

**Submission
No 3**

INQUIRY INTO IMPACT OF GAMBLING

Organisation: FamilyVoice Australia

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Submission

on the

Impact of Gambling

to the

Select Committee on the Impact of Gambling

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1. Introduction and terms of reference

On 27 November 2013 the Legislative Council established a Select Committee on the Impact of Gambling. The Committee has called for submissions which are due by 7 March 2014.

The terms of reference for the inquiry require the Committee to “*inquire into and report on the impact of gambling on individuals and families in New South Wales, and in particular:*”

- a) The design and accessibility of electronic gaming machines and new and emerging gambling products and services*
- b) The regulation of the number and location of electronic and high intensity gaming machines*
- c) Voluntary pre-commitment technology and operational guidelines*
- d) Access to cash and credit in and around gambling venues, and the form and delivery of cash prizes*
- e) The role and capacity of gambling industry staff to address problems caused by gambling*
- f) The regulation of telephone and internet gambling services in other jurisdictions in Australia and overseas*
- g) The regulation of gambling advertising*
- h) Exemptions and exceptions to State and Federal laws and policies relating to gambling*
- i) Gambling education including school-based programs, and measures to reduce the exposure of children and young people to gambling activity*
- j) The adequacy and effectiveness of problem gambling help services and programs, including service standards, qualifications and funding of chaplaincy, counselling and treatment services*
- k) The effectiveness of public health measures to reduce risk of gambling harm, including prevention and early intervention strategies*
- l) The effectiveness of strategies and models for consumer protection and responses to problem gambling in other jurisdictions in Australia and overseas, and*
- m) Any other relevant matters.*

2. Problem Gambling

The 2010 Productivity Commission report found that there are between 80,000 and 160,000 Australian adults suffering significant problems from their gambling with a further 230,000 to 350,000 experiencing moderate risks that may make them vulnerable to problem gambling.

It is estimated that problem gamblers account for 22 to 60 per cent of total gaming machine spending (average of 41%). The likely range for moderate risk and problem gamblers together is 42 to 75 per cent.¹

Proposing harm reduction measures is an inadequate response to an industry that derives perhaps as much as three quarters of its revenue from people who are gambling beyond their means and experiencing, or at risk of, significant harms to themselves and their families.

It seems doubtful, even if all the various harm minimisation measures that have been proposed to reduce the level of problem gambling were to be implemented, that these measures would result in a substantial reduction in problem gambling.

It is time to consider whether the entertainment value that gaming machines provide to non-problem gamblers is sufficient to outweigh the social cost of problem gambling. Australians are able to access many alternative forms of entertainment, including alternative forms of gambling. The alternatives are generally associated with a lower rate of problem gambling than with gaming machines.

It is time to consider whether the New South Wales government – charged with providing for the peace and good order of the people of New South Wales – is failing in its duty to the extent that the State of New South Wales has become dependent on revenue from gambling and has consequently become reluctant to restrict access to gambling in any substantial way.

The fundamental social question is whether the alleged benefits of gaming machines – revenue for non-profit clubs and enjoyment for “recreational” non-problem gamblers – are worth the social costs associated with problem gambling.

2.1 Policy objective for New South Wales

In 2011-12 New South Wales derived \$1.815 billion in tax revenue from gambling, which is 8.78% of all tax revenue. Of this, \$1.15 billion was derived from taxes of electronic gaming machines (EGMs). This represents some 5.56% of total tax revenue.²

Applying the Productivity Commission’s finding that between 22 to 60 per cent of total gaming machine spending is derived from problem gamblers and between 42 to 75 per cent from problem and moderate risk gamblers together, then New South Wales tax revenue from EGMs is garnering between \$483 million and \$862 in taxes from problem and moderate risk gamblers with between \$253 million and \$690 million coming from problem gamblers.

Recommendation 1:

New South Wales should adopt a bipartisan policy of progressively reducing the number of EGMs with a view to eliminating them altogether in the future.

3. Harm reduction measures for EGMs

In the meantime, harm reduction measures should be introduced to minimise the risk to problem gamblers from the easy access to dangerous levels of play on EGMs.

3.1 Pre-commitment

The Productivity Commission has recommended that:

Each state and territory government should implement a jurisdictionally-based full pre-commitment system for gaming machines by 2016, subject to initial development, trialling and compatible monitoring systems.³

A full pre-commitment scheme requires the implementation of a mandatory identification system of some kind for all users of gaming machines, apart from a possible ancillary system of “safe play” mode allowing very limited expenditure per hour of play.

Critical aspects of a successful pre-commitment scheme would appear to include sufficiently rigorous identification systems in place, so that any card, device or password issued to a registered player is backed by a robust system of identification, before payouts are made. This lessens the incentives for problem gamblers to steal or borrow the IDs of other players.

Secondly, the system would need to prevent a player from increasing playing limits or waiving self-exclusion periods for a fixed period of time. The Productivity Commission suggests six months as a suitable non-revocation period.⁴

Individuals should be able to select longer periods of self-exclusion with no revocation possible. Why should a problem gambler, determined to break the destructive habit once and for all, have to face the recurrent temptation every six months of renegeing on his efforts and giving in once again to his demons?

Additionally there is merit in the possibility of allowing family members, under certain circumstances, to request that a problem gambler be excluded from gambling or have rigorous limits imposed on weekly spending on gambling. The Productivity Commission supports such a proposal.⁵

The Productivity Commission cites a proposal by Mark Dickerson that maximum spending limits be linked to the financial capacity of the gambler using a model akin to a credit card application.⁶ The Commission dismisses this as “removing consumer sovereignty”.

This seems too glib a response to a sensible proposal.⁷

Dickerson explains:

The limits to the amounts of money and time that an individual could pre-commit to his/her card would be transparently computed along the same sort of lines by which mortgage and other credit/loan levels are currently established. There would be the opportunity for individuals to make a special case that they had greater levels of discretionary monies than the standard levels but such claims, as in any other major purchasing context, would be open to verification. For the majority of players it is likely that their preferred expenditure would be well within the regulated limits.⁸

It is not evident that a scheme which protects problem gamblers from spending above their means is an assault on consumer sovereignty.

A mandatory pre-commitment scheme should be introduced for all EGMs in New South Wales.

Recommendation 2:

A genuine pre-commitment scheme should be mandated for all EGMs in New South Wales which includes the following features:

- ***rigorous identification systems at registration and at payouts;***
- ***non-revocation periods of at least six months before spending limits could be increased or self-exclusion waived, with consideration for longer periods of self-exclusion with no revocation allowed;***

- *opportunity for family members, under certain circumstances, to request that a problem gambler be excluded from gambling or have rigorous limits imposed on weekly spending on gambling; and*
- *maximum spending limits linked to financial capacity in a way similar to mortgages and other credit and loan arrangements.*

3.2 Maximum bet limits

The Productivity Commission has noted that States and territories currently impose either \$5 or \$10 maximum bets per spin on electronic gaming machines and some jurisdictions also regulate the minimum spin rate. The net result of these provisions is that the average cost of one hour's continuous play at maximum speed varies from \$600 to \$1200. New South Wales has a \$10 maximum bet per spin allowing for an average cost of \$1200 per hour if played at maximum speed.⁹

The Productivity Commission recommended that the maximum bet per spin be reduced to \$1.¹⁰ This would reduce the cost of one hour's play at maximum speed to \$120 – a reduction to 10% of the current level in New South Wales.¹¹

This seems to be a sensible measure to reduce the potential maximum loss per hour for poker machine players.

Recommendation 3:

A maximum bet per spin limit of \$1 should be introduced for all EGMs in New South Wales.

3.3 Limiting bank note and credit acceptors

The Productivity Commission has noted that some States and territories already impose limits on the highest denomination bank notes that can be accepted by poker machines with Queensland and the ACT setting a \$20 maximum; Victoria setting a \$50 maximum; New South Wales setting no limit and some jurisdictions banning note acceptors altogether. Some jurisdictions also impose limits, ranging from \$100 to \$1,000, on the maximum credit that can be on a poker machine at any one time.¹²

Limiting the maximum banknote that can be accepted does not seem to be very effective if multiple banknotes can be inserted readily or credit added by other means.

The Productivity Commission recommended that “Governments should restrict to \$20 the amount of cash that a player can insert into a gaming machine note acceptor, with no further cash able to be inserted until the maximum credit on the machine falls below \$20”.¹³

Recommendation 4:

All EGMs in New South Wales should only accept bank notes of \$20 denomination or less. No cash or credit by any other means should be able to be added to an EGM unless the credit on the machine is less than \$20.

3.4 Jackpot limits

The Productivity Commission has noted that only some jurisdictions set limits on jackpots and linked jackpots with limits for linked jackpots as high as \$500,000 or \$1 million.¹⁴

The Productivity Commission recommended that “Governments should initiate research on the potential for jackpots to exacerbate the problems some people face with their EGM gambling, with consideration given to the further regulation of jackpots if they pose significant risks to gamblers.”¹⁵

However, the Productivity Commission did cite some evidence that problem gamblers may continue playing longer than they otherwise might in order to chase jackpots and “recover” losses.¹⁶

Limiting jackpots may reduce this harmful behaviour.

Recommendation 5:

There should be a limit of \$500 for all jackpots and linked jackpots on EGMs in New South Wales.

4. ATMs

The Productivity Commission’s 1999 report recommended that “targeted and potentially cost-effective options include restrictions on the location of ATMs and lower withdrawal limits in gambling venues.”¹⁷

The Productivity’s Commission’s “National Gambling Survey found that problem gamblers were more likely than non-problem players to withdraw money from an ATM at a venue whilst playing the pokies.” Only 4.6% of recreational players reported that they often or always withdraw money from an ATM at a venue when playing poker machines compared to 58.7% of serious problem gamblers reporting that they did so. “[P]roblem gamblers surveyed by the Commission ranked ATM location as one of the most important issues for effective harm minimisation.”¹⁸

A 2001 survey of problem gambling in the ACT found that “of surveyed ACT problem gamblers, 46.9% of those who scored SOGS 5+ and 73.6% who scored SOGS 10+, often or always withdrew money from ATMs to play gaming machines.”¹⁹ “These figures suggest that there is a positive correlation between problem gambling severity and likelihood of using.”²⁰

A 2006 survey in New South Wales found that “The problem gambling group are nearly nine times as likely to use ATMs to withdraw money for gambling compared with pokies/gaming machines players overall (62% versus 7%). Moderate risk gamblers also display some of these expenditure patterns, however, to a lesser degree (13% insert \$50 notes and 18% use ATMs).”²¹

Recommendation 6:

ATMs and EFTPOS services providing cash withdrawals should be prohibited within all venues licensed to have EGMs.

5. Advertising

In its 2010 report the Productivity Commission cited evidence from studies that “a proportion of people with gambling problems (with estimates ranging from 5 to 20 per cent) are likely to substantially increase their gambling expenditure in response to advertising”.²²

Binde reports on three ways in which advertising may contribute to the prevalence of problem gambling:

(a) Advertising recruits new players, some of whom later become problem gamblers.

This effect ought to be at its strongest when a new game is introduced and when the market is immature. For example, people may be persuaded by advertising (Web banners or TV commercials) to try Internet poker, a game that for some becomes an obsession. Had it not been for advertising, a number of these persons would not have started playing and others would have done so later, when they were perhaps more aware of the risks involved or when Internet poker operators had increased their implementation of measures to counter excessive gambling.

(b) Advertising intensifies established gambling habits.

On the continuum between problem-free gambling and pathological gambling, some people will, because of advertising impact, move a little towards pathological gambling. A problem-free gambler may develop at-risk gambling behaviour, an at-risk gambler may become more of a problem gambler, and a problem gambler may behave more like a pathological gambler.

(c) Advertising may sustain and aggravate established problem gambling by providing hard-to-resist impulses for gambling that make it harder to adhere to a decision to quit or cut down on gambling.²³

New South Wales should prohibit all advertising that directly or indirectly promotes the use of electronic gaming machines.

Recommendation 7:

All advertising that directly or indirectly promotes the use of electronic gaming machines should be prohibited.

6. Endnotes

1. Productivity Commission, *Gambling*, Report No. 50, Volume 1 (Australian Government, 26 February 2010), p 5.1: <http://www.pc.gov.au/projects/inquiry/gambling-2009/report>
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3. *Ibid.*, Recommendation 10.4, p 54.
4. *Ibid.*, p 10.11.
5. *Ibid.*, p 10.15.
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 11. Ibid., table 11.2 on p 11.7.
 12. Ibid., table 11.5 on p 11.31.
 13. Ibid., Recommendation 11.2 on p 11.39.
 14. Ibid., p 11.50.
 15. Ibid., Recommendation 11.3 on p 11.53.
 16. Ibid., p 11.50.
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 20. Ibid., p 123.
 21. A.C. Nielson, *Prevalence of gambling and problem gambling in NSW: a community survey 2006*, NSW Office of Liquor, Gaming and Racing Department of the Arts, Sport and Recreation, 2007, p 12: http://www.olgr.nsw.gov.au/pdfs/rr_prevalence_gambling.pdf
 22. Productivity Commission, *Gambling*, Report No. 50, Volume 2 (Australian Government, 26 February 2010), K12: <http://www.pc.gov.au/projects/inquiry/gambling-2009/report>
 23. Binde, P. 2007, "Selling dreams — causing nightmares? On gambling advertising and problem gambling", *Journal of gambling issues*, iss. 20, pp 179-180: <http://www.camh.net/egambling/issue20/pdfs/04binde.pdf>