

Submission to  
Productivity Commission

**Inquiry into  
Australia's Gambling Industries**

from

Mrs Gillian Darcy BA  
Mrs Clare Ryan BEd  
Mr Patrick Byrne BA  
Mr Clem Clarke (Computer language designer)  
Mrs Majella Clark BComm. Hon

On behalf of the  
National Civic Council

582 Queensberry St, North Melbourne, Vic 3051  
Tel (03) 9326 5757 Fax (03) 9328 2877  
Email: [freedom@connexus.net.au](mailto:freedom@connexus.net.au)

October 15, 1999

## Part A: Families, Problem Gambling and Electronic Gaming Machines

### **Introduction**

The Productivity Commission is to be commended on its inquiry into Australia's Gambling Industries. It is the first time such a meticulous study into the effects of gambling on our society has been undertaken in Australia. The final presentation will no doubt prove to be beneficial for future directions taken by the government and by community groups in relation to gambling in our country. The NCC Gaming Committee is very concerned about the negative affects that the recent increase in gambling is having on our society. It is our intention to highlight the following areas in this submission:

- (i) to re-emphasize the large number of problem gamblers as identified by the Productivity Commission;
- (ii) to stress that the problems experienced by this group of people are having a devastating effect on Australian families;
- (iii) to highlight the Productivity Commission's findings that the main cause of problem gambling is the prevalence of Electronic Gaming Machines;
- (iv) to emphasize the fact that these machines are concentrated in the lower socio-economic areas; and
- (v) the NCC's general philosophical principles relating to the family.

The NCC Gaming Committee has also included a number of recommendations for the Productivity Commission to consider before making its final report.

### **Problem Gambling**

While gambling is a legitimate and enjoyable pastime for many, the Productivity Commission's Inquiry has shown that it has become a problem for approximately 330,000 Australians. As per the *Commission's Key Findings, page XII*:

**"Around 330 000 Australians (2.3 per cent of the adult population) are estimated to have significant gambling problems, with 140 000 experiencing severe problems."**

While the nature of problem gambling excludes the possibility of 100% reliability in identifying those belonging to such a group, we believe the Productivity Commission has used a thorough approach in assessing the prevalence of problem gambling in Australia.

The main tool used by the Productivity Commission in identifying problem gamblers is the South Oaks Gambling Screen (SOGS, developed by Lesieur and Blume in 1987). The Commission has described it as -

**“...the most widely used test around the world. For example, it has recently been used by the New Zealand official statistics agency to investigate the prevalence of gambling problems there.” (PC 6.15)**

The Productivity Commission has been very thorough in identifying Australians with significant gambling problems, as evidenced by: the many surveys conducted by the Commission itself, valuable records by various organizations and the anecdotes from doctors, counselors and problem gamblers themselves.

The particular concern of this committee is not the so-called “pathological gamblers” since they already receive attention by professionals in medicine, psychiatry etc. The committee’s main concern is the larger group of people involved in problem gambling as described Blaszczyński et al -

**“Problem gambling is defined as a chronic failure to resist gambling impulses that results in disruption or damage to several areas of a person’s social, vocational, familial or financial functioning... Excessive gambling is used to describe a level of gambling expenditure that is considered to be higher than can be reasonably afforded relative to the individual’s available disposable income and as result produces financial strain.” (1997, PC 6.3)**

### **Impact on Families**

The negative effects of problem gambling are not only suffered by the gamblers themselves. The Commission estimates that 7 other people are negatively affected for every problem gambler. This means that problem gambling is adversely affecting 2.3 million Australians - which is over 12% of the population.

The Productivity Commission’s *Survey of Clients in Counseling Agencies* and their *National Gambling Survey* shows clearly that a great percentage of problem gamblers are responsible for families. (See PC page 6.50, Table 6.17) The Commission also states that problem gamblers are losing an average of \$12 000 per year. This means that many in this group are regularly gambling away part or all of the family’s discretionary income and may even be cutting into their budget. The impact on Australian families, many of whom are already struggling, is devastating.

The financial strains caused by problem gambling are spreading to all areas of family life. The Commission has outlined such problems as depression and suicide, relationship breakdown, lost time at work or study and financial insecurity.

**“Gamblers and their families say that lack of trust, lying, arguments and financial stresses leads to enormous pressures on families... One in four problem gamblers reported divorce or separation as a result of gambling.” (PC, Chapter 7)**

The Productivity Commission cites several studies and reports which illustrate the impact of problem gambling on others. Even Tattersalls, which is a major gambling provider, has recognised the social costs of problem gambling:

**“... there is no doubt that costs imposed on others are a genuine social cost. These costs arise as result of loss of business productivity, family breakdown, gamblers anti-social and/or criminal behaviour, and destitution. They take the form of loss of well being of the problem gambler’s associates, and costs to welfare agencies and community groups.”**  
(PC 7.18)

The impact of problem gambling on children is of the utmost concern. The immediate concern for children’s welfare in such households is poverty. Studies and anecdotes in the Commission’s report highlights the plight of children. Their problems include anxiety and depression, poor school performance, truancy, increased drug and alcohol abuse and a greater likelihood of suffering child abuse.

Not only are many children of problem gamblers being denied the right to grow and develop within safe and well adjusted families, studies also suggest that these children are at a far greater risk of becoming problem gamblers themselves.

### **Problem Gambling, Electronic Gaming Machines (EGM’s ) and Low Socio-Economic Areas**

To further emphasize the problems associated with problem gambling and its effect on families we wish to highlight these findings, related within the Draft Report. The report brought to light the concerns that various local Government and community bodies (mainly within Victoria) have about the apparent targetting of low income and socially disadvantaged areas within an abnormally high proportion of Electronic Gaming Machines (EGMs).

The most graphic examples cited were that of the cities of Maribyrnong and Greater Dandenong, which have 794 and 1,1154 EGMs respectively. These areas claim high rates of low income earners, high unemployment rates and the highest density of EGMs in Metropolitan Melbourne. Crown and Star City casino EGMs take between \$160 and \$250 per EGM per day, or between \$56,700 and \$90,000 per annum (Australian Financial Review, August 24, 1999, pg 55).

Based on these figures, EGMs are taking between \$45.1 million and \$71.5 million per annum in Maribyrnong, and between \$65.4 million and \$103.9 million per annum in Greater Dandenong. The Commission’s results confirm that, particularly in Victoria -

**“... a strong inverse relationship between the average income of people and the number of gaming machines in particular areas. That is the lower are people’s incomes, the more gaming machines in the area.”** (PC 9.35 – 9.36)

It has been reported in the recent press that the number of EGMs is clearly linked to the incidence of problem gambling. The state of Western Australia highlights this

fact. In an article in the *West Australian*, the Premier Richard Court is quoted as saying:

**“...there was little doubt WA’s low rate of problem gambling was a result of limiting access to poker machines. The social problems that arose from gambling far outweighed the estimated \$100 million it could raise for the government.” (*West Australian* 21.7.99)**

Despite the Report’s attempts to address the possible explanations for this alarming fact, nevertheless the implications on the local community cannot be denied. These implications were shown to affect not only the gambler but also his/her family and the extended community. Various welfare agencies were reported to have experienced increased incidences of family breakups and domestic violence, most notably an increase in bankruptcy and financial difficulty.

Despite the obvious (but immeasurable) emotional impacts on both gamblers and their families, these findings also affect the community and society at large economically. The Commission Report illustrates these costs within various categories. These include employment, crime, access to treatment and family impacts (divorce, depression and suicide).

Finally, although social costs like divorce can’t solely be attributed to problem gambling, the added pressures of gambling related problems can only be a catalyst to a festering problem. Although family impacts incur largely emotional costs, the Commission Report still considers them very important albeit not quantifiable.

### **The National Civic Council’s Philosophy on the Family**

It is cheaper for the state and the welfare system to gear its social and economic policies to support the family -- to help keep it intact -- than to allow the family to suffer serious stress or to breakdown under social and economic pressures, and then have to pick up the pieces through the welfare system, the health system, courts and prisons systems.

In the case of EGMs, the Productivity Commission draft report indicates that there is a class of problem gamblers who are not addicted but who regularly gamble away the family’s surplus income, and frequently cut into the family’s non-discretionary budget.

The cost to the state, the welfare system and taxpayer of this problem has to be measured in terms of the family hardship, disfunction and breakdown. Social and economic problems are generally considered to be associated with problem gambling. However, a serious cost-benefit analysis of such problems should factor in the true cost of the following:

- Effect on the diet and health and educational achievement of the children;
- Demands on voluntary welfare agencies;
- Stress to the family and children and effects on their emotional and physical health;

- Bankruptcy;
- Family breakdown with all the costs that entails – courts, welfare, child support, health costs;
- Longer-term effects on child health, education and social disfunction, including the costs of delinquency – e.g. costs to the insurance, police and prison systems.

### **Recommendations**

Recommendations 1 to 3 are aimed at achieving an even distribution of Electronic Gaming Machines (EGM's) across the states to reduce their concentration in low socio-economic areas.

**Recommendation 1: That the current number of Electronic Gaming Machines (EGM's) in each state be frozen. States with high numbers of EGMs should have the numbers of EGMs reduced over a 5-year period.**

Our primary concern is the detrimental effect EGM's are having on families due to their large numbers and easy accessibility in some states. Our focus is on families with problem gamblers as distinct from addicted gamblers.

For instance, the draft report showed that WA, which had significantly less EGM's per capita to NSW, had notably lower incidence of problem gambling than NSW. Although causality tests have not been done, we believe there is more than just coincidence in this statistic. The issue of current problem gamblers could then be addressed separately.

The number of EGM's in each state could be frozen now and reduced over 5 years following further studies on the optimal number. Global caps for each state would need to be determined, as is the case in Victoria and the ACT.

**Recommendation 2: That caps be set on the number of EGM's per shire/council proportional to the population of the shire/council relative to the state.**

We suggest that EGM caps be applied to shires/council based on their population – and reviewed over time. This would mean reducing the number of EGM's in areas where they are disproportionately high. Areas which are determined to have lower EGM numbers than they are allowed to can decide on whether or not to increase their EGM's. In conjunction with other measures, the caps should not cause the spread of problem gambling to areas not currently “affected”.

In Victoria, for example, there appears to be a higher concentration of EGM's in lower socio-economic areas, such as the cities of Maribyrnong and Greater Dandenong.

Demand and supply economics may warrant this, but the situation shifts the burdens associated with gambling to those who could least afford it.

**Recommendation 3: That caps be set on the number of EGM's per venue, particularly clubs and hotels, which may include phasing down for some venues over a 5-year period.**

The Commission has raised this as an option and we support it. We suggest that the number be set as low as possible depending on circumstances, preferably below 50 for each venue. Although recreational gamblers may be "crowded out" as a result, we believe that the potential benefits to problem gamblers would outweigh that cost.

As per Volume 2 of the draft report, many states in the USA limit the number of gaming machines within specified locations. In Nevada, non-casino license holders can have a maximum of 15 machines whilst in South Carolina they are limited to 5 machines per 'single place or premise'. Similarly, in Alberta (Canada), the maximum number of Video Lottery Machines (VLT's) allowed under existing licenses has been decreased from 10 to 7, with new licenses only permitting a maximum of 4 VLT's. Perhaps a review of the success of these measures could be undertaken.

**Recommendation 4: That advertisements promoting Electronic Gaming Machines (EGM's) be stopped.**

Gambling advertisements could be stopped in the same way as cigarette smoking advertisements. Given the current problems surrounding gambling, further encouragement and/or inducements to gamble are unnecessary and counter-productive.

**Recommendation 5: That education warnings be placed regarding the odds of winning on each EGM's - programmed directly into the machine to appear at regular intervals e.g. every 5 minutes.**

Gamblers need to be aware of what the real odds of winning are, in the same way as cigarette packets contain warnings. Knowledge may act as a natural deterrent from prolonged gambling.

**Recommendation 6: That gambling counselling services be more widely advertised and made known.**

We need to help people help themselves. Gambling counselling services need to be readily available and widely known. Counselling service contact numbers should be clearly visible in the gaming venues and, following recommendation 5, also be programmed to appear on the machines at regular intervals with the odds.

Perhaps the government could undertake gambling education and help campaigns in the same way as anti-smoking campaigns.

**Recommendation 7: That a ban be placed on new machines entering the market that emulate computer games – which are aimed at young people.**

It would be very irresponsible to encourage our young to participate in gambling activities. And it would be unconscionable to launch gambling machines specifically aimed at their market.

**Recommendation 8: That taxes be imposed on EGM income, where they are currently not taxed, and the additional revenue be used for educational and counselling purposes.**

Some clubs are currently not required to pay taxes on EGM income based on the mutuality principle. Although they are able to use surpluses to benefit their members, the government may be better placed to re-distribute those surpluses to the wider community, particularly to address gambling-related problems.

**Recommendation 9: That hours of operation of EGM's be restricted or curtailed.**

Restricted hours of EGM operation is recommended given the concern that caps on EGM may lead operators to increase their hours of operation. We suggest restricting hours of EGM operation from 2 pm till 10 pm or 12 midnight.

**Recommendation 10: That gamblers be allowed to voluntarily ban themselves from certain gaming venues and that this self-ban be imposed by the proprietors.**

The community should support gamblers who have recognised their problem and agree to self-ban to avoid further difficulties. For example, in Germany gamblers are able to self-ban to restrict their access to casino gambling.



## Part B: Internet Gambling

The Productivity Commission's *Australia's Gambling Industries: Draft Report* also addressed the issue of internet gambling. A two year study into gambling, the *National Gambling Impact Study Commission Report* (NGISCR) for the US Congress, was released in June 1999.

Both the Productivity Commission and the American NGISCR reports recognised that internet gambling (internet casinos, as distinct from horse racing, lottery and sports betting) is very likely to cause a quantum leap in gambling activities.

Currently, the turnover on internet gambling is small, but is expected to grow rapidly as the availability of computers, internet access and internet literacy grows rapidly.

From the point of view of problem gamblers, it is the fast repetitive nature of EGMs and casino style gambling to which both types of problem gamblers are particularly susceptible. Internet gambling is increasingly capable of emulating these forms of gambling.

Given that gambling is now recognised as a serious social problem affecting a significant proportion of Australian families, it is very probable that there will be a quantum leap in both types of problem gambling with the expansion of the internet.

The technological nature of information technology (IT) determines how governments and society must approach the issue of internet regulation. IT is changing rapidly and has not yet reached its final form. However, regarding internet technology, it can be said that its users are local, the users' ISPs are regional or national, and its information reach is global. It is a technology in which Australia needs to be on the cutting edge. Its effective development and use is critically important to Australia's economic and social development.

### **Responsibilities and Concerns**

Hence, two issues are clear:

First, any internet regulatory measures should not be blunt instruments that excessively impinge on the development and use of this most important, revolutionary and evolving technology. The internet industry, its users (consumers) and government need to work co-operatively together to facilitate its growth, monitor its effects and self-regulate this important new technology.

The Federal government has the power to take responsibility for any internet regulatory measures under its telecommunications powers. For this to happen, our

political policy makers must be informed and up to date with this technology. To date, attempts by the States to regulate and licence internet gambling have been haphazard.

Second, gambling is a legitimate recreational past time. However, there is clear evidence that particular types of gambling and the easy availability of those types of gambling are having very serious social and economic effects on a significant proportion of gamblers, their families, other local businesses and local communities.

An individual could potentially gamble at home any time, in work time, at lunch breaks, before and after work, at internet cafes, at libraries and educational institutions.

Hence, there are genuine community concerns about a potential rapid growth of problem gambling with the expansion of the internet and easy accessibility to internet gambling.

### **“Personal choice” argument**

There are those who argue that internet gambling should not be regulated, that it is a matter of personal, individual choice.

Alcohol is also recognised as a legitimate and important part of our social and recreational life. However, society regulates the availability of alcohol.

It is possible that, especially as internet technology develops, internet gambling may become pervasively available. Unregulated, its accessibility could be likened to doing away with all regulations on the sale of alcohol. Imagine a scenario where alcohol could be served unrestricted to people of any age in milk bars, supermarkets, schools, from vending machines, in takeaway food stores, sandwich shops etc. In such circumstances, we could expect a quantum leap in alcohol associated problems. Governments have a responsibility not to impede legitimate recreational and social activities, but also have a responsibility to limit such activities when they threaten the common good of the community. Because of the probability of a quantum leap in gambling related problems, it is legitimate for governments to regulate internet gambling.

This raises several questions:

- If regulation is to happen, what should be objective of any regulatory measures on internet gambling?
- Given that a number of internet gambling licences have already been granted by State governments, what role should the Federal government now play?
- How can a balance be obtained between the interests of the ISP industry and individual users, their families and communities?

### **Objective of regulation**

The primary concern should be preventing a quantum growth in problem gambling by restricting the growth of the second type of problem gamblers identified by the Productivity Commission.

The following recommendations are reasonable steps towards that objective. The recommendations attempt to reasonably balance the concerns of all parties.

It is not anticipated that the following measures would stop all unlicensed internet gambling (e.g. gambling via “tunneling” on sites in the Cayman Islands), but that it would curb it sufficiently to prevent a quantum jump in internet gambling problems. No law with completely stop internet gambling, just as no law against murder will stop all murders happening.

### **Recommendations**

**Recommendation 11: That the Federal government assume responsibility for regulating internet gambling and that it place a moratorium on the further issue of internet gambling licences. Unlicensed gambling sites hosted in Australia should be illegal and subject to substantial penalties. The moratorium should apply for a number of years until the effects of current internet gambling licences are assessed.**

This will cap access to internet gambling from Australian ISPs.

In so far as many people consider that what is illegal is to be avoided, it would act as a deterrent from illegal gambling sites being hosted in Australia.

The American *National Gambling Impact Study Commission Report* (NGISCR) recommended to the US President, the Congress and the Department of Justice that a moratorium be placed on internet gambling (see Recommendation 5.1, pg. 5.12).

Australia’s Productivity Commission Report did not go this far but it conceded that internet gambling would lead to “a quantum leap in accessibility to gambling” (pg. LV)

**Recommendation 12: That gambling on unlicensed gambling sites (Australian or international) be made illegal.**

Again this is designed primarily to have a deterrent effect on those who might consider gambling at illegal gambling sites.

**Recommendation 13: That one or more commercial internet firms be contracted by the government to periodically search the internet world wide for gambling sites that do not have an Australian licence and to post to all Australian ISPs a list of international gambling sites to be blocked.**

This is a cost-effective means of regulation that does not impeded access speeds or block other internet content.

A number of ISPs already appreciate that there is a market demand from consumers who want to block various types of unwanted materials from being downloaded onto their computers. The technology is believed to be advancing apace in this area. Development of such technology will undoubtedly impact on another area of concern for governments, money laundering.

**Recommendation 14:**

**That three groups be created to represent and oversee the regulation of the ISP industry:**

- a. An ISP Industry Council be formed to implement government regulations and self-regulate the internet provider industry.**
- b. An Internet Consumer Advisory Council be formed with representatives of family, community, educational, church and small business groups to advise the Minister for Telecommunications on matters relating to the internet and interactive communications.**
- c. That an Industry Supervisor be appointed to overview internet industry regulation.**

This would provide representation to all parties concerned. It would also vitally assist the education of: important sections of the community affected by the new IT; the IT industry itself on community concerns; and the parliament which must ultimately play an important role as policy maker in this arena.

**Recommendation 15: That the government initiate and fund education programs to make internet users aware of filtering mechanisms so that potential problem gamblers and families can self-block internet gambling sites.**

Such education programs should be joint responsibility of an ISP Industry Council, of an Internet Consumer Advisory Council and an Industry Supervisor.

**Recommendation 16: Given the importance of IT, its rapid development and its potential economic and social effects on Australia, the Federal government establish an ongoing review of the industry, to report to the parliament on an annual basis.**

This would allow the technological, economic and social issues involved to be addressed on an ongoing basis and allow all sides to view their concerns, and help to keep the parliament in the best position to act appropriately on this important evolving technology.

**Recommendation 17: The government should seek international treaties and other measures to regulate internet gambling on an international basis.**

The need for this was recognised by both the Productivity Commission and the American *National Gambling Impact Study Commission Report*.

### **Conclusion**

These recommendations do not constitute a complete ban on internet gambling.

The recommendations allow existing licences to operate, while it gives governments, the community and the IT industry time to evaluate existing internet gambling before “the genie is out of the bottle”.

Governments will find it much easier to act defensively at this point in time than down the track if internet gambling is allowed to become easily accessible and this form of gambling widespread.

These recommendations involve all parties concerned, allows for public scrutiny of the industry and public policy and keeps the parliament informed as to the issues involved.