Maribyrnong CITY COUNCIL

**Outline of Verbal Submission to Productivity Commission Inquiry into Australia's Gambling Industries - 2 September 1999**

**Introduction**

Council welcomes the Commission's Draft Report and believes that the report has addressed many of the important issues which are associated with the proliferation of gambling in recent years, particularly in Victoria. However we believe that there are some areas of the report which can be further improved and our submission is intended to assist the Commission in this process of further refinement. Although we propose to provide a more detailed written submission shortly, this summary sets out key areas which we will address at the Commission's hearing at Moreland City Council on 2 September.

## 1. Comments arising from VUT study commissioned by Victorian Local Government

Earlier this year Maribyrnong City Council, in a consortium with Brimbank, Moreland and Greater Dandenong City Councils, commissioned the Workplace Studies Centre of Victoria University of Technology to undertake a project focussed on the development of a methodology to assess the local economic impact of local gambling. The final report of this project is expected to be published shortly. However, the project has produced an interim report entitled "The Impact of Poker Machine Gambling on Low income Municipalities" (a copy of which has been provided to the Commission) and which raises two issues of relevance to the Inquiry.

These are:

- Methodological problems of demand side data obtained from survey methods.

The problem of under-reporting associated with surveys of household expenditure (such as the HES) appears to be significantly greater than was previously thought, and may well extend to other data related to gambling obtained from surveys. We believe that such survey results need to be treated with extreme caution, as the Commission has itself commented. In the context of the Commission's own original survey for this inquiry, we believe it is important to address the likelihood of extreme under-reporting of expenditures and the likelihood of under-reporting of problematic behaviours associated with gambling, such as borrowing money, engaging in criminal activity, and so forth, as used in the SOGS instrument utilised in the survey to identify the incidence of problem gambling, which in turn contributes *inter alia* to the modelling of the benefits and costs attributable to gambling. In our view, it is important that the Commission address under-reporting and its implications for the Commission's survey more comprehensively. We address this issue further in the next section.

- The substitution nature of gambling expenditure, and its effect on low income communities.

The VUT report develops a model for estimating the comparative effects of the substitution of gambling consumption for other forms of consumption, in the context of a 'low-income' community - in this case, Maribyrnong. The assumptions underpinning the model concur with the Commission's observations about the consumption of gambling as a substitute for alternative consumption. The model also demonstrates that, largely because of the structure of the gambling industry, the net effect on low income communities is to diminish the level of overall local economic activity *vis-a-vis* alternative consumption. We believe that this approach is useful in that it supports one of the Commission's key observations, i.e. that the consumption of gambling does not expand the level of economic activity but simply substitutes for alternative consumption. However, it also points to the inequitable distribution of costs associated with gambling and the significant redistributive effects associated with gambling.

## 2. Comments arising from the Productivity Commission Draft report

- The correlation of socio-economic disadvantage and poker machine density.

We note that the Commission investigated the correlation between indicators of socio-economic disadvantage and poker machine density and concluded that although there is a correlation for some such factors in Victoria, the relationship is much less clear in NSW and Queensland. For the sake of completeness, we attach a table and graph which illustrate the relationship between poker machine densities and the ABS Socio Economic Index for Areas in suburban Melbourne. The ABS SEIFA is a composite index which considers a range of characteristics obtained from Census data including the incidence of unemployment, income levels, characteristics of dwellings, proficiency in the English language, etc. We believe that SEIFA provides a comprehensive assessment of the relative disadvantage of local areas. The correlation between SEIFA numbers and poker machine densities set out in these attachments is very strong and provides further evidence of the concentration of poker machines in areas of comparative disadvantage.

We also believe that assertions by the industry (which were reiterated in the Commission's Draft Report) that this pattern in Victoria is explicable at least in part by the comparative over-abundance of venues for poker machine placement in disadvantaged areas of Melbourne, and the scarcity of venues in more affluent parts of the Eastern suburbs, is erroneous. We attach a table which sets out the number of fully licensed clubs and hotels in selected Local Government Areas in suburban Melbourne, compared to the number of poker machines and their per capita density. The LGAs selected are the six which have the greatest density of poker machines and the six which have the lowest density of poker machines. We believe that the table demonstrates that there is no shortage of venues in the more affluent LGAs (including Boroondara, Stonnington and Whitehorse). In fact, the incidence of venues with poker machines as a proportion of total venues is substantially lower in more affluent LGAs.

We are also concerned that the Commission's draft report argues that Victoria's global cap on poker machine numbers may be in part contributing to the concentration of poker machines in areas of comparative disadvantage, on the basis that operators are seeking to maximise the revenue obtained from their machines. We believe that operators would do so in any circumstances, and would suggest that the issue needs to be considered from an alternative perspective - i.e., how would the abolition or relaxation of the global cap reduce the density of poker machines in areas of comparative disadvantage? We also believe that the apparent distinction between NSW and Victoria as regards the distribution of poker machines is explicable consistent with the pattern of distribution in Victoria. It is also relevant to consider that the per capita consumption of poker machine gambling in NSW is 30% higher than in Victoria, even though the per machine rate of revenue is substantially higher in Victoria as the Commission reports.

- Estimates of poker machine revenue per LGA

Again for the sake of completeness we attach a table which sets out our estimates of revenue from poker machines per LGA in Victoria. These estimates were made utilising TGC data and industry information about the proportion of revenue derived from hotels as compared to clubs, and probably underestimate revenue for areas of high poker machine density, and overestimate revenue for areas of low density. However the tables do provide some further evidence of the regressive nature of gambling taxation and particularly of contributions to the Community Support Fund in Victoria.

## 3. The benefits of gambling

The issue of consumer benefit is, as the Commission acknowledges, a matter of some contention and we are concerned that the calculation of benefits and costs associated with gambling is closely reliant upon this concept. We note that estimates of the after tax consumer surplus of non-problematic gamblers and the shortfall in benefits attributable to excessive consumption of problem gamblers both rely upon an estimate of the price elasticity of demand for the consumption of gambling, and in the latter case also rely upon survey data which may be very inaccurate, as we note elsewhere. There are some difficulties with this, in our view. Firstly, we would question the implicit assumption that the consumption of gambling is largely non-problematic for 97.7% of the population. We believe that it is much more likely that most gamblers experience periods of overconsumption of gambling, which for some gamblers at some times become somewhat more uncontrollable than for others. The pathologisation of problematic gambling behaviours is, as far as we can gather, a contentious issue for many researchers and we believe that categorising a small group of gamblers as problem gamblers (whether severe or otherwise) is erroneous. This has implications for the calculation of benefits. As evidence of this, we point *inter alia* to the Commission's own survey data which demonstrates that the vast majority of people (including gamblers) believe that gambling does more harm than good. Further, we would argue that even if it were possible to accurately quantify the amount of overconsumption attributable to problem gambling, the correct approach to assessing the benefits derived from the consumption of gambling would be to compare those benefits to the benefits derived from the consumption from which gambling expenditure was diverted. This net benefit then needs to be discounted by the equivalent net costs of gambling compared to the costs associated with alternative expenditure.

## 4. Planning Issues in Victoria

As we discussed in our earlier submission we believe that the local effects of poker machine gambling imply a significant degree of local control over the location and operation of poker machines. In Victoria, as in most of Australia, this is presently not the case. The Victorian Civil and Administrative tribunal has, however, recently ruled that in cases where planning approval is required (which is a small proportion of total venues) it is reasonable for planning authorities (Councils, for the most part) to require social/economic impact assessments or like information. A copy of the decision of the Tribunal in a recent case involving Maribyrnong City Council has recently been provided to the Concision. We believe that this decision underlines the importance of local control as does the Commission's remarks concerning the need for local consultation. We believe that the only feasible independent structure for such local consultation is Local Government.

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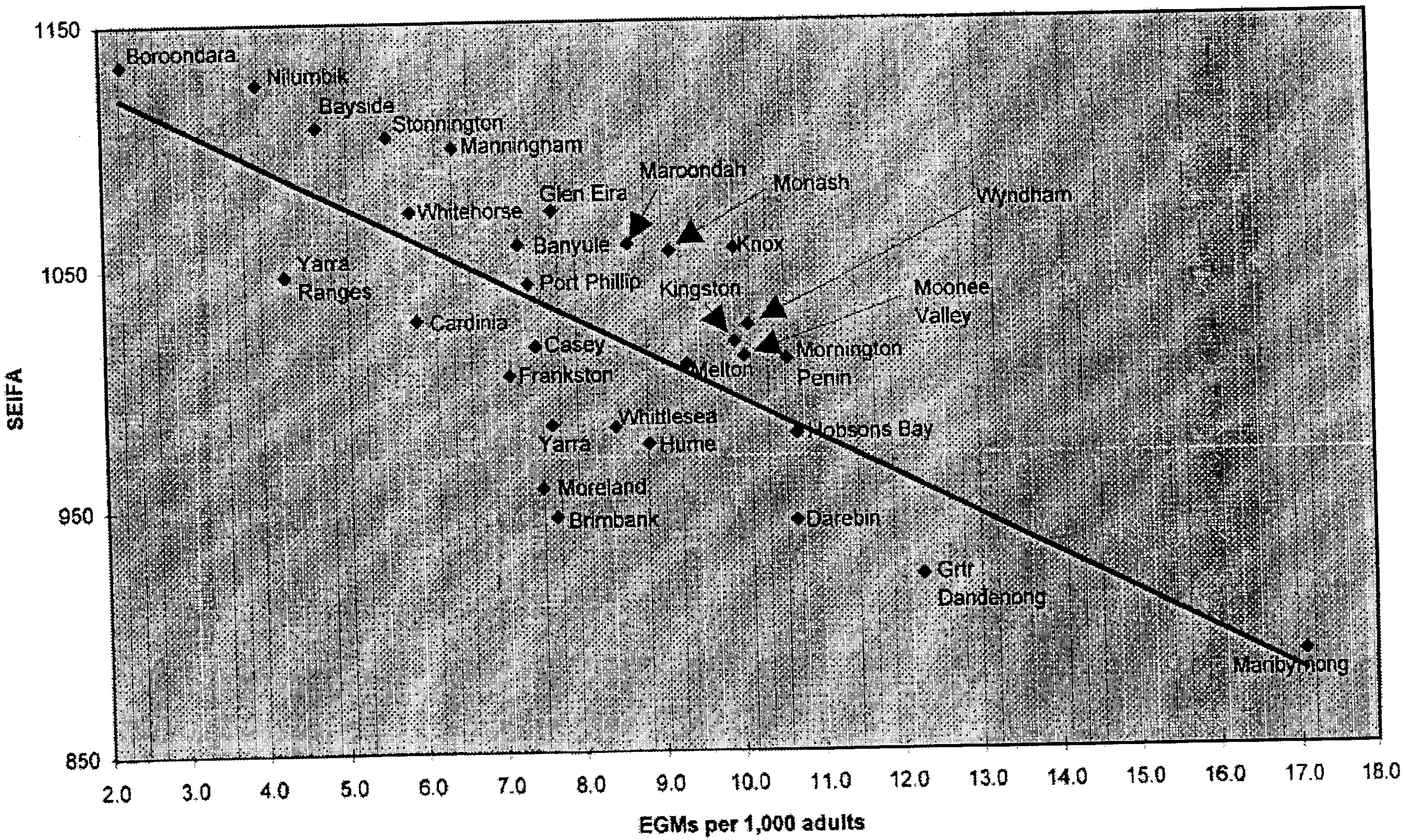
*Maribyrnong City Council*
*Contact: Charles Livingstone Ph: (03) 9688 0195 email: clivingstone@maribyrnong.vic.gov.au*

| Table 1 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Distribution of Poker Machines (EGMs) - Metropolitan Melbourne - September & December 1998 | | | | | | | |
| | | | | | Sep-98 | Dec-98 | |
| | EGMs | EGMs | Adult | % low inc | EGMs per | EGMs per | |
| City | 29-Sep-98 | 31-Dec-98 | Populat'n | | k. adults | k. adults | SEIFA |
| Melbourne | 1111 | 1087 | 39896 | 40.2 | 27.8 | 27.2 | 1035 |
| Maribyrnong | 804 | 794 | 46540 | 55.7 | 17.3 | 17.1 | 888 |
| Grt Danden'g | 1154 | 1154 | 94112 | 52.1 | 12.3 | 12.3 | 921 |
| Hobsons Bay | 599 | 599 | 55934 | 48.1 | 10.7 | 10.7 | 980 |
| Darebin | 1047 | 1042 | 97482 | 53 | 10.7 | 10.7 | 944 |
| Morn Penin | 831 | 857 | 80803 | 50.7 | 10.3 | 10.6 | 1011 |
| Wyndham | 511 | 508 | 50203 | 42.2 | 10.2 | 10.1 | 1025 |
| Moonee V | 840 | 830 | 82475 | 46.9 | 10.2 | 10.1 | 1012 |
| Knox | 911 | 916 | 92011 | 42.9 | 9.9 | 10.0 | 1057 |
| Kingston | 938 | 938 | 94276 | 46.7 | 9.9 | 9.9 | 1018 |
| Melton | 242 | 242 | 25929 | 45.4 | 9.3 | 9.3 | 1009 |
| Monash | 1097 | 1102 | 120597 | 46.4 | 9.1 | 9.1 | 1056 |
| Hume | 699 | 699 | 79051 | 47.1 | 8.8 | 8.8 | 976 |
| Maroondah | 477 | 577 | 66909 | 43.6 | 7.1 | 8.6 | 1059 |
| Whittlesea | 580 | 609 | 72285 | 47.6 | 8 | 8.4 | 983 |
| Glen Eira | 691 | 691 | 90036 | 43.4 | 7.7 | 7.7 | 1073 |
| Brimbank | 787 | 819 | 106738 | 51.6 | 7.4 | 7.7 | 946 |
| Yarra | 442 | 419 | 54912 | 43.8 | 8 | 7.6 | 984 |
| Moreland | 800 | 777 | 103588 | 52.8 | 7.7 | 7.5 | 958 |
| Casey | 726 | 723 | 97186 | 42 | 7.5 | 7.4 | 1017 |
| Port Phillip | 482 | 465 | 63176 | 38.3 | 7.6 | 7.4 | 1043 |
| Banyule | 628 | 618 | 85356 | 44.5 | 7.4 | 7.2 | 1059 |
| Frankston | 545 | 535 | 75285 | 47 | 7.2 | 7.1 | 1005 |
| Manningham | 511 | 511 | 79403 | 43.7 | 6.4 | 6.4 | 1099 |
| Cardinia | 172 | 165 | 27808 | 45.4 | 6.2 | 5.9 | 1028 |
| Whitehorse | 624 | 624 | 106224 | 45.4 | 5.9 | 5.9 | 1073 |
| Stonnington | 397 | 393 | 70149 | 36.2 | 5.7 | 5.6 | 1104 |
| Bayside | 294 | 294 | 62238 | 40.7 | 4.7 | 4.7 | 1108 |
| Yarra Ranges | 388 | 391 | 90923 | 45.1 | 4.3 | 4.3 | 1047 |
| Nilumbik | 147 | 147 | 36843 | 38.7 | 4 | 4.0 | 1126 |
| Boroondara | 256 | 256 | 112575 | 39.3 | 2.3 | 2.3 | 1134 |
| TOTAL METRO | 19731 | 19782 | 2360943 | | 8.4 | 8.4 | |
| TOTAL SUBRB | 18620 | 18695 | 2321047 | | 8.0 | 8.1 | |
| Sources: ABS, VCGA | | | | | | | |

Chart 1 - Poker machine (EGM) density and SEIFA - Suburban Melbourne - December 1998



**Selected Poker Machine Venues & licensed premises* - suburban Melbourne by LGA**

**Proportion of venues with poker machines - 'top' six vs 'bottom' six**

| | **Hotels** | | | | **Clubs** | | | | **All venues** | | | | | **Adult** | **EGMs** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **LGA** | **Total** | **w/EGMs** | **%** | **EGMs** | **Total** | **w/EGMs** | **%** | **EGMs** | **Total** | **w/EGMs** | **%** | **EGMs** | | **Pop'n**** | **per k 18+** | **SEIFA** |
| **'Top' six** | | | | | | | | | | | | | | | | |
| Maribyrnong | 23 | 7 | 30.4% | 432 | 14 | 7 | 50.0% | 339 | 37 | 14 | 37.8% | 771 | | 46540 | 16.6 | 888 |
| Grtr D'nong | 8 | 6 | 75.0% | 433 | 20 | 9 | 45.0% | 721 | 28 | 15 | 53.6% | 1154 | | 94112 | 12.3 | 921 |
| Hobsons Bay | 19 | 3 | 15.8% | 164 | 19 | 9 | 47.4% | 485 | 38 | 12 | 31.6% | 649 | | 55934 | 11.6 | 980 |
| Morn Penin | 21 | 12 | 57.1% | 469 | 23 | 8 | 34.8% | 386 | 44 | 20 | 45.5% | 855 | | 80803 | 10.6 | 1011 |
| Darebin | 16 | 9 | 56.3% | 690 | 14 | 9 | 64.3% | 327 | 30 | 18 | 60.0% | 1017 | | 97482 | 10.4 | 944 |
| Moonee V | 20 | 8 | 40.0% | 437 | 22 | 8 | 36.4% | 385 | 42 | 16 | 38.1% | 822 | | 82475 | 10.0 | 1012 |
| **TOTALS** | **107** | **45** | **42.1%** | **2625** | **112** | **50** | **44.6%** | **2643** | **219** | **95** | **43.4%** | **5268** | | **457346** | 11.5 | |
| | | | | | | | | | | | | | | | | |
| **'Bottom' six** | | | | | | | | | | | | | | | | |
| Whitehorse | 5 | 4 | 80.0% | 386 | 10 | 3 | 30.0% | 155 | 15 | 7 | 46.7% | 541 | | 106224 | 5.1 | 1073 |
| Bayside | 12 | 4 | 33.3% | 189 | 23 | 5 | 21.7% | 95 | 35 | 9 | 25.7% | 284 | | 62238 | 4.6 | 1108 |
| Yarra Rnges | 18 | 3 | 16.7% | 185 | 15 | 6 | 40.0% | 208 | 33 | 9 | 27.3% | 393 | | 90923 | 4.3 | 1047 |
| Stonnington | 38 | 3 | 7.9% | 123 | 14 | 4 | 28.6% | 167 | 52 | 7 | 13.5% | 290 | | 70149 | 4.1 | 1104 |
| Nilumbik | 4 | 2 | 50.0% | 97 | 3 | 2 | 66.7% | 50 | 7 | 4 | 57.1% | 147 | | 36843 | 4.0 | 1126 |
| Boroondara | 14 | 4 | 28.6% | 158 | 10 | 2 | 20.0% | 88 | 24 | 6 | 25.0% | 246 | | 112575 | 2.2 | 1134 |
| **TOTALS** | **91** | **20** | **22.0%** | **1138** | **75** | **22** | **29.3%** | **763** | **166** | **42** | **25.3%** | **1901** | | **478952** | 4.0 | |

*"licensed premises" = hotels and clubs holding full club licenses; **Population data 1996 census

Sources: Dept. of Infrastructure (Vic) 1998; VCGA website gaming venue data, 23/8/99; Liquor Licensing Victoria, licensed premises data, July 1999; ABS 1996 Census data

| Distribution of revenue - Victoria - Metro Melbourne - 1997-98 | | | | |
|---|---|---|---|---|
| **LGA** | **Revenue Share** | | | |
| | **Tax** | **Operator** | **CSF** | **Venue** |
| | **$** | **$** | **$** | **$** |
| Banyule | 13861325 | 13861325 | 2460719 | 11400606 |
| Bayside | 6520518 | 6520518 | 1177407 | 5343111 |
| Boroondara | 5713546 | 5713546 | 984288 | 4729259 |
| Brimbank | 18084246 | 18084246 | 3663045 | 14421201 |
| Cardinia | 3227260 | 3227260 | 211809 | 3015452 |
| Casey | 16564207 | 16564207 | 3283035 | 13281172 |
| Darebin | 23548355 | 23548355 | 4360768 | 19187587 |
| Frankston | 12307107 | 12307107 | 2361044 | 9946062 |
| Glen Eira | 13701297 | 13701297 | 1588565 | 12112731 |
| Grtr Danden'g | 23236033 | 23236033 | 2678757 | 20557276 |
| Hobsons Bay | 10381657 | 10381657 | 1021666 | 9359992 |
| Hume | 15339011 | 15339011 | 2666298 | 12672713 |
| Kingston | 19775496 | 19775496 | 2921715 | 16853781 |
| Knox | 20330230 | 20330230 | 3750260 | 16579969 |
| Manningham | 10508530 | 10508530 | 1376757 | 9131773 |
| Maribyrnong | 17349375 | 17349375 | 2828269 | 14521105 |
| Maroondah | 10267392 | 10267392 | 1657092 | 8610300 |
| Melbourne | 24082308 | 24082308 | 3744031 | 20338277 |
| Melton | 4371931 | 4371931 | 791168 | 3580763 |
| Monash | 21878176 | 21878176 | 3382710 | 18495466 |
| Moonee V | 18691304 | 18691304 | 3301724 | 15389580 |
| Moreland | 17119274 | 17119274 | 2697446 | 14421828 |
| Morn Penin | 18081528 | 18081528 | 2946633 | 15134895 |
| Nilumbik | 3279440 | 3279440 | 604278 | 2675162 |
| Port Phillip | 10284576 | 10284576 | 1601025 | 8683551 |
| Stonnington | 8507992 | 8507992 | 1432824 | 7075168 |
| Whitehorse | 14360075 | 14360075 | 2921715 | 11438361 |
| Whittlesea | 13202277 | 13202277 | 2597772 | 10604505 |
| Wyndham | 10976529 | 10976529 | 1756767 | 9219762 |
| Yarra | 9502648 | 9502648 | 1526269 | 7976379 |
| Yarra Ranges | 8111007 | 8111007 | 1152489 | 6958518 |
| **TOTALS** | **423164649** | **423164649** | **69448344** | **353716302** |

| Distribution of revenue - Metro Melbourne - EGMs - 1997-98 | | | | |
|---|---|---|---|---|
| LGA | Revenue share per adult | | | |
| | Tax | Operator | CSF | Venue |
| | $ | $ | $ | $ |
| Melbourne | 604 | 604 | 94 | 510 |
| Maribyrnong | 373 | 373 | 61 | 312 |
| Grtr Danden'g | 247 | 247 | 28 | 218 |
| Darebin | 242 | 242 | 45 | 197 |
| Moonee V | 227 | 227 | 40 | 187 |
| Morn Penin | 224 | 224 | 36 | 187 |
| Knox | 221 | 221 | 41 | 180 |
| Wyndham | 219 | 219 | 35 | 184 |
| Kingston | 210 | 210 | 31 | 179 |
| Hume | 194 | 194 | 34 | 160 |
| Hobsons Bay | 186 | 186 | 18 | 167 |
| Whittlesea | 183 | 183 | 36 | 147 |
| Monash | 181 | 181 | 28 | 153 |
| Yarra | 173 | 173 | 28 | 145 |
| Casey | 170 | 170 | 34 | 137 |
| Brimbank | 169 | 169 | 34 | 135 |
| Melton | 169 | 169 | 31 | 138 |
| Moreland | 165 | 165 | 26 | 139 |
| Frankston | 163 | 163 | 31 | 132 |
| Port Phillip | 163 | 163 | 25 | 137 |
| Banyule | 162 | 162 | 29 | 134 |
| Maroondah | 153 | 153 | 25 | 129 |
| Glen Eira | 152 | 152 | 18 | 135 |
| Whitehorse | 135 | 135 | 28 | 108 |
| Manningham | 132 | 132 | 17 | 115 |
| Stonnington | 121 | 121 | 20 | 101 |
| Cardinia | 116 | 116 | 8 | 108 |
| Bayside | 105 | 105 | 19 | 86 |
| Yarra Ranges | 89 | 89 | 13 | 77 |
| Nilumbik | 89 | 89 | 16 | 73 |
| Boroondara | 51 | 51 | 9 | 42 |