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INDEPENDENT NO POKIES CAMPAIGN  
MEMBER OF THE LEGISLATIVE COUNCIL



LEGISLATIVE COUNCIL

PARLIAMENT HOUSE

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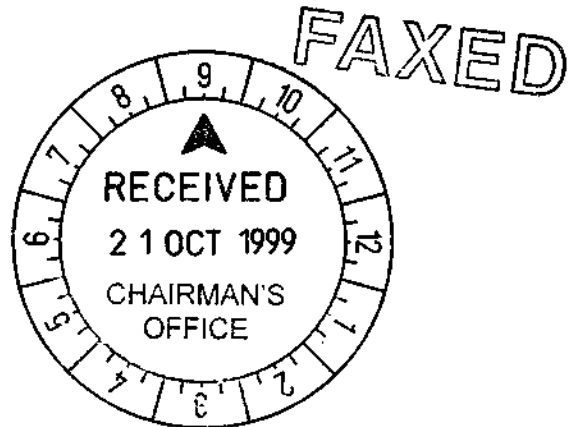
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15 October 1999

Mr G Banks & Mr R Fitzgerald  
Commissioners  
Productivity Commission  
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BELCONNEN ACT 2616

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Dear Sirs

**Re: Response to Productivity Commission's Draft Report Into  
Australia's Gambling Industries**

I refer to my previous discussions with the Productivity Commission and in particular to:

- (i) Written submission dated 30<sup>th</sup> November 1998;
- (ii) Appearance before the Commission's Adelaide hearings on 7/12/98;
- (iii) Written submissions prepared on my behalf by Professor Richard Blandy and Dr Anne Hawke, copies of which have been provided to the Commission;
- (iv) Evidence presented on my behalf by Professor Richard Blandy and Dr Anne Hawke at the Commission's Canberra hearings on the 20<sup>th</sup> August 1999, together with submissions that I made at that time, together with further submissions by Professor Blandy and Dr Hawke at the Commission's Adelaide hearings on the 13<sup>th</sup> September 1999.

At this stage I enclose a copy of the *Gambling Industry Regulation Bill* tabled in the SA Parliament on 24<sup>th</sup> March 1999 together with the second reading speech I made in relation to that Bill. I also enclose a subsequent version of the *Gambling Industry Regulation Bill*, following consultation with a number of interested parties, tabled in Parliament on the 29<sup>th</sup> September 1999, and the second reading speech with respect to that. I also enclose a copy of the *Casino (Miscellaneous) Amendment Bill* tabled in the SA Parliament on 29<sup>th</sup> September 1999, together with the second reading speech of the 29<sup>th</sup> September 1999. I further enclose for your consideration copies of correspondence from Dr Paul Del Fabbro dated 7<sup>th</sup> September 1999 and Mr Barry Tolchard dated the 9<sup>th</sup> September 1999. Finally, I enclose, in the event that this has not been forwarded to you previously, a copy of the discussion paper released in Adelaide on the 8<sup>th</sup> October 1999 by the newly formed South Australian Heads of Christian Churches Taskforce on gambling entitled *A Strategy to Minimise the Harm Caused by Gambling Within our Community*. I endorse the sentiments and approach of the SA Taskforce and do not propose to unnecessarily restate what is contained in that discussion paper, and I would be grateful if the SA Taskforce's approach and suggested solutions is taken into account by the Commission. I further note that the Commission has received a response to the Commission's draft report from the Victorian Inter-Church Gambling Taskforce dated September 1999, and I further endorse and support the thrust of that report.

Rather than restating material that has already been put to you by the Victorian Inter-Church Taskforce, and the material contained in the South Australian Heads of Christian Churches Taskforce on Gambling, as well as submissions made by the Adelaide Central Mission, Mrs Helen Carrig of Relationships Australia (Adelaide). I set out the following for the Commission to consider which covers issues relatively distinct from those already provided to you, both in previous submissions that have been made (either directly or on my behalf) and the other submissions and materials that I have referred to.

- A. A consideration of the net economic benefits of Australia's gambling industries
  - A.1 The work carried out by Professor Blandy and Dr Hawke on the quantification of the costs and benefits of Australia's gambling industries is before the Commission, and essentially uses the Commission's own methodology together with a number of assumptions made by the industries own economists. Professor Blandy and Dr Hawke's work indicates that there can clearly be a substantial net economic cost to the community arising from gambling.
  - A.2 In the context of considering a public policy framework approach, there ought to be a clear differentiation between the different types of gambling, and the costs and benefits involved with each gambling product. There is clearly a difference between a lotto product, and a multi-line poker machine. Even within various gambling codes, there are marked differences in levels of problem gambling between, say a weekly x-lotto (tatts lotto) ticket, instant scratchies, and Keno games.

The recent changes in the speed to Keno games in South Australia (the games are now played at much shorter intervals) in all likelihood will lead to an increased level of problem gambling amongst Keno players. Even amongst poker machines the impact of the old fashioned "one-armed bandit" with a single reel of play compared to the latest generation of electronic gambling machines, is markedly different in terms of social impact and, presumably, price elasticity. Any analysis of the economic and social impact of gambling industries should differentiate between the types of gambling products available, which in some ways mirrors the approach of the SA Heads of Churches Taskforce on Gambling of regarding this very much as a consumer protection issue.

- A.3 An analogy to a differential approach of the costs and benefits of particular types of gambling products would be the policy approach to guns. Policy makers have clearly indicated that there is a clear distinction between various types of weapons and the regulations and laws that should apply to them. Extending the analogy to gambling industries, some would regard the local church raffle as being a "pea shooter" in the context of its potential harm, whereas the latest generation of poker machines, where hundreds of dollars can be lost in a matter of minutes, (and there is a material risk of addiction) is equivalent to a military assault rifle.
- A.4 I am concerned that despite the best efforts of the Commission to ascertain the cost of Australia's gambling industries, that the estimates for the costs involved with respect to, for instance, gambling related crime and bankruptcies are simply too low. One gambling counsellor in Adelaide that I have spoken to recently, estimates that his clients, in the last 12 months, have been involved in gambling related criminal offences involving up to \$2.75 million. I suggest that a survey of gambling counsellors nationally would disclose a much higher estimate of the costs of gambling related crime than that set out by the Commission in its draft report, particularly if you take into account that gambling counsellors see only a relatively small portion of problem gamblers. I emphasise that I am not critical of the Commission's approach, merely pointing out the extent of the task involved in pin pointing some of the costs involved. In relation to the costs of gambling related bankruptcies, notwithstanding the comprehensive approach in wording of the survey, there is a powerful disincentive for victims of gambling to tell the truth that their gambling was the contributing factor to their bankruptcy given Section 271 of the *Bankruptcy Act* which makes it an offence to have gone bankrupt as a result of gambling debts.
- A.5 Further independent analysis needs to be carried out on the costs involved from gambling, taking into account the unfortunate level of shame and guilt that still attaches to problem gambling.

## **A.6 Consumer surplus, consumer benefit and the approach of the Productivity Commission**

A.6.1 Professor Blandy and Dr Hawke have prepared a thorough and comprehensive analysis of the Commission's work based on assumptions made by the Commission, and indeed by a number of economists preparing submissions on behalf of gambling industries. Clearly the differing nature of the opinions in the reports indicates that there are many economists who will be able to debate the more detailed issues concerning the estimates of consumer surplus.

A.6.2 The comments in this response assume that there is broad agreement on the following: that from the perspective of an analysis of the consumer benefits from gambling, there are two distinct groups of gamblers, namely those for whom there is likely to be a consumer surplus and those for whom there is likely to be a consumer loss.

A.6.3 Consumer surplus is one part of consumer welfare that is not reflected in total expenditure by consumers because it represents benefits over and above the amount consumers have paid for. I would be grateful if the Commission could consider the following, as an alternative reference point to the debate on consumer surplus.

A.6.4 Firstly, in considering the size of consumer benefit in generally and consumer surplus in particular for poker machine gamblers only, the Commission's report indicates that consumer surplus to non-problem gamblers appears very large around \$1.557 billion to \$2.53 billion. How does this compare to other goods or forms of entertainment? Do other areas people spend their money on have the same utility to the consumer but more or less of it (proportionately) is consumer surplus? Is there information available to put this estimate of consumer surplus into context?

A.6.4.1 The consumer loss (again taking the Productivity Commission's figures in its draft report which is the subject of contention by Professor Blandy and Dr Hawke) to problem gamblers is also very significant at \$0.8 billion to \$1.319 billion. Are there other goods or forms of entertainment that have such a high consumer loss associated with them? Is addiction always a feature of negative consumer surplus? What are the estimates of consumer loss attached to other areas of consumer activity?

A.6.4.2 The two distinct groups of consumers within gambling have two very different profiles with regard to consumer surplus (loss). Are there other

goods or services which have such a disparate distribution of consumer surplus across individuals? Are there any implications for the calculation of a net consumer surplus?

A.6.5 In terms of policy implications of having two groups with such significant consumer loss and surpluses (again in the context of poker machine gamblers only) the questions need to be considered:

A.6.5.1 If there is a targeted policy approach that focuses on reducing the gambling by problem gamblers, then there is a substantial benefit above and beyond the reduction in direct and indirect costs to the individual and society. This benefit is a reduction in consumer loss plus the gain in consumer welfare as a result of these consumers now being able to spend in areas that do not have a consumer loss to these consumers. A cost benefit analysis of policies to reduce harm to problem gamblers should consider this. A cost benefit analysis that does not consider this is likely to underestimate the benefit of harm reduction or gambling cessation policies. There ought to be a routine inclusion of this estimate into any economic analysis of considering the costs and benefits of gambling.

A.6.5.2 If non-problem gamblers had the opportunity to gamble being restricted or modified (particularly if 'opportunity' is broadly defined by taking into account the specific design of a gambling product), then net loss and consumer surplus would be less than the estimate of consumer surplus from gambling. This net loss would be the difference in the consumer surplus from what they would otherwise purchase in the consumer surplus they would otherwise have received from gambling. There are many other goods and services that have consumer surplus attached to them and so it is very unlikely that this net loss and consumer surplus will be much more than say, 10% or 20% of the consumer surplus from gambling.

A.6.5.3 In considering the above two points together, in a very simple scenario, the net gain in consumer surplus as a result of gambling would be the consumer loss that would no longer be experienced less than net loss in consumer surplus that others would have received by the non-problem gambler. Using the very rough figures this

could be a net gain of \$0.5 billion to \$0.9 billion (using the Commission's current figures in the draft report – if Professor Blandy and Dr Hawke's approach is adopted the net gain would be much greater). This would be impacted by the extent to which problem gamblers (poker machine players) take up other forms of gambling or other activities that also have a consumer loss associated with them. Despite the net consumer surplus in gambling (again, using the Productivity Commission's figures in its draft report, which have been placed into contention by Professor Blandy and Dr Hawke), this is very unlikely to mean there will be a net loss in consumer surplus if poker machines were restricted.

- A.6.5.4 The targeted approach is preferable but there may be a willingness for non-problem gamblers to tolerate a less targeted approach to the reduction of gambling provided that there was some evidence that this was effective for problem gamblers. In this case any net loss in consumer surplus to these non-problem gamblers as a result of reduced gambling activity (or a modification of existing gambling products) could be partially compensated by the increased welfare from knowing that the level of problem gambling has been substantially reduced.

A.6.6 In summary, there is a strong case for an increase in net consumer welfare as a result of a policy which dramatically reduces access to poker machines and involves their substantial redesign.

- A.7 There is also the overriding issue of the level of social impact, including the very direct impact on individuals and their families from problem gambling. From a public policy point of view there ought to be an approach that is intolerant to the current level of harm arising from Australia's gambling industries.

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

***“With Internet and interactive home gambling you will be able to lose your home without ever actually having to leave it”***

**Reverend Tim Costello**

- B.1 It may not surprise the Commission that I take issue with the approach suggested in your draft report of “managed liberalisation” in relation to Internet and interactive home gambling. I enclose a copy of a

submission I made to the Senate Select Committee on Information Technology on Internet and interactive home gambling.

- B.2 The Commission may also be aware that there is currently a Parliamentary Select Committee of the Legislative Council of the SA Parliament on Internet and interactive home gambling (of which I am a member) which is currently hearing evidence.
- B.3 I believe an effective method of enforcement of restricting the access of on-line gambling services is to attack the financial transaction, and to allow individual players to repudiate a transaction involving on-line gambling. I expect this would have a dramatic effect on the level of problem gambling arising out of impulse betting on the Internet.
- B.4 In the event that there is a regime of "managed liberalisation" adopted in relation to Internet and interactive home gambling, there should be particular safeguards in relation to children, in the context of gambling industry providers on the Internet using as a basis of new gambling games, existing children's games. Regulations ought to apply to children's games that mimic 'real' gambling games. I am concerned that Nintendo in its "Pokemon Pikachu" handheld game has a poker machine function with credits and similar sounds to a poker machine, which could encourage and condition young children to associate that type of game with actual poker machine games in later life.

#### **C. Political Influence of the Gambling Industry**

- C.1 I refer to the submission I made previously on 30/11/98, where I referred to laws prohibiting political donations from the gambling industry in the State of New Jersey. When I discussed this proposal publicly last year it was quickly dismissed by both the Director of the South Australian Liberal Party at the time, and also the State ALP Shadow Treasurer Mr Kevin Foley who said publicly that the proposal was "*absolute nonsense*". (Both the Liberal Party and ALP in South Australia received \$50,000.00 each from the Australian Hotels Association, according to election disclosure laws).
- C.2 I note that the US National Gambling Impact Study Commission recommends a prohibition of political donations, and there is currently considerable lobbying in the United States to ensure that this recommendation is adopted nationally.
- C.3 The degree of political influence of the gambling industry lobby warrants further public debate and scrutiny.

#### **D. Enforcement Issues**

- D.1 The level of prosecutions against gambling industry operators, particularly poker machine venues, does not reflect the extent of breaches of current gambling legislation and practices that would



arguably fall foul of State and Federal consumer legislation, as well as practices that would attract common law liability.

**D.2 Complaints I have received from problem gamblers include:**

- The provision of credit (illegal under the SA Gaming Machines Act);
- The provision of free alcohol in the gaming room, when the venue would know (or ought to know) that the judgement of the patron would be significantly impaired, particularly in the context of continuing to play gaming machines;
- Providing inherently misleading and deceptive information to patrons at venues that a particular poker machine is "holding" a lot of money and therefore is more likely to pay out in the eminent future;
- Providing significant inducements to players including free meals, free lifts to and from the venue.

**D.3** One of the great problems in having a matter proceed to the appropriate regulatory authority or to the courts, is the considerable stigma and shame that a problem gambler feels. Problem gamblers are terrified of losing their job if the fact that they had a problem becomes apparent. Problem gamblers that have gone public in the media are often subject to abuse (both publicly and privately), for being so "stupid" to lose the money in the first place.

**D.4** A significant reform to allow for complaints to see the light of day would be to change current evidence laws, based on existing laws involving allegations of sexual assault. There ought to be a suppression of the name of the complainant, (together with the name of the gaming venue), until the matter has been resolved. If there is a finding against the venue, then the name of the venue ought to be published.

**E. Promotions Targeting Children**

**E.1** Current State laws throughout the Commonwealth easily facilitate a company to offer lottery or gambling style products as part of a trade promotion. The Commission may be aware of controversy several months ago involving Lays Potato Chips which offered 'instant scratchies' tickets with a maximum prize of up to \$10,000.00, tied in with a *Star Wars* promotion. There were reports in Adelaide of record sales of the chips being made at school tuck shops, of children stealing in order to buy multiple packets of chips (a gambling counsellor told me of one child who stole to obtain more than 60 packets). Consideration ought to be given to a tightening of trade promotion laws, particularly where the products are those that children will be likely to purchase.

## Conclusion

I commend the Commission for its thorough and comprehensive analysis.

Australia's gambling industries have by and large been highly protected industries enjoying enormous political and financial privilege. The gambling operators, and in particular poker machine operators in suburban venues could often be described as glorified, exorbitantly rewarded private tax collectors. These industries have been largely cloistered from community opinion and legislative change by politicians who have taken a 'soft option' approach to the raising of revenue, whilst often sidelining the full extent of the social impact of these industries.


The extraordinary outburst of some elements of representatives of the gambling industries that have made submissions to the Commission deserves mention. The view that the extent of problem gambling, and the problems of individual gamblers are in some way exaggerated or the 'fault' of the individuals concerned, deserves to be condemned. The indignation of some in the industry to the robust public debate that has ensued since the release of the Productivity Commission's draft report would be farcical and laughable were it not for the tragic and often devastating consequences of gambling addiction in Australia. Reverend Tim Costello's rebuke, reported in the media, that the industries had an approach of self-justification that paralleled slave owners who described slavery as noble is worth mentioning.

The issue of the state's reliance on gambling revenues, is a seminal one that brings into question the role and responsibility of government.

I leave the Commission with the following quote from John Ralston Saul, the Canadian writer and philosopher, speaking at the Vancouver Writer's Festival last year on the issue of gambling:

***"In Burma, for about a thousand years, when a king started raising money through gambling he was about five years away from losing his head. He had lost sight of why he was king and what his obligations were."***

Yours faithfully

A handwritten signature in black ink, appearing to read 'Nick Xenophon', with a long horizontal flourish extending to the right.

**NICK XENOPHON**

Encl.

Speech made by the Hon. Nick Xenophon in the Legislative Council

on Wednesday 26 May 1999

## GAMBLING INDUSTRY REGULATION BILL

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**The Hon. NICK XENOPHON:** I move:

*That this Bill be now read a second time.*

This Bill, at its heart, has a clear primary aim, that is, to reduce the ever increasing levels of harm and, in many cases, devastation caused by problem gambling and gambling addiction in our community. The Bill acknowledges that all forms of gambling need further regulation and research, and it has a particular emphasis on poker machines—the form of gambling that leads to the highest rate of addiction; and the form of gambling that is pervasive and accessible in 533 hotels and clubs in this State.

This State has seen an exponential increase in gambling and with it social and economic problems associated with that increase. The increase was unambiguously fuelled by the introduction of poker machines in South Australia in hotels and clubs in July 1994. Gambling losses have risen from \$355 million in the 1993-94 financial year to \$693 million in the 1997-98 financial year, with poker machines in hotels and clubs fuelling most of that expansion. National turnover of all gambling industries rose to \$94 billion in the 1997-98 financial year, in excess of 15 per cent of Australia's gross domestic product. Australia outstrips the world in *per capita* gambling losses and outstrips the No.2 nation (the United States) by a more than two to one ratio. Australia's gambling losses in 1997-98 of \$11.3 billion now exceed national household savings.

We now have a new underclass of South Australians because of gambling addiction, largely fuelled by the widespread accessibility and availability of poker machines in this State. The ever increasing number of South Australians who have fallen by the wayside because of problem gambling mirrors this Government's increasing dependence on gambling taxes. In the 1993-94 financial year, before poker machines were introduced into hotels and clubs, the Government collected \$132 million in gambling taxes. By 1996-97, gambling taxes had risen to \$249 million, which amounted to 12.3 per cent of State tax receipts, the second highest in the Commonwealth after Victoria at 12.6 per cent. In the 1997-98 financial year, the figure, in terms of State tax receipts from gambling, rose to \$285 million, with the majority of that from poker machine taxes.

I can understand that State Governments generally, because of worsening Commonwealth-State fiscal relations and because of the reduction in their revenue bases and taxing powers, have increasingly turned to gambling taxes, a so-called 'voluntary' tax, to make up the shortfall. I also understand that Governments in this State and Victoria, in

particular, have also been driven to rely on gambling taxes because of our regional State banking disasters. I understand these imperatives but cannot accept that a Government's ever increasing reliance on gambling taxes makes good long-term, or even short-term, economic sense.

I draw to members' attention the words of Professor Robert Goodman in the preface to his seminal text on the economics of the gambling industry, *The Luck Business*, as follows:

A model of economic development that relies on gambling and chance to replace the jobs lost and productive industries is at least as disturbing for our future as the losses suffered by unsuccessful bettors. The shift in the role of governments from being watchdogs of gambling to becoming its leading promoters is also troubling. They have taken the schizophrenic role of picking up the tab for the increase in problem gambling while, at the same time, spending even more to promote its causes. Instead of serving the needs of their citizens, these governments are becoming predators upon them.

While proponents exaggerate the benefits of gambling expansion they downplay and often refuse to acknowledge its hidden costs which, as our research indicates, can be immense—running into the hundreds of millions in a single State. These costs are showing up in a variety of ways. Huge portions of discretionary consumer dollars are being diverted into gambling, resulting in losses to the restaurant and entertainment industries, movie theatres, sports events, clothing and furniture stores, and other business. In addition, police departments, courts and prison systems must contend with a whole new range of criminal activity, much of it caused by addicted gamblers.

Along with the devastating human tragedies of problem gambling come additional private and public costs, ranging from money lost by people who make loans to problem gamblers and aren't paid back, to the cost of treating, prosecuting or, in some cases, incarcerating problem gamblers who turn to crime to pay off their mounting debts.

I also refer members to my contribution in this place on 10 March 1999 in respect of the Social Development Committee's inquiry into gambling. I do not propose to unnecessarily restate the extensive references made in that contribution to a number of reports provided to the committee from organisations such as Adelaide Central Mission, Anglicare and a number of other organisations which provide welfare services to problem gamblers.

I propose to discuss the Bill by looking at its various parts sequentially. Part 1 includes a number of interpretation clauses of particular relevance to issues relating to political donations from the gambling industry. Part 2 establishes a Gambling Impact Authority and fund. Given the South Australian gambling industries' turnover of \$4.6 billion, with actual gambling losses on all forms of

gambling approaching \$2 million a day, it is extraordinary how little we know about South Australia's gambling industries.

I hope part of the jigsaw will be filled in by the release of the Federal Productivity Commission's inquiry into Australia's gambling industries, but there is an unambiguous need, given the impact of gambling in our community and given the level of public disquiet and debate over the social and economic effects of gambling in South Australia, for an independent authority—a Gambling Impact Authority—with broad and extensive functions, which are set out in clause 9.

The GIA's functions include making recommendations to the Minister on the application of the fund. The composition of the GIA is set out in clause 5. It allows for five members to be nominated by the Minister for Human Services; one person to be nominated by the Treasurer; one to be nominated by the South Australian Council of Social Services Incorporated; and another person to be nominated by the SA Council of Churches. Of the members to be nominated by the Minister, the Presiding Member will be a legal practitioner; one will be a Public Service employee in the administrative unit that is responsible to the Minister for the administration of this Act; one will be a person with experience in the provision of public or private sector welfare services; together with another person with experience in research and a wide knowledge of the social and economic effects of gambling; and one will be a medical practitioner.

Currently, gambling rehabilitation services are funded by the Gamblers Rehabilitation Fund which relies on the so-called voluntary donation from the hotels and clubs of \$1.5 million per annum. I previously have raised in this Chamber concerns over the composition of that board as being unduly narrow and not sufficiently representing those who have to deal at the front line with the problems caused by gambling. I understand that the Minister for Human Services currently is undertaking a review of the composition and functions of the Gamblers Rehabilitation Fund and a report in relation to that has been prepared on behalf of the department. I look forward to a fundamental restructuring in the composition of the GRF taking place. However, the GIA, its structure, proposed roles and composition offer a framework for independent research and services to those affected by gambling.

The current system of the so-called voluntary contributions made by the Australian Hotels Association is clearly not satisfactory. I am aware that the Hotels Association can and does exert undue and unnecessary influence in relation to that, as well as other members in the industry. That is clearly unhealthy to independent research and with respect to fearless advocacy on the part of those affected by problem gambling.

The functions of the Gambling Impact Authority also include the provision of a 24 hour telephone counselling service, staffed, if practicable, by persons ordinarily resident in this State. The Government is to be commended for the introduction of a 24 hour telephone counselling service, which was introduced at the end of last year, for those affected by gambling. However, the fact that calls need to go to a Victorian call centre is an area of concern and something that has been raised in this Chamber previously.

The GIA's functions include the provision of 'other support or advice to persons adversely affected by gambling'. The ambit of this clause is deliberately wide. Family members and friends of problem gamblers can also be deeply affected by problem gambling and, if members listen to gambling counsellors, they will tell them as they have told me time and again that every problem gambler can impact on the lives of between five to 10 other individuals—family, friends and local businesses.

The GIA also has a function of undertaking or facilitating research into the social and economic effects of gambling. I have previously raised with this Government the need for an independent economic impact statement on the impact of gambling and, in particular, of poker machines on jobs, discretionary spending patterns, small businesses and economic activity generally. Even the Australian Hotels Association in May 1998 joined in my call for an economic study on the impact of gambling expenditure in this State, but the Government has still not acted.

I again refer to Professor Robert Goodman and his book *The Luck Business* regarding studies that have been carried out on the impact of gambling industries in the United States. The results of Professor Goodman's extensive research in a nation where gambling losses are less than half ours on a per capita basis make it even more urgent for comprehensive research to take place on the effects of gambling. Professor Goodman, under the heading 'The economic and social costs of problem gambling' points out the following:

According to existing research, the rate of problem gambling in the community tends to go up the more gambling is available in that community and the longer it is available.

Professor Goodman also refers to studies in a number of American States, including Connecticut, where there has been a proliferation of gambling activities in recent years, more so than in other States and in advance of other States where the problem gambling rate is at 6 per cent. This is certainly much higher than the Hotels Association's reported rate of 1½ to 2 per cent. However, I will refer to that later. Professor Goodman goes on to say:

By examining the combined costs which are produced by the behaviour of problem gamblers, including bankruptcies, fraud, embezzlement, unpaid debts and increased criminal justice expenses, researchers have arrived at yearly estimates of how much these people cost the rest of society.

Estimates of the yearly average combined private and public costs of each problem gambler have ranged between \$20 000 and \$30 000 (in 1993 dollars) with some reports as high as \$52 000. The United States gambling study, which Professor Goodman directed, arrived at a much more conservative estimate of \$13 200 per problem gambler (in 1993 dollars). However, he goes on to say that even this lower estimate translates into 'enormous costs to a community'.

Professor Goodman also refers to studies in the United States which indicate that lower income earners tend to spend more money on gambling as a proportion of their total income. This is something that has been denied repeatedly by the Australian Hotels Association in this State. Therefore, it is worth referring to the following passage from his book:

Reporting on a survey of nearly 1 000 casino players in Atlantic City and Las Vegas, Mary Borg and two other economics

professors at the University of North Florida found that lower income people generally tended to spend a significantly higher percentage of their incomes when gambling at casinos. People earning less than \$10 000 per year spent nearly 2½ times more on gambling as a percentage of their income than people earning \$30 000 to \$40 000 per year. People earning \$10 000 to \$20 000 per year spent about 1.4 times more than those earning \$30 000 to \$40 000 per year. According to the Borg study, casino gambling revenues were 'extremely regressive means of financing Government activities'.

Any research into the social and economic effects of gambling should also include comprehensive research on the incidence between gambling addiction and suicide, including attempted suicide. Members may have heard of research carried out recently at the Anxiety Disorders Unit of the Flinders Medical Centre which indicated that, of problem gamblers surveyed, I understand largely poker machine gamblers, in excess of 70 per cent reported that they had considered suicide as an option in the previous 12 months: there were issues of suicidal ideation and attempted suicide.

Recently I met a man whose wife of almost three decades suicided. She had a serious poker machine gambling problem. She had lost tens of thousands of dollars. The suicide note, a copy of which was provided to me by her husband, left no doubt in my mind that her gambling addiction was a major factor in the equation of despair that led to her death. It puts a lie to the claims from gambling industries, and in particular the so-called gaming industry, that this is just another form of entertainment. Comprehensive, independent research on the link between suicide and gambling addiction is essential to remove the covers off an industry that pretends that it is all about fun but, in reality, can cause devastating harm, and an unacceptable level of devastating harm, to individuals and their families.

I also hope that research will remove the excuses of Governments and indeed, for that matter, Oppositions eyeing the Treasury benches which seem transfixed by the revenue flows of gambling taxes, poker machine taxes in particular, seemingly oblivious to their consequences.

The Bill also provides for a Gambling Impact Fund to be established in clause 12 to facilitate the activities of the Gambling Impact Authority; and, further, to provide financial assistance for charitable organisations that provide support or advice to persons adversely affected by gambling; to provide financial assistance to sectors of the live music industry, in particular, composers of original music adversely affected by the introduction of poker machines in hotels and clubs; and to provide training for alternative work for persons leaving or wishing to leave the gaming machines industry.

The Hotels Association has made much of the jobs created by gaming machines in this State. The AHA says that some 4 000 jobs have been created directly as a result of gaming machines, and I do take very seriously the concerns of those working at poker machine venues for their economic security, although I am still waiting to hear from the Hotels Association as to the precise mix of full-time and part-time jobs, despite having written to it on previous occasions requesting further details.

I am also concerned about the jobs lost to the small retailing sector, and I refer members to the submission made by the Small Retailers Association of South Australia on the impact of poker machines on jobs in the small retailing sector in this State, with their estimate following a

comprehensive survey that for every job created by poker machines at least two jobs have been lost in the small retailing sector. I want to make this absolutely clear: that, based on the work carried out by Professor Robert Goodman, increased levels of gambling lead to overall job reduction in the community such as ours and that any long-term reduction in gambling losses will translate itself into an increase in jobs in other sectors, particularly in the small retailing sector.

Clause 13 provides for a gaming machine levy to pay for the gambling impact fund and allows for a specific amount of \$10 per machine to be paid into the fund to provide financial assistance to sectors of the live music industry adversely affected by the gaming machine industry. I have previously raised the issue of the impact on the original live music industry in South Australia in this Council by the introduction of poker machines. I commend the work of the Minister for the Arts in support of live music in this State, but the fact remains that emerging local talent does not have the same opportunities it used to have because of the introduction of poker machines into hundreds of venues in this State, literally squeezing out live music venues at an increasing rate. Original live music, emerging talent, has been squeezed out because of the advent of poker machines in many of our hotels. This clause attempts in a very positive way not only to acknowledge this but to provide tangible assistance for our emerging talent.

Clauses 14 and 15 of the Bill relate to political donations, making it an offence for a gambling entity to make a political donation. This clause has as its basis legislation from the State of New Jersey in the United States, the home of the Atlantic City casino industry, which prohibits gambling entities from making such political donations. It is worth looking at the governing principles of the New Jersey statute which state:

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

I note that, when I made this proposal last year, it was dismissed by the Director of the Liberal Party in double time and also by the ALP shadow Treasurer, the member for Hart, who told ABC radio that the proposal was 'absolute nonsense'. However, it is interesting to note that both the Labor and Liberal Parties each received a \$50 000 donation from the AHA SA branch when donations were disclosed through Federal laws recently. I do not know what individual donations have been made by hoteliers and other associated entities to candidates at the last State election. It is also interesting to note that, in my discussions with the regulatory authority in New Jersey, they indicated that the clause prohibiting political donations in New Jersey was passed with bipartisan support. The New Jersey Legislature acknowledged that public interest considerations, public perceptions and the potential problems of the gambling industry making donations to political Parties warranted the ban. I await with interest the response of members to this particular clause.

Part 4 of the Bill, in clauses 16 and 17, sets up a regime for compensation for victims of gambling-related crime. The object of this part is to recognise that (and I quote from clause 16):

... as the Government derives substantial revenue, directly or by way of taxes, from the money spent by members of the community on the various forms of gambling allowed in this State, the Government has a concomitant responsibility to assist victims of crimes committed by persons suffering from a gambling addiction.

Before I refer to the mechanisms proposed to compensate victims of gambling-related crimes, I again refer members to a comprehensive article in the December 1997 edition of the *Alternative Law Journal*, entitled, 'Who's Holding the Aces?' by Nicholas Andrew, Con Asimacopoulos, David Dimovski and Daniel Haydon who at that time were law students at the University of Technology, Sydney. It is a comprehensively researched and referenced piece on the link between crime and gambling. It refers to research carried out by Professor Alex Blaczynski in 1989 and 1996. The 1996 research, which validated the 1989 research, used a control group of 115 subjects, addicted gamblers, and found that 58.3 per cent of the group made an admission to a gambling-related offence and that 22.6 per cent had been convicted or charged with such an offence. That is a study carried out in Australia and mirrors research referred to by Professor Robert Goodman in his book which talks about a link between compulsive gambling and crime in the order of 60 per cent. The offences that Professor Blaczynski referred to in his research committed by those admitting to a gambling-related offence included: armed robbery at 5.15 per cent; burglary at 8.9 per cent; drug offences, 2.5 per cent; shoplifting, 5.1 per cent; larceny, 35.4 per cent; misappropriation, 2.5 per cent; and embezzlement, 40.5 per cent.

I refer members to newspaper reports in the past few years which refer to individuals committing serious criminal offences—embezzlement, misappropriation and even armed robbery—to fund a gambling addiction and, in many cases, a poker machine addiction. I have spoken to a number of people who have been directly affected as a result of gambling-related crime and, indeed, to those who have committed offences with respect to their gambling addiction. I have spoken to people whose businesses have been harmed significantly as a result of an employee or family member having misappropriated funds because of a gambling addiction. The cases I have seen all related to poker machines. The authors of the 'Who's Holding the Aces?' article point out that more research is needed on the link between gambling and crime, particularly given the enormous costs to the community, the cost not only to the victims but also the costs of incarceration and the costs to the criminal justice system generally.

Yesterday I received a response from the Attorney-General on the link between gambling and crime, and there does not appear to be any method or system of research in this regard. The information we have today is principally from media reports, from information I have been able to gather from gambling counsellors and from evidence that has been given to the Social Development Committee of this Parliament. Given the enormous sums the Government obtains in gambling revenue, I would have thought that some resources not only directed to the purpose of establishing the link between compulsive gambling and crime in this State and the various forms of gambling involved but also to gauge the costs to the community as a whole would be a valuable and worthwhile investment for effective, long-term public policy formation. It is worth

reflecting on the conclusion of the authors of the 'Who's Holding the Aces?' article, as follows:

With heavy dependence on gambling revenue, research in this area has been sparse. Indeed, the State's position is akin to that adopted in relation to the tobacco industry two decades ago—'support through dependence'. It is only now, when the full social and health impacts of smoking are finally being recognised, that Government is moving away from its position of total support. The only hope is that it does not take as long for this to happen in the field of gambling, where the plethora of criminal and personal consequences can be truly devastating.

Clause 17 provides a regime for compensation of victims of gambling-related crime. It must be established that, on the balance of probabilities, the defendant at the time of the offence was suffering from a gambling addiction and that there was a causal link between the defendant's gambling addiction and the commission of the offence. It provides for compensation for economic loss to a maximum of \$10 000 being paid to the victims. The figure of \$10 000 is quite modest when you look at the economic consequences of embezzlement and fraud involving gambling addiction that have come to light in recent years. Members may be aware of cases previously before the courts in recent times where the amounts embezzled were in the order of \$200 000—and one particular case comes to mind. I have kept the amount of compensation at \$10 000 so that the fund is seen in the context of a fund of last resort to provide emergency assistance for those who have suffered economic loss as a result of being a victim of criminal activity linked to gambling addiction.

The clause has a number of stringent provisions which require the court to obtain and consider a report of a registered psychiatrist or registered psychologist as to whether the defendant was suffering from a gambling addiction at the relevant time. The application must be made no later than three months after the day on which the defendant is convicted of the offence. Further, if a court in assessing the amount of the victim's economic loss for the purpose of making an order under this section is satisfied that any act or omission on the part of the victim contributed to that loss, the court may reduce the amount of compensation to such extent as it thinks just.

Part 5 refers to the regulation of the gambling industry. Clause 18 refers to prohibition of interactive gambling, the very issue that is the subject of a select committee inquiry of this Council. If members accept, on the basis of work carried out by gambling counsellors and researchers, that accessibility of a gambling product holds the key to the level of gambling addiction, then allowing, sanctioning, interactive gambling will without any doubt lead to a further, significant increase in problem gambling rates in this State. In this regard I am not simply referring to Internet home gambling but also to other emerging technologies such as digital television, with all the potential that has to provide interactive home gambling services.

As my friend and colleague the Reverend Tim Costello has said on a number of occasions with respect to interactive home gambling, 'With this form of gambling you will soon be able to lose your home without ever actually having to leave it.' Whilst I appreciate that this is also a Federal issue because of the Commonwealth's constitutional powers in respect of telecommunications and banking, this Parliament will be letting down the South Australian

community if it does not do its level best to nip this industry in the bud.

Clause 19 relates to restrictions on advertising in gambling. It aims to rein in what many would see as irresponsible and over the top advertising in recent years by a number of gambling codes, particularly the Lotteries Commission, the TAB and the Adelaide Casino. I wish to make clear from research I have seen that problem gambling rates amongst Lotto players are negligible. The real problems are with poker machines, the TAB and the Casino, in that order. However, aggressive advertising for all gambling codes, particularly the Lotteries Commission, has sent out a message to the community that all forms of gambling are simply another form of entertainment and harmless fun, their advertisements naturally depicting only winners and not losers.

Clause 19 has a provision that ensures that any advertisement has a warning that complies with the requirements of the regulations and a name and current number for the 24-hour telephone counselling service. Clause 20 provides for warnings to be displayed at gambling venues, again providing the name and current telephone number of the 24-hour telephone counselling service, with clause 21 providing that warnings are to be displayed on poker machines, and clause 22 providing that warnings and information are to be provided on lottery and betting tickets—surely not onerous provisions for this Council to agree to if we accept that this is also a consumer protection issue and if we accept that gambling industries, in particular the poker machine industry, can and do cause a significant degree of harm in the community.

Clause 23 aims to give basic consumer information as to the chances of winning at the Casino, at poker machine venues and at the Lotteries Commission. If the gambling industry talks about freedom of choice, it ought to follow that there is an informed choice for any consumers of gambling products.

Clause 24 provides for certain external signage to be prohibited at gambling venues. It also aims to make such signage more low key and in keeping with the philosophy that we are not dealing with ordinary products but with products that can cause harm.

Clause 25 provides for the cashing of cheques to be prohibited at a gambling venue unless there are no bank facilities within 10 kilometres. This has been heavily criticised by the President of the Hotels Association, Mr Peter Hurley—a successful hotelier of long standing and, to his credit, even before the introduction of poker machines. This clause has been introduced because of the feedback from gambling counsellors and problem gamblers who are getting into increasing levels of difficulty with cheque cashing facilities at hotels. The aim is to make it more difficult for problem gamblers to have access to cheque cashing facilities for the purpose of gambling.

Clause 26 prohibits smoking at gambling venues. I regard this as being consistent with the aims of the Government's legislation put into force earlier this year to prohibit smoking in dining rooms. It is also an important environmental and occupational health issue for patrons and employees of gaming room venues. I would like to think that those members opposite who have a particular interest in union issues and in occupational health and safety issues

would support this clause, given the recent moves to prohibit smoking in enclosed dining areas.

Clause 27 relates to prohibitions relating to food and drink within a venue. The feedback from gambling counsellors and problem gamblers is that it is important for there to be a break in play, for gamblers to have an opportunity to have a break and consume food and drink outside the area where gambling takes place.

Clause 28 provides for clocks to be provided in gambling venues so that gamblers can at least keep track of the time. I note that the definition of 'clock' has been criticised by Mr Hurley of the AHA because it specifies that the clock show clearly whether it is a.m. or p.m. I am more than happy to discuss this further with the AHA or any other member who has concerns about the clause. Allowing a consumer of gambling services to know the time from a clock in the venue ought to be a basic right to such a consumer, particularly when such devices appear to be so noticeably absent both in the Casino and gambling venues here and in gambling venues throughout the world.

Clause 29 provides for mandatory reporting to the Gambling Impact Authority of certain offences relating to gambling on credit. Members are aware that gambling on credit is a serious offence both under the Casino Act and section 52 of the Gaming Machines Act. It is an offence under the Racing Act under section 62(d). The rationale behind this clause is to focus on those venues that do not do the right thing. I have acknowledged on a number of occasions that the Australian Hotels Association, through its code of conduct, is very strict on the issue of the provision of credit, and this has been endorsed by the Licensed Clubs Association.

The consequences of providing credit to an addicted gambler can be devastating, because it can accelerate and exacerbate gambling losses. I have seen a number of people who have been given credit, and I have discussed it with gambling counsellors. The consequences can be quite cruel and indeed quite severe on that person's gambling addiction. In one case a woman who was given credit at a venue ended up losing her home. I believe it was largely because of the fact that she was given credit and this, in turn, accelerated her gambling addiction. I understand that that case will go before the courts in this State in the not too distant future. This clause will send a strong signal to the minority of operators who do not do the right thing that their chance of being caught and being prosecuted will increase substantially with this mandatory reporting provision.

Clause 33 prohibits gaming machines that allow high stakes or rapid betting. It seeks to prohibit betting at more than 10 cents per play or repeated betting by an automatic process or paying out a prize of more than \$50. Time and again problem gamblers I have spoken to and gambling counsellors who have provided information to me have emphasised that the level of pay-out, the level of jackpot of poker machines, is very material, as is the speed of play. We are dealing with a rapid form of gambling with the combination of lights, colours and sounds a constant reinforcement that the level of jackpot is important—

**The Hon. T.G. Cameron:** Why do the machines have speed?

**The Hon. NICK XENOPHON:** I am pleased the Hon. Mr Cameron is here—at least someone can pay attention to what I am saying.

*Members interjecting:*

**The Hon. NICK XENOPHON:** You all are? I apologise to honourable members. Perhaps I was missing the interjections. The speed of machines is a particular concern. Machines are particularly fast, and there ought to be an investigation into the speed of machines because we now have faster machines—certainly much faster machines than the machines that were in the New South Wales clubs. Available research indicates that the faster the machine the faster the reinforcement and the greater the rate of gambling addiction.

*The Hon. Diana Laidlaw interjecting:*

**The Hon. NICK XENOPHON:** The Hon. Diana Laidlaw loved the one-arm bandits, but they were nowhere near as addictive as the current machines. I have also spoken to many problem gamblers who have told me that they have become hooked after winning \$600, \$1 000 or \$2 000. The level of the jackpot is an important indicator in the level of addictiveness to a machine. This Parliament was conned by the gambling industry when the Gaming Machines Act was passed in 1992. It was told that this was just another form of entertainment, that it was not gambling. Even the Marketing Development Manager of Aristocrat Leisure Industries—the largest manufacturer of poker machines in this country—came to South Australia shortly before the legislation was passed and said point blank—

**The Hon. T.G. Cameron:** Do you know why Aristocrat's share price tripled in the past 12 months?

**The PRESIDENT:** Order!

**The Hon. NICK XENOPHON:** Shortly before the passage of the legislation in 1992, the Marketing Development Manager of Aristocrat gaming machines came to this State and was scathing of any suggestion that playing the pokies was gambling. In fact, he said that it was just entertainment. He also said, 'It would take you a month of Sundays to lose \$100 on one of those things.' For members not familiar with Aristocrat machines, if you play maximum lines and maximum bets on an Aristocrat gaming machine today, assuming generously an 88 per cent pay-out rate on each bet, you can do your \$100 on one Sunday in just 10 minutes.

If this industry seriously believes that it is all about entertainment, the provisions contained in clause 33 should be of no concern. My concern is that this industry derives a significant proportion of its revenue from addicted gamblers. This industry makes its money from addicted gamblers in our community. This industry makes the cream of its profits from addicted gamblers and from the vulnerable in our community.

I refer members to a study commissioned by the Australia Institute and the Australian Tax Research Foundation entitled *Gambling Taxation in Australia*—a book published last April and authored by Australian National University Economist Dr Julie Smith. Dr Smith's research indicates that 200 000 gamblers nationally pay one third of all gambling taxes. In South Australian terms it means that we have something like 15 000 gamblers who pay a highly disproportionate amount of gambling taxes.

Given the references that Dr Smith has made to the regressive nature of such taxation, it is a burden that falls generally on those who can least afford it. That is why the measures suggested in this clause are a step in the right direction and mirror, to some extent, the moves that have been made in the Netherlands to slow down the machines, reduce jackpots and allow breaks in play. These are about fundamental consumer protection reforms. These are reforms to reduce the level of addiction for a product that can be quite pernicious and damaging. If this industry is concerned only about people's fun and entertainment then it should not stand in the way of this clause.

Clause 34 prohibits the use of a credit card or charge card for the purpose of paying for gambling. There is a question mark over whether the existing clauses in the Gaming Machines Act cover this sort of transaction. I have recently become aware of one case where a poker machine venue allowed in excess of \$30 000 to be charged to a credit card, with the transactions being represented as pub and liquor sales. Clearly, that is in breach of the *Smart Play Guide* issued by the hotel and club industry and is an abuse. It is something that ought to be the subject of an investigation, as I understand it will be, by the Liquor and Gaming Commissioner; and I understand that it also will be the subject of litigation in the civil court because that sort of practice is simply not acceptable.

The legislation makes it very clear: it removes any doubt in the current legislation as to whether that transaction ought to be prohibited. In fact, today I read that the Liquor and Gaming Commissioner in New South Wales is looking at prosecuting venues that use credit cards in this way to give cash advances. I refer to the *Smart Play Guide* and the provision of credit which states:

Credit betting or provision of credit to gamble is illegal under the Gaming Machines Act. This includes misrepresenting credit card transactions.

Clause 35 relates to inducements to gamble such as free cash, free vouchers, free points or credits on games, membership (whether on payment of fee or not) of a jackpot or gambling club, free or discounted food or drink, free entry into any lottery, and gifts or awards of any kind.

With regard to the provision of free alcohol, I refer members to studies carried out by Professor Mark Dickerson, a researcher into gambling who is often quoted and gets wide praise from the gambling industry as to a number of his findings. Professor Dickerson has found that with just two standard drinks the level of gambling can increase substantially. So, there ought to be some degree of control or measures to protect consumers who are given free drinks.

We are aware of a case currently before the New South Wales Supreme Court where a gambler, who lost \$3 million at the Sydney Star City Casino, is suing the casino partly because it gave him free drinks to the point of intoxication. That will be the subject of a judicial determination in the not too distant future. The message I have received again and again from problem gamblers and gambling counsellors is that these inducements play a very material role in getting gamblers hooked.

Part 8 of the Bill relates to amendments to the Gaming Machines Act. Clause 38 relates to the removal of gaming machines from hotels within five years. That was the only promise I gave at the last election: the only promise I gave



was that gaming machines be removed from hotels. I did not promise not to sell ETSA; I just made the promise that that is what I would aim to do. I acknowledge that there may be a degree of hostility to this clause from a number of members. However, there ought to be public debate as to the desirability of having poker machines in hotels as distinct from being less accessible in fewer community clubs and the social consequences that flow from the pokies being in community clubs.

I refer to the words of the Premier of this State when he said in December 1997 that the introduction of poker machines into hotels and clubs was ill-conceived and ill-considered, although I note with some degree of scepticism and, indeed, dare I say, cynicism, that this Government has done very little to rein in the damage caused by poker machines in this State. To its credit, the Government has now taken action so that poker machines will no longer be allowed in any new shopping centres, although it did not help at Westfield Marion.

The Premier talks about its costing \$1 billion to remove poker machines from hotels in this State, yet despite my questions to him as to the legal basis of that statement I have yet to hear him give a satisfactory answer. I have written to the Premier in relation to that and I will continue writing to him, because I would like to know where he gets the figure of \$1 billion, or indeed any level of compensation payable, if a sufficient degree of notice through an Act of Parliament is given to an industry in relation to the removal of its exclusive franchise.

Poker machines were introduced into South Australia not because of a ground swell of community demand for them. On the contrary, there was a great deal of community disquiet, consternation and demonstrations against the introduction of the machines. Those who campaigned against the introduction of poker machines in 1992, many of whom I keep in contact with because they are now dealing with problem gamblers at the front line, unfortunately have not only been proved right as to the consequences they foresaw but also, in many cases, did not foresee the full extent of the impact of poker machines in this State.

Clause 39 seeks to amend the eligibility criteria for gaming machine applications to seal off the gaming room from the rest of the hotel. This clause is designed to allow patrons who want a quiet drink not to have to listen to poker machines. That is a common complaint that I hear repeatedly from pub patrons who find that listening to the machines is a nuisance. Importantly, it is also designed to protect children from being exposed to poker machines. In this regard I commend the actions of the Treasurer in banning a game, designed for children, which had poker machine like features. The principles are the same: you do not expose children unnecessarily to poker machines. If it is supposed to be an adult activity, then do not expose children to them. Earlier today in the Matters of Interest debate I referred to the Treasurer's statement in that regard.

Clause 39 ensures that the Commissioner must take into account other gaming machine venues in the area in determining an application and also ensures consideration of the views of the local community on the application. It gives the Commissioner a broader discretion, a community-based discretion, rather than having an emphasis, as we must do now, on narrow issues that largely ignore community

concerns. Members may be aware that last year I was involved in an unsuccessful application to prevent the introduction of poker machines in the Callington Hotel. In that case, 75 per cent of the 200 residents of Callington signed a petition stating that they did not want poker machines in their community pub, but because the legislation does not allow local democratic community concerns that application was unsuccessful.

Clause 40 prevents the plurality of licences—to prevent an interlinking of adjoining licences which in effect creates a much larger gambling venue.

*Members interjecting:*

**The ACTING PRESIDENT (Hon. T. Crothers):** Order! I ask the interjectors to come to order. They are wasting the speaker's valuable time.

**The Hon. NICK XENOPHON:** Clause 41 relates to conditions regarding the amount of time that a venue is open. It allows for an eight hour break, rather than a six hour break, in each 24 hour period, and allows for the views of local communities, of which the Commissioner ought to be made aware, and ensures that venues that obtain a gaming machine licence cannot simply sit on that licence indefinitely.

Clause 42 allows for a more comprehensive system of advertisements for a gaming machine licence and provides for notification of local residents within a one kilometre radius of the proposed venue. Clause 43 relates to objections by broadening the nature of applications that must be advertised. Clause 44 provides for suspension in certain circumstances of a licence to be for at least three months. This will send a powerful signal to those venues that do not do the right thing with respect to their obligations under the Act.

Clause 45 restricts gaming machines being installed or machines being altered that would 'significantly (make the machines) more attractive to prospective players than the replaced, or existing, machines'. It acknowledges that faster and more addictive machines are being put on the market and being designed. It acknowledges that we need to look at this issue in many respects as a product liability issue.

The Hotels Association continually states that there is a problem gambling rate of simply 2 per cent. It acknowledges that and it puts \$1.5 million into a problem gambling fund. Let us put that in some context. If 2 per cent of a restaurant's patrons regularly came down with food poisoning, it would be either closed down or substantially have to modify its practices. If one in 50 of a particular children's cot was defective and was causing injury to infants, that would be taken off the market. I cannot imagine that the manufacturers of the cot would say, 'Well, it's a good product, but in 2 per cent of cases it causes harm. - We'll put some money into a rehabilitation fund for those infants who are injured.' That would be unacceptable. We seem to have a quite distorted and myopic view when it comes to gambling products, as though it is automatically acceptable. Let us begin to look at this as a social justice issue, as a consumer protection issue, because of the harm that it causes individuals.

Clause 45 also seeks to prohibit machines that allow for the insertion of a bank note or token. Studies carried out in New South Wales (and I have spoken to the author of this report) indicate that the level of gambling losses increase

substantially where a note taking machine is in place. I understand that the Australian Hotels Association has been toying around with this idea, but it is important that it be nipped in the bud because it will increase unambiguously the rate of problem gambling in this State. It also reflects the recommendations of the Social Development Committee inquiry into gambling, recommendations which I am awaiting with baited breath to see whether the Government will be taking any decisive action on them.

Clause 47 provides for EFTPOS or ATM facilities not being provided within the licensed premises. Again and again I hear from problem gamblers, gambling counsellors and researchers that the provision of an EFTPOS or ATM facility within a gambling venue is a significant and material factor—an accelerator—in the level of gambling addiction. Having ready access to cash in this way is a problem that gambling counsellors and addicted gamblers talk about as a mechanism by which gambling addiction can increase. This Parliament went some way toward dealing with this by removing EFTPOS and ATM facilities from the actual gaming room, but it has not gone far enough, because in many cases the machine is simply shifted out of the room and is merely a 10 second walk for the patron. I have seen the EFTPOS receipts and ATM slips from problem gamblers, where they take out up to \$1 000 or \$2 000 a day, using a variety of cards to feed their addiction, with devastating consequences.

Clause 48 amends section 52 of the Gaming Machines Act in relation to the provision of charge cards, for the reasons I have set out previously. Clause 49 also refers to the modification of machines, and this mirrors the provisions of clause 33 in relation to the Casino relating to the prohibition of inducements to bet on gaming machines within gaming venues. Clause 50 relates to the barring of excessive gamblers and seeks to strengthen the provisions of clause 59 of the Gaming Machines Act. The current barring provisions are being used, but they are not effective. I hear from families, friends and addicted gamblers themselves that the current provisions are treated with derision by too many venues.

Whatever their views on poker machines, I urge members at the very least to strengthen the provision to bar problem gamblers. This strengthens the provision by allowing for members of that person's family or those who have an interest in that person's welfare, such as gambling counsellors and welfare organisations that care for individuals, to bar a person. It makes it more difficult for that barring to be removed by having a more extensive appeal mechanism, referred to under clause 53, and I urge all members to consider it seriously.

Clause 54 provides for an amendment to section 73B of the Gaming Machines Act relating to the Charitable and Social Welfare Fund. It provides a mechanism essentially for compensation to remedy the damage caused to major charities in this State by the introduction of gaming machines and the significant diversion of revenue from charities in this regard and all the good work they do. I refer members to the powerful submissions made by charities that were adversely impacted on by the introduction of gaming machines in this State to the Social Development Committee's inquiry into gambling and, in particular, the submission made by the Honorary President of the Multiple Sclerosis Society, Mr Michael Stewart. Clause 54 aims to

remedy that and to provide some fair redistribution of income to those charities directly affected by the introduction of gaming machines in this State.

Clause 55 provides for gaming areas to be separated from other areas of the licensed premises by walls and doors so that persons using existing licensed premises for purposes other than betting on gaming machines cannot see into or hear any noise emanating from that gaming machines area. I have previously referred to the eligibility requirements of section 15 being modified. I reiterate what I have previously said: that this will provide children with a measure of protection from being exposed to gaming machines. I should also point out the very critical statements made by His Honour Judge Kelly in the Licensing Court when dealing with some of these applications. In relation to the Belair Hotel, he found his decision distasteful, given that because of the current legislation he was not able to protect children from being able to see or hear gaming machines which in that case were in close proximity to video games.

Several months ago I attended a meeting of problem gamblers who meet regularly in Salisbury as part of their therapy and rehabilitation. I spoke to about 10 problem gamblers, and all of them suggested that this measure to seal off gaming rooms was a positive step to reduce the level of addiction, by providing a protection for those individuals who have a problem with the machines by blocking off the sounds and lights emanating from the gaming room. They wanted to visit their friends at a hotel without having to be subjected to that. Dare I say that the Hotels Association tells us that having gaming machines in the State has been good for the construction industry; well, just think of all the construction that will take place to seal off all those rooms—all those partitions that will have to be erected. I am sure that the Hotels Association will welcome that part of this proposal.

**The Hon. T.G. Cameron:** I wouldn't count on it.

**The Hon. NICK XENOPHON:** I wouldn't bet on it, either. Clause 55 also refers to the protection of children by not having the gaming area within close proximity to any facility that is likely to attract minors, such as children's play equipment, ice cream machines or electronic games.

I expect that a number of members will not be very sympathetic to this Bill, but I look forward to and welcome their constructive contributions on the issues raised by this measure. This Bill aims to provide a comprehensive system of regulation of an industry that can and does cause community harm. It seeks through the comprehensive independent research envisaged by the gambling impact authority to rely on substantive facts in dealing with what has become an increasing social and economic problem in our community. It seeks to tackle head on the causes of gambling addiction, the accessibility of gambling products, the aggressive advertising and the design of gaming machines in an uncompromising manner. It seeks to acknowledge that as members of a community we have a responsibility to our fellow South Australians to do what we can to reduce the level of gambling-related addiction, crime and suicide; the impact on those who are most deeply affected, that is, the friends and families of problem gamblers; and the distress and harm it can cause.

This State has a proud record of legislative reform and of being at the forefront of consumer protection measures. It led the nation. I would also like to think that this Parliament can lead the rest of the country with comprehensive measures to protect consumers of gambling products. I appeal to members to support the second reading of this Bill, to allow the debate to continue and ultimately bring about positive changes that will reduce the level of dislocation amongst individuals, families and small businesses that this State's gambling explosion has brought about. I commend the Bill to members.

I can assure the author of that document that I will pass on his sentiments, but they do reflect my views. The international response has been strong: 14 countries have sent earthquake specialists to the island, including the United States, Russia, Switzerland, Turkey, Japan, Singapore, South Korea, Israel and the Philippines—all strong and great countries in the world today. Whilst the chances of rescue have been described as slim, those international bodies are being deployed across 1 000 square kilometres of the epicentre of the disaster using trained dogs, sonar and heat-seeking equipment.

I understand that the US team reported success in locating six survivors in the Yunlin county. There have been aftershocks, too, on a regular basis. Indeed, one six year old boy was found alive under the rubble of a collapsed apartment more than three days after the earthquake toppled the building. The boy was found by South Korean rescuers when they detected him under the building rubble. Damage has also been significant. The mayor of Nantou county, which was the epicentre of the quake, announced that a quarter of his town had been destroyed. One would find it difficult to imagine that sort of event occurring in a city such as Whyalla or Mount Gambier.

The major aftershock which took place on the second date referred to in the motion killed three people and 568 people were injured. Rescuers continued and, indeed, two brothers were found two days after the incident. On a lighter note, the two brothers, aged 20 and 26, were reported as saying that to while away the time awaiting their rescue they played cards—a not un-Australian activity, I might say. One thinks of the incident which received enormous publicity in this country but which pales into insignificance compared with this disaster—the rescue of Stuart Diver. From what I understand and from the information provided to me there have been literally dozens of Stuart Diver type rescues in Taiwan.

In relation to the business response, the government has acted quickly to ensure financial stability. In fact, the government has announced that it will intervene in stock prices to limit any falls. The government has also introduced price controls to prevent the charging of exorbitant prices for necessities. This is an enormous tragedy, and to see the lives of so many people affected by such an extensive natural disaster is distressing to all of us in this chamber. I urge members to do what they can in terms of any donation to World Vision, or the like, to support these people.

Taiwan is an important part of this region and, as I have said, it is a significant trading partner to Australia. Despite some diplomatic difficulties that arise from time to time—and I do not think it is appropriate that I talk about them here—Taiwan could only be described as a good friend of ordinary Australians. I have no doubt that if Australia suffered a similar disaster Taiwan's response would be swift and decisive. I commend the motion.

**The Hon. CARMEL ZOLLO** secured the adjournment of the debate.

#### GAMBLING INDUSTRY REGULATION BILL

**The Hon. NICK XENOPHON** obtained leave and introduced a bill for an act to reform and regulate certain aspects of the gambling industry; to amend the Gaming Machines Act 1992, the Casino Act 1997, the Lottery and Gaming Act 1936, and the Racing Act 1976; to provide for

the removal of gaming machines from hotels within five years; and for other purposes. Read a first time.

**The Hon. NICK XENOPHON:** I move:

*That this Bill be now read a second time.*

In substance this bill is almost identical to the bill that was introduced into this chamber in the previous session. Members are aware that I made an extensive contribution on that bill on 26 May 1999. I do not propose to unnecessarily restate what was contained in that contribution and the references made to various material in relation to it. However, there are a number of changes and I propose to deal with them sequentially in brief order so that members are made aware of the relatively minor differences between the two bills and some alterations with respect to the previous bill.

I will deal first with the bill that I have just introduced. Clauses 18(2) and (3) relate to the maximum penalties with respect to interactive gambling being raised from \$5 000 to \$20 000 to be consistent with maximum penalties under other clauses of the bill. In comparison with the bill that was filed in the last session, in part 5, clause 18(3), the current bill drops the definition of 'gaming act' because, following advice from parliamentary counsel, it was deemed to be no longer necessary. Further with respect to clause 18, subclause (3)(c)(ii) has been dropped as unnecessary because competition or other activity in which the outcome is partly dependent on the player's skill is by definition partly dependent on chance and therefore is covered in clause 18(3)(c). Competition or other activity in which the outcome is wholly dependent on a player's skill is not gambling, in the view of parliamentary counsel, so on the basis of that advice the changes have been made.

Clause 21(a) relates to specifying warnings that are to be carried on machines, including on the actual screen of a machine, so it goes further than the previous bill. In terms of clause 25, there is a prohibition on the cashing of cheques unless there are no ADI facilities within 10 kilometres. That was previously referred to as bank facilities and that has been changed because of the definition of banks in the Acts Interpretation Act as ADI, representing an authorised deposit-taking institution. The measure contained in clause 37 of the earlier bill has been withdrawn from this bill because of the provisions contained in another bill that I will introduce today in relation to poker machines at the Casino.

Clause 38(d), which in the previous bill was clause 39(d), refers to changes to the provision dealing with a local community. It has been changed to read:

... persons within the area likely to be served by the facility on the premises the subject of the application of which the commissioner is aware.

This clause has been amended following consultation broadly in relation to the bill and feedback that I received from bodies that have a particular interest in this measure. I refer also to the Nundroo decision of the Liquor and Gaming Commissioner and the Licensing Court judge in relation to this matter. There is a concern that, in some cases with respect to Aboriginal communities, the previous clause did not cover the field and the feedback from Aboriginal communities indicated concern that this clause should be changed to reflect a broader scope in its operation. Clause 40(b) in the new bill was formerly clause 41(b) of the old bill, and that also changes the wording of 'views of the local community' for the same reason that I have just referred to.

Clauses 55 and 56 of part 9 in the new bill are new provisions to cover trade promotion lotteries and to reduce the amount of prizes that can be offered in terms of trade

promotion lotteries. This arose as a result of concern over a particular trade promotion lottery involving a snack food company and Lay's potato chips. The promotion involved the movie *Star Wars* and used an instant scratch ticket that was almost identical to the sort of instant scratch tickets that can be bought by persons over the age of 16, and that promotion was clearly aimed at young children. It was a \$10 000 prize. Instances were reported in the national media and also by gambling counsellors in South Australia, particularly Mr Vin Glenn of Adelaide Central Mission, of young children stealing to buy 50, 60 or 70 packets of chips. There was a concern that such trade promotion lotteries can in some circumstances lead to increased levels of gambling and problem gambling in the future and, for that reason, that clause has been inserted.

In terms of part 10 of the bill, clauses 57 and 58 relate to TAB accounts with respect to the lodgment of funds from credit card facilities. As members may be aware, I have raised this issue on a number of occasions in the Council as to the TAB's current credit card facility which I believe will cause, and may well have already caused, an increase in problem gambling rates. This provision ensures that people cannot use credit card facilities to put additional funds in their TAB account. That will be prohibited.

Clause 52 of the earlier bill has been removed because it is covered in the Casino (Miscellaneous) Amendment Bill, which I will introduce shortly. The earlier clause 56 has been removed as it is also covered in the Casino (Miscellaneous) Amendment Bill, and clause 57 in the earlier bill is now clause 54. I hope that explanation has made the basis of any changes clear to members.

I simply reiterate the remarks that I made previously in this chamber on 26 May. Since that time the Productivity Commission's draft report into Australian gambling industries has been issued for public discussion, and its final report will be released, as I understand it, on 26 November. In any event, a number of the comments made in the Productivity Commission's draft report will provide valuable material for members on top of the work done by this Parliament's Social Development Committee and should alert them to the fact that this is an important issue, that it cannot be ignored and that a number of the provisions in the Bill reflect a number of the findings of the Productivity Commission and the Social Development Committee. I commend the Bill to members.

**The Hon. T.G. ROBERTS** secured the adjournment of the debate.

#### CASINO (MISCELLANEOUS) AMENDMENT BILL

**The Hon. NICK XENOPHON** introduced a Bill for an act to amend the Casino Act 1997; and to make a related amendment to the Gaming Machines Act 1992. Read a first time.

**The Hon. NICK XENOPHON:** I move:

*That this Bill be now read a second time.*

This Bill is being introduced to deal with a number of matters that I consider this Council should look at as a matter of urgency. I will deal with the clauses shortly. It has arisen because of amendments to the Casino Act which the government moved in the previous session and which were passed. At that stage I moved a number of amendments to strengthen consumer protection provisions and to provide a number of additional safeguards, and I noted the comments of the government and the Opposition that they felt that they needed

more time to consider them. Undertakings were given that these matters would be considered in due course if a Bill were introduced, and this Bill now deals with those matters.

I refer members to the comments that I made when I moved these amendments in the previous session, and I do not propose to unnecessarily re-state them. Clause 2 seeks to ensure that the Adelaide Casino takes into consideration the adverse personal effects of gambling on persons who gamble at the Casino and also their families. I would have thought, that it would not be contentious given the Productivity Commission's remarks in its draft report that the gambling industries are not ordinary businesses, and that they are quite unique businesses given their potential for a social and economic impact. This clause is reasonable and necessary in the circumstances given the level of problem gambling and gambling addiction in the community brought about by a concomitant increase in the accessibility of gambling and the type of gambling products that are available.

Clause 3 requires a licensing agreement to be approved by both houses of parliament—in other words, before there is a change of ownership of the Casino and before there is a new licensing agreement it needs to be approved and be subject to the scrutiny of both houses.

Clause 4 relates to the approval of management systems and the like in terms of authorised games, the provision of a copy of the rules and a summary of the rules to patrons of the Casino, and it requires information about gaming rules and the payment of winning wagers and the odds of winning for each game to be prominently displayed at the Casino—essentially, to give details of the possible minimum and maximum wagers and to at least give advance notice to the players of games.

This clause mirrors the provisions of the New South Wales Casino Control Act. It is not, I would have thought, a radical clause for members to consider as regards whether they have views one way or the other as to the desirability of gambling in the community: it simply gives consumers a greater degree of information. This clause is entirely consistent with the Productivity Commission's concerns that consumers ought to have a greater degree of informed consent before playing games.

Clause 5 relates to the prohibition of certain types of gambling, in particular interactive gambling. It was not included in the amendments that I moved during the last session but has now been included as a result of matters raised by the Hon. Carmel Zollo with the Treasurer and concerns his response, which appears to be that whilst the Adelaide Casino does not have a licence to provide Internet gambling it can obtain a licence if it complies with the current legal position, which is to obtain permission from the Casino Supervisory Authority.

I would have thought that a number of members would think that that is inadequate, given that there is now a select committee inquiry into Internet and interactive home gambling, and that it would be reasonable to ensure that the parliament has the ultimate say as to whether the Casino offers Internet and interactive home gambling. It would be a very big step if the Casino offered this, and if the Adelaide Casino began to offer these services there is a very real concern as to the impact it could have on levels of gambling addiction in the community.

I refer to an anti-gambling colleague of mine, the Reverend Tim Costello, who has said on a number of occasions that with Internet and interactive home gambling you will soon be able to lose your home without ever having

to leave it. This provision is something that needs to be considered by all members. It simply ensures that parliament has the ultimate say as to whether we allow the Adelaide Casino to offer a new and potentially very addictive form of gambling and the sorts of controls we ought to have with respect to that.

Clause 5 refers also to a prohibition on gaming machines that are not operated by coins. This again relates to the issue of pokie smart cards. There were reports in the media last month that two leading poker machine manufacturers were considering smart cards for poker machines, which would effectively mean that a player could deposit money on a smart card and play a machine in a cashless way. I have received advice from two leading researchers and treatment providers on gambling addiction in this state—Mr Barry Tolchard of the Centre for Anxiety and Related Disorders at the Flinders Medical Centre and Dr Paul Delfabbro of the Department of Psychology at the University of Adelaide—and also from the Department of Social Administration and Social Work at Flinders University.

In due course I would like to table those two reports that have been provided to me in relation to the potential effects of smart cards. This is a very important issue, given the remarks that have been made by the Premier that he does not see a particular problem with them. I understand that similar remarks have been made by the Treasurer and by the shadow treasurer and, given the remarks of a number of very senior members of this place and the other place, I would have thought that it is important that we place on the record, in *Hansard*, what Mr Tolchard and Dr Delfabbro are saying about the potential effects of smart cards on gamblers. I would like to read into the record what Mr Tolchard said, as follows:

#### Overview

Gambling is an activity enjoyed by most people in Australia. For the majority it is 'harmless' fun where the individual is in relative control of their behaviour. However, there are some individuals with whom this control has been lost and they begin to experience difficulties with their gambling. This group can be roughly split into heavy gamblers and problem or pathological gamblers. We are aware that the lifetime prevalence for pathological gambling is approximately 2 to 3 per cent of the population. However, at any one point in time this prevalence can vary, with some of the heavy gamblers experiencing serious enough problems that they would reach a diagnosis for pathological gambling. There are a number of factors that could contribute to this, the most common factor being the easy or increased access to gambling activities such as the introduction of electronic gaming machines into hotels and clubs.

A second factor is the introduction of new and novel aspects to the available gambling. This could include changing machines regularly, having easier ways of betting on the horses and lotteries and incentives to gamble at certain places. Finally, the last factor is an interpersonal one in which the person's current circumstances increase the possibility of them becoming out of control in some behaviour or other. This final factor would include loss either through losing a loved one, job, status, etc., or through high levels of perceived stress. All people are vulnerable to the factors described, and heavy or pathological gamblers are particularly vulnerable to increased gambling when such factors are present. Therefore, the introduction of something new such as smart cards will clearly have some effect on the overall harm gambling causes to some individuals.

#### Smart cards

The specific problems that may be associated with smart cards are outlined in the table below. First, we have to understand the possible avenues that could be taken in introducing such cards. We are aware of smart cards in a number of areas of life. We are able to buy phone cards for use with public telephones; there are health status cards that carry all of the health information of individuals, and bank cards that are used to store all financial information. The simplest form of card is the simple cash value card where the only information stored is a sum of money pre-paid beforehand. More

complicated cards can store huge amounts of information, including financial status, criminal record information, health status, etc.

One of the more commonly used approaches to smart cards is the accrediting of loyalty points for a person carrying out some activity usually involving spending money or time on a particular activity. Hotels where points are awarded for frequent play and can be redeemed later for so-called 'prizes' already use this type of card. We are aware of course that the value of the prizes and the amount lost to gain the points are poles apart. This second form of card will pose the greatest problem to gamblers. However, the simpler card will also present a number of new problems to gamblers.

The overall conclusion to the introduction of such cards is that it would add extra burden to gamblers and without doubt increase the total number of gamblers experiencing serious problems.

There is a table referring to the types of cards and the sorts of associated problems. Without reading all of that into the record, Mr Tolchard refers to the simple cards as follows:

There will be a divorcing from the gambler's mind between the amount of money they are spending and their gambling activity. This lack of concept between spending is already evident in the use of credits rather than cash being displayed by the machines.

Smart cards may entice non-problem gamblers to take higher risks. Also, non-gamblers may be given cards like book tokens and so start them on the road to gambling. . .

Underage gamblers may be able to access smart cards and enter hotels more anonymously than they can at present. . .

The cash amounts of the cards will be set at specific values such as \$5, \$10, etc., resulting in the gambler possibly buying a higher value card than they may have spent in cash.

In relation to complex cards, he states:

The card may contain information that could be used by the hotels or clubs to target specific people who would invariably be the heavier gamblers. This would be an extension to the prize draws, etc. designed to get the heavier gamblers into hotels. . .

Hotels may issue high status cards for those who gamble more often. . .

Mr Tolchard's remarks are considered. They are considered by a person who works in this field, who is respected in this field, and I urge honourable members to consider his remarks, and, if necessary, to contact Mr Tolchard with respect to that. I refer now to the remarks of Dr Delfabbro. Dr Delfabbro says:

I was also dismayed to read of the proposed introduction of smart cards to South Australian gambling venues. Despite the reassurances of leading members of parliament, I also agree with your view and that of other concerned parties that smart cards will lead to a significant increase in poker machine expenditure in South Australia. I hold this opinion for the following reasons:

1. Smart cards are yet another form of tokenisation. The availability of credit systems on poker machines serves to suspend player judgment and makes players less mindful of the fact that they are spending money. Rather than having to reinsert coins every few minutes, as is presently the case, all gambling will be internally controlled, so gamblers will be even less likely to see a direct association between each gamble and losing money. Research by Griffiths in the United Kingdom suggests that greater tokenisation is associated with greater gambling expenditure.
2. Smart cards may encourage gambling. Once a person has spent money on a smart card, they will treat the expenditure as having already been made. Thus, using the card will become a way of 'getting what they paid for'. People who have purchased a card and have not spent all the money on it (e.g. there is \$5 left) will be tempted to spend the money in the easiest, most convenient way possible. Pokies will provide an obvious choice for this sort of residual expenditure. This will probably occur even when the cards have not been specifically purchased for gambling.
3. Smart cards make gambling more accessible. If one possesses a smart card it is no longer necessary to walk up to the cashier window, hand over cash and obtain coins. One can simply walk into a gambling venue, insert the card and commence gambling. Similarly, when a person is about to leave a gambling venue, having cashed in his/her winnings, the possession of a smart card will allow that person to recom-

mence gambling almost immediately. Research by the Australian Institute for Gambling Research has consistently shown that 'being unable to resist the temptation to gamble' and 'being unable to stop gambling once gambling has commenced' are two of the most important components of 'impaired control' over gambling behaviour.

4. Smart cards allow people to gamble more quickly. The amount of time spent putting coins into the machines will be significantly reduced by the introduction of smart cards. This will increase the amount of time available for gambling. People will also be able to change machines much more rapidly without having to eject their coins, collect them and reinsert them into another machine.
5. Smart cards could foster underage gambling. One of the major factors which limit the involvement of young people in poker machine gambling is the refusal of hotel staff to convert their banknotes into coins. The fact that cards can be obtained externally, brought to gambling venues and inserted into machines without staff involvement will make it easier for young people to circumvent gambling laws.
6. Smart cards could have similar effect to bill-feeds. Research conducted by the Australian Institute for Gambling Research (Haw, 1997) showed that the strongest predictor of expenditure on poker machines was the availability of bill-feeds (i.e., devices that allowed players to insert notes into the machines). Thus, recent comments by the Treasurer concerning the similarity of smart cards to coins may be misleading. A better comparison is that smart cards will be treated like substitute banknotes. If this is so, then the New South Wales experience suggests that there will be a considerable increase in gambling expenditure in South Australia.

For these reasons it is my view that the introduction of smart card facilities to South Australian gambling venues should be strongly resisted.

Again, I urge members to look at the work of Dr Delfabbro. He is a person who has carried out a number of extensive surveys on gambling in this state. He has completed a doctoral thesis on gambling, and he is somebody who ought to be listened to by members of parliament who are concerned about the impact of problem gambling in the community. I sincerely hope that the weight of the evidence, the weight of the opinions of Mr Tolchard and Dr Delfabbro, will cause the Premier, the Treasurer and the shadow treasurer to reconsider their view on the introduction of smart cards. Again, it is consistent in many respects, given the similarities between the impact of smart cards and the bill-feed machines, that we ought not to have either and, given that the Social Development Committee has made a clear recommendation not to allow bill-feed machines, that strengthens the view that smart cards ought not to be allowed.

Clause 6 of the bill refers to intoxication in the Casino, and I referred to that previously when I moved an amendment in the previous session. Effectively, that puts an onus on the Casino to be proactive to ensure that intoxicated persons do not gamble in the Casino, and, given the research that has been carried out that indicates that there is a very clear link between levels of intoxication and gambling losses, this is a clause that I commend to members.

Clause 7, which refers to the liability to casino duty, ensures that the Casino contributes in a substantive way for gamblers' rehabilitation. It is an anachronism that the Casino and other gambling codes, apart from the hotels and clubs, do not contribute to gambling rehabilitation in this state. Again, this is consistent with the measures put forward by the Social Development Committee.

Clause 8 refers to disciplinary action and substitutes \$100 000 with \$1 million. This is consistent with provisions of the New South Wales Casino Control Act and brings it into line with community expectations that there ought to be a substantial penalty for breaches of the act. Clause 9 is an amendment to the Gaming Machines Act in relation to

ensuring that bank notes or tokens, including smart cards, not be used and that only coins can be used for the purposes of gambling.

I urge honourable members to deal with this bill expeditiously, given that we could well be seeing the introduction of smart cards or an attempt to introduce them into gaming machines in this state within the next few months. I seek leave to table the reports of Mr Tolchard and Dr Delfabbro to which I have referred.

Leave granted.

**The Hon. NICK XENOPHON:** I commend this bill to the Council and urge honourable members to deal with it expeditiously.

**The Hon. T.G. ROBERTS** secured the adjournment of the debate.

### CHRISTIES BEACH WOMEN'S SHELTER

**The Hon. M.J. ELLIOTT:** I move:

That this Council notes—

- I. The request by former workers of the Christies Beach Women's Shelter Incorporated to have a statement incorporated into *Hansard* in accordance with the Resolution of the Legislative Council passed on 11 March 1999.
- II. The decision by the President of the Council not to allow the statement to be incorporated and expresses its regret with that decision.

During the last session a motion moved by the Attorney-General was passed: it allowed for a response in *Hansard* from people who felt that, under parliamentary privilege, they had been in some way misrepresented or whatever. We in this place are all aware that former workers from the Christies Beach Women's Shelter had sought to avail themselves of that opportunity which had been offered for the first time in either of the houses of the South Australian Parliament—something which some people have been advocating for some years, as I have. I was pleased to see that we had such a motion on our notice paper.

However, when the former workers of the Christies Beach Women's Shelter sought to avail themselves of that opportunity, it was refused. Indeed, Mr President, you gave some reasons to this place at the time. There was no motion of dissent or anything else at that point. Clearly, nobody in this place knew the precise content of the submission that was made by the women, but I have since spoken with the women from the Christies Beach Women's Shelter and have had an opportunity to see their submission.

We passed the original motion to allow responses in *Hansard* because, even though everybody in this place supports the notion of parliamentary privilege, we recognise that from time to time it is abused—sometimes deliberately, sometimes unintentionally due to bad research or whatever, but it is misused. And, in some cases, real damage is done to people. In the nearly 14 years that I have been in this place, I cannot think of another case where parliamentary privilege had been used by a member of parliament and had done more damage to individuals than this particular case. We have all done it, and I think I have probably made some mistakes on one or two occasions, but I think they have usually affected other politicians. That sort of thing will happen from time to time, although I would have to say it was not done with intent, although on one occasion I can think of my research had not been thorough enough.





# THE FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

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Mr. Nick Xenophon,  
Member, Legislative Council,  
Parliament House,  
Adelaide, S.A., 5000.

7th September

Dear Mr. Xenophon (Nick),

I was also dismayed to read of the proposed introduction of 'smart-cards' to South Australian gambling venues. Despite the reassurances of leading members of parliament, I also agree with your view, and that of other concerned parties, that 'smart-cards' will lead to a significant increase in poker machine expenditure in South Australia. I hold this opinion for the following reasons:

**(1). Smart-cards are yet another form of tokenisation**

The availability of credit systems on poker machines serves to suspend player judgement and makes players less mindful of the fact that they are spending money. Rather than having to re-insert coins every few minutes as is presently the case, all gambling will be internally controlled, so gamblers will be even less likely to see a direct association between each gamble and losing money. Research by Griffiths in the United Kingdom suggests that greater tokenisation is associated with greater gambling expenditure.

**(2). Smart-cards may encourage gambling**

Once a person has spent money on a smart-card, they will treat the expenditure as having already been made. Thus, using the card will become a way of 'getting what they paid for'. People who have purchased a card and have not spent all the money on it (e.g., there is \$5 left) will be tempted to spend the money in the easiest, most convenient way possible. Pokies will provide an obvious choice for this sort of residual expenditure. This will probably occur even when the cards have not been specifically purchased for gambling.

**(3). Smart-cards make gambling more accessible**

If one possesses a smart-card, it is no longer necessary to walk up to the cashier window, hand over cash and obtain coins. One can simply walk into a gambling venue, insert the card and commence gambling. Similarly, when a person is about to leave a gambling venue having cashed in his/her winnings, the possession of a smart-card will allow that person to recommence gambling almost immediately.



Research by the Australian Institute for Gambling Research has consistently shown that 'being unable to resist the temptation to gamble' and 'being unable to stop gambling once gambling has commenced' are two of the most important components of 'impaired control' over gambling behaviour.

**(4). Smart-cards allow people to gamble more quickly**

The amount of time spent putting coins into the machines will be significantly reduced by the introduction of smart-cards. This will increase the amount of time available for gambling. People will also be able to change machines much more rapidly without having to eject their coins, collect them, and reinsert them into another machine.

**(5). Smart-cards could foster underage gambling**

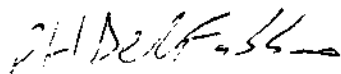
One of the major factors which limit the involvement of young people in poker machine gambling is the refusal of hotel staff to convert their banknotes into coins. The fact that cards can be obtained externally, brought to gambling venues, and inserted into machines without staff involvement, will make it easier for young people to circumvent gambling laws.

**(6). Smart-cards could have similar effect to bill-feeds**

Research conducted by the Australian Institute for Gambling Research (Haw, 1997) showed that the strongest predictor of expenditure on poker machines was the availability of bill-feeds (i.e., devices that allowed players to insert notes into the machines). Thus, recent comments by the Treasurer concerning the similarity of smart-cards to coins, may be misleading. A better comparison is that smart-cards will be treated like substitute banknotes. If this is so, then the NSW experience suggests that there will be a considerable increase in gambling expenditure in South Australia.

For these reasons, it is my view that the introduction of smart-card facilities to South Australian gambling venues should be strongly resisted.

Yours sincerely,



Dr. Paul Delfabbro,  
Department of Psychology,  
University of Adelaide,

Department of Social Administration and Social Work,  
Flinders University.

# **HEADS OF CHRISTIAN CHURCHES**

## **TASK FORCE ON GAMBLING**

**A Strategy to Minimise the  
Harm Caused by Gambling  
within our Community**

**A Discussion Paper**

**October 1999**

## **SOUTH AUSTRALIAN HEADS OF CHURCHES STATEMENT OF THE HARM CAUSED BY GAMBLING IN AUSTRALIA**

The Church is called to show the love of God and the compassion of Christ to those who are broken, trapped, or hurt by gambling. We recognise that while Christians have varying perspectives on the morality of gambling there is a unanimous sense of concern and calling about the harm caused as a result of gambling.

The Church is deeply concerned that for many thousands of men, women and children gambling has significant social, financial and emotional costs that are causing great harm, to the extent that it must be dealt with as a significant social and public health issue. In response to this concern the Church is called:

- To assist people trapped in gambling both practically and spiritually and work to end the cause of suffering.
- To warn all people and especially our elected representatives in all positions of responsibility within Government concerning the serious social and economic suffering which gambling brings upon our society.
- To be pro-active in persuading Community and Government leaders to urgently implement effective strategies to minimise the harm caused by gambling.

The Church is concerned about the increasing reliance on gambling revenue by the State Government, and the conflict of interest that this produces between revenue raising objectives of the State and its responsibility to address the significant hurt and damage being caused by the gambling activities it is permitting, encouraging and promoting. In response to this concern the Church is called:

- To urge the Government to pursue revenue-raising means not dependent on the taxing of gambling products that, by their nature, causes harm amongst its citizens. The State should not be encouraging the profiteering from people's suffering.

In response to these shared concerns and sense of calling the South Australian Heads of Churches have established its Task Force on Gambling.

This document outlines the steps the Task Force believes necessary to achieve the objective of minimising the harm from Gambling.

**The Most Reverend Ian George  
Arch Bishop of Adelaide  
Adelaide October 1999**

# **HEADS OF CHRISTIAN CHURCHES TASK FORCE ON GAMBLING**

## **A Strategy to Minimise the Harm Caused by Gambling within our Community**

### **Introduction**

That tens of thousands of South Australians are having their lives harmed through the use of gambling products and services is now an indisputable fact. The recent Productivity Commission Report confirmed what many people in our community had been saying for years.

What is also clearly stated is that the problem lies within the nature of the gambling products and we should not be taking a "blame the victim" approach.

What is urgently required is a legislative and administrative response from our Government to reduce the harm caused by the use of gambling products. This urgency arises out of a compassionate concern for those individuals and families bearing the horrendous burden of our inaction – the people damaged by the use of gambling. But we must also act for ourselves. It is unconscionable that we derive the entertainment and taxing benefits of gambling whilst ignoring the plight of others.

There are excellent models of community regulation being imposed on an industry or on products to ensure that they can be used safely. We carefully license and regulate the sale of alcohol. We regulate the food industry in relation to the handling, cooking and serving of food. We have introduced significant regulation into the area of Occupational Health and Safety. The motor vehicle industry is subject to extensive and stringent regulation: design safety codes, exhaust emission codes, the compulsory use of seat belts etc. All these are examples of how we try, as a community, to protect people when they encounter potentially dangerous products and to minimise the harm that may arise. The same approach is required in the area of gambling.

**The Heads of Churches Task Force has developed its strategy to reduce the harm caused by the use of gambling products based on the following principles:**

1. It is a community's responsibility to act responsibly to minimise harm that arises from the use of any potentially dangerous product. Gambling products are no exception.
2. Gambling is a source of entertainment for people and thus a strategy adopted should preserve that entertainment opportunity, where possible.

3. Local communities should have a say in what happens in their community and as such should be part of the approval process for gambling activities.
4. That Gambling Industry products and practices that cause harm should be modified or eliminated.
5. The variety of gambling codes and products needs to be treated as one gambling Industry and regulated as such.
6. The gambling industry needs to be regulated in a way that enables adequate measures to be taken to enforce a harm minimisation and consumer protection approach.

**Based on these principles the Task Force on Gambling has developed the following broad strategy:**

1. Establish an Independent Gambling Industry Regulator to act on the community's behalf in regulating the entire gambling industry, with a specific goal and mandate to minimise the harm caused by gambling in our community.
2. License gambling products, gambling venues and gambling operators for a license period of three years.
3. Require the Industry Regulator to take into account the community's best interest and based on the precautionary principle when issuing licences.
4. Require Local Government to endorse a new gambling venue license before it becomes operative.
5. Develop an enforceable Gambling Industry Code to regulate industry practice.
6. Ensure there is adequate research and information collection to enable informed decisions in relation to the regulation of the gambling industry and the provision of services.
7. Fund the provision of adequate services to people harmed by gambling.

The more detailed steps outlined in this paper are based on this strategy.

We welcome debate and comment on the strategy being proposed. Please forward any comments and recommendations you may have by Monday 31st January 2000 to:

Mr Stephen Richards  
Chairperson  
Heads of Churches  
Task Force on Gambling  
10 Pitt Street  
Adelaide SA 5000  
ph: (08) 8202-5887

**Stephen Richards**  
**Chairperson**

# **ESTABLISHMENT OF A LEGISLATIVE FRAMEWORK TO REGULATE THE GAMBLING INDUSTRY**

## **The Churches Task Force on Gambling recommends:**

### **Independent Gambling Industry Regulator**

1. That the Government appoint an Independent Gambling Industry Regulator to administer all aspects of the gambling industry within South Australia.

### **Funding of the Office of Independent Gambling Regulator**

2. The Independent Gambling Regulator shall charge such license fees as are required to successfully carry out the responsibilities of the Regulator.

### **All Gambling Products, Venues and Operators to be Licensed.**

3. The Independent Regulator will be responsible for the approval and issuing of licenses for:
  - (i) each specific type of gambling product approved for use in South Australia;
  - (ii) each venue at which a gambling product is offered for use or sale;
  - (iii) gambling operators to carry on a gambling business which includes the offer of sale or use of any gambling product.
4. Licences will be for a maximum duration of three years after which time a new licensing application must be made.
5. The issuing of licences be subject to a public process requiring the Regulator to take submissions from interested members of the community.
6. Venue licenses will be issued for specifically approved gambling products and a specific number of gambling products. Variations to the number and types of products offered within a gambling venue must be treated as a separate licensing application.

### **Gambling Products, Services and Activities**

7. Gambling products will include those products, services and activities deemed to be a gambling product by the Independent Regulator and not specifically banned or otherwise deemed illegal by another Act of Parliament. They shall include but not be limited to:
  - (i) Betting associated with any form of sport, election outcome or similar activity.
  - (ii) Electronic or manually operated gaming machines or similar.
  - (iii) Gambling activities based on computer or information based technology or similar.

- (iv) Lotteries and other games of chance where a prize is won dependent on the outcome.
- (v) A betting product or service offered for sale in person will be deemed to be a separate product or service if offered for sale by another means, eg post, Internet, telephone, interactive TV, etc.

### **Gambling Venue**

- 8. A Gambling Venue will be any place from which a gambling product, service or activity is offered for sale or use.
- 9. The Regulator may make general provisions concerning the sale of lottery and raffle tickets, bingo tickets, etc and exempt them from the Gambling Venue provisions.

### **Gambling Operators Situated Outside the State**

- 10. Gambling Operators situated outside South Australia who offer for sale gambling products, services or activities to residents of South Australia via the post, Internet, telephone, interactive TV or similar will be deemed to be operating a Gambling Venue within South Australia.
- 11. Gambling Operators who are deemed to be operating a Gambling Venue in South Australia and who are unlicensed will be subject to prosecution under the relevant Act.
- 12. Gambling Operators who are deemed to be operating a Gambling Venue in South Australia, and who are unlicensed, will not be able to recover any debts incurred under any South Australian legislation.

### **Existing Venues and Products**

- 13. All existing venues and products will be issued with a three-year license.

### **Precautionary Principle to be adopted in the issuing of licences**

- 14. While there are debates concerning the underlying causes of harm resulting from the use of gambling products by some people there is no doubt that such harm does arise.

The Independent Regulator is to adopt the precautionary principle when issuing any form of license. The Independent Regulator must not issue a license if it can not be reasonably demonstrated that the issuing of that license will not result in harm to members of the community who may responsibly use gambling products as a result of that license.

### **Reduction in the number of Licenses**

- 15 The Independent Regulator must take into account the best interests of the public and act in accordance with the precautionary principle when considering the renewal of a license.

- 16 The Independent Regulator will have the power to not renew an application for any license and no compensation is payable as a consequence of a non-renewal of a license.

#### **Local Council to Endorse Gambling Venues Licenses**

17. Notwithstanding the issuing of a venue license by the Independent Regulator each Local Council shall be required to endorse the venue license before the license becomes operative.
- 18 The Local Council may impose those conditions it deems fit for the endorsement of the license.
- 19 Deliberations concerning the endorsements by Councils will be made at full council meetings open to the public.
20. Concerning the endorsement process each Council will ensure:
- (i) that all aspects of their decision-making processes are transparent;
  - (ii) publicly invite members of the community to make submissions (both written and in person);
  - (iii) publicise the request for a gambling license through local print media; and
  - (iv) provide an appropriate length of time for public comment.
- 21 A Council may levy a fee approved by the Independent Regulator for the receipt of an application to endorse a Gambling Venue License.

#### **Gambling Industry Code**

- 22 The Independent Regulator is to develop and administer a Gambling Industry Code that regulates any aspect of the Gambling Industry the Regulator determines necessary in the best interests of the general community.
- 23 Minimum requirements for the Industry Gambling Code are to be established under the Act and Regulations establishing the Office of the Independent Regulator.
- 24 The Gambling Industry Code will include but not be restricted to:
- (a) all aspects of the dealings between a gambling operator and any person using gambling products in the licensed venue. [eg provision of credit, incentive prizes, clubs, etc.];
  - (b) the gambling venue environment;
  - (c) hours of trading;
  - (d) gambling staff training and experience;
  - (e) advertising;
  - (f) the maximum number and type of gambling products allowed within each venue;



- (g) Appropriately worded "wealth and health hazard" signage;
  - (h) and etc.
25. The Independent Regulator may change the Gambling Industry Code from time to time. License holders will be required to comply with such changes within a reasonable period as determined by the Regulator.
26. The Regulator will have the power to revoke or suspend the license of any gambling operator found to be in breach of their licence conditions or in breach of the Gambling Industry Code or of any venue license associated with such a breach.

**Consumer Protection and Harm Minimisation to be taken into account.**

- 27 In developing the Gambling Industry Code the Independent Regulator must take into account the principles of consumer protection and harm minimisation so as to actively and demonstrably reduce the harm resulting from the purchase and/or use of gambling products in South Australia.

**Gambling Industry Code and Licence Provision – Prescribed Minimum Conditions**

The following are recommended as being part of a prescribed minimum standard to be adopted by the Independent Regulator in developing licensing provisions and the Gambling Industry Code.

**28 Minimum Licensing Requirement for Gambling Venues:**

- (i) Any licensed gambling venue is to be located not less than 200 metres from shopping centres, and shops selling food and drink, schools or services frequented by minors. Exceptions to include gambling venues only selling gambling products such as lottery tickets, lotto tickets, etc.
- (ii) Lighting to be no less than 85% of standard office lighting in any gambling venue.
- (iii) Large and accurate clocks to be clearly visible from any public location within a gambling venue.
- (iv) The gambling operator to develop and introduce methods to assist consumers to make a pre-commitment to a maximum financial and/or time limit to gambling activities.
- (v) Frequent player or loyalty clubs or similar are prohibited.
- (vi) Happy hours, give-a-ways and similar are prohibited.
- (vii) There must be clearly displayed within the gambling venue the loss rates, the estimated duration of play and the likelihood of any given payout, associated with each gambling product and betting option.
- (viii) The clear display of warning notices as to the risks of gambling. Such warning to be placed on each machine.

- (ix) Areas in which gambling machines are located are to be screened off from other public areas of the facility in which the gambling room is located.
- (x) Children are not permitted in those parts of a gambling venue where gambling products are offered for sale or use. Exemptions to be given to lottery tickets, lotto tickets and similar.

## **29 Minimum Licensing Requirement for Gambling Products**

- (i) Prohibition of the light and sound emissions from gambling machines associated with winning bets.
- (ii) A delay of at least five seconds to be incorporated between the end of one betting cycle to the commencement of the next.
- (iii) Gambling machines to display the amount of money spent and lost since the beginning of the day.
- (iv) Gambling machines are to release a payout into the coin tray when the total credits exceed \$20.
- (v) Multiple bet machines are limited to a maximum of \$2 per bet.
- (vi) Gambling machines are to automatically shut down for 3 minutes after a jackpot exceeding \$50.
- (vii) The highest monetary coin accepted by machines is restricted to \$1 and no more than \$5 to be loaded into a machine at any one time.

## **30 Minimum Licensing Requirement for Gambling Operator**

- (i) The provision of a gambling product or service to a customer who the Gambling Operator should have reasonably known to be a problem gambler is an offence.
- (ii) Losses incurred at a gambling venue by a person who is assessed as being a problem gambler and whom the Gambling Operator should have reasonably known to be a problem gambler shall be recoverable from the gambling venue and/or the Gambling Operator.

## **31 Availability of Credit and Access to Funds**

- (i) ATM and EFTPOS outlets be prohibited from dispensing cash and are restricted to the sale of goods and services at any gambling venue.
- (ii) The extension of credit or provision of cash against cheque, savings or other forms of financial accounts in any form (eg the provision of cash chequing, advances against pensions and wages, the making of loans, credit betting, etc) be prohibited at any gambling venue.
  - The Independent Regulator may issue exemptions for gambling venues situated in remote locations that provide a community service in relation to the cashing of cheques due the unavailability of banks, etc.
- (iii) Funds deposited into accounts for any form of gambling operated remotely (eg phone or Internet betting) are subjected to a 48-hour "cooling off" period before being released for gambling activities.
- (iv) Large payouts of winnings from gambling of \$250 or more must be made only by cheque.

- (v) A gambling venue is not to change into coins from notes more than \$20 for each customer more frequently than once every 15 minutes.
- (vi) The use of Smart Card technology or similar is not to be permitted in association with the purchase or use of gambling products, services or activities.

### **32 Advertising**

That advertising for gambling venues or gambling products be limited to factual statements concerning:

- (i) Location of gambling venue.
- (ii) Gambling products available.
- (iii) Cost to purchase or use a gambling product or service.
- (iv) Prizes or winnings available where this is accompanied by a clear statement of the odds associated with winning.
- (v) Each advertisement is to be accompanied by a "wealth and hazard" warning.
- (vi) No inducement or additional service or product is to be offered to attend a gambling venue. An inducement will be deemed to be given if a product or service is offered below a fair market price.

### **33 Gambling Account Holders**

South Australians using phone or Internet betting accounts or similar must be provided with a monthly itemised record of their transactions.

### **34 Gambling Venue Staff**

- (i) All staff and management associated with the sale of gambling products are required to undertake ongoing training to be able to identify the signs of problem gambling and to know of the support services available, and that such training is conducted by an independent accredited training provider.
- (ii) Each licensed gambling venue is to have an appropriately qualified/trained contact staff member to whom problem gamblers can be referred should they seek assistance.

### **35 Other Minimum Provisions**

- (i) The sale of any gambling product be prohibited to persons under 18 years of age.
- (ii) The sale of any gambling product (where the outcome is usually known within 24 hours) be prohibited to persons in an intoxicated state or under the influence of drugs.
- (iii) Printed material designed for use by the public associated with any form of gambling to include reference to the 1 800 Gambling Helpline.
- (iv) The clear display of signage and the availability of brochures indicating the contact numbers of agencies available to assist problem gamblers.

- (v) Self-exclusion practices be adopted by Gambling Operators to assist problem gamblers. The availability of such practices to be clearly promoted on prominent signage.

### **36 Existing State Legislation**

- (i) All State Legislation that applies to the regulation of gambling activities should be reviewed and amended to bring them within the purview of the Independent Gambling Industry Regulator.
- (ii) Specific licensing of an administrative requirements that already exist, eg in relation to the casino, bookmakers, etc should continue where they are of a more stringent nature than the requirements outlined in these regulations.
- (iii) Gambling activity that is currently covered by the criminal code should remain a police responsibility.

### **37 Federal Legislation**

The State Government should take a lead role in developing the necessary Federal Legislation where it is necessary to regulate gambling under such legislation. Such areas may included:

- (i) gambling on the internet;
- (ii) gambling through interactive pay television;
- (iii) phone betting.

# **CHANGES TO GOVERNMENT ADMINISTRATIVE POLICY**

## **The Churches Task Force on Gambling recommends:**

### **Adopted an Integrated Whole of Government Approach**

1. That in the development of gambling policy a whole of government approach be taken, taking into account all aspects impacted by gambling such as social, business development, justice issues etc.

### **Establish a Gambling education Unit**

2. That a specialised Gambling Education Unit be established by the State Government to undertake the following tasks:
  - a) a school-based education campaign regarding the extent and consequences of problem gambling and the assistance that is available;
  - b) an education campaign for general practitioners, hospital casualty workers, educators, counsellors and finance industry managers to assist them in identifying the signs of problem gambling and to inform them of the range of assistance available;
  - c) an ongoing public awareness campaign to inform the public of the extent and consequences of problem gambling and the means of identifying problem gambling;
  - d) a public education campaign that focuses on the risks associated with gambling, how to minimise such risks and where individuals may seek assistance.

### **Australia Wide Co-operative Approach to be taken**

3. That the State Government work collaboratively with the Federal and other State Governments to develop a Gambling Industry Policy that guides the further introduction or expansion of gambling activities and that takes into account the likely impact on the whole economy.

### **Moratorium on any Increases in Gambling**

4. That the State Government immediately suspends any activities aimed at increasing turnover or increasing revenue from gambling pending a detailed evaluation of the longterm impact of gambling on all sectors of the South Australian community and economy.
5. That notwithstanding the dominance of the federal taxation powers, the State Government research the alternatives available to reduce the existing level of dependency on gambling revenues.

# **RESEARCH, DATA COLLECTION and EVALUATION**

## **The Churches Task Force on Gambling recommends:**

### **Comprehensive Ongoing Research**

1. That the State Government commissions research on a regular basis to identify the:
  - (i) total economic costs of gambling to the South Australian community;
  - (ii) impact of problem gambling on individuals who have identified a problem with gambling and their significant others including family members;
  - (iii) nature and extent of crime related to gambling;
  - (iv) nature and extent of gambling by young people;
  - (v) nature and extent of gambling by older people;
  - (vi) concentration of gambling venues and gambling machines in lower income areas.

### **Data collection from Criminal Justice System Needed**

2. That a comprehensive system of data collection and analysis be developed within the criminal justice system in relation to the association between gambling and crime.

### **Services to Reflect Results of Research**

3. That all service delivery in relation to gambling and the harm it causes are informed by ongoing independent research that assesses both the appropriateness of service and the effectiveness of service delivery.

### **Australia Wide Data Base Required**

4. That an Australia-wide database to gauge the magnitude of the connection between accessibility and problem gambling be developed.

## **SERVICE DELIVERY**

### **The Churches Task Force on Gambling recommends:**

#### **Adequacy of Services**

5. That the State Government conducts a review into the adequacy of funding and accessibility of services for people adversely affected by gambling.
6. That the State Government allocates the funds necessary to provide an adequate service based on the review.
7. That funding levels and adequacy and efficacy of all services for people adversely affected by gambling be reviewed every three years.

#### **Specialised Financial Gambling Service Required**

8. That the State Government establishes a specialised financial gambling service to address the increasing number of complex cases being encountered that include fraud, theft, large debts and bankruptcy.

#### **Specialised Service to Work with People Convicted of Criminal Offence**

9. That the State Government establishes a specialised problem-gambling response to work with people convicted of a criminal offence as a result of problem gambling.

#### **Increased Funding for Rural Areas**

10. That the State Government fund services for people living in rural areas who are adversely affected by gambling.

#### **Increase Funding for People of Non English Speaking Background**

11. That the State Government fund services for those with languages other than English who are adversely affected by gambling.

#### **Increase Funding for Services to Aboriginal People**

12. That the State Government provides funding to Aboriginal organisations for the purpose of providing services to Aboriginal people adversely affected by gambling.

## **The potential psychological effects of SmartCards on gamblers**

Barry Tolchard MSc RN  
Centre for Anxiety and Related Disorders

### **Overview**

Gambling is an activity enjoyed by most people in Australia. For the majority it is "harmless" fun where the individual is in relative control of their behaviour. However there are some individuals with whom this control has been lost and they begin to experience difficulties with their gambling. This group can be roughly split into heavy gamblers and problem or pathological gamblers. We are aware that the lifetime prevalence for pathological gambling is approximately 2-3% of the population. However, at any one point in time this prevalence can vary with some of the heavy gamblers experiencing serious enough problems that they would reach a diagnosis for pathological gambling. There are a number of factors that could contribute to this. The most common factor being the easy or increased access to gambling activities such as the introduction of Electronic Gaming Machines into hotels and clubs. A second factor is the introduction of new and novel aspects to the available gambling. This could include changing machines regularly, having easier ways of betting on the horses and lotteries and incentives to gamble at certain places. Finally the last factor is an interpersonal one in which the persons current circumstances increase the possibility of them becoming out of control in some behaviour or other. This final factor would include loss either through losing a loved one, job, status etc or through high levels of perceived stress. All people are vulnerable to the factors described, and heavy or pathological gamblers are particularly vulnerable to increased gambling when such factors are present. Therefore the introduction of something new such as smart cards will clearly have some effect on the overall harm gambling causes to some individuals.

### **SmartCards**

The specific problems that may be associated with SmartCards are outlined in the table below. First we have to understand the possible avenues that could be taken in introducing such cards. We are aware of smart cards in a number of areas of life. We are able to buy phone cards for use with public telephones; there are health status cards that carry all of the health information of individuals and bankcards that are used to store all financial information. The simplest form of card is the simple cash value card where the only information stores is a sum of money pre-paid beforehand. More complicated cards can store huge amounts of information including financial status, criminal record information, health status etc. One of the more commonly used approaches to smart cards is the accrediting of loyalty points for a person carrying out some activity usually involving spending money or time on a particular activity. Hotels where points are awarded for frequent play and can be redeemed later for so called "prizes" already use this type of card. We are aware of course that the value of the prizes and the amount lost to gain the points are poles apart. This second form of card will pose the greatest problem to gamblers. However, the simpler card will also present a number of new problems to gamblers.

The overall conclusion to the introduction of such cards is that it would add extra burden to gamblers and without doubt increase the total number of gamblers experiencing serious problems.



### Potential problems arising from SmartCards

Type of card	Associated problem
<b>Simple card</b>	There will be a divorcing from the gambler's mind between the amount of money they are spending and their gambling activity. This lack of concept between spending is already evident in the use of credits rather than cash being displayed by the machines.
	Smart cards may entice non-problem gamblers to take higher risks. Also non-gamblers may be given cards like book tokens and so start them on the road to gambling.
	The anonymity factor that the heavy gamblers try for would be easier as they would not go back to the cashier for more money if they have already charged high amounts to their card.
	Underage gamblers may be able to access smart cards and enter hotels more anonymously than they can at present.
	Once money has been placed into a card the gambler is less likely to convert it back should they need to and if the cards are designed to load wins from the machine then they may also not collect winnings.
	It would be easier for a gambler to go gambling without a partner's knowledge, as it would not involve ready cash from household budgets.
	The cash amounts of the cards will be set at specific values such as \$5, \$10 etc resulting in the gambler possibly buying a higher value card than they may have spent in cash.
<b>Complex card</b> All of the above would apply to these cards	The card may contain information that could be used by the hotels to target specific people who would invariably be the heavier gamblers. This would be an extension to the prize draws etc designed to get the heavier gamblers into hotels during recognised low activity times. This approach would only help to maintain the gambler's problem and no doubt create further problems.
	Loyalty points may be built up and, as in the USA, portable hand held machines offered to the gamblers to take home that would allow them to play their loyalty points and so increase the gambling experience. In terms of heavy and pathological gamblers this would strengthen any urge to play the actual cash machines and increase the likelihood of gambling more often.
	Information stored on complex cards may be released to other companies who could target the already vulnerable gamblers for other activities.
	Hotels may issue high status cards for those who gamble more often. This may make the gambler feel more powerful or wanted and so increase the gambling. The gambler who is at risk may also gamble more to achieve such cards.
	If lost the cards could be accessed by other and used against the individual in some way.

NICK XENOPHON M.L.C.

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15 October 1999

Mr M McLean  
Secretary  
Senate Select Committee on  
Information Technologies  
The Senate  
Parliament House  
CANBERRA ACT 2600

**BY FACSIMILE: (02) 6277 5829**

Dear Sir

**Re: Submission to the Senate Select Committee on Information  
Technologies Inquiring into Online Gambling**

**1. Introduction**

- 1.1 At the outset I refer to the submissions prepared by the Victorian Interchurch Gambling Taskforce, and the Festival of Light (SA), copies of which have been provided to me by those organisations. I endorse the substance and thrust of the submissions, particularly the view that online gambling ought to be banned because of its potential social and economic costs.

**2. The nature, extent and impact of online gambling in Australia**

- 2.1 In recent years Australia has witnessed a huge expansion in levels of gambling. Losses annually now exceed \$11 billion as turnover is in the vicinity of \$90 billion. Money lost on gambling tends to be money diverted from retailing and from personal savings creating present and future problems in both areas.
- 2.2 The expansion of today's gambling industries is a direct result of State Governments expanding opportunities for legalised gambling, principally to create new areas for revenue raising, particularly in the context of worsening Commonwealth/State fiscal relations.
- 2.3 The Productivity Commission's Draft Report into Australia's Gambling Industries has set out some of the very significant social costs involved, with 330,000 Australians having a "significant gambling problem", with each problem gambler affecting the lives of between 5 to 10 others.

- 2.4 The social and economic costs of gambling are often hidden and only just beginning to be measured. For instance there appears to have been a significant increase in a number of cases before the Courts for individuals charged with gambling related fraud, embezzlement and other criminal offences. An article in the December 1997 edition of the Alternative Law Journal "Who is holding the Aces" sets out the link between compulsive gambling and crime, particularly in the Australian context. Online gambling has a potential to cause an exponential increase in gambling related crime.
- 2.5 The Productivity Commission's Draft Report has highlighted the lack of comprehensive information setting out the negative costs associated with problem gambling and the inadequate policy and regulatory framework. Online gambling poses an even more dramatic change for regulators given the nature of the internet and online transactions.
- 2.6 Public opinion polls over recent years have revealed growing concern about the expansion of gambling and its associated costs. The Productivity Commission noted that an overwhelming majority of Australians believe gambling does more harm than good. State Governments are not however reflecting public concern in their formulation of policy regarding gambling, nor do they appear to be sufficiently influenced by the observation and concerns of gambling counsellors and welfare organisations who are witnessing the appalling growth of problem gambling at first hand.
- 2.7 Internet gambling and its regulation or prohibition needs to be examined in the context of the existing gambling boom. To allow yet another form of gambling into society when there are already in existence a large variety of types of gambling and almost unlimited opportunities to gamble is at the very least unnecessary. To increase gambling opportunities further still in the absence of adequate information and research into existing levels of gambling seems simply irresponsible.
- 2.8 Gambling counsellors and problem gamblers alike confirm what common sense suggests that gambling and problem gambling will increase with the increase of availability. The increased accessibility of gambling opportunities made possible in SA by the introduction of poker machines into pubs and clubs dramatically increased the level of gambling losses, problem gambling and the demand for gambling counselling services.  
  
Accessibility is a key factor in the growth levels of problem gambling – allowing a PC or a digital TV set to be turned into a cyber casino will in all likelihood unleash a new tidal wave of problem gambling.
- 2.9 Online gambling has a vast potential for harm. It will greatly increase gambling accessibility to anyone with an Internet connection (and in the

not too distant future anyone with a digital TV set, should online gambling be legalised for that medium). It will bring gambling into the home in a way that has not happened before. This not only increases the opportunities for gambling but the possibility of losing large amounts of money without even leaving home. Internet gambling also has a the potential to expose children to gambling in a way that would not otherwise occur. Availability and familiarity with gambling will increase the likelihood of participation as adults.

- 2.10 A further danger with Internet gambling lies in its private nature. An individual who gets into trouble may do so unobserved at home with little or no opportunity for others to intercede at critical junctures. The access to credit facilities with online gambling creates a frightening potential for individuals to completely empty their bank accounts in a very short space of time. As with any use of credit as opposed to cash it is far easier to lose control and spend beyond your means.
- 2.11 The impact of online gambling in Australia to date is difficult to quantify because the industry is in it's infancy. Its potential impact however is enormous.

### **3. The feasibility of controlling access to online gambling, especially by minors**

- 3.1 I fundamentally disagree with the Productivity Commission's interim view that online gambling can be dealt with by a regime of managed liberalisation, particularly given the Productivity Commission has outlined the enormous social costs involved with various forms of gambling.
- 3.2 I support the views of the US National Gambling Impact Study Commission that online gambling be banned because of its potential social impact. The approach suggested by the US inquiry that credit card transactions for the purpose of online gambling be made voidable should be given further consideration in the Australian context.
- 3.3 I refer the Committee to the submission under this heading by the Victorian Interchurch Gambling Taskforce.

### **4. The adequacy of State and Territory Regulations in relation to online gambling.**

- 4.1 Current State and Territory Regulations in relation to online gambling (SA) does not yet have a regulatory regime in place – the issue of online gambling being the subject of a Legislative Council Select Committee that is currently considering this issue). Current State and Territory Regulations tend to concentrate on issues of probity rather than giving consumers of online gambling products a significant measure of informed consent and a comprehensive regime to minimise the level of harm which is associated with such an activity. The finding

by the Productivity Commission that one third of Australia's gambling losses are paid for by some 330,000 significant problem gamblers is a clear warning that online gambling will make a substantial portion of its revenue from vulnerable and addictive gamblers.

## **5. The need for Federal Legislation**

- 5.1 Given the Commonwealth's powers with respect to telecommunications and banking, it is desirable that there be Federal legislation in place to control the industry, with the primary aim of banning it. I refer the Committee to the submission of the Victorian Interchurch Gambling Task Force with respect to "The case for banning internet gambling".

I would be pleased to elaborate on this submission by appearing to give evidence before your Committee, and in particular I would like to have an opportunity to provide supplementary details to this submission.

Yours faithfully

**NICK XENOPHON**