

INQUIRY INTO IMPACT OF GAMBLING

Organisation: ClubsNSW

Date received: 7/03/2014



**SUBMISSION TO THE NSW LEGISLATIVE COUNCIL
INQUIRY INTO GAMBLING**

MARCH 2014

About ClubsNSW

ClubsNSW aims to deliver a range of services that creates an environment for long-term sustainability, as well as strengthen industry conditions for the benefit of those working within the NSW club industry and the local communities they support.

Clubs are not-for-profit organisations whose central activities are to provide infrastructure and services for their members and the community. There are approximately 1,500 licensed clubs in NSW, of which 40 per cent are located in metropolitan Sydney and 60 per cent in regional or rural areas.

The Industry has a combined membership base of approximately 6 million club memberships – equivalent to one membership for each adult in NSW.

Licensed clubs make a considerable contribution to the NSW Economy. In 2011, the industry:

- generated combined revenues of approximately \$5.0 billion from their diverse operations;
- paid approximately \$1.4 billion in state taxes;
- directly employed 41,300 people across a variety of roles, of which more than 20,000 were located in regional NSW;
- utilised over 50,000 volunteers, including 26,000 in the provision of sporting assistance (including junior sport coaching, refereeing and management);
- invested more than \$11 million on formal staff development; and
- invested approximately \$660 million in capital assets, including the development of community assets such as sport and recreational facilities.

It is estimated that the total contribution of licensed clubs in NSW to value added (i.e. the value of production less the value of intermediate goods used in production) was \$3.2 billion in 2011, equating to 0.7% of NSW Gross State Product.

Licensed clubs also provide many tangible social benefits to NSW through community infrastructure provided below cost. As of 2011, it is estimated that:

- 719 clubs provide bowling greens
- 353 offer golf courses;
- 100 provide tennis facilities, and
- 96 provide sporting fields.

Clubs also provide a range of other facilities. These include meeting rooms (1,106 clubs), entertainment venues (996 clubs), accommodation (76 clubs), museums (212 clubs), childcare facilities (64 clubs) and playgrounds (276 clubs). Again, these are often provided to members and the general public below cost.

It is estimated that the value of the social contribution of licensed clubs from these activities totalled \$1.2 billion in 2011.

Contents

1. EXECUTIVE SUMMARY	5
2. INTRODUCTION	6
3. GAMBLING IN AUSTRALIA	7
4. GAMBLING IN NEW SOUTH WALES	8
5. MINORS AND GAMBLING	10
6. PROBLEM GAMBLING	11
6.1. Defining a Problem Gambler	12
6.2. Problem Gambling Prevalence	13
6.3. The Problem Gambling Severity Index	14
6.4. ‘False Positives’ and ‘False Negatives’	14
6.5. Prevalence study methodologies	16
6.6. ‘At-risk’ gamblers	17
6.7. Link between accessibility and prevalence	19
6.8. Declining Prevalence Rates	19
7. IMPACTS OF PROBLEM GAMBLING	21
7.1. Measurement Challenges	21
7.2. Apportioning Costs to Modes of Gambling	22
7.3. Private Costs versus Social Costs	23
7.4. Causality, Co-morbidities and Attribution Errors	25
7.5. Counterfactual Scenario	26
7.6. Crime, Suicide and Divorce	27
7.6.1. Crime Rates	27
7.6.2. Divorce Rates	28
7.6.3. Suicide Rates	28
7.7. Excess Expenditure by Problem Gamblers	30
7.7.1. Expenditure shares	30
7.7.2. ‘Normal’ and ‘Excessive’ gambling expenditure	32
8. ECONOMIC COSTS OF PROBLEM GAMBLING IN NEW SOUTH WALES	33
9. HARM MINIMISATION MEASURES	36
9.1. ClubSAFE	37
9.2. Voluntary pre-commitment	38
9.3. Self-exclusion	39
9.4. Multi-venue self-exclusion	39

9.5.	Collaboration with Counselling Services	40
9.6.	Chaplaincy program	40
9.7.	Staff interventions	41
9.8.	Family interventions	41
9.9.	Screening kit for health professionals.....	42
9.10.	Responsible gambling messages.....	42
9.11.	Community awareness campaigns	43
9.12.	School-based education campaigns.....	43
10.	GAMBLING MARKETING AND ADVERTISING	45
10.1.	Inducements and Incentives	45
10.2.	Promotion of Credit Betting.....	46
10.3.	Children’s exposure to gambling advertising.....	47
10.4.	Responsible Gambling Advertising	47
11.	ELECTRONIC GAMING MACHINES.....	49
11.1.	Gaming Machine Accessibility	49
11.2.	Gaming Machine Design	50
11.3.	Australian Poker Machines are not ‘High Intensity’	51
11.4.	Gambling Intensity and Problem Gambling	53
11.5.	\$1 maximum bet limit	54
11.6.	\$20 maximum cash input limit.....	54
11.7.	\$500 maximum prize limit	55
11.8.	Combined limits	55
11.9.	Implementation Issues.....	56
12.	Automatic Teller Machines	57
12.1.	Safety, convenience, and rural and regional communities	59
13.	INTERACTIVE AND ONLINE GAMBLING.....	60
13.1.	Online Gambling Risks.....	60
13.2.	Online Gaming Prohibition.....	61
13.3.	Regulated Online Gaming	62
14.	BEST PRACTICE REGULATION	63
15.	THE WAY FORWARD	64
16.	Appendix 1: Voluntary Pre-commitment Principles	65
17.	Appendix 2: International Problem Gambling Prevalence Rates.....	68

1. EXECUTIVE SUMMARY

Gambling is an enjoyable recreational pursuit for millions of Australians and when provided through a member-based not-for-profit model, provides significant social and economic benefits to the community in terms of entertainment, employment, taxation revenue and funding for social and sporting infrastructure and community organisations.

The overall social impact of gambling is overwhelmingly positive even after accounting for the harm experienced problem gamblers and their families. The Productivity Commission estimated that the **net social benefit from gambling in Australia**, after accounting for the costs of problem gambling, ranged **between \$3.7 billion and \$11.1 billion** in 2008-09¹.

The existing New South Wales regulatory regime for gambling is the combined result of over 150 years of policy experience. The NSW Parliament has been successful in transforming gambling from an activity that provided significant funding for organised crime into a well-regulated industry that provides substantial employment and amenity to the NSW community and is a significant source of taxation revenues for Government.

In response to the 1999 Productivity Commission Inquiry into Gambling, successive NSW Governments have worked cooperatively with the clubs industry to implement proven, cost effective harm minimisation policies which have resulted in falling problem gambling prevalence rates. NSW is now widely recognised as a global leader in gambling harm minimisation, and has among the lowest problem gambling prevalence rates in the world.

Notwithstanding the significant challenges in quantifying the costs and benefits of gambling, ClubsNSW estimates that the public economic costs of problem gambling in New South Wales are between \$44 million and \$94 million per annum; significantly less than the public economic benefits.

Nevertheless, problem gambling causes significant costs for some individuals, their families, governments and the industry. As a result, there is a consensus among all stakeholders for the need to continue to improve harm minimisation strategies and promote a culture of responsible gambling.

When considering new policies to further improve the already exemplary NSW harm minimisation regime, all parties should work together constructively and transparently, and follow best practice guidelines for effective and efficient policy-making.

¹ Productivity Commission 2010, *Gambling*, Report no. 50 p.48

2. INTRODUCTION

ClubsNSW welcomes the opportunity to provide comment to the NSW Legislative Council Inquiry into Gambling.

Gambling is an enjoyable recreational pursuit for millions of Australians and when provided through a member-based not-for-profit model, provides significant social and economic benefits to the community in terms of entertainment, employment, taxation revenue and funding for social and sporting infrastructure and community organisations. However, for a small minority of players, excessive gambling causes harm, for themselves and for their families.

The club industry has worked cooperatively with the NSW Government for many years to implement proven, cost effective harm minimisation policies which have resulted in falling problem gambling prevalence rates; NSW is a global leader in gambling harm minimisation, and has among the lowest problem gambling prevalence rates in the world.

ClubsNSW remains committed to working constructively with all levels of government to find effective ways to further reduce the rate of problem gambling.

The continuing challenge is to identify harm minimisation measures that will target those in need of assistance, without unduly impacting on the legitimate enjoyment of recreational players who experience no problems, and without undermining the financial viability of clubs.

ClubsNSW supports additional reforms to reduce problem gambling that are evidence-based, cost effective and subject to a regulatory impact statement and trial before implementation. It is essential that governments balance new measures aimed at minimising the harm associated with problem gambling against the significant social and economic benefits to ensure the preservation of the overall positive impact that the gambling industry has on the community.

We hope that Parliament will recognise that collaboration between stakeholders is the best means of minimising harm and fostering a culture of responsible gambling.

3. GAMBLING IN AUSTRALIA

Gambling in Australia is form of recreational entertainment enjoyed by many millions people, which also provides significant social and economic benefits to the community in terms of entertainment, employment, taxation revenue and funding for social and sporting infrastructure and community organisations.

The overall social impact of gambling is overwhelmingly positive even after accounting for the harm experienced by a small minority of problem gamblers and their families. The Productivity Commission estimated that the **net social benefit from gambling in Australia**, after accounting for the costs of problem gambling, ranged **between \$3.7 billion and \$11.1 billion** in 2008-09². In addition, the Commission noted that total tax revenue from gambling was an estimated \$6.3 billion per annum³ and that the gambling industry provides approximately 200,000 jobs⁴.

There are erroneous reports that Australians have the highest per capita expenditure on gambling in world⁵. These reports are not robust because they only account for gambling that occurs through legal regulated markets. While almost all gambling in Australia occurs through regulated channels, the same cannot be said for in many other regions around the world where the majority of gambling still occurs through unregulated gambling markets.

For example, Japan has the world's largest unregulated slot machine market consist of 4.5 million Pachinko and Pachislot gaming machines⁶ that generate more than \$212 billion in annual profits⁷. Japanese gambling expenditure per capita on Pachinko and Pachislot machines alone is almost double the amount Australians spend on all forms of gambling combined. This is a situation replicated in many countries across the globe; in fact it was recently reported that Interpol values the illegal betting market in Asia at \$500 billion⁸, a figure greater than the total legal gambling expenditure worldwide (\$450 billion⁹).

Rather than being the world's biggest gamblers, Australians are among the world's most studious regulators of gambling activity. As such, nearly all gambling in Australia now occurs through reputable legal markets with high levels of integrity and consumer protection. This is reflected in the fact that Australia is widely considered to be a world leader in responsible gambling and has a relatively low incidence of problem gambling.

² Productivity Commission 2010, *Gambling*, Report no. 50 p.48

³ Ibid p.6.36

⁴ Ibid p.2.14

⁵ Daily Chart: The House Wins, *The Economist*, 3 February 2014

⁶ World Count of Gaming Machines 2012, Gaming Technologies Association, 2013

⁷ White Paper on Leisure 2011, Japan Productivity Center, 2011

⁸ Illegal betting could top \$500b each year, *Sydney Morning Herald*, 17 September 2013

⁹ *Global Gambling Revenues*, Global Gaming and Betting Consultants, 2013

4. GAMBLING IN NEW SOUTH WALES

New South Wales has a long history of gambling; Australia's first official horse racing meeting occurred in 1810 at Hyde Park in Sydney; the first official Australian lottery occurred in 1881 at the Sydney Cup; and registered clubs operated the first legal poker machines in Australia in 1956.

The current regulatory regime is the result of over 150 years of policy experience. Since the mid 1800s, New South Wales has sought to regulate gambling in order to protect consumers and ensure the probity of gambling operators. Early attempts to legislate for the regulation of gambling have met with varying degrees of success; until the mid 1980s a significant gambling black market involving SP bookmakers and illegal casinos still existed. By the 1990s, the NSW Government had been successful in ensuring the vast majority of gambling in NSW occurred through regulated markets under the auspices of Government licensed operators. Because of the progressive regulation of gambling in NSW, gambling has transformed from an activity that provided significant funding for organised crime into a well-regulated industry that provides substantial employment and amenity to the NSW community and is a significant source of taxation revenues for Government.

In 1999, the Productivity Commission (PC) conducted the first Australian Government inquiry into the gambling industries. The report highlighted that a small minority of gamblers experienced negative financial and social impacts due to their excessive gambling and outlined the need for a harm minimisation framework in order to maximise the benefits gambling provides the community.

Prior to the 1999 PC report, the regulation of gambling in New South Wales had focused largely on diverting unregulated or illegal gambling activity into legal regulated markets that had the necessary security and integrity to protect consumers from fraudulent practices. However, in response to the Productivity Commission Inquiry the New South Wales Government introduced a number of regulatory reforms to the gambling industry that focused on harm minimisation and responsible gambling to ensure the development of the gambling industry in the public interest. The most significant of these was the introduction of the *Gaming Machines Act 2001*.

Since the release of 1999 Productivity Commission report into gambling, and the subsequent adoption of a harm minimisation approach, there has been a 28.5% reduction in NSW gambling expenditure as a percentage of household disposable income¹⁰. NSW residents are spending less of their incomes on gambling than they were over a decade ago. While it is difficult to determine the exact cause of this reduction, ClubsNSW believes that it is at least in part due to the introduction of a regulatory regime with a greater focus on responsible gambling.

¹⁰ Australia Gambling Statistics 29th edition, Queensland Government Statistician's Office, <http://www.oesr.qld.gov.au>



Source: Australia Gambling Statistics 29th edition, Queensland Government Statistician's Office

5. MINORS AND GAMBLING

A recent report released by Gambling Research Australia indicates that minors are most likely to gamble on scratch cards, lotteries, horseracing and sports betting; and least likely to bet on gaming machines or casino games.

A remarkable 50.1% of children aged 10-14 reported gambling using instant scratch lotteries, 30.3% reported buying lottery tickets, 27.5% placing a bet on a horse or dog race and 24.7% engaging in sports betting¹¹.

The strict entry requirements for registered clubs that require patrons to sign-in coupled with having staff fully trained in the responsible conduct of gambling, effectively prevents minors from accessing gaming machines in clubs.

ClubsNSW is of the firm view that further action is needed to prevent children from accessing gambling, particularly lotteries, wagering and sports betting both online and in the land-based environment.

Table 1: Access to Gambling by Minors (age 10-14 years)

Activity	Rank	Percentage
Scratch cards	1	50.1%
Lottery ticket	2	30.3%
Horse/dog racing	3	27.5%
Sports betting	4	24.7%
On-line gambling	5	16.3%
Casino Table games	6	7.6%
Poker machines	7	6.7%
Casino Card games	8	5.0%

Source: Gambling and Young People in Australia (2011), Gambling Research Australia

Table 2: Access to Gambling by Minors (age 15-17 years)

Activity	Rank	Percentage
Scratch cards	1	48.7%
Horse/dog racing	2	28.2%
Lottery ticket	3	26.0%
Sports betting	4	20.7%
On-line gambling	5	13.4%
Poker machines	6	8.8%
Casino Table games	7	7.8%
Casino Card games	8	6.3%

Source: Gambling and Young People in Australia (2011), Gambling Research Australia

¹¹ *Gambling and Young People in Australia (2011)*, Gambling Research Australia, 2012

6. PROBLEM GAMBLING

Although the problem gambling prevalence rate is substantially lower than other public health issues such as obesity, smoking, excessive alcohol and illicit drug use, the incidence of problem gambling causes significant costs for individuals, their families, governments and the industry. As a result, there is a consensus among all stakeholders for the need to have in place harm minimisation strategies and to promote a culture of responsible gambling.

Claims that nothing substantial is being done to address problem gambling ignores the numerous responsible gambling strategies in place and strong evidence of their continuing efficacy. The problem gambling prevalence rate in New South Wales is among the lowest in the world. New South Wales continues to be the leading jurisdiction in the world when it comes to effective harm minimisation and responsible gambling.

Responsible gambling aims to reduce the incidence of problem gambling and minimise potential social costs and harm associated with problem gambling. The industry has implemented a number of harm minimisation programs to assist problem gamblers, working with the state regulator and other stakeholders.

The industry categorically rejects any assertion that it has an interest in keeping problem gamblers at the machines: players are our members, and it is not in our interests that our members put themselves and their families into financial jeopardy.

This assertion is also premised on a supposed nexus between overall gaming revenue and problem gambling prevalence. In reality, such a nexus does not exist, as demonstrated in New South Wales where prevalence rates have steadily declined whilst overall gaming revenues have increased.

First, clubs' patrons are their members. Short-term revenue gains from expenditure of a problem gambler will be offset by the eventual loss of the member. Clubs would much prefer to have responsible gamblers who are patrons for life, and who enjoy all aspects of club membership.

Secondly, the negative social consequences of problem gambling result in an increasing use of government regulatory intervention to offset gambling related harms. This regulatory intervention causes both direct and indirect costs on industry.

The direct costs include the provisions of harm minimisation strategies such as self-exclusion programs, product restrictions and additional taxation to offset the estimated social costs.

The indirect costs include measures that prevent future industry growth such as caps on the number of gaming machines, restrictions on the advertising and marketing of gaming machines.

The NSW Government's significant success in reducing in the number of problem gamblers, has resulted in a focus on preventative measures aimed at people who are considered "at-

risk” of developing gambling problem. ClubsNSW is supportive of a preventative approach to harm minimisation. However, we have serious concerns about the robustness of the current definitions of an “at-risk” gambler, which encapsulates almost everyone who gambles on a regular basis. Recent research suggests the risk of developing a gambling problem is more closely correlated with significant external life events rather than regular gambling participation. ClubsNSW believes that a holistic approach to patron welfare that deals with underlying issues that cause people to gamble excessively is required to properly address the risk of our patrons developing gambling problems. In this regard, the industry is in the process of introducing a chaplaincy program and other support services.

6.1. Defining a Problem Gambler

Without first being able to define accurately an issue it is extremely difficult to manage and empirically demonstrate constructive improvements.

A review of the literature reveals that there is no consensus concerning the ideal methods and measures to assess gambling related issues in NSW and Australia¹². Gambling Research Australia defines problem gambling as follows:

Problem gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community.¹³

We believe problem gambling is a complex mental health issue influenced by a number of psychological, biological and social factors. Problem gamblers and their families typically experience adverse impacts on their health, jobs, finances, emotional state and relationships.

Experts have identified a number of intricate causal pathways that may lead to problem gambling behaviours.¹⁴

- **Faulty Cognitions**

Faulty cognitions are a major contributor to the development of problem gambling behaviours. Players who hold misconceptions about how gambling products work and the chances of winning are at a higher risk of becoming a problem gambler. For example, many problem gamblers incorrectly believe that gaming machines pay in cycles and that after a long series of losses there is an increased probability of winning a jackpot. This leads to problem gamblers ‘chasing losses’ or remaining at a machine to avoid having another player win ‘their’ jackpot.

The industry supports education and consumer information that dispels common misconceptions, as a means of addressing faulty cognitions in gamblers. If faulty

¹² Gambino, Blasé, “Interpreting Prevalence Estimates of Pathological Gambling: Implications for Policy”, *Journal of Gambling Issues*, Volume 14, September 2005, p.9

¹³ Gambling Research Australia, *Problem Gambling and Harm: Towards a National Definition* (2005)

¹⁴ A pathways model of problem and pathological gambling (Blażczynski & Nower 2002)

cognitions are not addressed, other responsible gambling strategies such as pre-commitment are unlikely to be effective, as the gambler may view a pre-commitment limit as restricting his/her ability to win back previous losses.

- **Escaping Comorbidities**

Problem gambling is also caused by people seeking a dissociative experience to escape from other pre-existing comorbidities such as depression and anxiety. The dissociative experience provided by gambling, often described as being in 'the zone', is utilised as a form of self-medication, in much the same way as an alcoholic will use the effects of alcohol in order to escape from underlying mental health issues or life problems. This group of problem gamblers are interested in maximising their time in 'the zone' and often gamble until all available funds are exhausted.

Without proper treatment of their underlying disorder, there is a significant risk that restricting their gambling behaviour will simply result in transference to other self-destructive coping mechanisms such as alcohol or drug abuse. The preferred harm minimisation strategy for this group is early intervention and counselling to treat both the gambling problem and the underlying comorbidity.

- **Neurological Disorders**

Underlying neurological disorders that cause people to have impulse control difficulties also significantly increases the risk of a person becoming a problem gambler. This group of people usually exhibit a wide range of other behavioural problems independent of their gambling including substance abuse, suicidal tendencies and criminal behaviours. Specialist clinical treatment is required to manage their neurological disorders.

The industry supports providing healthcare professional and community service workers with information and screening tools to assist with the early identification of problem gamblers within their client base as a key strategy for assisting this group of individuals. In certain circumstances, it may be appropriate to provide the healthcare professional or a community service worker, such as a parole officer, with the capacity to issue an involuntary exclusion on behalf of the individual.

6.2. Problem Gambling Prevalence

ClubsNSW notes that while it is important to measure the prevalence of problem gambling to ascertain the successes of government and industry policy in addressing the issue, estimates are inherently unreliable due to the small numbers involved.

ClubsNSW also has serious concerns that the screening instruments used to assess the prevalence for problem gambling contain a number of conceptual and methodological flaws that result in a gross overestimate of the number of people experiencing gambling problems in New South Wales.

Notwithstanding these challenges the Productivity Commission found that problem gambling prevalence rates in Australia have fallen over the last decade¹⁵.

New South Wales, by national and international standards, has a relatively low problem gambling rate, despite high gambling participation rates. This speaks to the exemplary nature of the existing harm minimisation regime.

6.3. The Problem Gambling Severity Index

ClubsNSW understands that the Problem Gambling Severity Index (PGSI) is currently the most accurate population screen for estimating the prevalence of problem gambling; having greater validity than the previously employed South Oaks Gambling Screen. However, serious concerns regarding the validity of PGSI remain, with a review of the PGSI undertaken by the Canadian Interprovincial Gambling Research Consortium¹⁶ identifying a range of criticisms of the screen, including:

- concerns of false positives and false negatives;
- the lack of validation for the low-risk and moderate-risk subtypes;
- the variable range of scores for each of the PGSI defined subtypes;
- the limited number of items;
- choice of wording for the Likert response categories;
- absence of weights for items, and;
- low frequency of endorsement for many items¹⁷.

6.4. 'False Positives' and 'False Negatives'

Correctly diagnosing problem gambling requires the use of proper clinical assessments performed by trained clinicians¹⁸. The PGSI, and other problem gambling screens, are susceptible to diagnostics errors resulting in the occurrence of a large number of 'false positives' (respondents incorrectly identified as problem gamblers) and a small but significant number of 'false negatives' (respondents incorrectly identified as non-problem gamblers).

The Productivity Commission acknowledged the risk of problem gambling screens resulting in inflated prevalence rates due to the occurrence of 'false positives':

[T]here are significant risks of false positives when using problem gambling screens, such as the CPGI and SOGS, resulting in potentially exaggerated measures of prevalence — a point validly made by Clubs Australia (sub. 164, p. 73). This problem can occur because of the different sizes of the underlying populations affected by misclassification errors. Problem gambling is a relatively rare phenomenon in the

¹⁵ Productivity Commission 2010, *Gambling*, Report no. 50 p.5.37

¹⁶ *Improving the Psychometric Properties of the Problem Gambling Severity Index*, Currie et al, Interprovincial Problem Gambling Research Consortium, 2010

¹⁷ Ibid

¹⁸ *Clinical Assessment of Problem Gamblers Identified using the Canadian Problem Gambling Index*, University of Sydney, Blaszczyński et al 2010

total adult population, so that the group of people who truly do not have a problem of that degree is large. If only a small share of the non-problem gambling group — say just 0.3 per cent — are misidentified as problem gamblers, then this can considerably inflate the measured prevalence rate¹⁹.

The Commission also found that 60 per cent of problem gamblers in counselling said they would have either refused to participate in a problem gambling survey or concealed their gambling problems, resulting in ‘false negatives’.

In 2010 the University of Sydney conducted a study which assessed the validity of PGSI screen results against clinical assessments for problem gambling. The study found that the PGSI (8+) exhibited a ‘false positive’ rate of 0.9% and a ‘false negative’ rate of 47.1%²⁰.

Further, a significant empirical study published in the *Canadian Journal of Psychiatry* confirmed that the number of people identified as problem gamblers using PGSI and SOGS was dominated by ‘false positives’. The study which assessed a total sample of 8,842 adults using PGSI and SOGS subsequently validating the results against clinical interviews found that:

82% of the gamblers initially identified as probable pathological gamblers by the SOGS or the CPGI were not confirmed by a clinical interview²¹.

ClubsNSW is concerned that the rate at which each error occurs coupled with the size of the underlying populations suggests that the overall effect is to inflate the prevalence rate.

Figure 1 **Measuring Problem Gambling in New South Wales**

False positives and negatives: an example

Adult Population: 4,980,000

False Negative Rate: 50%

False Positive Rate: 0.5%

	Problem Gambler	Non-Problem Gambler
Positive Screen	True Positive 14,940	False Positive 24,900
Negative Screen	False Negative 14,940	True Negative 4,925,220

Measured prevalence
39,840

Apparent non-prevalence
4,940,160

True prevalence

29,880

True non-prevalence

4,950,120

Measured Prevalence Rate: 0.8%

True Prevalence Rate: 0.6%

Source: ClubsNSW 2012

¹⁹ Productivity Commission 2010, *Gambling*, Report no. 50

²⁰ OpCit, Blaszczyński et al 2010

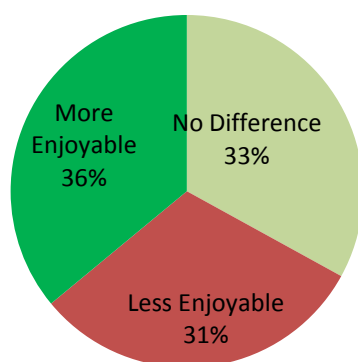
²¹ *Prevalence of Pathological Gambling in Quebec in 2002*, Ladouceur et al, Can J Psychiatry, Vol 50, No 8, July 2005

We note that the most recent NSW gambling prevalence study asked problem and moderate risk gamblers whether or not gambling had made their lives more or less enjoyable. Over a third (36%) of people classified as problem and moderate risk gamblers said that gambling had made their life more enjoyable, a third (33%) said it made no difference and slightly less than a third (31%) said it made their life less enjoyable.

That gambling did not have an overall negative impact on the lives of over two thirds (69%) of the NSW adults classified problem or moderate risk gamblers, underscores the seriousness of the rate of false positives in the screening methodology.

In our opinion, the Inquiry should take into account the high propensity for ‘false positives’ that serve to grossly inflate problem gambling prevalence rates in NSW when considering the true impact of problem gambling in NSW.

Chart 2: Gambling Impact on Enjoyment of Life for Problem & Moderate Risk Gamblers



Source: Prevalence of Gambling and Problem Gambling in New South Wales, 2012

6.5. Prevalence study methodologies

ClubsNSW also has concerns over the common survey methods used to deploy the PGSI screen in NSW. Recent research has shown the typical survey methodologies adopted in NSW tend to result in further inflation of prevalence rates. Few of the prevalence studies conducted in NSW comply fully with the best practice guidelines and as a result are likely to overstate the problem gambling prevalence.

In their 2010 investigation of best practices for assessing the prevalence of problem gambling the Canadian Consortium for Gambling Research (CCGR) found that:

[P]rocedures that appear to produce the most accurate rates are ones that use face-to-face administration; do not specifically introduce or describe the survey as a ‘gambling’ survey; and require a certain minimal amount of gambling frequency (as opposed to expenditure) for problem gambling designation... these procedures produce a prevalence rate that is 32% lower than the standard procedure obtained

with telephone interviewing, a ‘gambling survey’ description, and any past year gambling for problem gambling eligibility²².

In summary, ClubsNSW is of the opinion that the current estimate of the prevalence of problem gambling in NSW is not robust. We believe further research is required to generate a robust estimate of the prevalence rate that can be utilised for assessing the impact of problem gambling in NSW. Failure to undertake the necessary research to establish a valid measure of the prevalence of problem gambling in NSW will result, in our view, in unreliable and inflated estimates of its impacts.

6.6. ‘At-risk’ gamblers

A recent trend in problem gambling research is the concept of a pathological progression of gambling problems (as occurs in physiological medical conditions). This has led some researchers to create the concept of people being ‘at risk’ of becoming problem gamblers, inaccurately believing that gambling problems figure on a continuum and that there is some orderly and inevitable transition between recreational gambling and problem gambling.

In our view, the result has been the arbitrary categorisation of people as ‘at risk’ without evidence that these people are indeed likely to go on to become problem gamblers. Moreover, we are concerned that merging the ‘at risk’ and problem gambler categories and labelling the resultant group ‘problem gamblers’ significantly exaggerates the scope of gambling problems.

A recent review of the PGSI submitted to the Canadian Interprovincial Problem Gambling Research Consortium made the following remarks with respect to the ‘at risk’ categories in the PGSI:

“There is insufficient evidence to consider the low-risk and moderate-risk PGSI subtypes as distinct groups of gamblers using the present scoring cut-offs. These PGSI subtypes were found to have poor external validity”²³

“...the majority of gamblers do not shift PGSI subtype over time”²⁴

“...combining the moderate risk and problem gambler subtypes and labelling the resultant group ‘problem gamblers’ is not recommended”²⁵

Further, in their review of the CPGI, McCready and Adlaf sort the views of various experts on the concept of “at risk” finding that:

“[there] is less confidence in the soundness of the labels, classifications, and cutpoints which, at worst, are considered unexplained and arbitrary”²⁶

²² *Best Practices in the Population Assessment of Problem Gambling*, Williams and Volberg, Canadian Consortium for Gambling Research, 2010

²³ *Improving the Psychometric Properties of the Problem Gambling Severity Index*, Currie et al, Interprovincial Problem Gambling Research Consortium, 2010

²⁴ Ibid

²⁵ Ibid

“One investigator suggests that low risk gamblers endorse the low threshold items and wonders if such people even have a problem”²⁷

“Respondents suggested that more research on the sub-types is needed, and that a guide to the analysis of sub-types would be a useful tool in an updated CPGI user manual.”²⁸

ClubsNSW questions the use of so called ‘at risk’ categories given their lack of empirical validation. The longitudinal studies that have examined the progression from ‘at-risk’ problem gambling have demonstrated that the vast majority of ‘at risk’ gamblers do not transition to the problem gambling category. In addition, few of the people classified as ‘at risk’ report having any difficulties with their gambling.

The most recent Victorian gambling prevalence study found in relation to ‘at risk’ gamblers, less than 3% of ‘moderate risk’ gamblers reported having gambling related difficulties within the past 12 months²⁹.

Further, in a longitudinal study of Victorian gamblers to assess changes in gambling behaviour over time, only 8.3% of the so called ‘moderate risk’ gamblers in Wave 1 had transitioned into the problem gambler category in Wave 2 (12 months later); and in contrast, 51% of the so-called ‘moderate risk’ gamblers in wave 1 had transitioned to the ‘low risk’ or non-problem gamblers in Wave 2³⁰. Therefore, it is a misconception to suggest that people classified as ‘moderate risk’ by the PGSI are likely to end up as problem gamblers, when in fact the opposite is true.

ClubNSW notes that recent qualitative research undertaken by Swinburne University found that:

Increases in gambling were often triggered by events or changing circumstances in people’s lives such as job stress and problems at work, loss of employment, boredom, physical pain and illness, depression, having access to more money, death in the family, caring for a sick family member, relationship problems, housing and financial stress, moving house, and relationship breakdowns³¹.

ClubsNSW supports the view that people experiencing significant life events are at the most risk of developing gambling problems, as opposed to recreational gamblers that chose to play on a regular basis. This approach has informed the development of our chaplaincy program, which is discussed in further detail later in this submission.

²⁶ *Performance and Enhancement of the CPGI*, McCready & Adlaf, 2006

²⁷ Ibid

²⁸ Ibid

²⁹ Victorian Department of Justice, *A Study of Gambling in Victoria: problem gambling from a public health perspective*, 2009

³⁰ Victorian Department of Justice, *The Victorian Gambling Study: a longitudinal study of gambling and public health*, 2011

³¹ *Gamblers Tell their Stories: Life Patterns of Gambling*, Victorian Responsible Gambling Foundation, 2012

ClubsNSW submits that the Inquiry should avoid making recommendations based on estimates of the number of people classified as “at-risk” of developing a gambling problem according to the PGSI due to the lack of conceptual and empirical validity of the so-called “at-risk” construct.

6.7. Link between accessibility and prevalence

ClubsNSW notes that 2012 NSW Gambling Prevalence Study provides concrete evidence refuting the concept of a nexus between access to gaming machines and the incidence of problem gambling. Based on the figures in the report there is no correlation between the regional gaming machine participation rates and the corresponding regional problem gambling prevalence rates.

The South Western Sydney region that incorporates the two Local Government Areas, Fairfield and Bankstown, with the highest densities of gaming machines and highest levels of gaming machine expenditure has the lowest problem gambling prevalence rate at 0.3% of the adult population. The prevalence rate of problem gambling in the Riverina region is 5 times higher than in South Western Sydney. Based on these figures it is clear that accessibility of gaming machines is not directly linked to problem gambling prevalence rates.

Table 3: Gaming Machine Participation versus Problem Gambling Prevalence

Region	Gaming Machine Participation	Problem Gambling Prevalence
Hunter	34%	0.50%
Central Coast	33%	0.80%
Riverina / Murray	32%	1.60%
South East	30%	1.20%
South West Sydney	29%	0.30%
Illawarra	28%	1.10%
Western Sydney	28%	0.50%
North Coast	26%	1.10%
New England / North West	26%	1.00%
Western NSW	25%	0.90%
Coastal Sydney	21%	0.80%
Correlation	0.00	

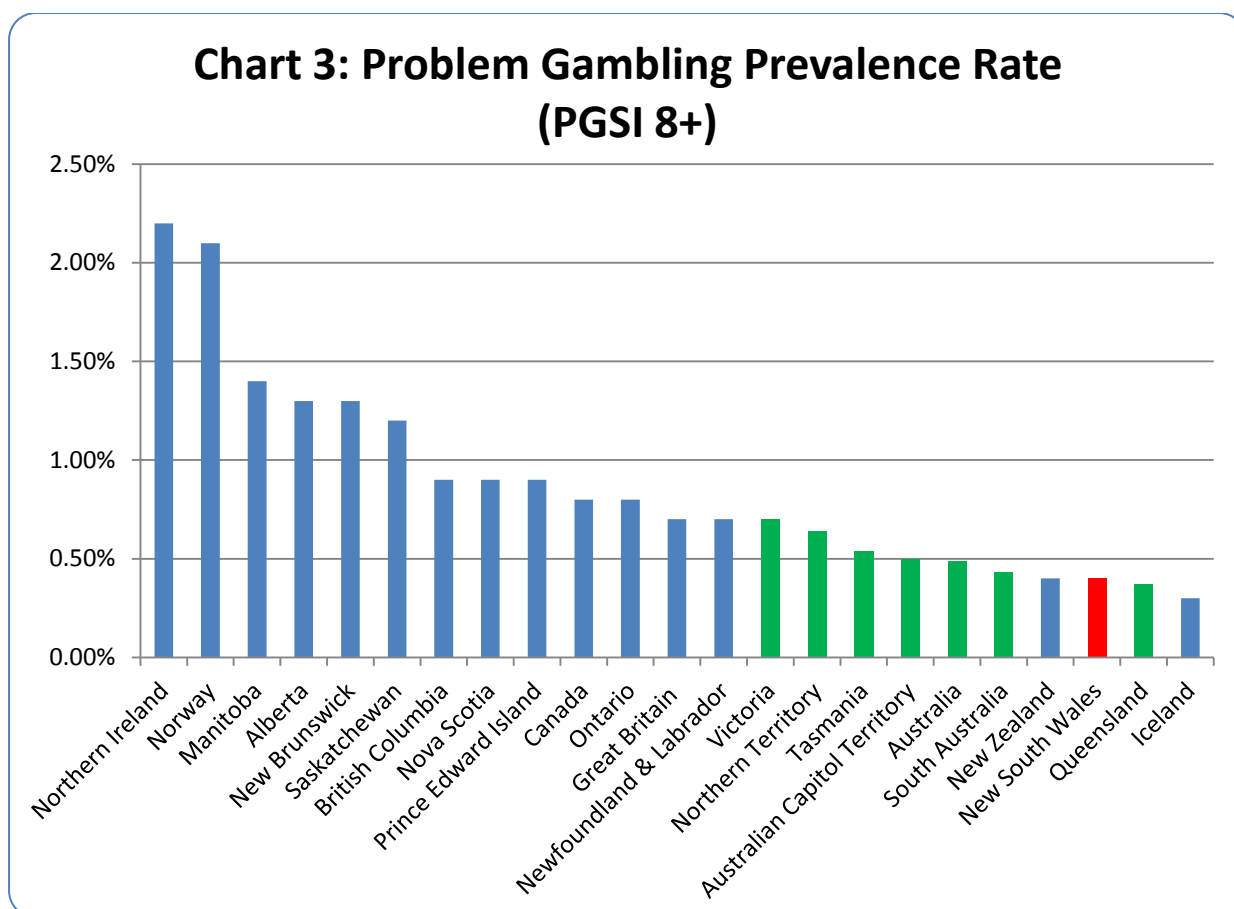
6.8. Declining Prevalence Rates

It remains difficult to judge the effectiveness of individual harm minimisation measures due to a lack of any formal evaluation processes. However, it is clear the assortment of responsible gambling and harm minimisation measures adopted by state and territory governments and the industry have contributed to a considerable reduction in problem

gambling prevalence rates. This view is supported by the findings of the Productivity Commission:

Notwithstanding these various limitations in comparing studies over time, on balance, the Commission's assessment of the evidence suggests that prevalence rates have fallen.³²

The problem gambling prevalence rate in New South Wales (and Australia) is now among the lowest in the world (see chart 2). It is noteworthy that through a co-operative approach the problem gambling prevalence rates have reduced considerably with only a marginal impact to industry revenue.



Source: Refer to Appendix 2, Table 1

³² Productivity Commission 2010, *Gambling*, Report no. 50 p.5.37

7. IMPACTS OF PROBLEM GAMBLING

ClubsNSW acknowledges that problem gambling, where it occurs, can have devastating consequences for problem gamblers and their families. However, attempts to quantify the impacts of problem gambling have been met with significant conceptual and empirical challenges. Equally challenging is considering those impacts in the context of the broader social and economic benefits that gambling provides the community.

The 2010 PC Inquiry Report into Gambling estimated that gambling provided Australia with a substantial net social benefit of between \$3.7 and \$11.1 billion in 2008-09. This comprised of consumer and tax benefits ranging between \$12.1 and \$15.8 billion offset by costs of problem gambling ranging between \$4.7 and \$8.4 billion³³. The estimates demonstrate that the costs of problem gambling have fallen by between \$1.5 and \$3 billion per annum in real terms since their 1999 report.

The PC report further identified that gambling in Australia is a mature market with relatively stable growth and participation rates³⁴. A recent release Roy Morgan Research suggests a declining market reporting that between December 2002 and June 2012 the number of Australian adults that had gambled in past 12 months has fallen from 76% to 62% and total expenditure on gambling in Australia had fallen from \$20.2 billion to \$17.7 billion³⁵. The mature nature of the market combined with falling problem gambling prevalence rates suggests a continuing trend of declining costs associated with problem gambling in the future.

7.1. Measurement Challenges

Attempts by governments, industry and other stakeholders to measure the social and economic impacts of gambling and problem gambling have been sporadic, largely consisting of ad hoc gambling research studies conducted throughout Australia. While the majority of studies conducted no doubt have some merit, they often lack scientific rigour and/or impartiality and are not subject to peer-review. Conflicting findings among research reports is commonplace making it difficult for decision-makers to discern what evidence is credible.

There is also widespread disagreement among stakeholders about how best to conceptualise and quantify the costs and benefits of gambling. Poor quality data, questionable methodologies and inherently biased assumptions have led to a disparate range of estimates, most of which have little basis in fact.

Inflated estimates of the costs of problem gambling often form the justification for promotion of extreme policy measures such as the prohibition of certain forms of gambling or government imposed restrictions on consumer spending on gambling.

ClubsNSW is of the view that robust estimates of the costs and benefits of gambling are essential for informing the development of proper evidence-based policies on gambling

³³ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra p48

³⁴ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra p2.6

³⁵ Roy Morgan Research Ltd, Article No. 1772, www.roymorgan.com

However, in order to arrive at a set of robust estimates, the following key challenges need to be addressed³⁶:

1. **Lack of sufficiently robust data;** there is a dearth of reliable information regarding the prevalence of problem gambling and its impact on various socio-economic domains. Because of the relatively small cohort of the population that are problem gamblers, quantification and measurement of the impacts are inherently unreliable. Overcoming this challenge will require new systematic research that fills the large gaps in the evidence base and comprehensively reviews the robustness of existing research.
2. **The issue of causality;** estimates need to account for the degree to which various adverse impacts suffered by problem gamblers can be attributed to their gambling problems as opposed to other factors such as co-morbid disorders.
3. **A framework for the taxonomy and measurement of costs;** consensus needs to be reached over how best to categorise and measure the impacts of problem gambling. This includes overcoming disagreements about the definitions of private and social costs and whether or not it is appropriate to attempt to monetise intangible costs.
4. **Establishment of a valid counterfactual;** it is important that the counterfactual is considered when examining the marginal impacts of problem gambling on various social cost domains. A valid counterfactual also provides policy-makers with information about the extent to which the social costs can reasonably be addressed through policy interventions: that is, there is no valid scenario in which the costs associated with problem gambling are likely to be zero.

In 1999, the PC inquiry into the Australian gambling industries set about to quantify the cost and benefits associated with gambling. The lack of any robust pre-existing frameworks in the area led to the development of an original framework that was widely considered a new benchmark in the reporting of the costs and benefits of gambling.

However, like any research field in its infancy the PC modelling suffered from a lack of reliable data to inform the process, the need to create new and controversial methodologies and a necessity to adopt various assumptions in the absence of any empirical evidence. The Victorian Competition & Efficiency Commission recently produced its own set of cost estimates using PC framework, which it stated were ***“indicative and inherently imprecise, and as such they should be treated with a high degree of caution, particularly if they are to be used as an input for policy analysis”***.³⁷

7.2. Apportioning Costs to Modes of Gambling

ClubsNSW questions the appropriateness of the PC’s attempt to apportion the cost of problem gambling to the different forms of gambling, in particular gaming machines.

³⁶ The Socio-Economic Impact of Gambling (SEIG) Framework (Anielski and Braaten 2008)

³⁷ Victorian Competition and Efficiency Commission 2012, Counting the Cost: Inquiry into the Costs of Problem Gambling, final report, December

Problem gamblers on average engage in four different forms³⁸ of gambling within a year and it is the combined effect of excessive gambling rather than a single type of gambling which causes harm. In fact, it is extremely rare for a problem gambler to engage exclusively in one form of gambling. For example, the most recent ACT prevalence study found that only 5.6% of problem gamblers utilised poker machines exclusively.³⁹

7.3. Private Costs versus Social Costs

ClubsNSW is also of the opinion that the PC failed to make a proper distinction between private costs and social costs when considering the impact of gambling on the community. Private costs are the cost that fall upon the individuals when they make a voluntary decision to engage in an economic activity such as gambling. In contrast, the social costs are the costs borne by the general-public as opposed to private individuals.

The conventional economic approach is to exclude private costs from estimates of the policy-relevant social costs, because they are meaningless unless accompanied by a measure of the offsetting private intangible consumption benefits enjoyed by all consumers.

For example, skiing is an inherently risky activity undertaken by participants. There would be high social costs for skiing if the private costs to skiers who were injured were calculated without considering the recreational benefits to all skiers. If only the costs of injury were calculated, policy makers could easily justify policy measures to introduce restrictions or a ban on skiing.

ClubsNSW is concerned that the bulk of the PC's estimated social costs of gambling are not financial costs borne by the community, but rather intangible non-financial costs associated with personal emotional stress:

The bulk of these estimated costs comes from the emotional distress and tension that problem gambling imposes on gamblers and their families, rather than direct financial costs⁴⁰

The 1999 PC report took the view that private intangible costs associated with problem gambling should be included in the policy-relevant social costs on the basis that:

- consumers are unaware of the risks of problem gambling; and
- problem gambling is an impulse control disorder; therefore for problem gamblers the decision to gamble is not made voluntarily⁴¹.

³⁸ Queensland Household Gambling Survey 2008-09 p.31

³⁹ 'Help-seeking and Uptake of Services Amongst People with Gambling Problems in the ACT,' ANU 2011

⁴⁰ Productivity Commission 1999, Australia's Gambling Industries, Report No. 10, AusInfo, Canberra (p.9.1)

⁴¹ Productivity Commission 1999, Australia's Gambling Industries, Report No. 10, AusInfo, Canberra

Box 1: Private Intangible Costs

Henry Tax Review:

The Henry Tax Review, when considering the policy relevant costs associated with alcohol, recommended excluding private intangible costs:

To estimate spillover costs relevant for setting rates of tax, it is necessary to exclude private intangible costs (such as pain and suffering), and the loss of household production from premature death or sickness

Calculating the policy relevant costs of gambling using the Henry Tax Review methodology reduces the 2010 PC estimates from \$4.7 billion to \$329 million.

South Australia Centre for Economic Studies (2006):The SACES made a number of insightful observations about the PC's treatment of private intangible costs of problem gambling:

[C]ertain internal psychic costs relating to problem gamblers, such as depression and thoughts of suicide, [were included] that would otherwise normally be considered private costs.

The monetary estimation of the larger costs was highly speculative, which led to a wide range of values. In a couple of instances, the Commission was evidently uncertain whether there is a real social cost at all, for example, how the estimate for emotional distress to parents ranges from \$666 million to zero.

Source: Australia's Future Tax System – Report to the Treasurer, Part 2, Volume 2 p.435; *The South Australian Gambling Industry*, SA Centre for Economic Studies, 2006 p. 111

In 1999, consumers may not have been well informed about the risk of problem gambling. However, in the intervening period state governments have introduced a wide range of mandatory consumer information informing people of the risk of the harms associated with problem gambling. ClubsNSW believes that consumers are at least as well informed about the risk of gambling as they are about any other comparable consumer product. Therefore, we do not accept the inclusion of private intangible costs as social cost on the basis of an assumption that consumers are poorly informed about the risks of problem gambling.

Furthermore, a range of services has been developed that provide problem gamblers with a means to control their impulsive behaviour. For example, self-exclusion and specialist counselling services are both freely available and highly effective in overcoming problem gambling.⁴² In fact, many problem gamblers choose to avail themselves of these options to address their self-destructive behaviour. The 2008 Victorian prevalence study found that “only 2.84% of those who didn't seek help wanted help” with the main reason for not seeking help was that the person felt they could resolve the issue on their own.⁴³

⁴² Productivity Commission 2010, *Gambling*, Report no. 50, Canberra p.7.34

⁴³ A Study of Gambling in Victoria: problem gambling from a public health perspective (2009) p.249

Between 90-95% of the PC's estimated social costs of gambling relate to intangible costs associated emotional stress for problem gamblers and their families⁴⁴. Yet, over two thirds of the people identified as problem and moderate risk gamblers in NSW report that gambling had positive or neutral impact on their overall quality of life⁴⁵; highlighting the problem of the current approach to assessing the impact of gambling, which focuses on aggregating costs without any consideration of the offsetting benefits.

ClubsNSW recognises that excessive gambling can cause significant harm for problem gamblers and their families. However, we do not believe that it is justifiable to categorise these private intangible costs as social costs in order to justify restricting access to gambling.

Further, the methodology for placing a monetary value on these costs is highly subjective, meaning that private intangible costs are neither policy-relevant nor robust and should be excluded from any estimates of the social cost of problem gambling.

7.4. Causality, Co-morbidities and Attribution Errors

ClubsNSW is of the opinion that research to date has failed to establish the proper causal relationships between problem gambling and the various social cost domains. In our opinion, the PC's approach to causality results in grossly inflated estimates of the costs of problem gambling.

The 1999 PC methodology assumed that 20 per cent of depression and anxiety disorders among problem gamblers were due to pre-existing co-morbidities. The PC based this figure on the subjective opinions of a few problem gambling researchers⁴⁶. However, recent empirical research points to vastly different causal relationship between co-morbid mood disorders and problem gambling (see Box 2).

ClubsNSW is also concerned that the results of the self-report surveys that formed the basis of the PC assessments of the harms experienced by problem gamblers are likely to be affected by attribution bias (the tendency to blame internal problems on external factors).

Many of the adverse impacts, such as relationship breakdowns, divorce, criminal behaviour and suicide ideation, are likely to be attributable at least in part to other co-morbid conditions such as substance abuse, depression and anxiety or general life issues. In fact, research suggested that problem gambling is often a symptom of other traumatic life events such divorce and unemployment.⁴⁷

⁴⁴ Productivity Commission 1999, Australia's Gambling Industries, Report No. 10, AusInfo, Canberra (p.J.37)

⁴⁵ Prevalence of Gambling and Problem Gambling in New South Wales, Ogilvy Illumination, 2012

⁴⁶ Productivity Commission 1999, Australia's Gambling Industries, Report No. 10, AusInfo, Canberra (p.J.7)

⁴⁷ A pathways model of problem and pathological gambling (Blaszczynski & Nower 2002)

The failure to establish correctly the extent to which problem gambling is a causal factor in relation to the adverse impacts undermines the credibility of any estimates of the costs associated with problem gambling. ClubsNSW is of the opinion that further research is required to determine the extent to which the harms experienced by problem gamblers are the result of their gambling behaviour or other comorbid conditions.

Box 2: Co-morbidities and Problem Gambling

US National Comorbidity Replication Survey (2008):

A large empirical study in the US found that three quarters of all mood and anxiety disorders among pathological gamblers existed prior to the commencement of their destructive gambling behaviour:

other disorders typically predate the onset of PG [pathological gambling] and predict the subsequent onset and persistence of PG. These associations are especially strong for mood and anxiety disorders....These findings are consistent with evidence that mental disorders tend to precede substance use disorders more generally.... three-fourths of PG cases occur only subsequent to the onset of other DSM-IV disorders

Journal of Gambling Studies (2011)

A study in Canada Ontario, found no causal relationship between problem gambling and mood disorders such as depression and anxiety:

although concurrent analyses of the association between PG and mood disorder symptoms revealed a modest positive correlation between these types of pathology, more sophisticated and longitudinal analyses found no evidence for a direct association between PG and mood disorder symptom severity.

Sources: *The Prevalence and Correlates of DSM-IV pathological gambling in the National Comorbidity Survey Replication* (Kessler et al 2008) <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2293303/> ; *The Prevalence and Course of Pathological Gambling in the Mood Disorders*, J Gambl Stud (2011) 27:191–201

7.5. Counterfactual Scenario

ClubsNSW believes that it is important to understand what proportion of the costs of problem gambling policy interventions can reasonably be address. It is unlikely that there is any valid counterfactual situation in which the problem gambling rate would be zero. Experience would suggest that even with a complete prohibition on gambling there will always be access to gambling either online or via illegal gambling venues.

Box 3: Utilising a Counterfactual Scenario

American Gaming Association (2007):

The American Gaming Association's white paper on the social costs of gambling provides some insights into use and value of counterfactual scenarios in assessing the impact of problem gambling:

In terms of problem gambling and the social costs of gambling, researchers should also consider the counterfactual scenario. If casinos were not legal in a particular county, would there be no gambling and therefore no social costs? Probably not, as gamblers can find other venues, including nearby casinos, internet gambling, illegal gambling houses, etc. Therefore, problem gambling and the related costs should be compared to cases where casinos are legal to the level of related problems where casinos are not legal. Rather than doing this, most researchers have implicitly assumed there would be no problem gambling in a jurisdiction if there are no casinos. A comparison of problem gambling in casino communities to that in non-casino control communities would be a reasonable way to study this issue.

Sources: *Challenges that Confront Researchers on Estimating the Social Costs of Gambling*, American Gaming Association, Walker 2007

7.6. Crime, Suicide and Divorce

Increased crime, suicide and divorce rates are often cited as the by-products of problem gambling and in particular gambling on gaming machines. ClubsNSW has examined Western Australia, given its prohibition on gaming machines outside of the casino and lower rates of gambling expenditure as a potential counterfactual scenario with respect to crime, divorce and suicides rates.

7.6.1. Crime Rates

ClubsNSW notes that there are conflicting views within the research regarding the impact of gambling on crime rates. A recent report from the Victorian Department of Justice released in December 2011 found "Cash-based crime is not seen to be linked to EGM activity" contradicting previous research in the area⁴⁸.

Western Australia provides further anecdotal evidence questioning the link between crime and problem gambling. According to ABS statistics the offender rates for financially motivated crimes in Western Australia over the last few years is higher than New South Wales⁴⁹ (see chart 4).

⁴⁸ Socio-economic impacts of access to electronic gaming machines in Victoria, Victorian Department of Justice, 2011 p.8

⁴⁹ ABS 4519.0 - Recorded Crime - Offenders

ClubsNSW is of opinion that further systematic research is required before governments can draw any conclusions about the impacts of problem gambling on crime rates.

7.6.2. Divorce Rates

The Australian Institute of Family Studies (AIFS) says that divorce is a complex matter rarely attributable to a single factor. In 1999, the AIFS conducted a study examining the main reason couples became divorced, gambling problems did not rate a mention⁵⁰. In contrast, the 1999 PC report estimated that there were 1,600 gambling-related divorces per annum, which would represent approximately 3% of total divorces. A comparison of the crude divorce rates between New South Wales and Western Australia reveals no significant differences suggesting that the access gambling and gaming machines in particular does not have any significant effect on divorce rates (see chart 5).

ClubsNSW is of opinion that further systematic research is required before governments can draw any conclusions about the impacts of problem gambling on divorce rates.

7.6.3. Suicide Rates

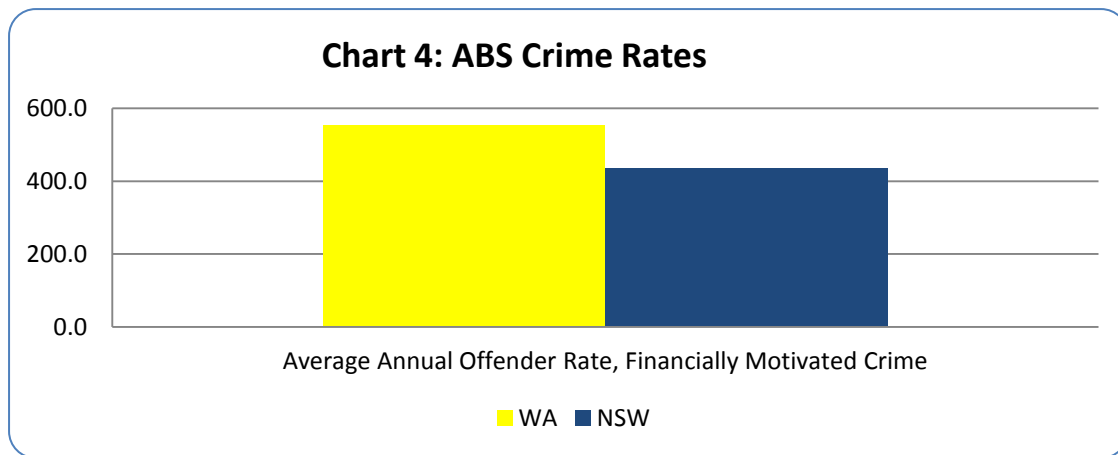
There is dearth of research regarding the extent to which problem gambling is casual factor in suicides in New South Wales. However, a recent report by the Victorian Coroner examining suicides over the period 2002-2011 identified problem gambling a factor in 128 cases out of 5,194 total suicides (2.5%). In most cases in which the Coroner identified as gambling-related, other factors were also involved including mental illness, bereavement, alcohol abuse and drug use.

According to the ABS the age-standardised suicide rate in Western Australia, the state with lowest per capita expenditure on gambling, is 11.2 deaths per 100,000 population significantly higher than the rate NSW, the state with highest per capita expenditure on gambling, which is 8.0 deaths per 100,000 population⁵¹ (see chart 6).

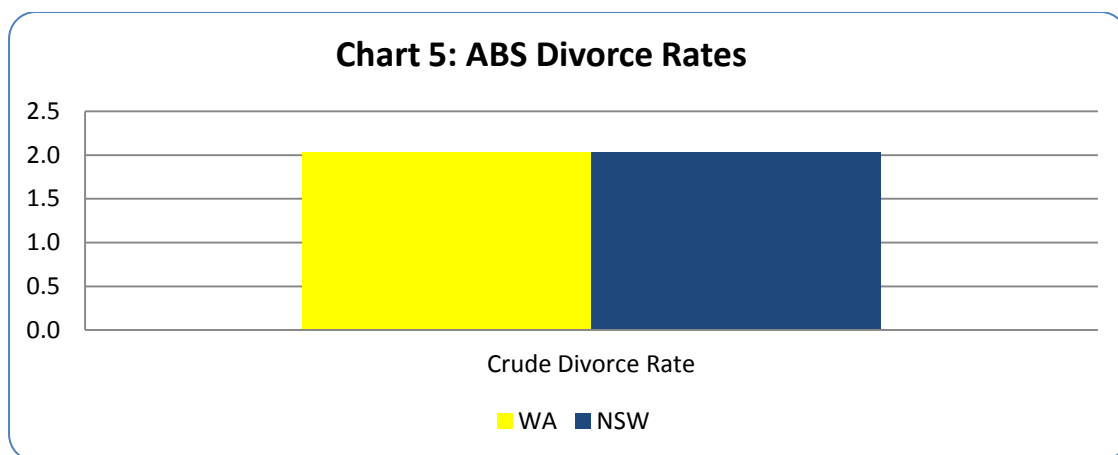
This suggests that claims that problem gambling is a major contributor to suicide are likely the result of attribution errors and a failure to consider the role of other contributing factors such as co-morbid mood disorders.

⁵⁰ *Towards understanding the reasons for divorce*, Working Paper No. 20, 1999, Australian Institute of Family Studies

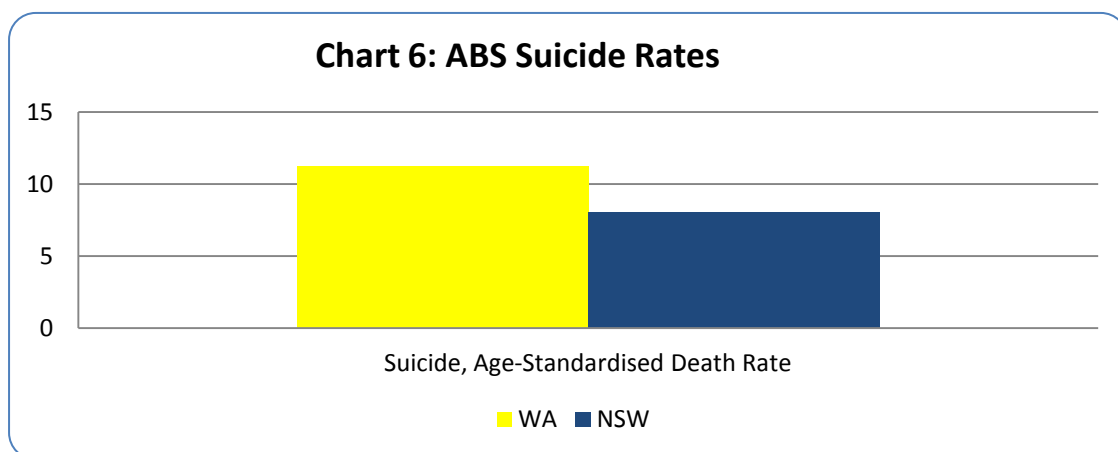
⁵¹ ABS 3303.0 Causes of Death, Australia, 2008



Source: ABS 4519.0 - Recorded Crime - Offenders, 2007-08 to 2010-11



Source: ABS 3310.0 Marriages and Divorces, Australia, 2010



Source: ABS 3303.0 Causes of Death, Australia, 2008

7.7. Excess Expenditure by Problem Gamblers

ClubsNSW notes that excess expenditure by problem gambler dominates many of the cost estimates for problem gambling. However we are concerned that many of these estimates are based on flawed methodologies and unreliable assumptions, such as the Productivity Commission's approximation that problem gamblers account for a 40 per cent share of total gambling expenditure; a figure that has since been found to be unreliable.

7.7.1. Expenditure shares

The Productivity Commission estimated that problem gamblers account for on average 41 per cent (22 to 60 per cent) of the total expenditure on poker machines. The Commission found that 95,000 problem gamblers play poker machines with average annual expenditure of \$21,000 each. These figures have been widely reported and used to calculate both the social costs of problem gambling and also to justify recommendations for changes to the operation of poker machines in Australia.

However, both KPMG Econtech⁵² and the Institute of Public Affairs⁵³ (IPA) identified serious methodological flaws in the Commission's methodology for calculating the prevalence rate and expenditure share for problem gamblers. The flaws include using outdated surveys that have been superseded by more recent data and failing to apply statistical weighting to surveys to account for the vast differences in population sizes between the various states and territories. This resulted in the Commission's estimates of the number of problem gamblers and their share of total poker machine expenditure being grossly inflated. The IPA released a report that addressed the methodological flaws in the Commission's analysis and found that:

- There are approximately 75,300 problem gamblers in Australia (0.49 per cent of the adult population)⁵⁴.
- Approximately 60,000 problem gamblers play poker machines regularly and contribute between 10 and 20 per cent of total poker machine revenue⁵⁵.

It is also important to note that the Commission's findings are inconsistent; 95,000 problem gamblers spending \$21,000 p.a. equates to 16.76 per cent of the total expenditure on poker machines and not 41 per cent.

⁵² Economic Analysis on Productivity Commission Draft Report on Gambling, KPMG Econtech (2009)

http://www.pc.gov.au/data/assets/pdf_file/0005/94055/subdr377-attachment.pdf

⁵³ <http://www.ipa.org.au/publications/1948/gambling-away-perspective-a-review-of-the-evidence-justifying-electronic-gaming-regulations>

⁵⁴ Ibid p.2

⁵⁵ Ibid p.2

Table 4: Number of Problem Gamblers, Mean Annual Expenditure and Share of Total Expenditure

No. Problem Gamblers on EGMs ⁵⁶	95,000
Average Annual EGM Expenditure per Problem Gambler ⁵⁷	\$21,000
Total Problem Gambler EGM Expenditure	\$1.995 billion
Total EGM Expenditure ⁵⁸	\$11.9 billion
Problem Gambler Share of EGM Expenditure	16.76%

The outcomes of the Commission's hypothesis that problem gamblers account for 41% of the total gaming machine expenditure seem unrealistic:

- For problem gamblers to account for 41% of total New South Wales gaming machine expenditure requires an annual expenditure per problem gambler of \$74,012⁵⁹;
- 3.4 times the Productivity Commission's own headline figure of \$21,000;
- 2.2 times the average annual expenditure reported by problem gamblers undergoing treatment in NSW (\$31,610)⁶⁰; and
- 178% of the NSW median disposable household income (\$41,600 p.a).⁶¹

The Productivity Commission went further suggesting that it was plausible that problem gamblers could account for up to 60% of total gaming machine expenditure. The outcomes under this scenario are, in our opinion, even less realistic:

- For problem gamblers to account for 60% of total poker expenditure requires an annual expenditure per problem gambler of \$110,115⁶²;
- Over 5 times the Productivity Commission own headline figure of \$21,000;
- 3.3 times average annual expenditure reported by problem gamblers undergoing treatment in NSW (\$31,610); and
- 265% of the NSW median disposable household income (\$41,600 p.a)

⁵⁶ Productivity Commission 2010, Gambling, Report no. 50, Canberra (p5.1)

⁵⁷ Productivity Commission 2010, Gambling, Report no. 50, Canberra (p5.33)

⁵⁸ Productivity Commission 2010, Gambling, Report no. 50, Canberra (p2.1)

⁵⁹ (\$5.25 billion * 41%) / 29,083 problem gamblers (gaming machines)

⁶⁰ Responsible Gambling Fund Client Data Set 2012/13, p.52

⁶¹ ABS 6523.0 - Household Income and Income Distribution, Australia, 2011-12, Table 17

⁶² (\$5.25 billion * 61%) / 29,083 problem gamblers (gaming machines)

ClubsNSW is of the opinion that a more prudent approach is to use the average annual expenditure per problem gambler across all forms of gambling as reported by clients of treatment services in NSW (\$31,610) and the total of NSW problem gamblers according to the most recent prevalence study (39,840)⁶³. This results in an implied expenditure share of 16.1 per cent of total gambling expenditure in New South Wales. This is consistent with the findings of the Institute of Public Affairs.⁶⁴

7.7.2. 'Normal' and 'Excessive' gambling expenditure

When trying to assess the 'excessive' expenditure by problem gamblers, the typical approach has been to consider any level of gambling expenditure above the average expenditure of recreational gamblers as 'excessive', harmful and providing no utility.

The recent Victorian Competition & Efficiency Commission inquiry into the cost of problem gambling identified 'normal' gambling expenditure as equivalent to an average expenditure of \$35 per week or \$5 per day. Any gambling expenditure by problem gamblers over \$5 per day was defined as excessive, harmful and an economic cost of problem gambling. ClubsNSW is not aware of any other entertainment product where expenditure of more than \$5 per day would be regarded as excessive and harmful.

ClubsNSW does not believe that it is possible to calculate a level of 'normal' gambling expenditure as this will vary dependent upon individual circumstance. To attempt to quantify the specific point at which expenditure by problem gamblers begins to cause them harm is, in our opinion, misguided. Rather, the focus should be upon ensuring that support services, such as self-exclusion, counseling and chaplaincy, are in place to help people to overcome their gambling problems and regain control of their finances.

⁶³ Prevalence of Gambling and Problem Gambling in New South Wales, Ogilvy Illumination, 2012

⁶⁴ <http://www.ipa.org.au/publications/1948/gambling-away-perspective-a-review-of-the-evidence-justifying-electronic-gaming-regulations>

8. ECONOMIC COSTS OF PROBLEM GAMBLING IN NEW SOUTH WALES

The following represents our estimate of the economic costs to the public of problem gambling in New South Wales. The Committee should note that the following estimates do not take full account of the issues raised in this submission and as such are likely to represent an overstatement of the actual costs. For example, it is not possible to determine what percentage of the crimes committed by a problem gambler are attributable to their destructive gambling and what percentage might be attributable to co-morbid drug addictions or mental health disorders.

ClubsNSW has utilised the 1999 PC report taxonomy for the costs of problem gambling, excluding the private intangible cost categories, as the basis for our estimates of the social cost (refer to Table 1). ClubsNSW has also utilised the data from the 1999 PC report regarding the number of affected persons (cases) in each social cost category and the number problem gamblers (SOGS 10+) to determine the percentage of problem gamblers affected in category (refer to Table 5). These percentage rates are applied to the number of problem gamblers in NSW to estimate the social costs of problem gambling in NSW. We estimate that the social costs of problem gambling in NSW ranges between \$44 and \$93.8 million per annum (refer to Table 6).

Table 5. Economic Costs – Affected Problem Gamblers in Australia

No. Problem Gamblers	129,300		No. Cases		% Affected ⁶⁵	
			Low	High	Low	High
Bankruptcy			317	317	0.25%	0.25%
Productivity loss						
- Productivity loss (at work)			7,000	49,200	5.41%	38.05%
- Productivity loss (outside work)			2,100	14,760	1.62%	11.42%
Job change						
- Lost income			5,600	5,600	4.33%	4.33%
- Job Search Costs			5,600	5,600	4.33%	4.33%
- Staff replacement costs			5,600	5,600	4.33%	4.33%
Crime and Legal						
- Police Incident			6,300	6,300	4.87%	4.87%
- Court Case			700	700	0.54%	0.54%
- Jail Sentences			336	336	0.26%	0.26%

Source: Productivity Commission 1999, Australia's Gambling Industries, Report No. 10, Appendix J

⁶⁵ Affected percentage equals number of cases divided by total number of problem gamblers to arrive at a prevalence rate among problem gamblers.

Table 6. Estimated Economic Costs of Problem Gambling in New South Wales

	No. Cases ⁶⁶		Cost per case ⁶⁷	Total Cost (\$m)	
	Low	High		Low	High
Bankruptcy	49	49	\$6,200	\$0.3	\$0.3
Productivity loss					
- Productivity loss (at work)	1,078	7,580	\$5,900	\$6.4	\$44.7
- Productivity loss (outside work)	324	2,274		\$1.9	\$13.4
Job change					
- Lost income	863	863	\$8,600	\$7.4	\$7.4
- Job Search Costs	863	863	\$3,700	\$3.2	\$3.2
- Staff replacement costs	863	863	\$7,400	\$6.4	\$6.4
Crime and Legal					
- Police Incident	971	971	\$900	\$0.9	\$0.9
- Court Case	108	108	\$12,200	\$1.3	\$1.3
- Jail Sentences	52	52	\$22,600	\$1.2	\$1.2
				\$29.0	\$78.8
Gambling Counselling⁶⁸					\$15.0
Total Social Costs				\$44.0	\$93.8
Source: ClubsNSW 2014					

ClubsNSW considers these figures to be reasonably accurate estimates of the economic costs of problem gambling in New South Wales. In our opinion, a program of systematic research to overcome the current deficiencies in the evidence-base would be required to provide estimates that are more reliable. In the absence such research, these estimates provide a useful guide as to the tangible economic costs of problem gambling in New South Wales.

Note that ClubsNSW has not accounted for a counterfactual in arriving at these estimates. A valid counterfactual would recognise that there would always be some underlying level of problem gambling in the community that government policy cannot address. For example, despite the prohibition on online gaming in Australia there is over \$1.5 billion worth of expenditure on this form of gambling through illegal offshore providers with an associated level of problem gambling⁶⁹. When providing a proper assessment of the policy-relevant social costs it is important to exclude the proportion of the costs that cannot be reasonably

⁶⁶ PC estimates adjusted for a Victorian problem gambling prevalence rate of 0.4% of the adult population

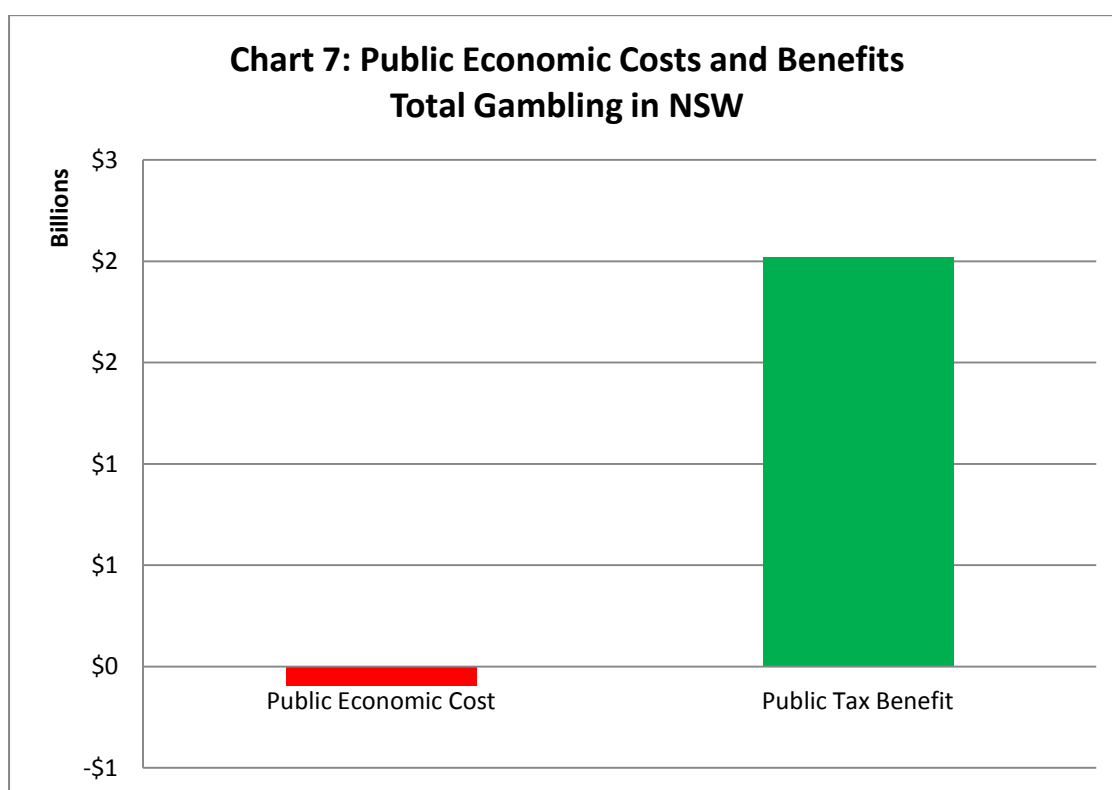
⁶⁷ PC estimates adjusted for CPI inflation and growth in average weekly earnings rounded up to the nearest hundred dollars

⁶⁸ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra p.J.20

⁶⁹ Review of the Interactive Gambling Act 2001, Interim Report, Department of Broadband, Communications and the Digital Economy, p.7 2012

addressed through government policy, this would serve to reduce ClubsNSW estimates of the social costs of problem gambling in New South Wales.

ClubsNSW also notes that the economic costs of problem gambling estimates provided here are gross estimates rather than net estimate. A net analysis would take into account the extent to which the identified costs of gambling are offset by benefits such as, the tax benefit from gambling received by NSW Government, which is estimated to be \$2.0 billion in 2014-15⁷⁰. Other benefits that gambling provides to the community include entertainment, employment, and funding for social and sporting infrastructure and community and sporting organisations. In 2011, KPMG valued the economic and social contributions of the NSW clubs industry at \$3.2 billion and \$1.2 billion respectively. The overall impact of gambling in New South Wales would amount to substantial net community benefit.



Sources: ClubsNSW 2014, 2013-14 Budget Paper No. 2, *Budget Statement*, Chapter 6

⁷⁰ 2013-14 Budget Paper No. 2, *Budget Statement*, Chapter 6

9. HARM MINIMISATION MEASURES

While the overall social impact of gambling is overwhelming positive, for a small minority of people, excessive gambling causes harm, for themselves and for their families. Successive NSW Governments in conjunction with industry have introduced a wide range of preventative harm minimisation measures over the last decade that have contributed to a significant reduction in the prevalence of problem gambling in NSW. New South Wales is both nationally and internationally renowned as a leader in responsible gambling and harm minimisation.

Current harm minimisation measures that focus on prevention include (but are not limited to):

- public awareness campaigns;
- signage encouraging responsible gambling behaviours;
- signage creating awareness about the risks of excessive gambling;
- compulsory responsible gambling training for staff;
- gambling advertising restrictions or bans;
- state-wide caps on the number of poker machines;
- social impact assessments prior to an increase in poker machine numbers;
- restrictions on minors accessing gambling;
- bans on inducements to gamble (e.g. free alcohol);
- bans on credit gambling;
- payment of large prizes via cheque;
- restrictions on the locations of ATMs;
- mandatory shutdown periods; and
- restrictions on cash promotions.

In addition, the NSW Gaming Machines Prohibited Features Register contains the following additional requirements:

- a ban on non-linear pay tables;
- a limit on the maximum number of free spins;
- a ban on depictions of real money (e.g. \$50 notes);
- restrictions on game names and themes;
- a ban on player inducement messages (e.g. 'try again', 'have another go');
- restrictions on advertising the maximum prize;
- further restrictions on the return to player for multi-denomination games;
- a ban on requiring ante-bets to be eligible for jackpots;
- restrictions on button panel layouts;
- limits on ante-bets for feature games; and
- restrictions on minimum bet (minimum bet should be 1 credit).

ClubsNSW is supportive of improving the preventative measures to address problem gambling. In our opinion, prevention of the onset of problem gambling behaviours is best

achieved through an educative approach that promotes informed choice, encourages players to gamble responsibly and highlights the risks associated with excessive gambling.

When considering new policies to further improve the culture of responsible gambling among all stakeholders, all parties should work together constructively and transparently, and follow best practice guidelines for effective and efficient policy-making.

Best practice regulation processes are well understood, but sometimes overlooked for reasons of political expediency. All stakeholders must resist the temptation to adopt emotionally-driven, reactive silver bullet solutions and pursue a rigorous regulatory impact assessment before adopting and implementing new proposals.

Not all harm minimisation measures are the result of government intervention, and the industry has trialled and initiated many policies to the benefit of its customers and employees. Recent examples include the implementation of an online multi-venue self-exclusion tool, the trialling of a club chaplaincy program administered by the Salvation Army, and a public awareness campaign using NRL Legend Nathan Hindmarsh to promote help seeking among problem gamblers.

The industry firmly believes that problem gambling is a complex issue, which afflicts people through different causal pathways, and requires targeted solutions that best address the individual's own needs.

A multifaceted, holistic approach that promotes a culture of responsible gambling and increases the help-seeking rate among problem gamblers is the best way of reducing the social costs of problem gambling.

This requires a suite of prevention, intervention and treatment measures tailored to respond flexibly to the circumstances of the individual problem gambler. Importantly, greater community engagement to de-stigmatise gambling addiction and treatment will strengthen the safety net and improve the readiness of family and friends to identify and make an early intervention for those most in need.

9.1. ClubSAFE

ClubSAFE is the club industry's Responsible Conduct of Gambling Program. ClubSAFE, which was initially developed by ClubsNSW with significant input from the Australian Institute for Gambling Research, is a comprehensive program designed to help registered clubs manage responsible gambling operations that exceeds legislative requirements and community expectations.

Responsible gambling best practice goes beyond simple compliance with legislation and regulation. It can be defined as decisions and actions taken by the club industry that are consistent with the values and objectives of the community. Responsible gambling management practices seek to prevent or minimise the harm that may occur as a result of problem gambling.

ClubSAFE provides clubs with specific tools designed to minimise the harm experienced by a minority of gaming machine players. Harm minimisation seeks to reduce the prevalence of problem gambling in the interests of maintaining local community wellbeing. The measure of achievement is not an ideal gambling level or situation, but whether the likelihood of damaging consequences has been reduced by the preventative measures. ClubSAFE provides guidance for patrons who seek assistance to deal with gambling problems.

9.2. Voluntary pre-commitment

Voluntary pre-commitment is a self-help tool whereby players can pre-set limits on their gambling expenditure and receive notification when they reach these limits. The effectiveness of voluntary pre-commitment lies in its ability to support patrons in making informed choices about their gambling expenditure.

The industry believes that with sufficient marketing and promotion efforts by venues, a venue-based voluntary pre-commitment can become a useful tool for encouraging recreational gamblers to set and adhere to limits to improve the management of their gambling expenditure.

Due to the very limited research on the effectiveness of pre-commitment measures in minimising harm, it is essential that implementation occurs in a cost-effective manner that does not draw resources from other proven strategies or place a significant burden on industry.

The industry supports the introduction of voluntary pre-commitment technology through the natural replacement cycle of gaming equipment. In addition, venues should have the flexibility to choose the type of technological solution that best suits their needs.

The introduction by the Commonwealth of the National Gambling Reform Act 2012 established a national framework and timelines for the introduction of state-wide voluntary pre-commitment technology. However, the Social Services and Other Legislation Amendment Bill 2013 ('the Bill') seeks to repeal these provisions on the basis the uniform approach fails to acknowledge the significant disparity among the states and territories with regard to resources and timeframes needed to implement pre-commitment.

Instead, the Bill commits the Federal Government to working with State and Territory Governments, the gaming industry, academics and the community sector to develop and implement venue-based voluntary pre-commitment under a realistic timetable.

ClubsNSW supports this approach has developed a set of principles and operational guidelines identifying the industry preferences for how voluntary pre-commitment should be implemented in New South Wales (see Appendix 1)

9.3. Self-exclusion

Self-exclusion has been proven to be a valuable tool of recovery for those with a gambling problem, especially when used in conjunction with other vital aids such as face-to-face counselling. Self-exclusion operates by self-identified problem gamblers voluntarily surrendering the right to enter the gaming areas of their local venues. This helps them overcome their impulsive urges to gamble. A two-year study by Macquarie University found more than 70% of participants in self-exclusion reported significant reductions in the money spent on gambling as a result of participating in the program⁷¹.

9.4. Multi-venue self-exclusion

ClubsNSW's responsible gambling program ClubSAFE has implemented a new multi-venue self-exclusion scheme across all clubs in NSW. The program allows a problem gambler to exclude themselves from multiple venues in a single application; details of the applicant are then forwarded electronically to the relevant venues for enforcement purposes. Further investigations are occurring into making the system available in all NSW hotels as well as the potential for a national multi-venue self-exclusion scheme.

ClubsNSW recognises that the tool of self-exclusion is a simple, yet valuable and effective way to assist people overcoming destructive gambling behaviour, especially during the crucial early stages of recovery. For most people, self-exclusion serves well as an adjunctive measure to counselling.

It's a difficult and often embarrassing step for a problem gambler to reach out and ask for help. The ClubSAFE approach to self-exclusion recognises the importance of the member club's role in directly responding to the member with respect and discretion. ClubSAFE supports the member club by providing the tools and guidance necessary to ensure the club representative is confident of delivering this service and the client understands and takes seriously, the arrangement they are entering into.

In addition the ClubSAFE Multi-Venue Self-Exclusion (MVSE) system has been enthusiastically welcomed by the gambling counselling community across NSW. ClubSAFE is proud of the close and collaborative working relationships we have forged with the counsellors who provide treatment services through more than 40 Responsible Gambling Funded (RGF) counselling services across the state.

By providing the MVSE system to our gambling counsellors as well as to ClubSAFE member clubs, we offer the problem gambler the choice of self-exclusion at their club-of-choice or at their local RGF counselling service. This is especially valuable given that problem gamblers aren't always comfortable in returning to a gaming environment to self-exclude.

Providing this system for direct use by the gambling counsellors is just part of a long-term strategy for forging even closer collaborative ties between NSW clubs and the counsellors. MVSE has received strong support from the Executive Director of the Office of Liquor, Gaming and Racing (OLGR).

⁷¹ Productivity Commission 2010, *Gambling*, Report no. 50, p.E.7

9.5. Collaboration with Counselling Services

Counselling is widely regarded as the most effective treatment for people experiencing problems with controlling their gambling behaviour. ClubsNSW has always been a strong supporter of counselling as a measure to assist problem gamblers in their recovery.

ClubsNSW and NSW Responsible Gambling Fund (RGF) are currently in the final stage of negotiating a memorandum of understanding (MoU) that would facilitate increased collaboration between clubs and RGF funded counselling services. The objectives of the MoU are to reduce the negative impact of problem gambling on NSW individuals and communities through:

- Collaboration and support for initiatives to improve harm minimisation and responsible gambling strategies in NSW;
- Ensuring that club patrons who are impacted by problem gambling are able to identify and access free help easily and effectively, including Gambling Help services;
- Enabling and supporting RGF's funded services and members of Clubs NSW to work locally to promote responsible gambling and Gambling Help services through events, displays, public talks and other activities; and
- Pooling relevant information such as research and consumer feedback in order to better understand problem gambling and emerging trends.

ClubsNSW views the MoU as an important positive step towards a more collaborative approach between all stakeholders to addressing problem gambling in NSW.

9.6. Chaplaincy program

It is widely recognised that problem gambling is often symptomatic of underlying mental health issues and other life problems. Recent studies show that problem gamblers are more likely to seek help for their comorbid disorders than they are for their gambling problems.⁷² It is therefore important that any program designed to reduce the rate of problem gambling has services oriented towards tackling the underlying issues that are the cause of problem gambling.

ClubsNSW recently completed a trial of a club chaplaincy programs in conjunction with the Salvation Army. The program involves Salvation Army officers being available at regular intervals in clubs to discuss a wide range of issues with patrons including those issues that are often the cause of problem gambling such as depression, anxiety, divorce or bereavement. Chaplains also screen patrons for problem gambling and advise them of specific gambling treatment options.

ClubsNSW is working with the Salvation Army to expanded program with the goal of having dedicated chaplain or welfare officer in each local government area (LGA) who routinely visits the gambling venues in that area. Some larger venues may wish to have dedicated

⁷² Help-seeking and Uptake of Services Amongst People with Gambling Problems in the ACT, ANU 2011

counsellors stationed on site.

9.7. Staff interventions

Club staff involved in the delivery of gambling services in NSW are required to undergo compulsory responsible gambling training. The training courses are regularly reviewed to ensure that their content reflects best practice responsible gambling procedures. A feature of the majority of current training courses is to provide venue staff with a range of commonly agreed indicators of problem gambling, to help them identify potentially problematic player behaviours⁷³.

It is important to recognise that problem gambling is an issue which often incorporates significant psychological distress and that requires the type of intervention that can only be offered in person by an experienced staff member.

Such strategies require senior staff to have knowledge both of the indicators of problem gambling and appropriate strategies for responding to potential problematic behaviours in a manner that minimises the risk of exacerbating the problem or eliciting a negative response from the patron.

This would involve staff approaching patrons displaying the signs of problematic gambling and starting a respectful conversation to enquire about the patrons welfare and where necessary offering them assistance such as self-exclusions or referral to appropriate help services. ClubsNSW notes that this approach is similar to the responsible service of alcohol programs that are currently in place in licensed venues across NSW.

We believe that staff interventions create an additional level of safety that is unique to land-based gaming operators and is lacking in the online environment.

9.8. Family interventions

Problem gambling can have a profound effect not only on the gambler but also on their family particularly where children are involved.

Family members often have a better capacity to observe problems than other parties such as venue staff and therefore are in a good position to intervene before problems progress to a crisis point. Family members should have the capacity to initiate a third party intervention on behalf of a problem gambler. Venues should be required to promote the availability of family interventions both through in-venue advertising and where applicable online through company websites.

From the industry perspective, a tiered approach to family interventions would appear to be the most appropriate implementation. This would involve a role for both venue operators and the Government.

⁷³ Identifying Problem Gamblers in Gambling Venues: Final Report, Gambling Research Australia

Venues would be obligated to respond to a request for an intervention on behalf of a family member. Recognising at this stage the complaint is merely an allegation that the person has a gambling problem, venues should be required to:

- observe the gambling behaviour of the individual in question
- as appropriate, engage in a respectful conversation with the alleged problem gambler and offer assistance
- maintain the anonymity of the complainant
- provide the family member with an information pack outlining their options and advice for supporting the problem gambler's recovery.

Where the patron denies the assistance offered venue intervention, a second tier process involving a government agency can examine the allegation and where established issues appropriate orders such as involuntary exclusions or mandatory counselling

9.9. Screening kit for health professionals

A whole-of-community response to the issue of problem gambling requires the engagement of a range of healthcare and community services to improve the support network available to problem gamblers and those at risk of becoming problem gamblers⁷⁴.

The Government should consider the development of a problem gambling awareness and screening kit for distribution to all appropriate healthcare and community service providers to assist with the early identification and treatment of problem gambling:

- ensuring that health professionals and community services have information about problem gambling and referral pathways
- providing a one-item screening test, as part of other mental health diagnostics, for optional use by health professionals and counsellors
- screening should be targeted at high-risk groups, particularly those presenting with anxiety, depression, high drug and alcohol use
- providing dedicated funding to gambling help services to facilitate formal partnerships with mental health, alcohol and drugs, financial and family services
- promote self-help and brief treatment options such as self-help manuals, gambling budget calculators and online counselling, as such interventions can be cost-effective ways of achieving self-recovery of people experiencing problems with gambling

9.10. Responsible gambling messages

Responsible gambling messages are a ubiquitous feature of existing harm minimisation programs, having successfully contributed to raising consumer awareness about responsible gambling strategies and the risks associated with excessive gambling. ClubsNSW believes that responsible gambling messages have played an integral role in the overall reduction in the prevalence of problem gambling in NSW.

⁷⁴ Help-seeking and Uptake of Services Amongst People with Gambling Problems in the ACT, ANU 2011

ClubsNSW supports the improvement of responsible gambling messaging through evidence-based, cost-effective and targeted measures that promote informed choice. However we are concerned that the clutter created by an ever increasing array of signage and messaging within venues reduces the impact and effectiveness of responsible gambling communications.

In our opinion, it is essential that all new responsible gambling messaging initiatives are comprehensively trialled and tested to assess their impact prior to introduction.

ClubsNSW also advocates for the provision of responsible gambling messages to apply consistently across all forms of gambling and not only poker machines. The information should include at a minimum:

- An explanation of how the game works
- An explanation of the 'house edge'
- An explanation of cost of play and volatility
- A correction of common misconceptions

Often, behaviours that lead to problem gambling are symptomatic of a fundamental misunderstanding of how particular forms of gambling operate. Disclosing information about how a product operates, the cost of play and dispelling common myths can promote informed choice and reduce the chances of problematic gambling behaviours such as "chasing losses".

9.11. Community awareness campaigns

Community awareness campaigns are another common feature among government and industry sponsored responsible gambling programs. Typically, the public awareness campaigns run by governments have focused on encouraging problem gamblers to seek treatment through the promotion of the gambling helpline numbers.

ClubsNSW supports further research that investigates the benefits of community awareness campaigns that have a direct emphasis on prevention through the promotion tips and strategies to assist consumers to gamble responsibly. Research should also examines ways in which community awareness campaigns can harness new media opportunities such as social media to deliver outcomes in a more cost-effective manner.

9.12. School-based education campaigns

ClubsNSW advocates for the development and trialling of a nationally consistent school-based gambling education and awareness program that is integrated into the existing school curricula on personal health and financial literacy.

Youth are at increased risk of developing a gambling problem, a fact that is particularly concerning in light of the easy access to online gambling. Research has found that education programs can be an effective tool in preventing the development of problematic gambling behaviours.

Awareness of the serious risks of excessive gambling coupled with knowledge of the odds associated with various gambling products acts as a protective factor against the development of gambling-related problems⁷⁵. An international panel of eminent gambling researchers recommended school-based education as a necessary requirement for any responsible gambling program.

The content of the school-based education program could draw from the Productivity Commission 2010 Inquiry into Gambling recommendation 7.1⁷⁶:

- dispel common myths about gambling and educate people about how to gamble safely
- highlight potential future consequences associated with problem gambling, and
- make the community aware of behaviours indicative of problem gambling, to encourage earlier help-seeking or interventions by family and friends.

A trial and evaluation of school-based education programs would help to ensure program effectiveness and protect against the potential for unintended consequences.

⁷⁵ http://www.austgamingcouncil.org.au/images/pdf/Discussion_Papers/agc_dis_youth_gamb_ed.pdf

⁷⁶ Productivity Commission 2010 Inquiry into Gambling, Recommendation 7.1

10. GAMBLING MARKETING AND ADVERTISING

Currently there is significant inconsistency in the regulation of the marketing and advertising of gambling services across different gambling products and platforms that should be addressed. Clubs and other land-based poker machine venues are heavily restricted in the type of advertising and promotions they are permitted to undertake. In contrast, there are virtually no restrictions on the advertising of gambling products such as sports betting, either online or through mainstream media.

ClubsNSW is concerned that pervasive gambling advertising by online wagering and sports betting companies, coupled with inappropriate advertising practices, such as offering inducements to gamble and promoting credit betting, could potentially reverse many of the gains in harm minimisation and the responsible conduct of gambling achieved in NSW over the past two decades.

ClubsNSW considers it imperative that the promotion and advertising of gambling services occurs in a socially responsible manner that is unlikely to exacerbate gambling related-harm. In our view, New South Wales should seek to harmonise the gambling advertising and promotional regulation for the entire gambling industry. The regulation should strike a balance between the advertising of gambling as a legitimate form of entertainment and the need to promote a culture of responsible gambling.

In our view, regulators should not seek to prohibit advertising in an attempt to artificially diminish demand for gambling services. Rather certain advertising practices that are likely to lead to problematic behaviour should be restricted (see box 4). We believe that socially responsible advertising of gambling can lead to increases in the net social benefit that gambling provides the community.

Box 4. Problematic Advertising Practices

The following advertising practices have the potential to exacerbate problem gambling:

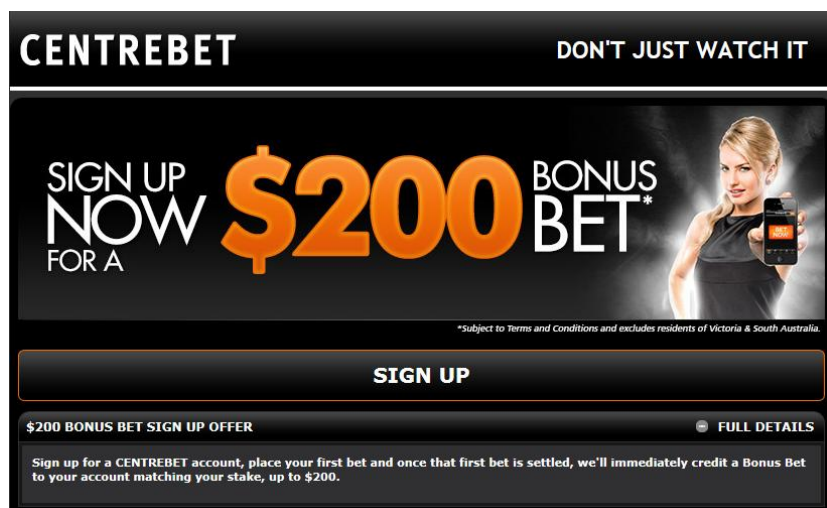
- inducements to gamble;
- promotion of credit betting; and
- exposure of children to gambling advertising

10.1. Inducements and Incentives

ClubsNSW views the practice of offering free bets or other inducements to encourage people to commence gambling as inherently problematic. Laws governing the use of inducements currently exist in state legislation for clubs and hotels. There are strict controls on the advertising and promotion of gambling by clubs. For example clubs are cannot advertising gaming machine to general public and are prohibited from offering free bets or cash incentives to members at the venue. ClubsNSW believes that the NSW Government should seek to establish a state-wide ban on inducements, eradicating wherever possible inconsistencies between online and land-based gambling platforms.

It is standard practice for online sports-betting and wagering companies to offer gamblers incentives or inducements to place bets or open accounts. Typically, these take the form of free bets or games or sign up bonuses at improved odds and higher payout rates. According to a report by Blaszczynski, Sharpe, & Walker, there is evidence to suggest that the possibility to play without money makes games more attractive, reduces barriers to play, and may undermine attempts to quit.⁷⁷ Research indicates that free gambling inducements “have been identified as fostering future gambling problems.”⁷⁸

Figure 2: Example of advertising using inducements



Source: Centrebet.com.au (accessed February 2013)

10.2. Promotion of Credit Betting

ClubsNSW is of the view that there is a clear difference, in terms of the risk of financial harm, between allowing a person to gamble using savings as opposed to gambling on credit, where losses can be much higher and attract interest payments.

Legislation prevents credit card betting on poker machines in gaming venues in New South Wales. There are also restrictions on credit withdrawals from ATMs in non-casino gambling venues. By contrast, credit betting is particularly prevalent in online sports-betting. Some online sports betting sites aggressively promote the use of credit card gambling by offering the promise of lucrative free bets in exchange for sign-up accounts and credit card details.

Credit card gamblers are funding their betting through what is effectively a short term loan. If the initial amount is not paid off within a specified time period, interest accrues, exacerbating the financial harm experienced by a person with a gambling problem.

Online sports betting operators are also often willing to extend lines of credit to gamblers with little concern for their ability to repay the debt. Allowing credit betting goes against

⁷⁷ Cited in Monaghan, S (2009) *Responsible gambling strategies for Internet gambling: the theoretical and empirical base of using pop-up messages to encourage self-awareness*. Southern Cross University.

⁷⁸ *Ibid.*

the fundamental principles of responsible gambling, both from the perspective of the individual and the operator.

ClubsNSW supports a complete ban on credit betting, including the use of credit cards, across all forms of gambling.

10.3. Children's exposure to gambling advertising

Children watching sporting events cannot avoid gambling promotions which take place both during the match and in commercial breaks. ClubsNSW is concerned that the continuous exposure to advertising promoting sport-betting may result in children developing faulty cognitions about gambling, such as misunderstanding the risk and potential harms associated with gambling excessively.

ClubsNSW believes a key to success in preventing future instances of unsafe online sports-betting among youth is the adoption of an educative approach. The government needs to empower youth with the necessary knowledge to make their own sensible choices about gambling when they reach adulthood.

In line with this approach, ClubsNSW believes gambling education should be integrated into existing school-based lifestyle curricula.

10.4. Responsible Gambling Advertising

Research has consistently shown the value of community education and awareness programs as a preventative measure. Experts consider such campaigns as a necessary requirement for a best practice responsible gambling program⁷⁹.

Most online sports-betting agencies have sought only to meet the minimum regulatory requirements with respect to responsible gambling messaging. The result is messaging that is often barely visible or delivered in a sarcastic manner that calls into question the operator's commitment to principles of responsible gambling.

In contrast, clubs as more socially responsible operators have invested in highly visible responsible gambling advertising campaigns. ClubsNSW have recently award winning responsible gambling campaign with former NRL star Nathan Hindmarsh as its ambassador. The program aim to reduce the stigma associated with seeking help for people with a gambling problem. In addition, Clubs Australia has a national responsible gambling campaign entitled 'Part of the Solution' which informs club patrons of the various support measures provided by clubs to assist them should they start to develop a problem with their gambling such as access to free 24-hour counselling services and self exclusion schemes.

⁷⁹ Responsible Gambling: General Principles and Minimal Requirements, Journal of Gambling Studies, (Blaszczynski et al 2011)

Figure 3: ClubSAFE Responsible Gambling Poster



The poster features a photograph of Nathan Hindmarsh, an NRL legend, on the right side. He is wearing a red and blue plaid shirt and has his arms crossed. On the left side, there is a quote in large blue quotation marks: "If gambling isn't fun anymore, it's ok to ask for help. I'm glad I did." Below the quote is a signature and the text "Nathan Hindmarsh, NRL Legend". At the bottom, there is a blue banner with white text that reads: "Ask your local club about self-exclusion, or call Gambling Help on 1800 858 858 Free, confidential, 24/7". Below the banner, there are logos for "gambling HELP 1800 858 858" and "ClubsNSW". At the very bottom, there is a small line of text: "This campaign is an initiative of ClubSAFE on behalf of ClubsNSW."

“If gambling isn't fun anymore, it's ok to ask for help. I'm glad I did.”
Nathan Hindmarsh, NRL Legend

Ask your local club about self-exclusion, or call Gambling Help on 1800 858 858 Free, confidential, 24/7

gambling **HELP**
1800 858 858

ClubsNSW

This campaign is an initiative of ClubSAFE on behalf of ClubsNSW.

11. ELECTRONIC GAMING MACHINES

The main form of gambling which occurs in clubs is via electronic gaming machines. There are approximately 70,500 gaming machines operating in 1,170 clubs spread across the length and breadth of NSW. Gaming machines represent a significant source of revenue for clubs on average representing 61.7% of total club revenue.

In 1956, the NSW Government permitted not-for-profit community clubs to operate gaming machines. The not-profit community gaming model is unique in that it provides a safe and reputable market for gambling while redirecting the profits of gambling back into local communities to maximise social benefit.

In 1997, the NSW Government permitted the introduction of poker machines into commercial for-profit hotels. Gaming in hotels attracts a higher rate of taxation to account for the fact that the commercial operator retains the profits.

Gaming machines are a significant source of taxation revenue for the NSW Government. According to the 2013-14 Budget club and hotel gaming machine tax is set to raise \$5.3 billion across the forward estimates⁸⁰.

11.1. Gaming Machine Accessibility

ClubsNSW refutes the claim that Australia has 20 per cent of world's gaming machines. In New South Wales, there are 95,000 gaming machines located in clubs, hotels and the casino⁸¹. There are approximately another 100,000 gaming machines located in other jurisdictions throughout Australia. Worldwide there are over 7.5 million gaming machines in operation⁸², meaning Australia has only 2.6 per cent of the world's gaming machines population and New South Wales less than 1.3 per cent.

Apart from table games, gaming machines are the least accessible form of gambling in New South Wales.

Gaming machines are limited to a retail network 1,807 venues consisting of clubs, hotels and one casino. There is strict trading hours in place for operation of gaming machines in New South Wales, including a mandatory 6-hour shutdown period. It is also illegal for gaming machine to offered online, however reports indicate that significant black market exists; perhaps in part due to the limited accessibility in the land-based environment. Legislation strictly prohibits minors from accessing gaming machines.

Wagering and sports betting in New South Wales is offered through a retail network of approximately 2,310 venues consisting of clubs, hotels, TAB agencies and the casino in addition to telephone, online and digital television offerings.

⁸⁰ Budget Paper No. 2, Budget Statement 2013-14, NSW Treasury

⁸¹ Quarterly Statistics, NSW Office of Liquor Gaming and Racing, 2013

⁸² World Count of Gaming Machines 2012, Gaming Technologies Association 2013

Lotteries in New South Wales are offered through an extensive retail network of over 1,900 outlets in addition to an online offering through multiple websites, tablet and mobile phone apps.

Federal legislation permitting online wagering and lotteries means that every personal computer, tablet, smart phone or digital television is a potential wagering or lotteries outlet available 24 hours a day, 7 days a week.

Table 2: Accessibility of Gambling Activities in New South Wales

Activity	Retail Outlets ^{83,84,85}	Online	Mobile	24 hour access
Wagering / Sports Betting	2,130	Yes	Yes	Yes
Lotteries	1,900	Yes	Yes	Yes
Gaming machines	1,807	No	No	No
Table Games	1	No	No	Yes

11.2. Gaming Machine Design

There is a view that all poker machine players are vulnerable, and that the government must impose a solution for all individuals that restricts spending to ‘appropriate’ levels. This patronising and elitist approach fails to recognise the millions of Australians who enjoy playing poker machines responsibly as a legitimate leisure activity.

It is unclear why limiting the spend on poker machines, as opposed to other forms of gambling, will effectively reduce problem gambling levels, particularly when spending on online slot machines is on credit, unregulated and often without any maximum bet limit. Targeting poker machines is highly value-laden, reinforcing a presupposition that all poker machine players are socio-economically disadvantaged and therefore must be protected from their own poor spending choices. By contrast, punters in higher socio-economic brackets bet on more acceptable forms of gambling, such as horse-racing or casino table games, and thus are not targeted for restrictions. No limits per bet are contemplated for other gambling products.

ClubsNSW does not believe a never-ending set of government-imposed restrictions that try to protect these people from themselves is the right solution. Rather, ClubsNSW supports measures designed to empower the consumer to make informed choices about their gambling, such as education programs, cost of play displays, player activity statements, and

⁸³ Agreement to extend Tabcorp’s NSW retail wagering licence exclusivity, media release, Tabcorp, June 2013

⁸⁴ www.tatts.com, accessed 20 February 2014

⁸⁵ Quarterly Statistics, NSW Office of Liquor Gaming and Racing, 2013

for those concerned about their gambling behaviour, voluntary pre-commitment and self-exclusion programs.

Government restrictions on poker machine spending are likely to cause problem gamblers to simply transfer their spending to others forms of gambling such as online gambling where no such restrictions apply, and to deter recreational gamblers from playing at all.

11.3. Australian Poker Machines are not 'High Intensity'

One of the most misleading arguments put forward is that poker machines in NSW and Australia are 'high intensity' machines, where players can spend an average of \$1,200 per hour. ClubsNSW strongly disputes this claim.

According to the Gaming Technologies Association, whose members are global suppliers of gaming machines, Australian poker machine are among the least 'intense' in the world. Their rate of play and maximum bet limits are lower than almost all of the other seven million gaming machines in operation across the globe. In most jurisdictions outside Australia, bet limits are either unregulated or significantly higher than in Australia (see table 7).

In addition, the majority of gaming machines outside Australia have a feature that allows the player to 'fast forward' or interrupt reel spins, meaning bets can be placed every tenth of a second or less⁸⁶.

The 2010 Productivity Commission Inquiry into Gambling Report hypothesised that playing a poker machine at a \$10 maximum and with Return To Player of 90 per cent every 3 seconds for an hour (or 1,200 spins per hour) would result in an average expenditure of \$1,200 (i.e: $\$10 \times 1,200 \times 10\% = \$1,200$).

The \$1,200 figure is often quoted by the anti-gambling lobby as the primary rationale for the need to replace Australia's existing poker machines with a new type of machine that limits consumer expenditure to a maximum of \$120 per hour.

ClubsNSW contends that the Productivity Commission's hypothesis is based on a number of invalid assumptions about the operation of poker machines that result in a grossly inflated estimate of the average expenditure.

Firstly, it is impossible to play a game every three seconds for an hour uninterrupted. There are forced breaks in play such as free spins, second screen features and game notifications. Players typically need time to comprehend game results and limits on human dexterity prevent players from pressing the button immediately after the previous spin is complete, without delay. Research that has observed the actual speed of play for poker machine players in real gaming venues found that both recreational gamblers and problem gamblers played at an average speed of 7.5 seconds per spin (extrapolated to 480 spins per hour, when played non-stop).⁸⁷

⁸⁶ 2012 Inquiry into the prevention and treatment of problem gambling, sub 23 p.2

⁸⁷ *The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling*, University of Sydney Gambling Research Unit, 2001 p. 59, Table 5.

Secondly, the majority of poker machines in Australia do not support a maximum bet of \$10. In Queensland, Victoria and the Northern Territory the maximum bet on a poker machine is \$5. In NSW, where a \$10 maximum bet is permitted, a study by the Centre for International Economics found that over 90 per cent of poker machines in clubs have a maximum bet of \$5 or less⁸⁸. It is simply not possible to bet more than \$5 per spin on the overwhelming majority of poker machines in NSW.

Finally, the Productivity Commission's formula adopted 90 per cent as the average rate of return for poker machines. However, ClubsNSW notes that based on data from the NSW Office of Liquor Gaming and Racing, the average rate of return for a poker machines in a club in New South Wales is 92.5 per cent. Based on this information, playing a poker machine at a maximum bet continuously for an hour would result in an average maximum expenditure of \$180 per hour (i.e. \$5 x 480 x 7.5%), similar to the value sought by advocates of so-called low-intensity machines.

Table 7: Maximum bet limits in North America

Jurisdiction	Maximum Bet	Jurisdiction	Maximum Bet
Illinois	\$2	Iowa	No Regulated Limit
Arizona	\$25	Kansas	No Regulated Limit
North Carolina	\$25	Louisiana	No Regulated Limit
North Dakota	\$25	Michigan	No Regulated Limit
Colorado	\$100	Michigan	No Regulated Limit
Maine	\$100	Minnesota	No Regulated Limit
South Dakota	\$100	Missouri	No Regulated Limit
Maryland	\$500	Nevada	No Regulated Limit
Rhode Island	\$500	New Brunswick	No Regulated Limit
New York	\$1,000	New Jersey	No Regulated Limit
Mississippi	\$3,000	Nova Scotia	No Regulated Limit
New Mexico	\$3,000	Ohio	No Regulated Limit
Alberta	No Regulated Limit	Oklahoma	No Regulated Limit
Arkansas	No Regulated Limit	Ontario	No Regulated Limit
California	No Regulated Limit	Oregon	No Regulated Limit
Connecticut	No Regulated Limit	Pennsylvania	No Regulated Limit
Florida	No Regulated Limit	Saskatchewan	No Regulated Limit
Idaho	No Regulated Limit	U. S. Virgin Islands	No Regulated Limit
Indiana	No Regulated Limit	Wisconsin	No Regulated Limit

Source: Gaming Technologies Association

⁸⁸ *The impact of three proposed modifications to gaming machines in NSW*, Centre for International Economics, 2001

11.4. Gambling Intensity and Problem Gambling

The intensity at which a person plays a poker machine typically has little bearing on whether or not they are a problem gambler, as expressed in the Productivity Commission report:

the major behavioural difference between problem gamblers and recreational gamblers is the duration (and number) of playing sessions, rather than intensity of play.⁸⁹

Research by Sydney University found that problem gamblers often bet at the same intensity as recreational gamblers, but tend to play for longer periods and more frequently.

Moreover, KPMG Econtech found that limiting the maximum bet on a poker machines would likely result in problem gamblers prolonging periods of play or transferring to other forms of gambling, such as online poker machines or sports betting, where no such restrictions apply.⁹⁰

ClubsNSW notes that 95 per cent of the poker machine players who bet more than \$1 per spin are not problem gamblers (see box 5). The introduction of a \$1 maximum bet limit will primarily affect recreational gamblers and the revenues that they contribute to clubs. As a result, it would deny clubs from the legitimate revenues they generate from higher spending recreational gamblers and have a minimal impact on problem gambling (see section 7).

Box 5: Which Poker Machine Players bet more than \$1 per spin?

The Productivity Commission analysed the 2006-07 Queensland prevalence study and found that among poker machine players, 50 per cent of problem gamblers and 12 per cent of recreational gamblers bet more than \$1 per spin.

An estimated 5,000,000 adults play poker machines in Australia each year (25 to 30 per cent of the adult population)

- 12 per cent of recreational gamblers bet more than \$1 per spin;
- equivalent to around 600,000 individuals

An estimated 60,000 problem gamblers play poker machines in Australia.

- 50 per cent of problem gamblers bet more than \$1 per spin
- equivalent to around 30,000 individuals

Therefore, **problem gamblers make up only 5 per cent** of poker machine players who bet more than \$1 per spin (approximately 30,000 of 600,000 players).

Sources: Productivity Commission 2010, *Gambling*, Report no. 50, Canberra Table 11.3; *Gambling Away Perspective*, Institute of Public Affairs 2011; ClubsNSW analysis

⁸⁹ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra p.11.11

⁹⁰ *Economic Analysis of the Productivity Commission Draft Report on Gambling*, KPMG Econtech 2009

11.5. \$1 maximum bet limit

There is limited research into the effectiveness of a \$1 maximum bet as a harm minimisation strategy. ClubsNSW is aware of only one academic research study into the efficacy of a \$1 maximum bet limit in reducing problem gambling.⁹¹ A 2001 study conducted by Sydney University and funded by the gaming industry, found that only 7.5 per cent of the problem gamblers bet more than \$1 per spin, and therefore, 92.5 per cent of problem gamblers in the study were unaffected by a \$1 maximum bet limit.⁹² The study concluded that reducing the maximum bet would be likely to reduce harm only for a small portion of problem gamblers. The authors recommended further research to determine if there are any unintended consequences of a \$1 maximum bet, such as transference to other forms of gambling.

“problems caused by gambling losses result not so much from excessive bet size over shorter periods, but relatively standard bet sizes for longer periods of time in play”

- Sydney University Gambling Research Unit

“What we need to work out basically is what, if we reduce the maximum bets to \$1, the impact is going to be on internet gambling and the shift for people to go to other forms of gambling.”

- Professor Blaszczyński

Sources: *The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling* 2001; Transcript of Public Hearing, *Inquiry into the Prevention and Treatment of Problem Gambling*, 2 May 2012

11.6. \$20 maximum cash input limit

The 2001 Sydney University study that examined the effect of \$1 maximum bets also assessed the harm minimisation potential of restricting note acceptors to a maximum \$20 denomination. The findings were as follows:

The present study found no evidence supporting the contention that this modification would effectively reduce gambling behaviour amongst problem gamblers. Therefore, it is considered that this modification would be of limited effectiveness in minimising

⁹¹ *The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling*, University of Sydney Gambling Research Unit, 2001

⁹² This contradicted the findings of the Queensland Prevalence study (mentioned in box 2); such discrepancies may have resulted from unreliable self-reported data in the Queensland survey. The inconsistency reflects the lack of clear data on the topic.

*harm associated with electronic gaming machines but would lead to an overall reduction in revenue to the gaming venues.*⁹³

The study found that despite being ineffective as a harm minimisation measure the modification led to 42 per cent reduction in gaming machine revenue. A similar reduction in revenue occurred in Queensland when the Government introduced a maximum \$20 cash input limit on gaming machines, a policy which was reversed within a matter of only four days.⁹⁴ ClubsNSW believes that the consequences of a maximum \$20 cash input limit would be to frustrate recreational players and make playing a poker machine more laborious and less appealing.

11.7. \$500 maximum prize limit

The Productivity Commission found that there has been no reliable research into the relationship between jackpots (or large prizes) and problem gambling. Further, it found that jackpots are an attractive feature to many gamblers including recreational gamblers.

ClubsNSW notes that the choice of a \$500 prize limit is completely arbitrary; there is no explanation for choosing such a value. The possibility of winning a substantial jackpot is one of the main attractions of all forms of gambling. Reducing the maximum amount of money that a person could win playing a poker machine to \$500 would significantly reduce the appeal of poker machines for recreational gamblers, particularly in comparison to the available prize draw of other forms of gambling, including online.

In the absence of research, the impact of a \$500 maximum prize on both problem and recreational gambling is unknown; however, ClubsNSW believes that this restriction would completely change the attractiveness of the product and is likely to have severe implications for recreational play.

11.8. Combined limits

ClubsNSW is not aware of any specific research into the impacts on either problem or recreational gamblers of replacing existing poker machines with new machines that have combined \$1 maximum bet, \$500 maximum prize and \$20 maximum cash input limit. This is a view supported by Australia's leading gambling researcher Professor Alex Blaszczynski:

To date, there are no peer-reviewed publications or reports we are aware of that have systematically compared the maximum bet sizes and the prevalence and incidence of problem gambling or gambling related harms... that has controlled for the diversity of competing forms of gambling. The same applies for a systematic

⁹³ *The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling*, University of Sydney Gambling Research Unit, 2001

⁹⁴ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra p.11.36

*study of the effects of varying prize levels on the attraction of, and motivation to participate in, various forms of gambling.*⁹⁵

The UK, with its ‘fruit’ machines, provides some anecdotal evidence as to the possible impact of a machine with low maximum bet and prize limits for problem gambling. The rate of problem gambling in the UK is significantly higher than in most Australian jurisdictions. Moreover, compared to Australian poker machines, UK fruit machines are not as popular but have higher rates of problem gambling among the small group of people that do play them.

ClubsNSW is also concerned that the proposed restrictions on poker machines in clubs may result in problem gamblers shifting to unrestricted forms of gambling, particularly online gambling. New South Wales consumers have access to thousands of online gambling websites, the majority of which are unlicensed.⁹⁶ Sporting broadcasts on local television and radio stations are saturated with advertisements promoting online gambling that offer all manner of inducements to open an online betting account. A simple Google search for “online pokies” provides a plethora of opportunities to gamble on virtual poker machines with maximum bets in excess of \$100 per spin⁹⁷ and multi-million dollar jackpots.⁹⁸ Australians already spend in the vicinity of \$1 billion per annum with unlicensed online casinos⁹⁹ in what is a rapidly increasing trend. In this context, ClubsNSW believes it would be remiss to assume that gamblers, when faced with the proposed restrictions on poker machines in clubs, won’t simply migrate online. Therefore, we question the efficacy of a policy that is likely to move consumers away from the safe and regulated gambling environment of clubs into the unscrupulous and unregulated domain of online casinos.

11.9. Implementation Issues

There are serious obstacles to the implementation of \$1 maximum bet and \$500 maximum prize limits on New South Wales poker machines. The Productivity Commission noted the following problems:

- many machines would need to be replaced and others retrofitted with new software/hardware;
- there is a limited capacity for re-designing existing games; and
- regulatory approval for new games takes considerable time.¹⁰⁰

ClubsNSW believes that in the short-term these obstacles are insurmountable without causing significant damage to the clubs industry and the local communities they serve.

⁹⁵ *Inquiry into the Poker Machine Harm Reduction (\$1 Bets and Other Measures) Bill 2012*, sub.1

⁹⁶ *A digital revolution: Comparison of demographic profiles, attitudes and gambling behavior of Internet and non-Internet gamblers*, Gainsbury et al, *Computers in Human Behavior* (2012)

⁹⁷ <http://www.888games.com/>

⁹⁸ <http://www.jackpotgraphs.com/highest-jackpots.html>

⁹⁹ Interim Report, Review of the *Interactive Gambling Act 2001*, Department of Broadband, Communications and the Digital Economy, 2012 p.7

¹⁰⁰ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra p.11.29

12. Automatic Teller Machines

In 2012, the Commonwealth introduced the National Gambling Reform Act 2012 ('the Act') which made provision for a \$250 daily ATM withdrawal limit for all gaming machine venues (except casinos).

The *Social Services and Other Legislation Amendment Bill 2013* introduced into the Commonwealth Parliament late last year seeks to repeal those ATM withdrawal limit provisions in the Act; returning jurisdiction over ATM placement and withdrawal limits back to State and Territory Governments.

In New South Wales, the *Gaming Machines Act 2001* restricts the location of ATMs with venue with gaming machines to outside the gaming area. In addition, cash withdrawals on credit accounts are prohibited in clubs and hotels with gaming machines.

ClubsNSW notes that there is no evidence that ATM withdrawal limits or bans are effective in reducing problem gambling. If the availability of ATMs at licensed venues increased the prevalence of problem gambling, then the rate of problem gambling in Tasmania, where ATMs are banned in clubs and pubs operating electronic gaming machines, would be lower than in other jurisdictions. The estimates of the prevalence of problem gambling across jurisdictions in the Productivity Commission Report show this not to be true¹⁰¹ (p5.18). Tasmania has a higher prevalence rate of problem gambling than New South Wales, Queensland and South Australia.

Further, the 2008 Socio-Economic Impact Study of Gambling in Tasmania found:

Only 22 per cent of Tasmanian EGM players withdraw money from their bank accounts when they are at venues (only EFTPOS in hotels/clubs, ATM at casino) and only 4.5 per cent do so on a regular basis. The distribution of responses [was] almost identical to those obtained in the recent South Australian survey...

A second more general question asked respondents whether they generally withdrew money before gambling on EGMs (irrespective of the source). The results showed that 70 per cent of the respondents never withdrew money, although the proportion who reported doing this regularly (often or always) was higher: 12.5 per cent. Once again, these figures were similar to those obtained in the South Australian survey...

¹⁰¹ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra p5.18

These findings are odd in that ATMs are not available in hotels or clubs in Tasmania, so it appears that people may be using ATMs very close to venues before they begin gambling.¹⁰² [emphasis added]

If removing ATMs from gaming venues does not prevent problem gamblers getting access to money, as in Tasmania, then it is unclear how reducing the maximum withdrawal in the venue ATMs will produce better results. Problem gamblers simply access money before arriving at the venue.

Noting that the Productivity Commission found that causality between access to ATMs and problem gambling was ‘hard to demonstrate conclusively’, ClubsNSW opposes a solution that would restrict everyone’s ability to withdraw their own cash from ATMs, irrespective of whether they were a problem gambler, or even a gambler. As we noted in our submission to the Productivity Commission, only 35 per cent of people who use ATMs in clubs or pubs use them for the purpose of gambling. A much higher proportion of people use withdrawals for food (76 per cent), beverages (70 per cent) and to spend money outside the club (70 per cent).¹⁰³

The Productivity Commission found that ATM bans had uncertain benefits and costs: including the risk that problem gamblers would seek to subvert the ban in various ways due to their compulsive addiction (Finding 13.2). ClubsNSW believes that by the same logic, problem gamblers would seek to subvert any daily withdrawal limits imposed. Besides simply bringing large amounts of cash to the venue, this could mean the problem gambler would use a banking facility or ATM outside the venue that did not have restrictions on accessing credit accounts. Currently, ATMs in NSW licensed venues do not allow cash withdrawal from credit accounts.

¹⁰² Social and Economic Impact Study into Gambling in Tasmania Vol 2, The Prevalence Study for Department of Treasury and Finance by the South Australian Centre for Economic Studies at pp 43-4

¹⁰³ http://www.pc.gov.au/__data/assets/pdf_file/0005/87665/sub164a.pdf at p 11.

12.1. Safety, convenience, and rural and regional communities

Withdrawing cash from venue-based ATMs is preferred by many club members and visitors as it is safe and convenient, compared with street-based ATMs, particularly at night. Larger clubs have security staff and CCTV. Elderly patrons, or patrons with disabilities or restricted mobility can seek the assistance of club staff to help them with ATM withdrawals.

In rural and regional communities, ATMs in pubs and clubs are often the only available source of cash in the local area, given the lack of alternative banking facilities. EFTPOS is not a viable alternative, particularly at night, when the club or pub is often the only facility open after hours.

ClubsNSW is aware that patrons often enter a club solely for using the ATM facility. Clubs in this instance are providing a ‘banking’ facility because of either a scarceness of such facilities in that area or other reason such as personal security and safety. An ANU study on ATMs in ACT venues found:

The most commonly mentioned reason for using gaming venue facilities to withdraw money is access – 22% of gaming venue ATM users and 29% of venue EFTPOS users say there are no other facilities in their local area. For other gaming venue ATM and EFTPOS users it is an issue of security, with 19% of venue ATM users and 14% of venue EFTPOS users concerned about travelling with money in their wallet.¹⁰⁴

It is highly likely that the situation would be exacerbated in more remote areas in larger states and territories, such as New South Wales.

All consumers including problem gamblers can already lower their daily withdrawal limits by contacting their bank or financial institution directly. This allows problem gamblers to make rational decisions about their future spending ability, without restricting recreational and non-gamblers from accessing their own money from ATMs in licensed venues, and needlessly inconveniencing them.

ClubsNSW believes there is a role for venues and counsellors in promulgating this option for gamblers who wish to better control their spending habits.

¹⁰⁴ McMillan, Marshall and Murphy, *The Use of ATMs in ACT Gambling Venues: An Empirical Study*, Australian National University Centre for Gambling Research, September 2004.

13. INTERACTIVE AND ONLINE GAMBLING

Noting that the regulation of interactive and online gambling, generally speaking, is a matter for the Federal Government, ClubsNSW has concerns that the regulatory environment has not kept pace with the growth of the industry, and that the risks associated with online gambling are not being addressed effectively.

The rapid evolution of digital technologies and exponential growth in the global online gaming market, has seen a number of countries elect to revisit their existing internet gambling regulations, amending laws to either strengthen existing prohibitions or introduce a locally regulated industry to capture taxation benefits, and provide citizens with an enhanced level of protection against potentially unscrupulous foreign online operators.

In the early 2000s, governments around the world adopted various regulatory measures to constrain and prohibit the online gambling market. However, as a result of the increasing difficulties associated with the enforcement of prohibitions, a small number of countries have adopted an approach of managed liberalisation.

In Australia, the Productivity Commission's recommendation in favour of "managed liberalisation" has reignited the debate about how best tackle the issue of online gambling

ClubsNSW has strong interest in ensuring a properly regulated gambling sector. In our view, the overarching aim of any regulatory regime should be to ensure that Australians can benefit from, and have access to, safe and regulated gambling opportunities and that the economic benefits derived from online gambling flow back into the Australian community.

In our view strengthening the enforcement regime for the existing prohibition on online gaming is required. Alternately, if the Federal Government is unwilling to introduce stronger enforcement measures, then a club operated community-owned online gaming model that provides world class consumer protection and harm minimisation and channels the economic benefits derived from online gambling back into the local community is preferred.

13.1. Online Gambling Risks

Federal and state governments and oppositions together with community groups have expressed a number of legitimate concerns regarding legalising online gambling. There a number of inherent risks to consumers present in the online gambling environment compared to land-based gambling including:

- convenient 24 hour access on any internet enabled computer or mobile device
- ability to play in private and without supervision
- ability to play while intoxicated
- ability to gamble using credit

Unlike gambling in a licensed venue where gambling occurs in a social context and under the supervision of trained staff, online gambling often takes place in social isolation without any

supervision. There is a genuine concern that the ‘anywhere / anytime’ nature of online and mobile phone gambling increases the risk of consumers developing a gambling problem. Concerns have also been raised regarding the difficulty in preventing minors from accessing online gambling. Many of the challenges with respect to personal identification and age verification are unique to the online environment.

These concerns have led to reluctance among Governments to legalise online gambling and for the Interactive Gambling Act 2001 to prohibit online gaming in Australia.

13.2. Online Gaming Prohibition

It is becoming increasingly apparent that the current regulatory approach to online gaming is an ineffective means of ameliorating the risks.

Australians are, and will continue, to gamble with illegal offshore services, as evidenced by the fact that Australians are currently spending in the vicinity of \$1 billion per year on illegal online gaming¹⁰⁵. Based on current trends Australians are set to spend in excess of \$17.9 billion on illegal online gaming over the next decade¹⁰⁶.

ClubsNSW does not see the benefit in having a prohibition on online gambling that is not enforced. We are firmly of the view that the prohibition on online gambling can and should be enforced.

The recent *Review of the Interactive Gambling Act 2001* identified a number of enforcement and deterrence measures that governments could introduce to strengthen the existing prohibition on online gaming¹⁰⁷. These included:

- financial transaction blocking;
- blocking access to prohibited websites;
- issuing arrest warrants for the directors and principals of prohibited services;
- placing directors/principals of prohibited service on the Movement Alert List;
- stronger penalties for companies that facilitate the advertising of prohibited services to Australians; and
- criminal penalties for accessing prohibited services.

The Review found that, in its current state, rather than protecting Australian consumers from the dangers of unregulated online gambling, the online gaming prohibition is in fact exacerbating the risk of harm by forcing Australians to access illegal offshore services that lack basic harm minimisation and consumer protections measures.

¹⁰⁷ *Final Report, Review of the Interactive Gambling Act 2001*, Department of Communications, 2012

13.3. Regulated Online Gaming

The case for the liberalisation of online gaming has not yet been properly made. While it is acknowledged that regulating online casino-style gaming in Australia does not come without risks, there are also a number of potential benefits to both Australian consumers and local communities. Ultimately it will be a decision for the Commonwealth, with the support of the States and Territories to gauge the costs and benefits and make the appropriate decision with regard to the regulation of online gaming.

14. BEST PRACTICE REGULATION

The NSW Government has an established process in the design of good regulatory practice. A clear principle is that should regulatory action be necessary, a range of feasible policy options needs to be identified, and their benefits and costs, including compliance costs, assessed within an appropriate framework. As a general principle, the level of detail within the analysis should be commensurate with the impact of the proposed regulatory measures and should adequately identify and where appropriate, quantify the major costs and benefits of the proposal. Additionally, only the option that generates the best community benefit should be adopted.

Legislation should entail the minimum necessary regulation to achieve the objectives. When designing measures or standards, regulators should ensure that the potential regulatory burden of alternative measures on the community is identified. Regulatory standards should be developed in a way that minimises the financial impact on governments and the sectors of the community that will be affected by them.

ClubsNSW notes that the Productivity Commission did not undertake a regulatory impact statement for the implementation for any the recommendations. There was no preliminary examination of estimated costs for the implementation of measures, no quantification of the expected reduction in problem gambling, nor any detailed assessment on the likely impact on revenue for industry or government. Instead, it was a key recommendation of the Productivity Commission that governments undertake further regulatory impact assessments of all major policy proposals.

RECOMMENDATION 17.4

Given the potential for adverse social impacts and costs to business, governments should routinely undertake regulatory impact assessments for all major regulatory proposals for gambling, and make them publicly available at the time policy decisions are announced.

Source: Productivity Commission 2010, Gambling, Report no. 50, Canberra

15. THE WAY FORWARD

When considering new policies to further improve the culture of responsible gambling among all stakeholders, all parties should work together constructively and transparently, and follow best practice guidelines for effective and efficient policy-making. Best practice regulation processes are well understood, but sometimes are overlooked for reasons of political expediency. All stakeholders must resist the temptation to adopt emotionally-driven, reactive silver bullet solutions and pursue a rigorous regulatory impact assessment before adopting and implementing new proposals.

A multifaceted, holistic approach which promotes a culture of responsible gambling and increases the help-seeking rate among problem gamblers is the best way of reducing the impact of problem gambling on individuals and families. This requires a suite of prevention, intervention and treatment measures tailored to respond flexibly to the circumstances of the individual problem gambler. Importantly, greater community engagement to de-stigmatise gambling addiction and treatment will strengthen the safety net and improve the readiness of family and friends to identify and make an early intervention for those most in need. Education campaigns are utilised for a range of issues where a government is seeking a change in behaviour amongst consumers; they can play a major role in reducing destructive gambling behaviour by empowering consumers to make informed choices about their gambling.

ClubsNSW has released its 'Part of the Solution' policy document that represents the club industry's recommendations for policy reform in further addressing the issue of problem gambling in Australia. The plan draws on a wide range of academic, industry and government sources and recommends a multi-faceted approach to tackle the complexities of problem gambling. ClubsNSW believes that the plans outlined in 'Part of the Solution' are a viable and cost-effective means for tackling problem gambling in New South Wales.