5]

- *"...research found that consumers take gambling money from purchasers where postponement is possible, for example, clothing and apparel and consumer durables such as furniture."*[6]

- *"...as gambling increases, expenditures for clothing, recreation services, business services, new cars and service stations will decline".*[7]

- ***"What we are doing, is we're just rearranging dollars....and the people who usually win, quite frankly, are the casino operations.*** *The people who lose are the cultural activities in the city, the eating and drinking establishments in other parts of the city, even automobile dealers, retail stores etc...* ***There's absolutely no net gain in terms of economic impact from gamblers who are located within the immediate trade area of fifty miles".***[8]

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[1] Victorian Casino and Gaming Authority, *The Impact of the Expansion in Gaming on the Victorian Retail Sector*, March 1997 p 130.
[2] Ibid VCGA, p 121.
[3] Ibid VCGA p 123.
[4] Ibid VCGA p 124.
[5] Ibid VCGA p 124
[6] Ibid VCGA p 123.
[7] Ibid VCGA p 125.
[8] Goodman, R. Director of the United States Gambling Study, *The Lucky Business*, 1995, p 33.

INTRODUCTION

There are valuable experiences to be learnt from the other Australian states. The Tasmanian Gaming Commission, in their submission to the Productivity Commission, makes the point that:

"...the Government's integrated gambling policy recognised that Tasmania was in a position to learn from experiences interstate...".[9]

This submission will illustrate some of the problems and concerns experienced interstate by our close neighbours Victoria as well as highlight some local issues of major concern.

The most glaring issue not considered in the legislation under the Community Support Levy provision and also absent from in the Gambling Policy, released in 1995, was the effect of the introduction of widespread gaming facilities on the economy at large in terms of savings, as well as the effect of widespread gaming on the many fragile micro-economies, small retail businesses, and particularly rural and regional areas in Tasmania struggling to survive in this period of micro-economic reform and National Competition Policy.

The effect of the increased expenditure on gambling, due to the widespread introduction of gaming machines in hotels and clubs after 1 January 1997, has caused further hardship for rural and regional towns and centres as the life-blood of the towns, the small and independent retailers, are competing for the communities disposable income. It can only get worse after betting limits are removed this January 1999.

Moreover, in times of hardship, the vital savings once held by families for tough times and used for necessities and to sustain local struggling small businesses, may be diminished to such a level as to the detriment of society as a whole.

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[9] Ibid. pp4.

BACKGROUND

Tasmania's Gaming Control Act (1993) provided for the establishment of the Community Support Levy, to be derived from the profits of the electronic gaming machines (EGMs) in hotels and clubs. It did not come into force until 1 January 1997. In accordance with the legislation, 50% of the levy must be directed towards prevention and rehabilitation of problem gambling, community education, research and other health services.

In July 1995, the Government released it's *Framework for Developing an Integrated Gambling Policy For Tasmania*, which, according to the Tasmanian Gaming Commission, was to establish a cooperative approach between the Government, the racing and gaming industries and the community towards social issues of common concern.

This coordinated approach was seen by the government and bureaucracy to provide the best opportunity to manage the full range of issues (including social problems) which were faced by the Government in choosing to legalise widespread gaming in this State.[10] **A notable exclusion from the cooperative, are the interests of the small business and retailing sector, which have been dramatically affected by the introduction of gaming.**

Australians wagered $50 billion on pub and club poker machines last financial year. The figure would be higher if the casino poker machines were included. Poker machine gamblers lost more than $ 5 billion. This money was gained by hotels, clubs - and state government gaming taxes. This is a massive transfer of funds for the 3-5 per cent of gamblers thought to have an addiction. It is devastating[11].

Prior to the widespread introduction of gaming machines in Tasmania, the gaming industry's[12] turnover was $815 million in 1995/96, a massive amount for a population of our size (see Attachments 3-5). The introduction of gaming machines into hotels and clubs has increased the industry's profits by siphoning a further $250 million from the Tasmanian economy. Over the last year (1997/98) the industry has recorded a record turnover in Tasmania of $1, 096, 558, 518 and profits of $29, 213, 662 (see Attachments 3-5). The 1997/98 wealth transfer is a 400% increase on 1996/97 figures, ie. from $46 million to $206 million. This means every man woman and child in the state averaged a $43 turnover on the pokies. **Tasmanian losses on EGM's ballooned from $1.63 million to $7.81 million. These figures are of staggering proportions to a state which has the lowest income per capita per family, and the highest unemployment record of any state or territory of Australia.**

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10 Tasmanian Gaming Commission Tasmania's Problem Gambling Strategy, Submission to the Gambling Inquiry, 5 November 1998.

11 The Australian Monday 13 April 1998, *Gambling is a destitute public policy*.

12 Gaming Industry is to be understood as the industry directly benefiting from the profits of Electronic Gaming Machines only.

THE BENEFITS OF THE RETAIL SECTOR

The retail industry is the third largest service industry in Australia and the largest employer in the country. Australia wide, small businesses make up 97%[13] of all the businesses in the retail sector.

In Tasmania, the proportion of small business in the retail sector is closer to 99%[14]. The retail sector in Tasmania employs 30,100 people, and[15] contributes up to 10% of Tasmania's Gross Domestic Product, a figure that is above the national average[16].

THE IMPORTANCE OF SMALL BUSINESS IN TASMANIA

It is now recognised and supported in the wider Tasmanian community that small businesses (such as those among the RTA membership) contribute enormously to the Tasmanian economy, and are a vital part of the social fabric of society. According to the most recent Australian Bureau of Statistics figures, 56% of Tasmania's total private sector workforce are employed in small businesses[17]. Further, this constitutes the highest proportion of people working in small business in Australia - and in any event pays out a wages bill well in excess of $1.5 billion each year[18]. ABS statistics also tell us that no less than 85% of those employed in the retail sector in Tasmania, are employed by small business[19] and most of these in micro-business

Many people and families in Tasmania, being uniquely situated in rural and regional areas, have - and continue - to depend on the entrepreneurial spirit of it's small businesses to maintain a healthy economy. Small Business in Tasmania has not only been the quiet achiever and backbone of the Tasmanian economy, but also has had a significant influence in every corner and part of the State. **In particular, it is the cornerstone that breathes life into the rural and regional parts of Tasmania. It is small business that provides much of the income to sustain the very infrastructure in these fragile and often marginal communities.**

At a national level, small business provides more than 50% of all private sector employment and 30% of Australia's gross domestic product. It accounts for 30% of total industry production and sales, and 19% of total industry profits. Nationally there are more than 900,000 small businesses operating, of which 120,000 are rural and 780,000 are non-rural small businesses.

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[13] ABS
[14] ABS
[15] ABS Labour Force Bulletin 6204, 1995.
[16] ABS Australian National Accounts (State Accounts) 5220.0, 1995/96.
[17] ABS Small Business Review Report 1997
[18] Ibid 1997
[19] Ibid

Where we are particularly vulnerable in Tasmania is that a large proportion of our small businesses are in fact micro-businesses (a business with less than 5 employees), and therefore extremely vulnerable *and financially least capable* of competing with extended forms of gambling and surviving periods of economic recession.

Over the last 13 years, small businesses have employed an extra 26,600 people. This represents almost a 50% increase in small business employment from 55,300 in 1983/84 to 81,900 employees in 1996/97. During that same period the number of small businesses in Tasmania grew from 14,100 to 21,000.

In the light of such figures, the RTA maintains it can argue with conviction that small business has usurped big business as the backbone of the economy in Tasmania.

In conclusion therefore, it is clear that locally grown small businesses have not only surpassed all expectations in recent years in serving as proven job generators for Tasmanians in a very difficult economic trading environment, but also kept the money locally for re-investment or indirectly creating more jobs to help minimise any migration-flow interstate of our youth, who are the life essence of our future.

INTERSTATE EXPERIENCES & THE CONSEQUENCES FOR RETAILERS

Tasmania's close neighbour Victoria has measured the impact of gaming on the retail sector in a report entitled *The Impact of the Expansion in Gaming on the Victorian Retail Sector by* the_Victorian Casino and Gaming Authority (attachment 6). The study was to provide insight into the perceived causes of the decline in retail sales and profits of retail businesses in Victoria since the introduction of EGMs in 1992 and the opening of the Crown Casino in 1994. The report suggests that,

'A key finding is that increased gambling expenditure.... contributed to a significant decline in national savings over the 1990's.''[20]

The RTA is of the view that the consequences of dwindling national savings will severely impact upon small business in Tasmania.[21]

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[20] Victorian Casino and Gaming Authority The Impact of the Expansion in Gaming on the Victorian Retail Sector March 1997, p i.

[21] The implications for decreases in national savings for Australia's economy are:

- Less money being put away for the future in terms of superannuation funds, meaning less investment in the local economy - a contradictory result for the economy and something Tasmania cannot afford.
- Increased tax as the Government in the long run will have to fund retirees.

We consider the most significant findings highlighted by the report were:

- The view that Victoria's experience is mirrored across other states where gambling expenditure rose strongly, and (as outlined previously in the Background section) is certainly the case in Tasmania.

- Growth in gambling expenditure in Victoria between 1990 and 1996 was stronger than the growth in expenditure on retail goods and services, at the State level. This appears to have been funded through a reduction in savings. We suggest a similar experience is now being mirrored in Tasmania at the present time.

- We are also concerned with the issues highlighted in that report that the longer term impacts of increased gambling activity will exacerbate the adverse effects experienced during recessions, as gambling expenditure strips away the safety net of family savings, which in turn will adversely effect household expenditure and retail sales. Further, such depletion of family savings has the potentiality to entrench even further recession troughs.

The other adverse flow-on effect of heavy gaming participation by communities, is that with significantly reduced disposable income (seriously diminished by means of gaming), the catalyst which tends to first lift an economy out of recession, that of retail sector spending, is dampened. This in turn impacts on jobs take-up, given that the retail sector is the largest job-rich sector of our economy.

This is particularly worrying for Tasmania given the report highlights an empirical analysis of gambling and retail expenditure which supports the fact that **increased gambling expenditure has displaced retail spending in some areas of Melbourne and Victoria.**[22]

Another aspect highlighted in the Victorian report is the most worrying statistic that national savings as a share of total household income has declined from 6.7% of income in 1990 to 2.5% in 1996.[23], and that Australian gambling expenditure rose by 1% to reach 3% of household income by 1996.[24]

The Victorian report then concludes with the most sobering of reflections. Namely, that Victoria recorded the slowest growth in the level of retail industry sales of any state in Australia between 1990 and 1996 and that this in part may be attributed after the introduction of EGMs in 1992, and the Crown Casino in 1994.[25]

The end result is a reduction in output for the economy.

[22] Ibid p vi.

[23] Ibid p iii.

[24] Ibid p iii.

[25] Ibid p ii.

CONCLUSION

Noting the characteristics and significant contributions of small businesses supporting community infrastructure and protecting community cohesiveness, especially in rural and regional areas, the ability of many small businesses to survive another severe recession in the future, will be greatly diminished **if there is not a sufficient check on the increased expenditure on gaming by Tasmanian households.**

It is the responsibility of the Tasmanian Government and implicitly the Federal Government to ensure that adequate measures are taken to curb, if not reverse, this most anti-jobs, anti-community, and anti-personal welfare trend.

Furthermore, a major concern has been voiced on frequent occasions by Australia's highest financial strategists, as to the very low level of savings funds contributed by Australian families to their future. **To not curb this gaming trend, our savings levels may drop to a critical level.**

The retailers are threatened firstly by the increased competition for the disposable income circulating in many rural and regional towns and secondly by the fact that the gaming dollar is money that was likely to have been held in reserve as savings.

Tasmania, as a unique island, is a particularly vulnerable state due to the fact that significant amounts of people live outside our major cities. Accordingly, this staggering figure of $1,096,558,518 spent on EGMs over the 1997/98 period is in fact money that may have otherwise been used as savings contributing to the wealth of a family, or used in the local economy providing jobs and value to a community.

RECOMMENDATIONS

1) The Retail Traders Association of Tasmania (RTA) urges that a broad-based independent social and economic impact study of EGMs be carried out without delay, with an emphasis on the impact of EGMs upon small business retailers, particularly those in rural and remote communities. (Note the proposed *Terms of Reference* - Attachment 2)

2) The RTA is concerned with the Tasmanian Government removing any restrictions in relation to the betting limit of EGMs after the current restrictions expire after 31 December 1998. The current restrictions hold that the maximum bet for a 5 cent machine is 25 cents, 10 cent machine the maximum bet is 30 cents and 20 cent machine the maximum bet is 20 cents. We maintain the removal of restrictions will only exacerbate the negative impacts of EGMs in Tasmania particularly retailers, and retailers in rural and regional communities.

3) We urge all governments in Australia to pay particular attention to the use of Internet gaming facilities and to monitor the impacts for Australia socially and economically.

4) We acknowledge and commend the Brighton Council in its efforts and other local councils to gain the right to democratically choose its own future, in relation to the exclusion of EGMs from its municipality.

   In this regard we acknowledge the landmark decision in South Australia where a remote Aboriginal community won a fight to ban poker machines from a hotel and believe such civic discretionary rights should apply in all states and territories. The major argument to ban EGMs in that instance was "..Aboriginal communities fear that poker machines will increase the already high level of poverty and alcohol abuse suffered by them"[26].

[26] Lawyers for the Yalata and Maralinga Tjarutja Aboriginal communities.

TERMS OF REFERENCE

Australia's Gambling Industries

PRODUCTIVITY COMMISSION ACT 1998

I, Peter Costello, Treasurer, under Parts 2 and 3 of the Productivity Commission Act 1998, hereby refer Australia's gambling industries for inquiry and the provision of an information report within twelve months of receiving this reference. The Commission is to hold hearings for the purpose of the inquiry.

Background

2.There is a need for a better understanding of the performance of the gambling industries and their economic and social impacts across Australia, including their impact on the retail, tourism and entertainment industries and on Commonwealth and State/Territory Budgets. Little is known about the social impacts of the rapid growth in gambling.

Scope of Inquiry

3. In particular, the Commission should examine and report on:

(a) the nature and definition of gambling and the range of activities incorporated within this definition;

(b) the participation profile of gambling;

(c) 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;

(d) 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, the redistributional effects of gambling and the effects of gambling on community development and the provision of other services;

(e) 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;

(f) the implications of new technologies (such as the Internet), including the effect on traditional government controls on the gambling industries;

(g) the impact of gambling on Commonwealth, State and Territory Budgets; and

(h) the adequacy of ABS statistics involving gambling.

4. The Commission should take account of any recent relevant studies undertaken or underway and have regard to the economic, social, and regional development objectives of governments.

PETER COSTELLO

The Impact of the Expansion of Gaming on Small Business Retailers including those in Rural and Regional Centres in Tasmania

A plan for empirical and attitudinal research to be undertaken in regard to the effect of gambling and specifically gaming machines in relation to small business retailers around Tasmania.

The benefits of this study include:

- The widespread introduction of gaming machines in Tasmania is still fresh in the minds of many people, having happened as recently as 1996
- A survey sample of several hundred small business retailers including those in 30 rural and regional towns. Within the sample there are numerous small businesses that can be consistently accessed, such as newsagents, pharmacies, petrol stations, independent supermarkets, and butchers.

Aims of Study:

- To measure the impact, if any, of the widespread introduction of gaming machines on small business retailers including those in rural and regional centres around Tasmania.
- To identify possible reductions in consumption of certain products/services and to determine whether they can be classified as essential or not.
- To identify the types of towns, if any, expanding or contracting after the widespread introduction of gaming machines in 1996 and why.

Methodology:

- Measuring the retailers demand for products through using the wholesalers statistics between 1994 and 1998.
- Surveying retailers attitudes relating to the impact of gaming machines between centres with and without gaming facilities.
- Monitoring the withdrawal or introduction of services in centres affected by the introduction of gaming machines and the consequences for surrounding centres in terms of provision of services.
- Measuring turnover of other retailers such as newsagents, pharmacies, butchers and petrol stations liquor outlets.

Gaming Turnover and Revenue

1 July 1995 to 30 June 1996

	Revenue		*Turnover*	
	1995-96 $	*1994-95* $	*1995-96* $	*1994-95* $
CASINOS				
Table Gaming	1,769,438	1,884,500	60,452,492	68,490,533
Gaming Machine Gaming	14,386,669	12,037,562	815,307,275	778,326,066
Keno Gaming	606,873	653,794	16,146,191	14,975,748
Unclaimed Prizes	8,913	35,262		
Licence Fees	1,522,100	1,258,800		
EXTERNAL				
Keno Gaming in clubs and hotels	1,801,156	405,130	50,146,474	13,658,733
Unclaimed Prizes	351,243	139,497		
Licensed Premises Gaming Licences	116,000	89,000		
OTHER FORMS				
Lotteries	20,735,046	21,518,633	63,561,186	67,004,527
Soccer Pools	104,837	126,960	314,838	383,487
Minor Gaming				
Lucky Envelopes	849,751	1,022,908	12,139,295	14,613,887
Raffles	24,141	21,428	7,249,529	6,434,904
Bingo	121,693	132,420	4,655,416	5,066,119
Calcuttas	1,765	1,805	222,573	227,760
Punchboards	98	602	1,400	8,600
Sports Betting	22,609	0	0	0

Note the 1994-95 Keno Gaming figures for taxation and turnover have been redistributed between casino and external gaming to take into account that the casinos no longer have in-house Keno Gaming and now form part of the Tas Keno network.

Disputes Attended by Government Inspectors

Game Type	*Wrest Point Casino*		*Country Club Casino*		*Admirals*		*Tassie Sports*	
	1995-96	*1994-95*	*1995-96*	*1994-95*	*1995-96*	*1994-95*	*1995-96*	*1994-95*
Table Gaming	668	1080	449	365	0	0		
Keno	5	9	3	9	0	0		
Gaming Machines	5	36	53	58	0	0		
Sports betting							8	0
Total	678*	1125	505	432	0	0	8	0

* The decrease is attributed to a change in the methodology for the reporting of this information.

STATISTICS

Gaming Revenue and Turnover

1 July 1996 to 30 June 1997

	REVENUE		TURNOVER	
	1996-97	1995-96	1996-97	1995-96
CASINOS	$	$	$	$
Table Gaming*	1.648.618	1.769.438	58.881.090	60.452.492
Gaming Machine Gaming	23.205.905	14.386.669	872.825.445	815.307.275
Keno Gaming	648.738	606.873	14.976.247	16.146.191
Unclaimed Prizes	7,249	8.913		
Licence Fees	1.510.400	1.522.100		
Penalties	15.000			
EXTERNAL GAMING IN HOTELS AND CLUBS				
Keno Gaming	2.290.220	1.801.156	56.731.693	50.146.474
Gaming Machines	1.632.231		45.001.895	
Unclaimed Prizes	458.723	351,243		
Gaming Licences	164.892	116.000		
Licensed Premises				
OTHER FORMS				
Lotteries	17,629,447	20.735.046	60.142.424	63.561.186
Soccer Pools	82.266	104.837	263,925	314.838
Minor Gaming				
Lucky Envelopes	831.461	849.751	12,684.228	12.139.295
Raffles	23.173	24.141	7.426.135	7,249.529
Bingo	111,560	121.693	4.267.808	4.655.416
Calcuttas	800	1.765	103.405	222.573
Punchboards	0	98	1.400	
Sports Betting	25.075	22.609		

*The figure reported for table gaming turnover, represents the amount of money exchanged for gaming chips at the tables.

Exclusions of Persons by Casino Operators

1 July 1996 to 30 June 1997

	Wrest Point Hotel Casino		Country Club Casino		Admirals Casino	
	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96
Self Exclusion	191	178	67	48	0	0
Exclusion	400	387	62	58	0	0
Revocation	181	169	8	0	0	0

STATISTICS

Gaming Turnover and Revenue

1 July 1997 to 30 June 1998

	REVENUE		TURNOVER	
	1997-98	**1996-97**	**1997-98**	**1996-97**
CASINOS	$	$	$	$
Table Gaming*	1.317.208	1.648.618	46.535.284	58.881.090
Gaming Machine Gaming	21.400.000	23.205.905	890.009.212	872.825.445
Keno Gaming	574.999	648.738	13.240.493	14.976.247
Unclaimed Prizes	11.594	7.249		
Licence Fees	1.594.800	1.510.400		
Penalties		15.000		
EXTERNAL GAMING IN HOTELS AND CLUBS				
Keno Gaming	2.421.188	2.290.220	64.030.835	56.731.693
Gaming Machines	7.813.662	1.632.231	206.549.306	45.001.895
Unclaimed Prizes	126.476	458.723		
Licensed Premises Gaming Licence Fees	193.686	164.892		
OTHER FORMS				
Lotteries	18.812.972	17.629.447	58.589.136	60.142.424
Soccer Pools	78.525	82.226	237.164	263.925
Minor Gaming				
Lucky Envelopes	707.443	831.461	10.106.326	12.684.228
Raffles	22.100	23.173	6.636.544	7.426.135
Bingo	100.163	102.073	3.831.784	3.980.004
Calcuttas	1.220	800	153.846	103.405
Punchboards		0	0	
Telephone Sports Betting	16.548	25.075	3.442.941	

* The figure reported for table gaming turnover, represents the amount of money exchanged for gaming chips at the tables.

Exclusions of Persons by Casino Operators

1 July 1997 to 30 June 1998

	Wrest Point Hotel Casino		Country Club Casino		Admirals Casino	
	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97
Self Exclusion	15	13	22	19	0	0
Exclusion	13	13	8	4	0	0
Revocation	21	12	13	8	0	0