

Queensland Government Response

to the

Productivity Commission

Draft Report

on

Australia's Gambling Industries

September 1999

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1.0 Introduction

In December 1998, the Queensland Government forwarded a comprehensive submission to the Productivity Commission Inquiry into Australia's Gambling Industries which commenced, at the direction of the Commonwealth Treasurer, in August 1998. The Inquiry's Draft Report was released in July 1999 and the Productivity Commission sought comments which would assist in finalising the Report.

This Response by the Queensland Government provides comments and discussions on the Draft Report's themes of particular interest to Queensland. The Government has fully cooperated with the Inquiry both in terms of its submission and this response, and in discussions between the Commissioners and Government representatives.

The Queensland Government recognises the widespread community concern with the continuing expansion of legalised gambling. It has set up a Review Steering Committee headed by the Parliamentary Secretary to the Treasurer to conduct a Review of Gaming in Queensland. The major purpose of the Queensland Gaming Review is to investigate and report on the social and economic impacts of the rapid growth of the gaming industry in Queensland. The Queensland Gaming Review seeks to put the necessary checks and balances in place to ensure communities are the real beneficiaries of gaming. The Queensland Gaming Review will be recommending changes to the current Queensland gaming regulatory regime so that future growth in gaming is more carefully managed and is consistent with community expectations.

The findings and analyses of the Productivity Commission broadly concur with those of the Queensland Government. The Draft Report is a comprehensive document which provides a valuable source of information on the extent and nature of gambling throughout Australia. The Productivity Commission's Draft Report has been a very useful resource to the Queensland Government and will support some of the recommendations of the Queensland Gaming Review. However, there are also a number of deficiencies in the Productivity Commission Draft Report. These deficiencies include the following:

- existing research into the economic and social costs of gaming is inadequate and not sufficiently state or regionally focused to quantify or adequately consider the net impacts (i.e. the net benefits and costs) of gaming at a state, regional or community level, or nationally. There is a significant need for more state-based and national research into the social and economic impacts of gaming on local communities and regions, and on state economies. For example, there are significant state, regional and community social and economic costs associated with the rapid expansion of gaming machines that need to be more fully addressed;
- the Draft Report's reasoning that the gains in output or jobs from the gambling industry are mostly illusory ignores state and regional economic factors; and
- the Draft Report's criticisms of state governments' (and by implication, the Queensland Government's) gaming policy rationales, "exclusivity arrangements" and regulatory models are too sweeping, generalised and largely unsubstantiated. The Draft Report does not adequately consider the pertinent regulatory environment, socio-economic and political issues specific to each state.

The key findings of the Draft Report have addressed a wide range of issues that the gambling industry currently faces and will potentially face in the future. Many of these issues are being researched and assessed by Queensland Government entities including the Queensland Office of Gaming Regulation, the Responsible Gambling Advisory Committee and the Queensland Gaming Review.

The following sections of this response examine issues specifically related to the benefits, costs and net impacts of gambling, the growth of gambling and the gambling industry, the broader community impacts of gambling, problem gambling, competition and regulatory access, consumer protection mechanisms, interactive gambling, and gambling regulatory processes and institutions.

2.0 The benefits and costs and net impacts of gambling

The Queensland Government is broadly supportive of the views of the Productivity Commission Inquiry regarding the benefits and costs of gambling. The Queensland Government agrees that there are significant costs for society resulting from problem gambling including financial costs, effects on productivity and employment, crime, family impacts and treatment costs. The Queensland Government also recognises that the gambling industries generate considerable benefits to consumers. However, the Queensland Government disagrees with the Productivity's Commissions methodology and estimates as to the net impacts of gambling. It is the Queensland Government's view that research into the economic and social costs of gaming is inadequate and not sufficiently state focused to quantify or adequately consider the net impacts (i.e. the net benefits and costs) of gambling to Queensland's economy and communities.

The Queensland Government appreciates the Productivity Commission's difficulties in attempting to quantify the net costs and benefits of the gambling industries. The Productivity Commission itself admits that many of the impacts are intangible, and not all can be quantified. For example, problem gambling is an issue of considerable public concern, yet it is an area that, to date, has not been adequately defined or quantified. It is an indication of the difficulty in quantifying the net benefits and costs that the Productivity Commission's estimates of the net benefits of gambling range from as low as \$150 million to as high as \$5.2 billion, nationally.

The Queensland Government is not convinced by the Draft Report's findings that the real contribution of the gambling industry may depend on the extent to which consumers are better off through any enjoyment they obtain from gambling or other activities/benefits offered at venues. The Queensland Government disputes the Draft Report's implications that the gains in output or jobs to Queensland from the Queensland gambling industry are mostly illusory. Indeed, the Queensland Government is concerned that the Draft Report's findings and analyses do not consider relevant state, regional and community employment issues. Rather, the Draft Report focuses on the national economy.

The Productivity Commission claims that:

- if the gambling industries did not exist, most resources employed by the gambling industry would be employed in other uses, creating similar levels of income and jobs to gambling itself; and
- while there may be instances where additional jobs or income are generated, most of the resources in the gambling industry will have been diverted from other industries with a potential reduction in aggregate economic benefits.

However, the Productivity Commission provides no evidence to suggest that if gambling industries did not exist in Queensland, most resources would be employed in Queensland, creating similar levels of income and jobs to gambling itself. The Draft Report's claims do not give adequate consideration to impacts at a state, regional and community level, or to the differing nature and characteristics (such as levels of infrastructure) of individual state economies and their respective abilities to attract industries and jobs.

For example, the resurgence of the club and hotel industries in Queensland has been a direct result of the expansion of gaming since the introduction of gaming machines in 1992. This expansion has been associated with:

- significant growth in employment in Queensland clubs and hotels;
- increased Queensland clubs and hotels revenue (and associated decline in revenues for clubs in Northern NSW which previously relied heavily on the patronage of Queenslanders);
- the generation of revenue for direct funding of Queensland community projects and capital works and for the provision of essential government services including health, education, and law and order; and
- enjoyment of recreation and other facilities by Queensland patrons.

The Queensland Government considers that it is unlikely such benefits would have accrued in regional Queensland, or elsewhere in Queensland, if gaming machines had not been introduced. The Productivity Commission reported that the availability of gaming machines may be adding to the broad changes that have been occurring in regional Australia. Commonwealth Government policy, relating to the rationalisation of public services, has seen a shift of investment away from regional areas hence reducing the utilisation of various resources. The availability of gaming creates economic activity, employment, recreational and entertainment opportunities in regional communities. Such investment can alternatively lead to improvement in the overall investment in smaller towns. Available evidence suggests that the development of world class casinos in Cairns, Brisbane, the Gold Coast and Townsville has also contributed to the growth of tourism and employment in Queensland.

Furthermore, there is little discussion in the Draft Report regarding the direct positive impacts that gambling benefit funds, such as the Gaming Machine Community Benefit Fund, have on Queensland communities. The Queensland Government's major submission to the Productivity Commission Inquiry detailed the substantial amounts provided by the funds for positive outcomes in urban and regional communities. These positive outcomes include:

- economic benefits through grants for infrastructure and other projects in small towns, which increase employment and economic activity in regional communities;

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- assistance to disadvantaged groups through grants for projects and activities which help address various needs of people on low incomes, people with disabilities, people from culturally diverse communities, Aboriginal and Torres Strait Islander people and others in at risk situations;
 - support to local community groups through funding for various improvements or infrastructure, and
 - complementary funding for Government-supported organisations for specific infrastructure improvements and projects.

The Queensland Government also notes that there are other aspects of the economy that have been enhanced by the growth in the gambling industries. These include significant enhancements to the technical and electronics environments due to the development of expertise in the expansion of the modern gambling industries. The maintenance requirements for gaming machines have ensured the economic viability of skilled repair and maintenance firms throughout the state. The related manufacturing and technological exports are also regarded as significant growth areas within the Australian economy and should have received more attention in the consideration of the estimate of benefits.

There is a significant need for more state-based and national research into the social and economic impacts of gaming on local communities and regions, and on state economies.

3.0 The growth of the gambling industries

The growth of the gambling industries is a matter of public record due to the publishing of revenue information by the jurisdictions and the compilation of this information by the Tasmanian Gaming Commission in its annual *Australian Gambling Statistics* document.

The Queensland Government can confirm that, during the 1990s, the expansion in gambling in Queensland is mainly due to the legalisation of gaming machines and, to a lesser extent, the opening of the Brisbane and Cairns casinos. The expansion of Keno to clubs, hotels and TAB agencies commenced in 1997 but this is a relatively low growth form of gambling. The forms of gambling already in operation in 1990 (that is, wagering, lotteries, the Gold Coast and Townsville casinos, and minor gaming) have seen only minor growth.

The initial rapid growth was expected because it started from a low base. However, it is now time to ensure that future growth occurs in line with community expectations. It is clear from the Productivity Commission's Draft Report and the work undertaken in Queensland by the Gaming Review that greater restrictions need to be placed on the expansion of gambling, so that the negative impacts are minimised and communities are not saturated with gaming opportunities.

The initial and primary concern of the Queensland Government regarding the legalisation of gambling was to ensure that it was conducted with the highest levels of integrity and probity. These objectives have been met and the Queensland Government will continue to ensure that the Queensland gambling industry is beyond reproach. The new challenges facing the Government relate to the growth of gaming and the best approaches to managing the negative impacts of gaming. It is clear that the introduction of gaming machines in Queensland has

had significant positive benefits at the community level. However, for this to continue policy makers have to put more emphasis on ensuring future growth occurs in a balanced manner and that Queensland communities have a greater say in the level of access to gaming venues in their local area.

Gaming machines were introduced in Queensland essentially for the benefit of local communities and non-profit organisations. The rapid growth of gaming machines and the significant profits that can be made have attracted an entrepreneurial element into the gaming machine industry. This entrepreneurial element threatens to undermine the non-profit and community basis of machine gaming in Queensland. The Queensland Government is committed to the original premise for the introduction of gaming machines, and has actively prevented attempts by some elements to pursue entrepreneurial schemes that would have allowed gaming machine profits to be shared by a third party.

The Draft Report found that:

"While causation is hard to prove beyond all doubt, there is sufficient evidence from many different sources to confirm a significant connection between greater accessibility - particularly to gaming machines - and the greater prevalence of problem gambling".

The Queensland Government concurs with this finding. The Queensland Gaming Review is currently examining the connection between greater accessibility to gaming and the greater prevalence of problem gambling in particular Queensland Communities.

The Queensland Government believes gaming machines should not be permitted in well frequented community places, such as shopping centres where the primary purpose for visiting the place is to buy groceries or pay a bill. The multi-purpose nature of these centres makes them unsuitable for gaming venues.

The Queensland Government, as a result of the work undertaken by the Queensland Gaming Review, is considering introducing a stricter licensing process for gaming machines which will include a mechanism through which the community can have a say in how gaming expands in their local community.

One option being considered is introducing a community impact study – at both a social and economic level – into the licensing process for new gaming machine venues or the expansion of existing venues. This would ensure future expansion of gaming is in a community's best interests.

The Queensland Government seeks to establish a better balance between the benefits and costs of gambling, and ensure adequate returns to Queensland communities, particularly those communities and individuals most adversely affected by gambling.

4.0 The broader community impacts of gambling

The “Broader community impacts” section of the Draft Report presents a number of findings with which the Queensland Government broadly agrees. The following findings are considered below:

- gaming machines have provided new recreational and social opportunities and around 70% of Australians (including a substantial majority of regular gamblers) consider that gambling does more harm than good to the community;
- while growth in gambling limits growth in the retail sector, the effects are small;
- in Queensland, there is no relationship between income levels and the density of gaming machines; and
- there is no evidence of significant criminal activity directly arising from legalised gambling - strong probity rules have contributed to this.

The ambivalent attitude of Australians to gambling, particularly to gaming machines, is addressed in the Draft Report. It finds that the choice by many in the community to regularly participate in the gaming machine industry has resulted in new recreational and social opportunities. The Draft Report also finds that 70% of Australians consider gambling does more harm than good. It is noted, however, that the Draft Report does not attempt to reconcile the high level of participation in machine gaming with the 70% negative result.

The Queensland Government notes the Draft Report’s finding that only a small part of the growth in gambling expenditure has been at the expense of the retail sector. The Draft Report concludes that structural changes are a normal part of the retail business environment.

The Draft Report considered the relationship between the concentration of gaming machines in an area and the average income for the area. The Queensland Government is particularly interested in this issue and notes the Draft Report’s finding that there is no relationship between income levels and the density of gaming machines in Queensland while there is a strong relationship in Victoria. The Queensland Government is further examining this matter.

The Queensland Government agrees with the Draft Report’s findings that there is no evidence of significant criminal activity associated with the legalised gambling industries. The Draft Report concluded that the strict probity rules need to be maintained and possibly widened in application. This conclusion appears to support the Queensland Government’s firm position that self-regulation is generally not appropriate for the gambling industries.

The Queensland Government also supports the rights of local communities to have a say in decisions on gambling licences and related approvals in their community. The Queensland Government is currently considering measures to improve community consultation processes regarding hotel and club gaming licenses and related approvals.

5.0 Problem gambling

5.1 Defining problem gambling

The Queensland Government considers problem gambling to be a major social issue with significant impacts on individuals and communities. The Productivity Commission has made an important contribution to research regarding the nature and extent of problem gambling in Australia. Further work is required, however, in a range of areas including:

- development of measures that are sensitive to cultural diversity; and
- reasons why only some people have a problem with gambling.

The Draft Report provides a useful analysis of problem gambling including a discussion on different models and frameworks for explaining problem gambling. The Queensland Government is concerned, however, that a comprehensive definition of problem gambling is not provided in the Draft Report. The difficulty of developing such a definition is appreciated, but a comprehensive definition is essential to achieving a coherent and consistent response to problem gambling.

The Queensland Government agrees that problem gambling lies on a continuum of differing degrees of severity and that the determination of thresholds will depend on judgements about what levels of severity are policy relevant. Research on the nature of the problems affecting people at different points along the problem gambling continuum will be required to inform the development of appropriate strategies for particular groups of people.

The Queensland Government has concerns regarding the Productivity Commission's use of the label "problem gambler" in the Draft Report, however. The Queensland Government believes it is more appropriate to define the activity of "problem gambling" as opposed to focussing on the individual who is experiencing difficulties. Labelling a person as a "problem gambler" suggests an inadequacy of the individual and reduces attention on the complex factors, such as advertising, accessibility and lack of information on the nature of gambling, which draw many people to gambling. Responsible gambling policies and practices in Queensland focus on these complex factors, rather than deeming individuals to be solely responsible for their own problem.

5.2 Need for a comprehensive and integrated framework

The Draft Report provides a good analysis of problem gambling, including exploration of a range of possible solutions to particular issues, in areas such as consumer protection. The Queensland Government, however, believes a comprehensive and integrated framework is necessary in order to provide coherency and consistency in responding to gambling-related issues. This framework:

- emphasises responsible gambling;
- encourages shared responsibility by key stakeholders; and
- seeks to avoid a fragmentation of services and responses.

Key stakeholders are represented on the Responsible Gambling Advisory Committee which has provided an effective forum for community groups, industry and government to work together to achieve responsible approaches to gambling. The Advisory Committee is

committed to developing long-term strategic relationships and achieving best practice in responsible approaches to gambling.

The model currently being developed by the Queensland Government will provide a coordinated response to minimising the harmful impacts of gambling and ensure a pro-active approach to responsible gambling is implemented in Queensland.

5.3 Service provision

The Queensland Government supports the Productivity Commission's view that further investment in research and evaluation of effective treatment for people adversely affected by gambling is required. The Queensland Government is committed to collecting consistent and reliable data that will enable service delivery outputs and outcomes (including client satisfaction) to be monitored and assessed. The development of statewide standards and benchmarks, to evaluate the efficiency and effectiveness of different approaches to service delivery, are also being considered.

The Queensland Government is committed to the development of a nationally consistent data set which will collect data on clients of problem gambling counselling agencies. A minimum data set will be supplemented with Queensland specific data and address Queensland specific requirements.

The Queensland Government supports the Commission's view that funding for problem gambling services should be made available on a triennial basis. Indeed, the Queensland Government is already in the process of moving to this system for all its funded community based services.

The Draft Report uses "G-Line" as a generic term for gambling telephone help services across Australia. The Queensland Government notes that G-Line does not operate in Queensland and therefore should not be represented as a national provider. The Queensland Government has developed its own model, the Gambling Help-Line pilot project, to meet the particular needs of the Queensland context. An independent evaluation of the Gambling Help-Line pilot project has been completed. The service will continue to operate in the pilot areas while a statewide model of operation is developed. It is expected that the Gambling Help-Line will be implemented across Queensland in early 2000. This will involve a selection process to choose a provider for the statewide service.

The Queensland Government recognises the need to adopt diverse approaches in service delivery to meet the needs of people who are adversely affected by gambling. General community services play a key role in the provision of an integrated network for problem gambling service delivery at the local level.

6.0 Policy development

As recognised by the Productivity Commission, the gambling industry needs to be strictly regulated, not only because of the potential for criminal elements to emerge in the industry,

but because of the negative impacts of gambling that the Government and community have a responsibility to minimise.

The Queensland Government has been successful in controlling the criminal elements. The rapid growth and accessibility of gambling has brought greater attention and focus onto the negative social impacts. It is in this area that the new challenges for policy development and policy decision makers exist. The solutions, however, must also be the responsibility of the industry (i.e. gambling operators) which makes significant profits from gambling.

The rapid development of new technologies in the gambling industry also represent greater challenges for gambling policy makers. Improvement in the technology available has also allowed operators to develop new products that appeal to the increasingly sophisticated and discerning consumers, making the gambling industry more competitive in the entertainment and leisure market. This expansion has both benefits and costs, and casts up significant challenges to governments who must manage the continual evolution of the industry in a balanced manner.

The Queensland Government agrees that major gambling policy questions require political debate that is adequately informed by disinterested and publicly available advice. Public policy processes must ensure that:

- the process of making decisions is well-informed;
- public consultation processes are effective;
- independent public reviews are used to identify options, possible winners and losers, and otherwise inform this process;
- the assessment of the economic and social costs of each option are undertaken rigorously; and
- all of these processes are undertaken in a transparent manner.

Governments have a clear responsibility not only to regulate gambling and to ensure community confidence is maintained, but also to manage the growth and scope of gambling activities so that the social costs are minimised and that communities continue to be the beneficiary of gambling activities.

The development of policies for the regulation of gambling is a complex and challenging task. In developing a regulatory framework, governments need to balance the interests of consumers, industry service providers and the public interest in minimising the social costs of gambling. Therefore, the issues that require attention in developing policy are:

- ensuring the integrity and probity of industry operators, without unduly restricting the entry of providers;
- protecting the community from social costs of gambling;
- ensuring gambling expansion is in line with community expectations;
- keeping pace with new technological developments which allow balanced expansion of gambling;
- generating revenue that allows the government and community to obtain some of the benefits of the profits generated by gambling activity; and
- setting taxes and regulations at a level that would maintain service provider viability.

As previously discussed, the Queensland Government is currently considering introducing a stricter licensing process for gaming machines which will include a mechanism through which the public generally can have a say in how gaming expands in their local community.

6.1 Information, research and community consultation

The Queensland Government considers that existing research into the economic and social costs of gaming is inadequate and not sufficiently state or regionally focused to quantify or adequately consider the net impacts (i.e. the net benefits and costs) of gaming at a state, regional or community level, or nationally. There is a significant need for more state-based and national research into the social and economic impacts of gaming on local communities and regions, and on state economies. For example, there are significant state, regional and community social and economic costs associated with the rapid expansion of gaming machines that need to be more fully addressed.

The Queensland Government concurs with the Productivity Commission that there should be a national research facility to provide a central focus for data collection and research, including greater consistency in information. This should establish an accessible one-stop shop of consistent and accessible information relating to gambling for the use of regulators, the industries and the public in general. Such a facility would also be beneficial in establishing trends and possible links between gambling venue accessibility and problem gambling on a national basis.

The Productivity Commission postponed consideration of the adequacy of the Australian Bureau of Statistics and other statistics until the Final Report. This is unfortunate as the Draft Report clearly established the necessity of more extensive research into the gambling industries.

The quality of results of gambling research projects in Queensland and other jurisdictions has, to date, been generally disappointing. While more quality nation-wide research will be helpful in general terms, more jurisdiction specific research needs to be undertaken. For example, the Australian Bureau of Statistics gambling statistics in previous years were usually on a national basis and therefore of limited use to Queensland in terms of informing state gambling policy decision making.

The Tasmanian Gaming Commission's annual publication, *Australian Gambling Statistics*, which is derived with the assistance of each Australian jurisdiction's regulators, has been of more practical use in comparing gambling-related information around the nation.

The Draft Report was critical of the apparently small amount of public consultation in gambling policy development across jurisdictions. It argued that it is becoming more important for gambling regulators to create a more transparent legislative and policy environment. The Queensland Government concurs with this view. The Queensland Government is pleased to note that, over the past three years, it has conducted several important public consultation processes including the following:

- Jan 1999 - Public Benefit Test under NCP for the Prohibition in the *Gaming Machines and Other Legislation Amendment Bill 1998* of Certain Gaming Revenue Sharing Agreements;
- 1998 and 1999 - Consultation with key groups regarding amendments to the *Gaming Machine Act 1991*;

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- April/May 1998 - Art Unions Discussion Paper;
 - Sept 1999 - Charitable and Non-profit Gaming Rules and Regulations;
 - 1996/1997 - Gaming Machine White Paper;
 - Aug/Sept 1998 - Public comment on draft technical standards for interactive gambling;
 - June 1999 - Call for public submissions for the Queensland Gaming Review.

Furthermore, the Queensland Office of Gaming Regulation web-site is a valuable resource for the public and stakeholders to explore legislative, policy, organisational and associated information in addition to current issues regarding gambling in the State, thus creating a degree of transparency for the policy development process.

6.2 Taxation and funding

The Productivity Commission had reservations about high taxes not directly tackling problem gambling. Additionally though, the Productivity Commission also suggested that these high taxes remove possible surplus income from gaming operators and help redistribute it to areas that can benefit those affected by problem gambling, such as harm minimisation, counselling services and help lines.

Currently in Queensland there are six community benefit type funds that help deliver some of the money spent on gambling back to the community at large. The effectiveness of the redistribution of revenue by state governments should be open to scrutiny, rather than the taxation structures themselves.

The Queensland Government is currently reviewing the scope, form and levels of its redistribution of gambling revenue to improve transparency and ensure a more strategic use of funds to meet defined community needs. The Queensland Government is also considering a substantial increase in funding levels for problem gambling and problem gambling research.

6.3 Legislation reviews

The Queensland Government has already conducted or has scheduled reviews of all State legislation affecting gaming, taking account of the provisions for legislation reviews in the Competition Principles Agreement. The implementation of the recommendations of reviews already completed and those that will be conducted is contingent on the Queensland Government's response to the recommendations in the final report by the Commission.

The forthcoming reviews of the *Casino Control Act 1982*, the *Gaming Machine Act 1991* and the *Racing and Betting Act 1980* will also conform with the Government's revised Public Benefit Test Guidelines. These guidelines emphasise that a rigorous assessment of the costs and benefits of proposed reforms should be undertaken, including an assessment of economic, regional development, employment, social, consumer and environmental impacts.

6.4 Exclusive arrangements

The Productivity Commission has argued that exclusivity arrangements have not reduced problem gambling. However, it has not been discussed how accessibility and problem gambling would be affected if exclusivity arrangements for the various gambling forms did not exist. The fact that problem gambling has been found to be increasingly more prevalent with the growth of gaming machines, and that gaming machines are the least exclusive gaming type, would tend to conflict with the view expressed by the Productivity Commission.

The concerns of the Productivity Commission regarding the use of a liquor licence based licensing framework for the granting of gaming machine licences has been noted. History has played some part in the continued use of liquor licensing as a basis for gaming venue approvals but no other method of assessment has been proposed which could successfully replace this system. The current regime is positive in the sense that it establishes an environment that is adult based (hence restricting minors) and requires a common nominated licensee who is responsible for the conduct on the premises.

The Productivity Commission suggests that gaming licences should be judged against criteria based on 'risk of harm assessment'. The use of such criteria would require significant research and testing to establish whether licensing of such gaming venues would not be worse off than under the current system of assessment. The general public is currently aware that hotels and clubs have legislative frameworks and controls surrounding their operations. In support of this, the Queensland Government has been looking into the possibility of aligning the barring of a person from purchasing further alcohol with also barring the person from remaining in a gaming area.

It should be noted that in Queensland the possession of a liquor licence is not the sole basis for the licensing of sites, but *one* of the criteria for applying for a licence. To further support this, the Government is considering some form of impact assessment and the application of guidelines, depending on the social environment in question, to ensure growth is consistent with community expectations and the community has an opportunity to influence the establishment of new venues in their local area.

The use of the local government urban planning process to assess public need, suitability of premises and impact on the amenity of surrounding areas and residents, is a consideration that may help create an improved licensing procedure. It may also indirectly help address many issues relating to access and problem gambling and would therefore enable the regulator to concentrate on probity issues, supervision of gaming and the control of internal gaming environments.

7.0 Regulatory processes and institutions

The findings of the Productivity Commission's Draft Report have contributed to the Queensland Government's ongoing review of how policy advice is generated and whether there are better ways to structure gambling policy making and regulatory processes to improve policy advice and achieve better outcomes in the future. The Queensland

Government needs to be proactive concerning gambling issues. It has a clear responsibility not only to regulate gambling and to ensure community confidence is maintained, but also to:

- protect the community from social costs of gambling;
- ensure gambling expansion is in line with community expectations; and
- keep pace with new technological developments which allow the balanced expansion of gambling.

The Queensland Government, however, has some queries and concerns regarding the Draft Report's suggestions about making significant changes to the regulatory regimes in Australian jurisdictions. These concerns arise primarily because the Draft Report does not appear to have found any evidence that the control and enforcement regulatory functions of gambling activities are ineffective. Indeed, the Draft Report acknowledges that while different regulatory models are present in different jurisdictions, there is an absence of illicit activity associated with lawful gambling activities and that gambling is controlled in accordance with high levels of probity and integrity.

7.1 Regulatory structure and objectives

The Commission outlined a preferred structure for gambling regulation after examining the existing structures in Australian States and Territories. The recommended regulatory model seemed to lack detailed research and clearly defined and established rationale.

It is considered that many elements of the proposed model are currently present in the Queensland structure. However, it may be beneficial to clearly outline that structure.

Queensland Structure

Minister - Treasurer

Supported by the Treasury Department portfolio office - Queensland Office of Gaming Regulation (QOGR)

Independent commission - Queensland Gaming Commission (Control and Adjudication)

- Established by the *Gaming Machine Act 1991* but has been recently expanded into appeals by the *Interactive Gambling (Player Protection) Act 1998*, *Wagering Act 1998* and *Charitable and Non-profit Gaming Act 1999* (yet to commence).
- Undertakes issuing of most licences under the *Gaming Machine Act 1991*.
- Independent decision making body that is not subject to Ministerial approval.
- Appointed for a fixed term.

QOGR

Involves four (4) Divisions

(1) Compliance (Enforcement)

- Inspectors
- Investigators
- Audits
- Control system and casino equipment approvals
- Rules of games

(2) Licensing (Control)

- Support to Commission
- Client service
- Information Technology

(3) Finance and Administration (Revenue Collection)

- Collect revenue
- Office administration

(4) Office of the Executive Director (Policy Advice)

- Policy advice, research and legislation
- Corporate communication

Department of Families, Youth and Community Care (Programs)

- Responsible gambling
- Support for problem gambling counselling

The proposed regulatory model

The Draft Report did not appear to reach a conclusion regarding the preferred Minister to oversee the regulation of the gambling industries. Concerns were expressed questioning the location of the regulator within the Treasury, especially regarding the perceptions of a revenue focus. However, concerns were also raised regarding the independence from industry of a specialist gambling regulator.

Furthermore, the concerns about the reliance on revenue are not addressed by a change in the regulatory model.

The Queensland Government concurs with the Productivity Commission findings that the policy development function is properly the preserve of Parliament, and there is a need for:

- more consultation, both intergovernmental and community based;
- more research;
- separate community awareness and provision of support services;
- clearer role definition and separation, without necessarily requiring physical separation;
- regulators not to be seen to promote gambling.

However, the Queensland Government does not concur with the Draft Report's view that an independent commission should have no past or present links to the industry and only serve one term. It is difficult to understand how the independent commission could add value, other than in an adjudicative manner, unless there are substantial powers given to support staff.

It is queried whether there is sufficient evidence to show that a physical separation of enforcement and control functions would result in improvements in the control of gambling activities in Queensland. Evidence from New Zealand (which has segregated casino control and enforcement from gaming policy) suggests that separation of regulatory functions can

potentially lead to the duplication of resources, communication problems, inconsistent policy direction and formation and territorial disputes.

The Productivity Commission's use of the New Jersey regulatory model as an example is seen as being less constructive than the consideration of an Australian best practice model. The New Jersey model was designed in 1976 to combat the specific issue of organised crime in the regulation of gaming. With there being no evidence relating to organised crime in Australia, such a model could be considered much less relevant than the Commission suggests.

Queensland is currently examining social aspects of the gaming industry through the Queensland Gaming Review. Queensland is also reviewing the regulatory structure to ensure that there is sufficient independence from the Government, whilst ensuring that policy direction will continue to be set by the Government.

In this regard, Queensland is examining the levels at which administrative decisions are made across the gaming Acts. This will include:

- reviewing the decisions that are made by the Governor in Council, the Minister, the Commissioner and the Chief Executive to ensure that decisions are made at a consistent level across the gaming Acts;
- reviewing the role of the Queensland Gaming Commission across all legislation as well as licensing and appeal functions;
- examining mechanisms for ensuring greater public input, for example through local councils; and
- ensuring adequate mechanisms for community awareness and provision of support services through Department of Families, Youth and Community Care.

8.0 Consumer protection

The Queensland Government supports the Commission's view that effective consumer protection measures could collectively make a significant contribution to ameliorating social costs. The Queensland Government believes that effective consumer protection is a shared responsibility between key stakeholders in the gaming industry sector, Government, community groups and the consumer. The Responsible Gambling Advisory Committee, comprising of representatives of community groups, gaming industry and Government, assists in achieving this goal by providing strategic advice to Government on issues relating to responsible gambling in Queensland.

8.1 Consumer information

The Queensland Government is committed to putting in place measures that enable consumers to become more informed consumers of gambling. The Queensland Government supports the Productivity Commission's view that consumers should be provided with significantly more information about the nature of gambling.

The Draft Report found there was a need for the provision of more information to consumers on the odds of winning a lottery and on gaming machines. However, there was no mention of improving such information for other games such as Keno. Where possible, the Queensland Government supports consistency in provision of such information across all forms of gambling.

Furthermore, there is a need for clearer information on the odds of winning versus the odds of winning a major prize (eg. odds of winning Powerball jackpot 55 million:1, odds of winning general prize (3 numbers) 160:1), as well as clearer information regarding the odds of winning versus the odds of payback (eg. gaming machines—85% return to player, but over 100,000 games).

The Queensland Government supports further investigation of the provision of updates on player spending as a mechanism to provide gamblers with more information, and therefore more control, over their playing habits. This could involve the introduction of spending statements associated with player loyalty cards, which could help improve awareness of spending levels of the player. It is recognised however, that evidence-based trialing and research will be required to consider the potential positive and negative impacts of loyalty cards. For example, loyalty cards could entice patrons to gamble more by generating a rewards system and updates on spending may be seen as encroaching on player privacy.

8.2 Education

The Productivity Commission found that younger people are disproportionately represented amongst people adversely affected by gambling yet the Draft Report includes only a limited investigation of the issue. The Queensland Government recognises that, to reduce the number of people adversely affected by gambling in the long-term, there must be a focus on preventative strategies for young people.

The Draft Report includes a description of the school programs that have been developed by the Queensland Government to educate young people (and therefore our future adult population) about gambling and possible problems associated with it. The modules have been developed through a productive partnership between the Department of Families, Youth and Community Care, the Responsible Gambling Advisory Committee and the state's Education portfolio.

The modules have been developed for junior secondary students and support students to become critical consumers of texts related to gambling situations. Teaching and learning activities contained in the curriculum modules support students to develop the knowledge, attitudes and skills to deal with current issues, as well as those associated with their future roles as healthy and informed citizens.

In recognition that research suggests gambling behaviours frequently develop as early as ten years of age, the Queensland Government has begun development of a module for upper primary school students, for inclusion in the *Study of Society and Environment* key learning area. The Queensland Government supports the development of a suite of responsible gambling modules to address the issue from different perspectives at different levels through the compulsory years of schooling. The Queensland Government recognises the need for longitudinal research to determine the effectiveness of including responsible gambling curriculum materials in schools, in minimising the harmful impacts of gambling.

As indicated in the Draft Report there is a dearth of curricular material in Australia that explores gambling-related issues. Teachers and other developers of curriculum need to be aware of the relevance of exploring gambling-related issues with students. There has been a tendency for gambling-related issues to be marginalised as being relevant to a very small proportion of the community. The curriculum material developed by the Queensland Government is based on the premise that problem gambling is an issue which is affecting increasingly larger numbers of people within the community.

8.3 Advertising and promotion

The Queensland Government concurs with the Commission's view that even though advertising is controlled by individual jurisdictions, a consensus should be established regarding appropriate advertising and promotional standards. Regulators attempted to implement such a standard several years ago through developing a national standard, however, oversight of compliance with the standard was considered to be a breach of competition policy.

The Queensland Government considers effective development and implementation of appropriate advertising standards is a shared responsibility between Government and industry. It is envisaged that as community awareness of responsible approaches to gambling increase people will become more critical consumers of the persuasive invitations of advertising.

The Queensland Government agrees with the Productivity Commission that stricter controls of gambling promotion would accord with the special treatment provided to alcohol and tobacco products where social harms from excessive consumption are also prominent.

The Queensland Government believes a more detailed investigation and analysis of advertising is required in the Draft Report. For example:

- an analysis of current advertising including an investigation of whether there is sufficient focus on responsible gambling or if advertising is orientated towards promoting the interests of gambling providers at the expense of responsible gambling; and
- an investigation of whether different types of gambling advertising have different effects on individuals (eg. TV and magazine).

8.4 Access to gambling

The Queensland Government supports the Productivity Commission finding that there is a significant connection between greater accessibility to gambling, especially gaming machines, and the incidence of problem gambling. Further study is required to establish gambling capacities, appropriate locational spatiality of gambling, the "true demand" for gambling products and whether rates of supply are sustainable in each individual state, region or local community.

The Queensland Government supports the Productivity Commission finding that evidence-based trialing be used to determine effective consumer protection mechanisms, such as

appropriate design modifications to gaming machines to provide enforced breaks in play. Performance measurement and evaluation of different mechanisms are critical elements in developing and implementing an integrated approach to consumer protection.

The Productivity Commission also specified that there should be a greater focus on the gambling venue environment to reduce problem gambling. This could include the redesigning of technologies (eg. to include responsible gambling messages on screens) and the creation of greater visibility of help service information. Such environmental change would require specific legislative or policy provisions to be put in place or at very least the promotion of some form of incentive for the operator.

The Queensland Government also supports the Productivity Commission's findings that the issues of access to Automatic Teller Machines (ATM's), EFTPOS and the cashing of cheques need to be further investigated. This is an area of responsible gambling that is likely to be crucial to future policy and legislative protection.

9.0 Internet gambling

9.1 Regulation

A number of the Commission's findings support the regulation of internet gambling through a national approach. This, in principle, supports the approach adopted by Queensland in introducing the *Interactive Gambling (Player Protection) Act 1998* which is based on the draft national model agreed in principle by gaming ministers from all Australian jurisdictions in May 1997.

The future economic viability and credibility of internet or on-line gaming operators is an interesting aspect put forward by the Commission. It is suggested that the regulation of internet gaming would create an environment of reputable operators and help certify quality which would benefit consumers. This is an important point that not only enhances the legitimate case for the regulation of internet gaming, but also enhances the protection of consumers within the industry.

Queensland's *Interactive Gambling (Player Protection) Act 1998* contains most of the player protection measures referred to in the Commission's Draft Report, which are significantly aided by the technology being used. Protection measures which have been established, in line with the national model, include player registration, prohibition on minors, betting limits, exclusion provisions, advertising, credit betting prohibition and protection of privacy.

Protection provisions currently established in Queensland are also set out in the licence conditions, where licensed providers are to:

- verify the address of a registered player at least once a year;
- comply with any Advertising Code of Conduct developed by providers licensed under the National Model;
- make public copies of the rules of the games, player privacy information, age requirements, complaints mechanisms and self exclusion procedures;

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- provide information at the start of each gambling session regarding services to assist problem gamblers;
 - refrain from having a link to another site other than as approved by the regulator;
 - retain information for 5 years to enable economic or social impact studies to be conducted – such information would include, but not be limited to gender, age, game type, size of wager, date and time of play and geographic location of players;
 - make available online a software package able to be used to prevent a minor accessing and participating in a game conducted by the provider; and
 - enable players to forward messages to Queensland Office of Gaming Regulation online.

Information and awareness are important issues within the regulatory framework of internet gambling that require emphasis to help address possible problems and promote safe consumer practices. Encouraging suggestions raised by the Commission include the provision of links to information such as a list of regulated sites, help services and standards for the safe use of the sites and advice regarding unlawful sites and regulated sites.

9.2 Commonwealth involvement in interactive gambling

The Draft Report suggests that there are major benefits in the states and territories pursuing a national approach to on-line gambling, thus implying that some form of federal involvement would be preferable.

The Queensland Government is open to a cooperative arrangement with the Commonwealth Government in regards to interactive gambling. Previously though, the Commonwealth has not been interested in such an arrangement. Presently, the national model has established a cooperative approach between the various state jurisdictions. However, the Commonwealth, as the Draft Report suggests, could successfully assist in such aspects as extending internet content legislation to capture unregulated gambling sites.

10.0 Queensland Gaming Review

10.1 Objectives and terms of reference

The Queensland Government is currently reviewing the State's gaming industry via the Review of Gaming, which began in June 1999. The purpose of the review is to investigate and report on the social impact of the rapid growth in the industry. Many of the issues outlined in the Commission's Draft Report are being considered by the Queensland Gaming Review where they have particular relevance to Queensland.

The terms of reference for the Review of Gaming are set out below.

The review team will examine and report on:

- the benefits to Queensland communities of gaming and how these benefits can be safeguarded and enhanced. This examination should include the appropriateness of the policy for distribution of funds to charitable, sporting and community organisations;

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- the extent to which responsible gambling policies and practices are presently implemented by the gaming industry in Queensland. This should include the examination and identification of gaming policies, procedures and programs that would enhance the social returns from the gambling industry;
 - the adequacy of consumer protection mechanisms including the adequacy of regulatory constraints on advertising in the industry;
 - the existence of and barriers to competition amongst gaming venues (other than with respect to taxation arrangements);
 - the capacity of the gaming regulatory regime to measure and consider the social impact of an expanding gaming market. Particular attention should be given to the approval process for additional gaming machines, new or varied site licences and the physical location and site requirements of gaming venues.

As noted above, industry taxation arrangements will not be within the scope of the review, as this remains a matter of broader Government policy determination.

The findings of the Queensland Gaming Review will be presented later in the year.

11.0 Conclusion

The gambling industries in Australia have been shown to be expanding at a rapid rate, especially gaming machines. The Productivity Commission's Draft Report has extensively outlined key findings and information that will help:

- better inform the governments, industry participants and the general public of gambling issues and impacts; and
- stimulate debate on these issues and current and future impacts.

The Queensland Government is broadly supportive of the findings and analyses of the Productivity Commission Draft Report. The Queensland Government seeks to establish a better balance between the benefits and costs of gambling, and ensure adequate returns to Queensland communities, particularly those communities and individuals most adversely affected by gambling.

Further, the Queensland Government seeks to ensure that future growth of the gambling industry occurs in line with community expectations. It is clear from the Productivity Commission's Draft Report and the work undertaken in Queensland by the Gaming Review that greater restrictions need to be placed on the expansion of gambling, so that the negative impacts are minimised and communities are not saturated with gaming opportunities.

To benefit the Productivity Commission's progress leading into the final report, the Queensland Government has attempted to respond and expand on a number of the key findings, as well as some of the issues which were under emphasised. In this instance, the Queensland Government has highlighted significant deficiencies in the Draft Report and areas that seemingly require more in depth discussion in the Final Report.

Deficiencies in the Draft Report of particular concern to the Queensland Government include the following:

- existing research into the economic and social costs of gaming is inadequate and not sufficiently state or regionally focused to quantify or adequately consider the net impacts (i.e. the net benefits and costs) of gaming at a state, regional or community level, or nationally. There is a significant need for more state-based and national research into the social and economic impacts of gaming on local communities and regions, and state economies. For example, there are significant state, regional and community social and economic costs associated with the rapid expansion of gaming machines that need to be more fully addressed;
- the Draft Report's reasoning that the gains in output or jobs from the gambling industry are mostly illusory ignores state and regional economic factors; and
- the Draft Report's criticisms of state governments' (and by implication, the Queensland Government's) gaming policy rationales, "exclusivity arrangements" and regulatory models are too sweeping, generalised and largely unsubstantiated. The Draft Report does not adequately consider the pertinent regulatory environment, socio-economic and political issues specific to each state.

12.0 Appendix

12.1 Draft Report Amendments

Chapter 15

The source for material used in Box 15.5 on page 15.28 should read 'Department of Families, Youth and Community Care, Queensland' rather than 'Nayler and Dinsey'.

Chapter 16

'G-Line' should not be used as a generic term for telephone gambling help services in Australia. G-Line does not operate in Queensland and therefore should not be represented as a national provider. The Queensland Government developed the model for the Gambling Help-Line pilot project to meet the particular needs of Queensland.

Page 16.14. In addition to the information provided on funding to the Break Even network, it should also be noted that funding is made available for the Gambling Help Line and the Secretariat for the Responsible Gambling Advisory Committee, which is comprised of industry, problem gambling service provider and government representatives.

Table 16.2. The information provided in relation to Queensland should be updated to read:

Queensland	1998-99	1.556M Allocation to recurrently funded problem gambling services (including funding for the Secretariat for the Responsible Gambling Advisory Committee)
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Chapter 17

Table 17.3 on page 17.42 The summary of internet gambling regulations, displays incorrect information regarding the taxation of licensed providers in Queensland. The information should state that licensed providers in Queensland are taxed on gross profit but the distribution of this tax to other participating jurisdictions is dependent on that jurisdiction's percentage contribution to total turnover.

Chapter 21

Table 21.1 The Queensland Gaming Commission also hears appeals for certain decisions under the *Gaming Machine Act 1991*, *Wagering Act 1998*, *Interactive Gambling (Player Protection) Act 1998* and proposed for the *Charitable and Non-profit Gaming Act 1999*.

Table 21.2 In relation to the reference to the coverage of gambling modes by the Queensland Gaming Commission, the words "clubs, hotels" should be replaced with "most". This reflects changes as a result of the commencement of the *Interactive Gambling (Player Protection) Act 1998* and the *Wagering Act 1998*.