



18th December 2009

Mr Gary Banks AO
Chairman
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Dear Mr. Banks

**AUSTRALASIAN CASINO ASSOCIATION RESPONSE TO THE PRODUCTIVITY COMMISSION
DRAFT REPORT ON GAMBLING – OCTOBER 2009**

I am pleased to provide the Australasian Casino Association's (ACA) response to the Productivity Commission's (PC) Draft Report on Gambling released on 21st October 2009. The ACA has studied this report and provides its response in the interests of offering constructive comment regarding the report's draft findings and recommendations.

Key Points

- *The Allen Consulting Group Analysis finds that the PC's draft report has serious analytical weaknesses.*
- *The PC has not modelled the impact of its draft recommendations on Commonwealth, state and territory government revenues, industry viability, employment, capital investment or tourism.*
- *A number of the findings are based on "guesstimates", "rough" estimates and tentative conclusions that lack rigour and suffer from statistical imprecision.*
- *The ACA is of the view that these "rough" estimates and conclusions will have a questionable impact on the key PC goal of improving the wellbeing of the Australian community.*
- *While the PC has acknowledged that casinos are destination venues it fails to consider the distinctive nature of the casino industry in its draft recommendations.*
- *The PC needs to publicly recognise that casinos are destination venues and are very different from convenience venues – in both their approach to EGMs and the offering of wider gaming and non-gaming facilities.*
- *Casinos are the leaders in measures proposed by the PC such as self-exclusion and pre-commitment. A number of the PC draft recommendations have been based on limited evidence and data that has been sampled from hotels and clubs and is not applicable to casinos.*

The Allen Consulting Group Analysis

The ACA commissioned The Allen Consulting Group (ACG) to provide an analysis of parts of the draft report, specifically Chapters 3, 4 and 11. The ACG Analysis is appended to this response.

The ACG Analysis shows that:

- The PC's draft report does not adequately address the requirements of the legislation providing general policy guidelines for the operation of the PC. This legislation indicates that the interests of industries, employees, consumers and the community as a whole should be considered as part of the

activities undertaken by the PC. While the PC report places a strong emphasis upon the interests of problem gamblers, the ACG finds that the interests of the gambling industry and recreational gamblers have not been adequately considered.

- The draft recommendations are not assessed on the basis of a net social benefit.
- There is a limited evidence base for policy-making regarding gambling policy.
- Much of the analysis relating to EGMs does not differentiate between venues (i.e. casinos, hotels and clubs), with little evidence indicating whether findings, and the flow on recommendations, are equally applicable to different EGM venues.
- The PC applies the precautionary approach to analysis and recommendations.

The ACG Analysis says that draft recommendations may impact on the casino industry by:

- Reducing the enjoyment derived by recreational gamblers from playing EGMs in casinos through reducing the amount able to be bet on individual plays thus interfering with an individual's choice;
- Imposing costs upon casinos associated with complying with new regulations;
- Reducing casino revenues and thus limiting the scope for casinos to continue to provide international-class tourism infrastructure required by their licence conditions.

Policy Framework and Impact

In its draft report the PC outlines its steps for good policy - founded on evidence where benefits should outweigh costs to justify government action. Rather than follow this approach, the PC has adopted the precautionary principle to justify its findings and recommendations.

The ACA is concerned that the PC's draft report has serious analytical weaknesses. The ACA's concerns are as follows:

- The PC has not modelled the impact of its draft recommendations on Commonwealth, state and territory government revenues, industry viability, employment, capital investment or tourism;
- Its findings are based on "guesstimates", "rough" estimates and tentative conclusions - such as the "rough counts of problem gamblers"; the rough estimates of the costs and benefits of gambling; the tentative conclusion that gambling rates have fallen over the past decade;
- As such a number of conclusions cited have little or no rigour and suffer from statistical imprecision. In some cases the international examples cited have little or no application to casinos;
- The PC has failed to acknowledge to the extent required the differences that exist between different jurisdictions;
- The ACG advises that the PC does not meet the standards of regulatory analysis required to be met by the Australian, State and Territory government agencies;
- The PC provides a rough estimate of half a billion dollars in gains to society from a 10 per cent reduction in problem gambling but ignores the impact of its recommendations on industry viability, employment, Commonwealth, state and territory government revenue, investment and recreational consumers;
- The PC acknowledges that it has not considered nor understands the considerable and costly implementation implications associated with its key pre-commitment recommendations;
- The PC acknowledges that it has not updated its 1999 work on national prevalence rates; and
- The PC selectively quotes from research reports, which have little relevance to the casino industry.

These recommendations that are based on these "rough" estimates and conclusions will have questionable impact on the key PC goal of improving the wellbeing of the Australian community.

The PC's use of diverse data sources and modified versions of the CPGI highlight the lack of consistency, comparability and validity of these surveys and in turn undermine the PC's efforts and findings. It is of concern to the ACA that the PC's draft findings are largely based on its own views rather than compelling evidence that assesses the impacts on all stakeholders.

Lack of distinction between destination and convenience gaming

In its draft report, the PC recognises that casinos provide diverse recreational services, including non-gaming services, and that casinos are subject to international competitive pressures. The PC has recognised that casinos are critical tourism assets that compete in the global market. While the PC has acknowledged that casinos are destination venues it fails to consider this distinctive nature of the casino industry when forming its draft recommendations.

The PC has also neglected to apply the full significance of the destination venue concept to other findings and recommendations in its draft report, despite the fact that:

- it has always been accepted in Australia and overseas that casinos, because of their destination nature, differ substantially from other convenience EGM gaming venues;
- casinos are governed by strict legislation and regulation;
- higher standards and consumer safeguards apply solely to casinos;
- Australian casinos are under an obligation to provide world-class services and facilities and are subject to different taxation regimes; and
- Australian casinos account for only 6 percent of all EGMs in Australia and just 6.9 percent of all gambling expenditure - less than that of Lotteries, Pools and Keno, which are considered essentially “safe” forms of gambling by the PC.

Harm Minimisation Measures

The PC recognises that casinos have well developed harm minimisation strategies in place. The ACA considers that these strategies and programs are both more advanced and more sophisticated than those recommended by the PC.

The ACA considers that the PC’s final report should recognise the distinctive and destination nature of casinos, its well-developed and robust Responsible Service of Gambling frameworks and commitments and recommends that casinos be:

- allowed to implement voluntary pre-commitment systems in conjunction with their state governments and regulators;
- entirely exempt from the PC’s recommendations on access to cash and credit limits;
- exempt from the PC’s recommendations on maximum bet and cash limits;
- recognised for the well developed complaints handling mechanisms currently in place, and be exempt from additional complaints handling arrangements (which are aimed more at hotels and clubs); and
- exempt from the unnecessary technological and varied complexities, burdensome and time consuming costs associated with mandated universal systems.

Pre-Commitment

The ACA stands firmly behind its position on pre-commitment as outlined in its original submission to the PC. The one-size fits all approach proposed by the PC will be difficult to administer and manage and is unlikely to be implemented by governments, regulators and industry by 2016.

A number of Australian casinos are in the process of developing voluntary opt-in pre-commitment mechanisms either due to regulatory demands or in some cases on a voluntary basis in agreement with their relevant regulator. This commitment to voluntary pre-commitment is therefore predicated on the current regulatory landscape that does not include other regulatory imposts, such as maximum bet and cash limits and payment of prizes above \$250 by cheque, do not apply to casinos. Continuing work on pre-commitment is predicated on these not being applicable to casinos.

The ACA:

- notes the PC’s statements that there could be scope to repeal regulatory arrangements if the introduction of a pre-commitment system has its intended effects;
- recognises that future repeal of existing legislation and regulation will be fraught with difficulties; and
- is concerned that future multi-layered regulatory regimes will be duplicative, unnecessary, cumbersome, costly and damaging to Australian casinos’ international competitiveness.

Self-Exclusion

Casinos currently operate self-exclusion programs that are more advanced than those recommended by the PC. The ACA notes the PC’s conclusion that a more coherent set of arrangements should not eliminate all variations that currently apply in practice. Each casino has carefully developed their own self-exclusion agreements to reflect the nature of their business, and their jurisdiction including unique regulatory and patron considerations. The ACA rejects the PC’s recommendations regarding a universal self-exclusion mechanism on the basis that, in the PC’s own words, the casino industry’s self-exclusion programs are well developed and in the ACA’s view work very effectively.

Judicial Redress

The Australian casino industry does not agree with the PC's statements on "mixed incentives" and "conflicts of interest" when applied to a venue's approach to problem gambling and harm minimisation. It is in a casino's interest to provide its services in a safe and sustainable manner and consistent with harm minimisation objectives.

Casinos in Australia operate in line with their duties and responsibilities under law. Where operations have been questioned appropriate legal avenues already exist for redress. The law currently provides adequate protection for gamblers under duty of care provisions, negligence, unconscionable conduct, and other consumer protections afforded by the Trade Practices Act as well as specific rights under the various pieces of specific casino control legislation.

Accordingly the ACA does not agree with, nor considers there is any basis for, the PC's draft recommendation 8.2 on judicial redress.

Counselling services and provision of information

The ACA supports effective counselling and information services noting that these services should be underpinned by reputable research justifying their effectiveness (draft recommendation 5.1). The ACA also supports the establishment of a national minimum standard of training for problem gambling

counsellors (draft recommendation 5.2) and welcomes initiatives from governments to strengthen linkages between counselling services and other health and community services (draft recommendation 5.3). The ACA does not support draft recommendation 5.4 noting that different funding mechanisms have evolved in each state and territory that are appropriate for each jurisdiction.

With respect to draft recommendation 6.1, the ACA notes that the important issue is not whether one jurisdiction has a different model than others but whether warnings are effective in achieving their goal. The ACA agrees with draft recommendation 6.2 that the impacts of current school-based programs should be assessed before there is any extension of these programs and with a focus on financial literacy.

Draft recommendation 6.3 which calls for new EGMs to be compatible with systems that can provide player statements and dynamic warnings is vague and lacks an understanding of how EGMs work. It also appears to be in conflict with the PC's view on mandatory pre-commitment. The ACA cannot agree with the draft recommendation as it stands.

Regulatory and Research

The ACA supports in principle the PC's draft recommendations in Chapter 14 and relevant draft recommendations in Chapters 15 and 16 subject to some important qualifications. These are outlined in detail in Attachment 6.

In Conclusion

The ACA recommends the PC:

- undertake a full analysis of the economic impact of its draft recommendations on state and territory government revenues, industry viability, employment, capital investment and tourism prior to finalising its report.
- commission internationally recognised experts to undertake a proper analysis of the prevalence of problem gambling and the share of gaming machine revenue attributable to problem gamblers,
- recognise the distinctive and destination nature of casinos and :
 - allow casinos to implement voluntary pre-commitment systems in conjunction with their state governments and regulators;
 - entirely exempt casinos from the PC's recommendations on access to cash and credit limits;
 - exempt casinos from the PC's recommendations on maximum bet and cash limits;
 - recognise the well developed complaints handling mechanisms currently in place in casinos, and exempt them from additional complaints handling arrangements; and
 - exempt casinos from the unnecessary administrative complexities, burdens, time delays and costs associated with mandated universal systems.

A detailed assessment of the draft report and the ACA's detailed views are provided in Attachments 1 to 6 of this letter. Please do not hesitate to contact me should you or your colleagues wish to discuss any aspect of the ACA's submission.

Yours sincerely,

Chris Downy
Executive Director

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Attachment 1 – ACA response to Prevalence and Policy Framework: Chapters 3 and 4.

Attachment 2 – ACA response to Harm Minimisation measures: Chapters 9 and 11.

Attachment 3 – ACA response to Pre-commitment and Self Exclusion: Chapter 7.

Attachment 4 – ACA response to Venue Activities and Judicial Redress: Chapter 8.

Attachment 5 – ACA response to Counselling Services and provision of information: Chapters 5 and 6.

Attachment 6 – ACA response to Regulatory and Research issues: Chapters 14, 15 and 16.

Appendix 1 - Allen Consulting Group 2009, Analysis of 2009 Productivity Commission draft report into Gambling, Report to the Australasian Casino Association.

PREVALENCE AND THE POLICY FRAMEWORK – CHAPTERS 3 AND 4

Key Points:

- *The PC uses information that has little relevance to the casino industry. Consequently, the PC fails to recognize and differentiate the experience of gambling in destination venues (such as casinos) compared to convenience venues.*
- *Given the significant differences between venues, which are acknowledged by the PC, the PC does not justify why its recommendations should apply equally to all venue types.*
- *The ACG Analysis advises the PC Draft Report fails to meet the standards of analysis outlined in government policy guidelines and required by governments.*
- *The PC's findings are based on guesstimates and rough estimates and tentative conclusions.*
- *No evidence is provided by the PC on the feasibility of a 10 per cent reduction in problem gambling given existing knowledge on the efficacy of various regulatory options and other interventions.*
- *A key element missing from the PC's analysis is that important costs and benefits, such as costs of government intervention to recreational users and compliance costs for business, are not included in the PC's analysis.*
- *The PC Draft Report fails to consider the interests of all parties, particularly industry viability, state government revenues, employment, tourism, investment and recreational gamblers, and does not present cogent cost benefit analyses to justify its conclusions and findings.*
- *Changes to CPGI methodology, cited by the PC to justify intervention, may significantly affect estimated prevalence rates thereby reducing the validity of the instrument and calling into question the reliability of the data, the accuracy of the results and the validity of the PC's conclusions.*

1. POLICY PRINCIPLES AND PREVALENCE

The ACA is concerned that the Commission has not followed best practice policy principles to justify a range of heavy-handed recommendations in the report. It is with considerable concern that the ACA notes that the Commission's:

- recommendations are not based on cost-benefit analyses;
- findings and recommendations are not guided by international practice and benchmarks (and in many cases the international examples used are of little relevance to casinos);
- rough estimate of half a billion dollars in gains to society from a 10 per cent reduction in problem gambling ignores any costs that measures to achieve this reduction will impose upon recreational or low risk gamblers, or gambling;
- acknowledgement that it is not aware nor understands the considerable and costly implementation implications associated with its key pre-commitment recommendations (including on maximum bet and cash limits);
- acknowledgement that it has not updated its work on national prevalence rates.

The PC's findings are based on "guesstimates", "rough" estimates and tentative conclusions - such as the "rough counts of problem gamblers"; and the rough estimates of the costs and benefits of gambling.

The ACA is of the view that these "rough" estimates and conclusions will have questionable impact on the key PC goal of improving the wellbeing of the Australian community. The conflicting information and the lack of cost-benefit analyses is a concern to the casino industry as is the PC's practice to justify its conclusions on the theory of failing to act rather than the justification of the need for further government and regulatory intervention which would impose greater burdens on industry and consumers with questionable outcomes for problem gambling.

The ACA commissioned the Allen Consulting Group (ACG) to analyse aspects of the draft report

particularly focussing on chapters 3, 4 and 11. This analysis is annexed to this response.

The ACG Analysis shows that:

- The PC's draft report does not adequately address the requirements of the legislation providing general policy guidelines for the operation of the PC. This legislation indicates that the interests of industries, employees, consumers and the community as a whole should be considered as part of the activities undertaken by the PC. While the PC report places a strong emphasis upon the interests of problem gamblers, the ACG finds that the interests of the gambling industry and recreational gamblers have not been adequately considered.
- The draft recommendations are not assessed on the basis of a net social benefit.
- There is a limited evidence base for policy-making regarding gambling policy.
- Much of the analysis relating to EGMs does not differentiate between venues (i.e. casinos, hotels and clubs), with little evidence indicating whether findings, and the flow on recommendations, are equally applicable to different EGM venues.
- The PC applies the precautionary approach to analysis and recommendations.

The ACG Analysis says that draft recommendations may impact on the casino industry by:

- Reducing the enjoyment derived by recreational gamblers from playing EGMs in casinos through reducing the amount able to be bet on individual plays thus interfering with an individual's choice;
- Imposing costs upon casinos associated with complying with new regulations;
- Reducing casino revenues and thus limiting the scope for casinos to continue to provide international-class tourism infrastructure required by their licence conditions.

With regard to Chapter 3, the ACG Analysis concludes that the approach taken in the draft PC report, while focussing on the potential benefits of a reduction in problem gambling, does not meet the standards of regulatory analysis required to be met by the Australian, State and Territory government agencies. The underlying reason is that the PC "report does not include a sufficiently broad and consistent approach to comparing the full impact of its proposed changes to regulation in the gambling sector."¹ The ACG report outlines three key factors that support its conclusion. The ACG finds that the PC's draft report:

- does not include "a full cost benefit analysis for draft recommendations which involve regulatory changes;"
- relies "on risk-based assessment favouring potential benefits and costs avoided rather than a consistent assessment of all costs and benefits;" and
- misrepresents "the commonly accepted role of government in the presence of market failures, such as externalities".²

The ACG Analysis points out that while the draft report provides an outline of what is a widely accepted framework to good policy development the draft report fails to deliver particularly with regard to those draft recommendations that would involve new or amended regulations. The ACG Analysis says that the focus of the analysis is on the benefit to society of a marginal reduction in problem gambling, "but the analysis does not make a direct comparison of these benefits to potential costs of regulatory options." There is some mention in the draft report of potential costs to the gaming industry but "no attempt is made in the analysis to quantify those costs, despite the fact that such quantification would certainly be feasible, and is in many ways more straightforward than quantification of the costs of problem gambling."³

In Chapter 4, the PC has found that gambling-related harm is not necessarily confined to those who would be considered to be problem gamblers. The PC has used a diverse range of data to estimate prevalence, risk factors and cost. The problem underlying its findings is that there is a lack of consistency, comparability and validity of the underlying surveys.

The PC itself identifies three key issues in its draft report:

- There is no gold standard against which population screens can be tested to measure their validity.
- There are limited data that could thoroughly test whether a set of apparent environmental or

¹ The ACG Analysis -(p.16)

² Ibid (p.6)

³ Ibid (p.10)

behavioural risk factors are associated with future harm.

- The nature and extent of gambling-related harms are hard to measure, aggregate and compare.

Additionally the PC's draft report says it is also difficult to capture the frequency of different behaviours or experiences ranging from never, rarely, sometimes, often to always. This is subjective and the PC notes "the level of harm experienced by one person saying that he or she has 'sometimes' experienced a health problem due to gambling may be quite different from another individual giving the identical response." (p 4.8). The ACG analysis notes that the PC's use of diverse data sources and modified versions of the CPGI highlight the lack of consistency, comparability and validity of these surveys and in turn undermines the PC's efforts and findings. The ACG report provides a detailed analysis of these issues.

The PC's estimate of prevalence was obtained from sample surveys using the CPGI as a classification for gamblers. Based on this the PC as estimated that there between 90,000 and 170,000 Australians suffering significant problems from their gambling in a year. It also estimates that another 230,000 to 350,000 were at moderate risk. While the PC relies on a diverse range of data sources there are a number of issues:

- these estimates were gained using differing survey methodologies and sampling parameters which may detract from the comparability and validity of the aggregate figures; and
- the draft report states that the results obtained from sample surveys that have a substantial degree of statistical imprecision and thus there is a high probability of inaccuracy in figures.

The PC finds that problem gambling is more concentrated among those who use EGMs. The PC draft report finds that 5% of adults play EGMs regularly. It concedes that the estimates are imprecise but then suggests that one in ten of this group would be classified as problem gamblers (DF 4.3). The ACG analysis notes that due to statistical inconsistencies the validity of these estimates can be questioned. The ACG makes the following points in its analysis:

- With reference to Table 4.10 it is noted that the definition of gambling varied between jurisdictions and many of the studies are dated. For example, the most recent data for Western Australia and Tasmania was from 1999.
- With reference to Table 4.11 relating to problem gamblers the same deficiencies apply as for Table 4.10. The definition of regular gamblers varies among the various prevalence surveys, but the information is not provided indicating the differences between specific state surveys.⁴

While the draft report notes that EGMs do not necessarily cause problem gambling, it argues that strands of evidence suggests that EGMs are the likely source of most gambling problems in Australia and provide various examples. Unfortunately differing measurement techniques are not noted, these different methods could lead to inaccuracy in results, comparisons and aggregate figures.⁵

The ACG Analysis indicates that "it is important to note that although the PC argues that 'the greater the extent of the problem, the more likely it is related to EGMs,' this does not translate to all gambling problems and being attributed to EGMs. Even if it conceded that EGM play constitutes a large proportion of problem gambling, it may still be argued that conclusions linking problem gamblers exclusively with EGMs are biased and incorrect."⁶

The PC also estimates that problem gamblers account for "around 40 per cent of total gaming machine spending.... Moderate risk gamblers account for a further significant share." (DF4.4) The analysis of prevalence surveys is found in Appendix B. Again the data appears to be incomplete and trends have been established by equating levels of spending gathered from different states over different time periods. The evidence presented does not include any differentiation between casinos and other gaming venues. It can be assumed that the type and specific nature of gaming venues would have some effect on patron expenditure.

The ACG Analysis points out that evidence from New Zealand suggests that casinos have a lower rate of "irresponsible gambling" than convenience venues." At the 19th Annual NAGS conference in Canberra this year, Dr Anna Thomas of Swinburne University presented a study on EGM use in different Melbourne

⁴ The ACG Analysis (p.23)

⁵ Ibid (p. 23)

⁶ Ibid (p. 23)

venues. Her analysis of data from a number of surveys indicated that a larger proportion of EGM players attended non-casino EGM venues in Melbourne as opposed to the casino. Her analysis also found that the evidence indicated that problem gamblers gambled more frequently on EGMs in non-casino venues.

The ACA argues that:

- Many of the figures presented are dated – pointing to contemporary inaccuracy of such figures.
- While expenditure shares of consumers reporting specific problems were analysed, no systematic analysis had been undertaken in this area.
- Mention is also made of high sums of expenditure in studies examining fraud where motive is reported as gambling related but it can be argued that such evidence is sparse and probably skewed by the effect of substantial crimes.
- Several of the studies have found that people have a poor and understated recall of spending indicating inaccuracy of recorded data.
- No mention is made of evidence of the ratio of expenditure to household income that could be attributed to problem gamblers.

The fact that the PC draft report indicates in its view that many non-problem gamblers also report harm due to gambling activities underlines the need to better identify the types of gamblers who visit casinos. It also raises the question of whether it is necessary to also identify whether recreational gamblers in a casino environment, compared to recreational gamblers attending hotels and clubs, experience the same levels of harm. Many studies also make the point that problem gambling is often a symptom of other social health issues – co morbidity - and therefore the question is whether harm minimisation measures as proposed by the PC will solve the problem.

The problem with the PC's draft report is that no distinction is drawn in Chapter 4 between venues – i.e. destination venues (such as casinos) as distinct from convenience venues (i.e. hotels and clubs). The studies and data used by the PC are based on research conducted in hotels and clubs but not casinos. This issue is discussed further in Attachment 2.

The ACA notes the PC's draft finding 4.5 whereby the PC concludes that “while far from certain, problem gambling prevalence rates appear to have fallen.”(p 4.45). This can be seen as an indication that government policy and casino industry initiatives as outlined in the ACA submission to the Inquiry have had an effect. Unfortunately the PC gives no recognition to industry initiatives that have been instrumental in this reduction.

HARM MINIMISATION MEASURES – CHAPTERS 9 AND 11

Key Points

- *The PC fails to recognize that casinos are destination venues that provide a markedly different and differentiated service to consumers than convenience gambling venues.*
- *The PC uses the findings of the Blaszczynski research but fails to acknowledge its limitations regarding maximum bet limits or ignores totally its findings on denomination notes.*
- *The ACG Analysis reveals that research underpinning intensity of play is inconclusive and a \$1 bet limit could result in a net increase in gambling related harm.*
- *The ACG finds that the PC's findings on cash input levels are largely based on its own views rather than any compelling evidence base.*
- *Further the ACG finds that the PC's recommendations for lower bet limits, cash input limits and information on cost per hour of play are predicated on a small number of equivocal studies.*
- *It is unclear whether the PC has based its policy recommendations on a sufficiently robust cognitive model of gambling behaviour and whether the PC's findings and recommendations have a net benefit for society.*
- *The ACA argues that a strong and compelling case exists to exempt casinos from the PC's draft recommendations in these chapters.*

1. CASINOS ARE DESTINATION VENUES

Casinos are destination gaming venues. In the original ACA submission to the PC a destination venue was defined as providing “some barriers to the consumption of gaming products, with a degree of effort required. Destination venues involve a premeditated decision to travel to the venue, often over a significant distance”.⁷ The submission went on to say that hotels and clubs are considered convenience venues, “providing facilities a consumer may encounter during their daily activities, leading to an impulse decision to gamble. These venues often have a high accessibility to consumers and few barriers to consumption.”

Australian casinos - while their main activity is gambling - also generate tourism, and offer a range of non-gaming facilities - including dining, entertainment, retail and accommodation - all at the upper end of the hospitality scale. They provide this integrated tourism infrastructure on a scale far greater than other venues. It is considered unlikely that this infrastructure would be provided if casinos did not exist. As an example, Jupiters Townsville, a major regional integrated casino resort, sold 49,790 room nights in 2008 of which 70% were sold to visitors to the region. In the last two years this casino hosted around 1,500 events per annum attracting 53,000 guests. Casinos contribute significant tax income to all levels of government (30% of all casino revenue in 2007-08 was paid in taxes), create a range of direct and indirect jobs and contribute to urban infrastructure development.

To ensure that casinos continue to provide world-class gaming and non-gaming facilities, they continually re-invest, renewing and enhancing existing facilities. The ACG reported on this in the ACA submission to the inquiry. The report said, “...Casinos require their gaming operations to generate sufficient returns to meet the costs of providing both gaming and non-gaming services and facilities. In contrast many other gaming operators do not face the same stringent requirements for providing world – class facilities...”⁸

At the recent NAGS Conference in Canberra (November 2009), Dr Anna Thomas of Swinburne University presented a study of different research projects based in Melbourne that concluded that Australians use local EGM venues quite differently to the larger, city-based casino (in this case Crown Melbourne), with local venues seen as a more familiar, comfortable and regular place to visit while the more distant city-based casino is a special night out. The presentation discussed “important perceptual differences in the

⁷ The Allen Consulting Group – *Casinos and the Australian Economy* (April 2009) (p 6)

⁸ *Ibid* (p 46)

way smaller, suburban venues and the large city-based casino are viewed".⁹

A number of research projects were analysed by Dr Thomas:

- *"Qualitative research with 13 EGM problem gamblers and six experienced counsellors showed they preferred smaller, local EGM venues which were perceived as warm, friendly and accessible (Thomas et al., 2009) In contrast, some participants expressed an active dislike of the larger, more impersonal city casino."*
- *"A follow-up survey with 355 current EGM gamblers supported this, finding that people gambled more frequently at local EGM venues compared to the city-based casino, and that problem gamblers played EGMs significantly more often than non-problem gamblers at local venues but not at the casino."*
- *"Another sample of 224 EGM gamblers similarly showed people gambled more frequently at local venues and, while problem gamblers played significantly more often at both local and casino-based EGM venues compared to non-problem gamblers, the effect size was much larger for local venues."*

It was concluded that Australians used local EGM venues quite differently to a casino, local venues being seen as "a more familiar, comfortable and regular place to visit while the more distant city based casino is a special night out..." and "...EGM problem gamblers gambled significantly more frequently on EGMs at pubs/clubs/hotels but not on the casino-based EGMs than non-problem gamblers."¹⁰

This seminal differentiation between casinos and other gaming venues has always been accepted in Australia. Governments and regulators have recognised this difference through legislation, regulation and even in terms of tax rates. For their part casinos have accepted a much higher level of scrutiny and regulation as well as standards of operation that have imposed additional costs on their businesses.

Internationally in similar jurisdictions it is accepted that casinos are different from convenience gaming. In the UK, NZ, Canada and the USA different regulatory regimes apply to casinos compared to convenience gaming. In the UK there are different classes of gaming machines. In the USA and Canada, VLTs are operational in convenience locations while casinos operate EGMs. Different rules apply to the operation of EGMs in non-casino venues in New Zealand as opposed to casinos.

The PC has acknowledged this differentiation on p 3.12 of its draft report where the PC states that casinos are subject to varying rules in relation to taxation and machine caps 'but they represent a much smaller share of aggregate spending, are more often aimed at different customers...and due to their destination nature, are not as ubiquitous as hotels and clubs.' It acknowledges the tourism contribution of casinos in a number of its draft recommendations in Chapter 9 and 11 by seeking to exempt what it terms "high rollers" and international tourists from the draft recommendations but includes casinos in its draft recommendations for all other casino customers. However, it bases its recommendations on research that focuses on hotel and club EGM customers but not casinos. The ACG analysis highlights this discrepancy amongst others.

For example, the PC's findings and recommendations on a maximum bet limit of one dollar rely primarily on the findings of a paper by Blaszczynski et al (2001). The ACG notes that the Blaszczynski study is far from conclusive and the authors themselves state that the study only provides "preliminary evidence" and has a number of self-identified limitations including that the narrow sampling was based on convenience; did not include casinos; participants were self selected; the study was not conducted in a real natural environment and was confined to one cent machines.¹¹

The PC also acknowledges that different rules apply in overseas countries, for example on p11.11 it refers to maximum bet limits in New Zealand of NZ\$2.50 and prize limits of NZ\$500. What is not explicitly mentioned is that these limits do not apply to casinos. In Table 11.4 it sets out maximum bet and prize limits that apply in the UK but this table also demonstrates that regional casinos (similar to Australian style casinos) are not subject to any limits. Gambling Compliance Ltd, in a report that was prepared for the

⁹ Thomas, A.C. (2009). *EGM gambling venues: Consideration of the difference between local venues and the casino*. Paper presented at the 19th annual conference of the National Association of Gambling Studies, Canberra.

¹⁰ Ibid.

¹¹ The ACG Analysis - Box 3.7, (p 21)

ACA, indicated that most Canadian provinces impose a maximum bet and maximum win restriction on VLTs (non-casino gaming), generally restricting a bet to C\$2.50 and wins to either C\$500 or C\$1000. These restrictions also do not apply to casino EGMs.¹²

2. CHAPTER 9 - ACCESS TO CASH AND CREDIT

Chapter 9 focuses on access to cash and credit. The PC points out that this area has been an important one for harm minimisation by governments over the last ten years. Draft finding 9.1 also makes the point that “causality is hard to prove conclusively” with regard the use of ATM and EFTPOS facilities by problem gamblers.

The ACA set out the casino industry’s case in its submission:

Australian casinos are destination gaming venues; customers make a conscious choice to visit a casino. Most casinos are large integrated entertainment complexes offering a wide range of services to domestic and international customers including hotel accommodation, food and beverage, entertainment, specialty retail, and theatre and cinema. Casino customers rely upon the availability of Automatic Teller Machines (ATMs) in order to purchase and enjoy a wide range of gaming and non-gaming entertainment.

International and interstate visitors to Australian casinos expect that they can have safe and convenient access to cash from ATMs as most do not carry cash while travelling but rely on internationally accepted debit or credit cards to access ATMs.

The ACA’s position is as follows:

- *ATMs should be located in areas where the public can utilise them in a safe and secure environment.*
- *ATMs should be located outside the licensed gaming footprint of a casino in compliance with local state or territory regulations.*
- *ATMs should not be located in the immediate area adjacent to an entrance to the gaming area of a casino property.*
- *In determining the location and distance from the casino entrance factors such as architectural design, heritage and age of the building should be taken into consideration.*
- *ATMs should carry messages reinforcing the benefits of responsible gambling practices and provide information on the applicable referral services available to those who may be experiencing, or who wish to seek assistance with, problematic gambling behaviours.*
- *Limiting the dollar amount an individual can withdraw from an account or the frequency with which an individual may access an account should remain a matter of informed choice for the individual and their banking services provider.*

Where a person may be experiencing difficulties with their gambling behaviours, the casino industry, in concert with State and Territory governments, implements procedures whereby assistance and advice is readily available. Such provisions include, but are not limited to, the issue of a voluntary (self) exclusion order.

Commissioners visited a number of casinos during the consultation phase during which they were shown where ATMs were placed in those properties visited. Australia’s thirteen casinos provide a total of 132 ATMs. The number at each casino varies – e.g. Crown Melbourne accounts for 42 of these ATMs servicing the entire property while Casino Canberra accounts for two. The distance from the entrance to the gaming area in each property varies but given the design and layout of each casino those ATMs are to be found at a “reasonable” distance from and are out of sight of customers on the gaming floor in each property. Therefore with regard to Draft Recommendation 9.1, casinos comply with the second and third points – as all casinos ensure that warning and help messages are clearly visible on ATMs.

The ACA in its submission argued its case regarding cash withdrawals. The fact is that casinos cater for a diverse range of visitors. Casino customers rely on the availability of ATMs in order to purchase and enjoy a wide range of gaming and non-gaming entertainment. In many cases, casinos offer a secure environment for the withdrawal of cash for not just casino customers but for those who may work or live nearby. Many casinos are also situated in areas away from commercial areas and may have the only ATMs within that area. The suggestion that a \$200 daily withdrawal limit should apply to all customers except for “high

¹² Gambling Compliance Ltd – *Comparative Analysis of Player Protection* (February 2009)

rollers” and international tourists is not only impractical but demonstrates a fundamental misunderstanding of how casinos operate, the services they offer and the type of customer that frequents casinos.

Given, for example, that the two TABCORP casinos in south east Queensland attract approximately 32,000 visits per day, Star City 25,000 a day and Crown attracts approximately 46,000 visits a day it makes no sense to seek to limit withdrawals from ATMs in casinos and to try and differentiate between different types of customers as suggested by the Productivity Commission.

The PC fails to understand that many casino customers do not play EGMs but visit casinos to exclusively play casino table games, which the PC conceded at the hearing in Brisbane on 14th December 2009 were not the focus of the PC’s draft report, as well as visit restaurants, attend a show or a function or a conference. This equally applies to large casinos such as Crown, or a regional casino such as Jupiters Townsville. Apart from being destination venues, this is what distinguishes casinos from other gaming venues. Placing a withdrawal limit on these customers will inevitably lead to them carrying larger amounts of cash resulting in a greater safety risk for these customers.

Casinos are not allowed to offer credit to customers for betting (DR.9.2). For example at Crown Melbourne, the Casino Control Act prohibits a cash advance from a credit account from an ATM located within 50 metres of any casino entrance. Again it makes no sense to limit a customer’s access to their accounts in these circumstances. EFTPOS facilities are not available for accessing cash to gamble in any casino (on the gaming floor). EFTPOS facilities in casino complexes are available for retail services only.

Both Draft Recommendations 9.3 and 9.4 are problematic for casinos. In the first instance, the draft report is not clear in its intent regarding these two recommendations as to whether such recommendations would apply only to gaming machine players or to table game players as well. Furthermore, while different rules and policies apply across the casino industry, customers can usually elect to have all or part of their winnings paid by cheque.

Again the PC demonstrates a fundamental misunderstanding of casinos and seeks to impose restrictions that are impractical and unreasonable. It also demonstrates a fundamental flaw in the draft report - that is that the recommendations have been based on research that has been conducted in hotels and clubs. The PC has simply, without investigation into the effect on casinos, extended this to casinos in its draft recommendations.

3. CHAPTER 11 - GAME FEATURES AND MACHINE DESIGN

The ACG analysis provides a comprehensive overview of Chapter 11 of the draft report. The analysis states that:

The PC’s policy recommendation for lower bet limits, cash input limits and information on cost per hour of play are predicated on a small number of equivocal studies. It is also unclear whether the PC has based its policy recommendations on a sufficiently robust cognitive model of gambling behaviour. As a result it is unclear whether these findings and recommendations will have a net benefit for society.”¹³

In its analysis, the ACG finds that research underpinning the intensity of play and bet limits is inconclusive. Furthermore some research suggests that the main difference between problem and non-problem gamblers was the duration of sessions rather than the intensity of play. On this point Blaszczyński admits that there are gaps in knowledge and significant areas of deficit in the basic understanding of the patterns and characteristics of play by problem and recreational gambling.¹⁴

Further, the ACG finds that the PC draws on two studies in Queensland and NSW to support the findings of Blaszczyński. The data from the NSW study is from a single club. The ACG is of the view that it would be inappropriate for the PC findings of this analysis to be applied across all EGMs, particularly in casinos.

Analysis undertaken by ACG concludes that the PC in making its finding on the \$1 bet limit does not consider the other side of the EGM dynamic – that is, what will be the impact that bet limits have on the time spent gambling. Consequently it is possible that lower bet limits may only lead to more prolonged

¹³ The ACG Analysis (page v)

¹⁴ Ibid (p 27)

periods of play thereby resulting in no net reduction or even a net increase, in gambling related harm.¹⁵

The ACA argues that a strong and compelling case exists to exempt casinos from Draft Recommendations 11.1 and 11.2. The ACA considers that including casinos in these draft recommendations would:

- reveal a significant misunderstanding of the operation of casinos;
- be out of step with international practice;
- impose unnecessary burdens on casinos and casino consumers;
- impair the international competitiveness of Australian casino operations; and
- disadvantage and jeopardize the commercial operations of Australian casinos.

The PC acknowledges that gambling is the core business of casinos. Casinos account for 6 percent of all gaming machines in Australia with the balance located in hotels (35 percent) and clubs (59 percent). The PC has acknowledged that revenue from gaming machines in casinos accounts for just 6.9 percent of all gambling expenditure in Australia. This figure is lower than the revenue from Lotteries, Pools and Keno (Fig1 p.XVIII) – gambling forms considered “safe” by the PC.

The ACA cannot support the draft recommendations in Chapter 11 as they apply to casinos. The current maximum bet limits vary from state to state but are reasonable and provide a balanced approach in offering choice to a wide range of customers who visit casinos. Product information is freely available and casinos ensure that customers are able to make an informed choice about their gambling.

With regard to Draft Recommendation 11.1 no conclusive evidence is offered by the PC as to why the bet limit should be one dollar for EGMs in casinos as the research referred to was inconclusive with researchers and IPART recommending that further research be undertaken. In any case the research undertaken was based on player activity in clubs and hotels and not casinos (Box 11.2, p11.17), with reliance also placed on EGM loyalty scheme data from a single New South Wales venue.

The ACA is strongly of the view that it is not appropriate to extend the findings of research conducted on pubs and clubs to the casino industry. To do so fails to recognize the distinctive differences between destination and convenience gambling in Australia. The ACG analysis finds that the PC arrives at its recommendation 11.1 based mainly on research by Blaszczynski *et al* 2001. The ACG analysis notes that the authors themselves “concede that the study only provides “preliminary evidence, is the ‘first study of its nature’ and has a number of self-identified limitations including that no casinos were included in the study.”¹⁶

With regard to Draft Recommendation 11.2 the PC cites research that favours reduction of note acceptor limits but does not offer conclusive proof as to what that limit should be. In fact the PC cites research where the authors concluded “modification would be of limited effectiveness”(p 11.20)

In its analysis, the ACG notes that the PC relies on two documents (the NSW Liquor Administration Board submission to IPART and Brodie *et al* (2003)) that do not demonstrate a particularly high level of rigour. The ACG concludes that the PC’s draft findings on cash input levels are largely based on its own views rather than any compelling evidence base.¹⁷ Further the ACG analysis reveals that the PC appears to be adopting the findings of the Blaszczynski study selectively – on the one hand building the case for bet limits but on the other hand ignoring Blaszczynski’s conclusion that the reconfiguration of machines to accept denomination notes of \$20 or less was not found to be an effective harm minimisation strategy.¹⁸

Draft recommendation 11.3 is a complicated proposal that takes into account a multitude of variables. Ultimately it is recommending that machines display the player’s “expected expenditure”. With the exception of Western Australia and the Northern Territory, casinos already operate EGMs with a PID function that provides a player with game information including theoretical return to player, chances of winning, maximum and minimum bet available on EGMs, jackpot contribution and in some casinos the opportunity to track their play and expenditure (as at Crown).

The PC’s proposal for a loss limited or what it terms “airbag” machine would turn EGMs into computer

¹⁵ ACG Analysis (p 30 and Table 3.8 p 31)

¹⁶ *Ibid* (p.29)

¹⁷ *Ibid* (p.32)

¹⁸ *Ibid* (p. 34)

games. There is no explanation in the draft report as to who would be responsible for nominating the annual threshold, although the cost of modification and reprogramming would be high. The PC also mentions that "...this proposal would probably not have much effect on lower spending problem gamblers..."(p11.27). The PC acknowledges that revenues would drop but as with the other measures that it has proposed, the PC has not undertaken a cost benefit analysis to assess if benefits outweigh the costs of this highly interventionist and commercially damaging measure. The proposal does not take into account a player's personal financial circumstances, modes of play and choice.

PRE-COMMITMENT STRATEGIES AND SELF-EXCLUSION – CHAPTER 7

Key Points

- *Casinos currently operate self-exclusion systems that are more advanced than those proposed by the PC.*
- *The ACA does not support a universal system of pre-commitment.*
- *The ACA supports a voluntary opt-in system of pre-commitment.*
- *Many Australian casinos are in the process of developing voluntary opt-in pre-commitment mechanisms.*
- *Australian casinos have mechanisms already in place for self-exclusions and venue-initiated exclusions.*

1. Self-exclusion programs

Casinos currently operate self-exclusion systems that are more advanced than those recommended by the PC.

It is important to remember that a self-exclusion is just that - a self-imposed ban on entry to a gaming area. It is an external control that is temporarily put in place whilst the individual develops an internal control with the assistance of their counsellor during the therapeutic process. In Cognitive Behavioural terms, it assists the person stop the behaviour and then change the thinking around the behaviour. Once the person has developed their own self-efficacy then they no longer need a self-exclusion order to assist them stopping from entering a venue because they are able to stop this behaviour by themselves. It needs to be remembered that it is the self-excluded customer's responsibility to stay away from the venue, the venue can only assist.

In its draft report the PC acknowledges that voluntary self-exclusion agreements emphasise personal responsibility (Appendix E, p E.2). The Commission also recognizes that breaches of self-exclusion agreements can be charged with an offence or be fined. Repeat offenders may also be placed under involuntary exclusion orders – subjecting them to harsher penalties should they re-offend. (Appendix E, E.2).

The ACA notes the PC's conclusion that a more coherent set of arrangements should not eliminate all variations that currently apply in practice. "The costs of eliminating all variations may be high compared with the benefits, and some variations may suit the circumstances of the venues and/or provide useful experimental evidence about effective arrangements". (Appendix E, E.4)

These conclusions are underpinned by the assessment of Australian and overseas self-exclusion programs that generally find that the majority of participants benefit from self-exclusion schemes and that the motivation to change leads to better outcomes, and self-exclusion reinforces that motivation. (Appendix E, E.6)

In this respect, the ACA agrees with the PC's conclusion that a one-size fits-all approach would not yield optimum results. Such an approach would dilute their effectiveness and application. Furthermore, the ACA believes that the current approaches introduced by casinos reinforce an appropriate balance between personal responsibility, minimizing social stigma and in some jurisdictions are underpinned by penalties. Variations reflect venue circumstances, including venues' commitment to provide individualised assistance and access to counselling services.

The PC has not recognised the difficulties in implementing a universal system and the diminishing returns of attempting to identify a much larger subset of people. There is no practical purpose served in punishing, disciplining and disadvantaging venues for allowing the entry to consumers who may never have visited that venue before.

The PC acknowledges that casinos have well-developed self-exclusion programs but then seeks to "dumb down" the process and bring casinos within the ambit of its universal system. Individual one-on-one interviews allow casinos to collect information and it provides an important opportunity to encourage the

customer to seek counselling. For example:

- Casinos have trained staff available 24 hours a day to detect and intervene where patrons exhibit signs of problem gambling behaviour;
- A patron must provide proof from professional counsellors before a self-exclusion order is revoked in most casinos; and
- Casinos have private areas away from the gaming floor where customers who may need assistance can be interviewed and assisted.

2. Changes to existing self-exclusion programs

With regard to Recommendation 7.1 the ACA makes the following points:

- A “one-size fits-all approach” to this issue does not do justice to the needs of individuals and does not recognise the high standards already in place in casinos for dealing with exclusions.
- Australian casinos have mechanisms in place for self-exclusions and venue-initiated exclusions.
- Some casinos also have measures in place for third party exclusions.
- Casinos are destination venues, operate under different legislation that often impose different obligations on casinos in each state and territory and offer different gaming products. This represents a marked difference from the operation of hotels and clubs.
- The PC’s draft recommendation increases an operator’s exposure to risk but at the same time introduces penalties for failure to manage the risk (the exclusion processes). In Commissioner Banks’ own words, a more balanced approach is needed.
- There are significant privacy implications involved in the very broad application of this recommendation.
- A system that allows no flexibility may prevent adoption; a system that identifies a customer throughout the entire jurisdiction may prevent adoption due to the customer’s privacy - for example, a VIP or celebrity customer would not want their details known to venues throughout a particular state. A customer from rural Victoria who does not visit Crown would have their information available unnecessarily and this may dissuade them from taking such a step.
- How does the PC envisage that a small country hotel would deal with the large number of excluded patrons from a major casino?
- A system that identifies all customers from all venues would pose significant problems to venue operators in their assistance to the customer in breach circumstances.
- With regard to the administration of a universal system:
 - Who is responsible for collection and ownership of the data collected and who owns the data?
 - How would such a system work in an area such as the Gold Coast/Tweed area where customers may cross the border to play at Conrad Jupiters?
 - What are the costs associated with the application of a universal system and would such costs outweigh the social benefits?
 - How would revocations be handled across venues?
 - How would valid information to enable decisions to be made about customers be accessed or shared? What would be the appropriateness, practical ability and legality of doing this?
- Casinos currently request identification of all customers receiving cheques and in some casinos this is matched to the casino’s loyalty program database that identifies if the customer is self-excluded.
- This recommendation could be an obstacle for customers seeking to change their behaviour. Customers would soon realise the opportunities for circumventing the rules and the fact that it would be difficult for venues to detect breaches.

3. Venue self-exclusion programs

With regard to Recommendation 7.2 the ACA makes the following points:

- In casinos a self-exclusion process is available immediately upon request to customers 24 hours a day, 7 days a week, with a successful application therefore effective immediately.
- A ‘no interview’ option is not preferred by the casino industry as information supplied by the customer is used should the customer wish to revoke their self-exclusion. Staff observations are a vital component in making both exclusion and revocation decisions. Interviews provide a valuable

interaction time where the customer can be apprised of assistance that may be available to them. A 'no interview' option would require a fixed term self-exclusion with no revocation process.

- In all casinos excluding a person outside of the venue puts staff at risk and the exclusion needs to be completed by the casino operator or his/her nominee under legislation which means that it could not be implemented by a third party.
- Self-exclusion by remote means is difficult as it is necessary to be sure of the identity of the person wishing to exclude and that the person you are excluding is in fact the person who is requesting the exclusion.

4. A coherent approach to self-exclusion

With regard to Recommendation 7.3 the ACA makes the following points:

- The PC's draft recommendations are for the most part already in place to varying degrees in all casinos.
- The concept of a cooling-off period is used in some jurisdictions but not in others and further consideration to the advantages and disadvantages of this needs to be considered.
- The Victorian system of appeal against exclusion within a 28-day period to the regulator could also be given further consideration. Ultimately the decision to exclude and the length of time should be based on the individual needs of the customer.
- As the ACA has already indicated to Productivity Commission researchers there is conflicting evidence about the efficacy of third party exclusions. The PC needs to be aware that if someone is excluded against their will there is a view that they are unlikely to accept help for their problem or stay away from gambling. The ACA believes that further research needs to be carried out before any recommendation regarding third party exclusions is adopted. However, given that the ACA believes that the current systems in place are satisfactory individual venues should be given the opportunity to make a decision on this.

5. Pre-commitment

The ACA stands firmly behind its position on pre-commitment as articulated in its submission to the PC.

The ACA supports a voluntary opt-in system of pre-commitment that is a tool supporting responsible gambling practices. The principles of any system of pre-commitment should be:

- Any pre-commitment strategy implemented by a state government should be of a voluntary nature.
- Any scheme should not cause inconvenience to recreational gamblers nor should it impinge on the entertainment value of a customer's activity.
- Any strategy should be flexible in that it should not necessarily rely on the introduction of new technology to provide the solution and should reflect the diversity and differences of the casino industry and its customers.
- Measures should provide accessible information to allow informed choice.
- Implementation of pre-commitment strategies should be preceded by evidence-based research that supports the effectiveness of any strategy and estimates of the cost of introduction.
- Longevity in any new system should be highly likely.
- Measures should be simple to implement, effective and not impose a substantial financial burden on the casino industry.
- Pre-commitment should be seen as a tool to aid responsible gambling practices rather than as the solution for problem gambling behaviours.
- Trial outcomes in an Australian environment need to be properly considered and evaluated before implementation on a wider scale is sought.
- The customer's right to privacy has to be respected and any strategy must comply with National Privacy Principles.

The PC itself has noted that pre-commitment trial results are not conclusive and that "...they will not 'prove' or 'disprove' the value of pre-commitment per se..." Therefore it is hard to see concurrence amongst state and national jurisdictions.

A number of Australian casinos are in the process of developing voluntary opt-in pre-commitment mechanisms either due to regulatory demands or in some cases on a voluntary basis in agreement with their relevant regulator. This commitment to voluntary pre-commitment is therefore predicated on the

current regulatory landscape that does not include other regulatory imposts, such as maximum bet and cash limits and payment of prizes above \$250, do not apply to casinos. Continuing work on pre-commitment is predicated on these not being applicable to casinos.

The McDonnell Phillips study for Gambling Research Australia – *The Australian National Survey of Gambler Precommitment Behaviour 2005* - suggested that casino EGM players were more likely to pre-commit to a certain expenditure than other players.

The survey, of 240 EGM players, (11% played in casinos, 66% in clubs and 22% in hotels), found that:

- Casino based EGM players were the most likely to save up small amounts for gambling.
- Casino EGM players were more likely to take what they spend compared to other groups and also avoid using ATMs.
- Casino EGM players found that as a pre-commitment strategy taking only what they planned to spend more effective than other EGM players.

Using the same rationale as the PC uses in its draft report to arrive at various findings and draft recommendations it would not be unusual to assume then that non-EGM customers in casinos are more likely to use ATMs than EGM customers. This also reinforces the points made earlier (Attachment 2) that many casino customers do not play EGMs and as destination venues casinos offer diverse gaming and non-gaming services and need to cater for the demands of their customers. Consequently casinos have already located ATMs at reasonable distances away from gaming floors.

The casino industry takes the view that the introduction of pre-commitment mechanisms by individual casinos working with their respective regulators is far preferable and more likely to be introduced in the time frame set by the PC (or even earlier) than would be the case for a universal system as proposed by the PC. This is recognised by the PC in its draft report. The one-size fits all approach as proposed by the PC in its draft report will be difficult to administer and manage and is unlikely to be implemented in the time frame set by the PC.

The PC's rationale is underpinned by its belief that technology is the key but it is not sure what that technology may be. Nevertheless it still speculates "it would appear that the technological trajectory will see these kinds of technologies used in Australia in the medium term".

In its second submission the ACA argued that Server Based Gaming, for example, has a long way to go before it is implemented in Australia or anywhere else. It was pointed out to PC staff that the roll-out of server based gaming technology will be very slow due to the combination of the size of the capital investment and "the unquantifiable return on investment." Despite the Commission's assertion that such technology is being rolled out in the United States on the basis that it is being implemented in the new Aria Casino Resort (City Center) in Las Vegas, the facts are that only two manufacturers' games operate on the G2S protocol that allows for downloadable games and there is no game download capability in the property. The only new functionality is called Service Window – an onscreen version of a player tracking display. Borgata in Atlantic City was wired for Server Based Gaming seven years ago but the system has not been implemented there.

A recent survey of 200 casino executives across the United States by Clear Seas Research found that 45% felt that the cost of implementation would further delay the onset or further development of Server Based Gaming at their facilities. When asked about what impact the state of the economy would have on any decision, more than two thirds (66%) indicated that the current state of the US economy had further delayed their plans to adopt Server Based Gaming without a specific timetable for the reconsideration of Server Based Gaming and another 20% had shelved any plans they were considering or might have considered regarding the adoption or further adoption of Server Based Gaming and had no plan to reconsider the issue. MarketWatch.com reported recently that Server Based Gaming "though well-developed at this point, looks to be slow to unfold in the field. Multiple hurdles remain, including regulatory issues and the squeezed capital expenditure budgets of operators." A Deutsche Bank analyst was quoted as saying "Most gambling equipment makers agree that Server Based Gaming is likely to be an evolution, not a revolution, in terms of the speed of its adoption by casinos."

To suggest as the Commission has done that technology holds the key may sound good in theory but practice would suggest otherwise.

VENUE ACTIVITIES AND JUDICIAL REDRESS

Key Points

- *Casinos are currently extensively regulated, monitored and reported on.*
- *Current compliance and complaint handling arrangements are well developed and effective.*
- *The current law adequately provides avenues for judicial redress.*
- *The PC does not make a case for a new statutory cause of action.*
- *The PC recommendation would give rise to greater litigation, greater uncertainty, impose lengthy delays, costs and burdens on the industry and consumers alike and be counter-productive to resolving disputes and improving harm minimisation.*

CHAPTER 8 - VENUE ACTIVITIES

The Australian casino industry has voluntarily and by regulation introduced over 200 different harm minimisation measures since 1999. These were detailed extensively in the ACA's submission to the PC.

The ACA considers that the casino industry already has well-developed and effective compliance and complaints handling arrangements in place.

The casino industry does not agree with the PC's statements on "mixed incentives" and "conflicts of interest" when applied to a venue's approach to problem gambling and harm minimisation. Far from being conflicted, it is in a casino's interest to provide its services in a safe and sustainable manner. Casinos' long-term interests are consistent and not in conflict with harm minimisation objectives.

Casinos are currently extensively and strictly regulated and subject to numerous Federal, state and territory laws as well as the common law and equity. The ACA believes current laws impose an appropriate level of responsibility and duty of care in respect to all acts by, and to all customers of, a casino. Accordingly customers currently have suitable means of redress for any act that could be reasonably considered 'egregious'. It is the ACA's view that the PC fails to establish the case that the current laws do not provide appropriate redress.

Where there is dispute between a gambler and a gambling venue, such disputes are often discussed between the parties and ultimately resolved without the need for either party to seek judicial redress. The fact that very few gamblers have successfully brought legal proceedings against gambling venue operators does not mean the current laws are inadequate. That such actions have been able to be brought demonstrates appropriate avenues of judicial redress are available. Gamblers having limited success in judicial proceedings is evidence that gambling venue operators have generally not breached their duties and responsibilities to gamblers.

The creation of additional causes of action and offences is unwarranted, would be counter productive and not in the public interest. It would duplicate existing laws, give gamblers a privileged status over and above other consumers, increase the complexity of the current system, add to delays in the administration of justice and undermine problem gambling principles such as accepting responsibility for one's own decisions. Litigation is an expensive lengthy process, which is stressful to participants and has an uncertain outcome and this fact is unchanged by the imposition of any statutory cause of action.

The issue of problem gambling cannot be fixed through legislation and litigation. The minimisation of the occurrence of problem gambling can only be achieved through greater public awareness, funding, education programs and staff training.

To be effective, treatment of a gambling problem must be initiated and committed to by the gambler themselves. It is counter productive to seek to shift responsibility to venues, to support services or to government.

If it is the PC's intention to shorten "lengthy periods of uncertainty" or make judicial redress more

“accessible”, then this is essentially an administration of justice issue. These issues are common across a number of industries and are not peculiar to the gaming industry.

1. Existing compliance and complaints handling arrangements

With regard to Draft Recommendation 8.1, Australian casinos do not accept the PC's statements that there is currently a “lack of effective monitoring and enforcement” and are of the view that current compliance and complaints handling arrangements are well entrenched and working well and do not require enhancement in the manner proposed. The ACA considers that the casino industry already has in place well-developed and effective compliance and complaints handling arrangements. Their operation and effectiveness should not be compromised by further reviews or unnecessary alterations.

In particular the ACA makes the following comments relevant to Australian casinos:

- Casinos are very extensively regulated, monitored and reported on.
- Casinos are already subjected to strict and extensive regulatory frameworks (including casino specific legislation); subsidiary legislation (and in some cases additional contractual commitments including state agreements); other more general consumer protection legislation (e.g. the *Trade Practices Act*); Anti-Money Laundering legislation; government approved controls and operating procedures; external government audits; government inspectors; security and surveillance requirements and extensive Responsible Service of Gambling (“RSG”) programs and robust codes of practice.
- Casinos’ are required to have in place internal mechanisms and controls and to audit compliance with those codes and frameworks (both externally and via their own internal audit).
- Each state and territory casino regulator is actively involved in the ongoing regulation and monitoring of the casinos located in their jurisdiction. In some jurisdictions this involves ongoing audits by regulators. In this respect casinos are also obligated to report on various illegal and other inappropriate conduct to government regulators, which evidences its robust monitoring and integrity obligations.
- It should also be noted that there are independent lines of communications between casino surveillance departments and the regulators - another level of monitoring and scrutiny.
- Any gaming customer can make complaints directly to the relevant casino regulator. In addition, due to the industry’s high service ethos and the obvious commercial incentive, all casinos have in place processes to receive customer feedback (including complaints) and to deal with that feedback and those complaints in an appropriate and time-efficient manner.
- In relation to staff, casinos provide staff with broad and comprehensive training, dependent on their roles:
 - All gaming staff are trained in Responsible Service of Gambling;
 - Many casinos have HR processes in place to ensure staff can freely raise any issues of concern with management or an HR representative; and
 - Many casinos operate an independent (third party operated) “whistleblowers” service to take and handle any staff complaints or concerns in relation to matters including, but not limited to, any issues of integrity, including harm minimisation matters. Casino operators regularly conduct awareness programs about the service.
- Many casino operators actively promote complaints and dispute resolution processes and staff are well trained to direct patrons to these processes.
- State and territory casino regulators, in their regular reviews of casino operations, publish the number of complaints and statements as to their resolution or otherwise. In addition, most regulators already publish disciplinary actions and fines against casino operators when an operator does not comply with its existing obligations, which as identified above, are numerous.

There are also certain practical and operational issues that would arise if this draft recommendation were to be implemented:

- If compliance assessments were to be vested in an “accredited compliance auditor”, this provides a potential for duplication between the current state and territory casino regulators and any such auditors.
- It is also unclear whether the policing body would have the power to investigate and then bring proceedings, or what role it would play in any civil proceedings brought by an individual and how that body’s role interrelates to the role of the state and territory casino regulators.

- The proposed recommendation has the potential to develop into a quasi-judicial process that would become legalistic and ultimately defeat the purpose that the PC was setting out to achieve.
- It seems the rationale for this recommendation lies mainly in a concern that voluntary requirements or codes are insufficient incentive to ensure gambling venues comply. In some instances such codes can be enforced by state/territory regulators and in some instances these codes will be able to be enforced using the *Trade Practices Act*. Where compliance is truly voluntary then the very nature of voluntary codes or requirements indicate that this is not seen as necessary by the regulators who best understand a casino's operations and risks.
- Where investigations by the state/territory regulator reveal a breach of legislation or enforceable processes, then the regulator already has sufficient power to impose penalties and disciplinary action in an already robust regime.

2. Judicial Redress

Draft recommendation 8.2 is based on the false assumption that gamblers need greater protection than any other consumer and that the introduction of a new "gambling specific" statutory cause of action is required. This recommendation is based on the mistaken assumption that resolving conflicts through the courts is a desirable or optimal state of affairs.

The assumptions made in this draft recommendation are that:

- Because there has not been a successful court case in Australia won by a gambler on the basis of a failure of "duty of care" by a venue, that existing laws are inadequate and there is the need to supplement existing laws by way of a statutory cause of action whereby an individual gambler has a specific statutory cause of action against a gambling operator.
- More avenues for litigation will assist the gamblers deal with gambling problems and improve harm minimisation.

These assumptions are fundamentally flawed. The PC has assumed that, because very few gamblers have successfully brought proceedings against gambling venue operators, this means the law needs to be changed.

The ACA would point out that not only are disputes between gamblers and venues often resolved without the need to seek judicial redress, but there have been examples of gamblers succeeding against venues (*Famularo* is an example of a successful claim being brought).

The ACA argues that the case law is indicative that gambling venue operators have not breached their duties and responsibilities to gamblers and this is in fact why few cases, which have been brought, have been successful.

The ACA further argues that in order for a problem gambler to deal with his or her problem they must first recognise that they have a problem and commit to deal with the problem. This is a point accepted by many researchers in this area. By treating gamblers differently to other consumers and giving them a new, specific and easier cause of action, this runs the risk that gamblers will not recognize that the problem is theirs and they will not take responsibility and commit to dealing with the problem. Accordingly, there are good reasons that the threshold tests for a breach of common law duty of care or breach of existing consumer protection legislation should remain as they are now.

3. A strong existing legal framework

There are a variety of common law, equitable and statutory offences and causes of action already in existence. Such causes of action include negligence (breach of duty of care); unjust enrichment; unconscionable conduct and in certain circumstances moneys had and received.

In addition, there is Australian consumer statutory protection in the form of the *Trade Practices Act 1974* ("TPA"). Part IV of the TPA is designed solely for the protection of consumers of goods and services. It is difficult to justify the imposition of an additional statutory regime to apply only to gambling consumers. Any such regime has the obvious risks of duplicating and/or confusing a well entrenched and long serving body of consumer protection legislation which is available for all consumers including gamblers, as consumers of gambling services and products.

The TPA and its statutory causes of action have been pleaded in a variety of gaming cases to date, including *Kakavas v Crown Limited and John Williams (2007)*; *Foroughi v Star City Limited (2007)* and *American Express International v Simon Famularo (2001)*. Misleading and deceptive conduct and unconscionable conduct under the TPA are the common claims. The *Famularo* case was decided in favour of the consumer gambler.

The proposed new statutory cause of action will either merely duplicate the existing common law and/or existing statutory consumer provisions (in which case it is clearly unnecessary) or it will broaden/soften the existing causes of action in favour of the complainant.

The common law contains sensible, well-understood and well-worked safeguards including burden of proof, causation and remoteness tests. These safeguards are necessary because without them there is a fundamental shift away from a plaintiff having to prove its case to an assumption that the venue is “guilty until proved innocent”. This is contrary to fundamental principles of justice.

4. Taking Personal Responsibility

The ACA maintains that the PC’s proposed statutory cause of action reinforces a system of blaming others, taking no personal responsibility for one’s gambling and gives the added incentive of a possible financial reward for continuing to gamble rather than dealing with the underlying problem.

Most problem gambling experts have concluded that the burden of recognizing and dealing with a gambling problem should be on the gambler and an attempt to shift even part of the burden to the operator would be counterproductive. Problem gambling experts have noted that the only way people can truly overcome a gambling problem is to take responsibility for controlling their problem behaviours. It is misguided and counterproductive to put the responsibility in the venue’s hands, as this will prevent or delay the individual taking steps to acknowledge their problem and to take action to treat it.

This is not to say that there should not be reasonable steps taken by a casino to assist persons experiencing difficulties with their gambling. Casinos have done this pro-actively and voluntarily, as well as in compliance with gaming regulation and all have robust self-exclusion processes in place. A close examination of the cases that have not succeeded against casinos provides evidence that casinos are indeed fulfilling their duty of care to patrons in accordance with the law as it is generally applied in all other situations.

If the PC’s concern relates to adequate incentives, the ACA would argue that there are sufficient existing incentives for casinos to act in a proper and appropriate way within current well-defined and understood legal parameters, casino legislative and regulatory frameworks (which with respect are some of the most robust in any industry) and consumer protection laws.

5. Staff Training

With regard to draft recommendation 8.3, all casinos provide training for staff. Casinos through their training programs already educate on the observable signs of problem gambling behaviours and on where to refer persons who display such signs.

6. Inducements

The ACA agrees with prohibiting inducements that **are likely** to lead to problem gambling or exacerbate existing problems but does not believe that the provision of food or drink will **of itself** lead to problem gambling. Most casinos offer complimentary non-alcoholic beverages to gaming machine players. Complimentary food and beverages (including alcoholic beverages) are offered in the VIP areas within most casinos. This is a common practice worldwide. In fact, the offer of food or a drink can form part of a range of harm minimisation strategies. It can be used by staff to, for example, encourage breaks in play or used as an opportunity to engage with customers to attempt to ascertain whether the customer is demonstrating any signs of problem gambling.

It should be pointed out that tailored customer service and rewards are part of the hospitality industry and many other industries such as airlines, supermarkets and department stores, both in Australia and internationally. For example, Crown Melbourne recently launched the Crown Signature Club throughout

its complex, whereby members can earn rewards via a point accumulation (and subsequent redemption) system at a variety of outlets within the complex including the Crown hotels, in the food and beverage area, shops and in the casino itself.

COUNSELLING SERVICES AND PROVISION OF INFORMATION – CHAPTERS 5 AND 6

Key Points

- *The ACA supports effective counselling and information services and the establishment of a national minimum standard of training for problem gambling counsellors.*
- *The ACA welcomes initiatives from governments to strengthen linkages between counselling services and other health and community services.*
- *The ACA considers that different funding mechanisms for help services are appropriate for state and territory jurisdictions and therefore does not support Draft Recommendation 5.4.*
- *The ACA supports the establishment of nationally consistent and publicly available data sets coordinated by the proposed National Policy Research and Evaluation Centre (Draft Recommendation 5.5) and a national system of accreditation for problem gambling providers.*
- *The ACA is of the view that warnings should be judged on their effectiveness.*
- *The ACA concurs with Draft Recommendation 6.4 and notes that casinos either voluntarily or by regulation already comply with this recommendation.*
- *The ACA agrees that the impact of current school-based programs should be assessed prior to any extensions.*
- *The ACA supports the need for improved financial literacy and money management for all consumers, including young adults, to heighten awareness of financial management and enable greater consumer choice and control.*

1. CHAPTER 5 – COUNSELLING AND TREATMENT SERVICES

The PC acknowledges that all states and territories have in place strategies for raising community awareness about gambling and help services provided through various means such as media campaigns, gambling awareness weeks, gambling websites, problem gambling information material, and school education material.

The ACA notes the PC's conclusion that “more evaluation of community awareness campaigns are required to get a better sense of what works and why, and additional research is needed to determine the effectiveness of self help options and brief interventions.” (p. 5.38)

The ACA supports effective counselling and information services (R 5.1) noting that these services should be underpinned by reputable research justifying their effectiveness. With regard to Draft Recommendation 5.1 the ACA notes that a very wide range of factors can lead a person to suffer gambling related problems. The ACA cautions against the simplistic use of “future financial losses” as the sole reason or basis for future campaigns. The ACA suggests that the focus should be on ‘financial signs’ and ‘high risk behaviours’. These signs and behaviours are set out at the end of the attachment in Box 1 – *Financial Signs and High Risk Behaviours*.

The ACA supports the establishment of a national minimum standard of training for problem gambling counsellors (R 5.2).

The ACA welcomes initiatives from governments to strengthen linkages between counselling services and other health and community services (R5.3). The ACA notes, in this respect, the considerable investments and efforts undertaken by casinos in the last 10 years which were outlined in the attachment to the ACA's submission, *Australian Casinos: Responsible Gambling Initiatives 1999-2000* (Gambling Compliance Ltd, March 2009). This report found that:

- Casinos have seriously considered and responded positively to the PC's findings in 1999, and as a result have invested heavily in harm minimisation strategies, skills and training;
- There is a demonstrated, ongoing commitment to responsible gambling by Australian casinos. Since 1999 there has been no expansion in the number of casinos, yet there has been a rapid expansion in

the responsible gambling initiatives implemented since that time;

- In some instances, casinos have taken voluntary measures before government initiatives have taken place; and
- There is a continued commitment to staff training to ensure that all appropriate measures are taken to prevent and treat problem gambling.

The ACA does not support draft recommendation 5.4 noting that different funding mechanisms have evolved in each state and territory that are appropriate for each jurisdiction. The current system works. The ACA also views the recommendation as being too vague.

ACA supports the establishment of a nationally consistent and publicly available dataset, coordinated by the proposed national policy research centre, to improve the evidence base on gambling health services (R 5.5). This is consistent with the ACA's submission.

The ACA also supports a national system of accreditation for problem gambling service providers. This accreditation should be introduced in a staged program and be a condition of on-going funding for service providers. Minimum standards should be a priority and incorporated into any accreditation program. This is consistent with the ACA's submission.

2. CHAPTER 6 - GAMBLING INFORMATION AND EDUCATION

In its submission to the PC inquiry, the ACA outlined the industry's long history of commitment to responsible gambling. In many cases the industry has introduced its own measures and as already outlined Gambling Compliance confirmed that the harm minimisation and responsible gambling framework that Australian casinos operate in is world leading in its scope, consistency and implementation. Gambling Compliance said:

"The harm minimisation and responsible gambling framework that Australian casinos operate in, is world leading in its scope, consistency and implementation. This has been illustrated on a number of occasions by TABCORP being rated as the global leader in the promotion of responsible gambling by the Dow Jones Sustainability Index. Further in 2008 the Victorian Commission for Gambling Regulation (VCGR) found that Crown Melbourne is recognised as a world leader in the promotion of responsible gambling when considering the renewal of the casino licence in Victoria."

The ACA therefore concurs with draft recommendation 6.4 because all casinos both voluntarily or by regulation have installed warnings and provide the relevant information that assist customers in making informed choices about their gambling.

The important issue is not whether one jurisdiction has a better model than others, which is implied in Recommendation 6.1, but whether warnings are effective in achieving their goal. The focus should therefore be on the effectiveness of warnings that are introduced and the need for market testing of these warnings prior to their introduction.

The ACA in its submission also supported the view that better financial literacy and improved money management skills combined with gambling awareness would assist all adults, especially young adults, to make informed choices about the way they save money, budget and spend discretionary money.

The ACA can agree with the PC's draft recommendation 6.2 that the impacts of current school-based programs should be assessed before there is any extension of these programs.

The ACA, however, does maintain that the focus of a nationally consistent responsible gambling education curriculum for schools should merge the best elements of current state government programs together with financial literacy information from the Financial Literacy Foundation's Understanding Money campaign to form the nucleus of an innovative program easily accessible and highly relevant to today's youth. Furthermore, national consistency can be achieved by developing the program under the National Curriculum Framework for Consumer and Financial Literacy.

Draft Recommendation 6.3 calls for new EGMs to be compatible with systems that can provide player statements and dynamic warnings. The PC's draft recommendation is vague, lacks clarity and seems to be

in conflict with the PC's preferred position on player pre-commitment. In the first instance the PC needs to understand that player statements are generated by back of house systems not gaming machines. There is no sense in making a recommendation that requires gaming machines to be able to produce player statements.

With regard to dynamic warnings, the recommendation lacks sufficient definition to enable implementation. The PC has not given an indication of what mechanism generates the warning, what are the operational rules and the length of time the warning would be displayed for. It again is a clear indication of the PC's lack of knowledge and understanding of the technology that underpins the gaming industry. It sounds good in theory but doesn't work in practice.

Given the above the ACA does not agree with the PC's draft recommendation.

BOX 1 - FINANCIAL SIGNS AND HIGH RISK BEHAVIOURS

A very wide range of factors can lead a person to suffer gambling related problems. The ACA cautions against the simplistic use of "future financial losses" as the sole reason or basis for future education and information campaigns. The ACA suggests that the focus should be on 'financial signs' and 'high risk behaviours'. These are set out below:

FINANCIAL SIGNS:

- A discrepancy between income and assets
- Money or assets disappearing or suddenly appearing - secrecy about money
- Vagueness or double-talk about assets, income & expenses
- Loans from legal & illegal sources
- Urgent requests to family & friends for money
- Reporting equipment & jewellery are being repaired or have been lost / stolen
- Mysterious & angry phone calls and messages

HIGH RISK BEHAVIOURS:

- Playing to win
- Playing without a limit on what you are willing to lose
- Taking more money with you than you are willing to lose
- Playing for excessive amounts of time
- Increasing frequency of play
- Playing alone
- Playing to solve problems or reduce stress
- Thinking gambling is a way to make a living
- Believing you will win over time
- Gambling is your only form of entertainment
- Thinking about gambling frequently
- Chasing losses
- Playing again on the same day after a win

REGULATORY AND RESEARCH – CHAPTERS 14,15 AND 16

Key Points:

The ACA broadly supports the recommendations in these chapters with key qualifications namely that:

- *Statutory regulations should continue to be guided by casino specific legislation for the casino industry.*
- *The ACA recommends the Australian Minister for Tourism and his department should have responsibility for gambling issues at the Commonwealth level.*
- *All stakeholders, including industry, should be consulted early in the policy development process and regulatory impact statements should be conducted early, transparently and in a manner that allows stakeholders make early contributions to inform government policy making.*
- *Greater and more consistent standards for gaming machines should be clearly specified and made publicly available.*
- *A National Centre for Evaluation and Research should be established. This National Centre should be independent, involve stakeholders and experts, and conduct its research in a timely manner.*
- *Appropriate and achievable transition periods should be set, particularly in cases where major regulatory change is envisaged.*

1. CHAPTER 14 - REGULATORY PROCESSES AND INSTITUTIONS

The ACA in its submission to the PC outlined that over 200 initiatives had been implemented by the casino industry since the previous PC report. The ACA highlighted that these measures reflected the diversity in local conditions and demonstrated that the one size fits all approach does not always work. Self-regulation has always complemented regulatory requirements in the casino industry and collaboration between industry, community and government has provided promising results.

The ACA, in the broad, supports the recommendations in Chapter 14 subject to the qualifications outlined in this Attachment.

The ACA supports the concept of statutory regulation (DR14.1) but maintains that it needs to be recognised that casino regulation should continue to be guided by casino specific legislation. The ACA questions the implications of the PC's recommendation that the gambling regulator in each jurisdiction should have "statutory independence from government." The ACA supports current administrative arrangements whereby the regulator reports to the relevant minister in most state and territory jurisdictions. It does not support any proposal that such regulators report direct to Parliament if that is the PC's intention. The ACA is of the view that the relevant Minister for Gambling should take a whole of industry perspective on gambling matters including responsibility for harm minimisation matters (DR14.2).

The ACA supports all steps that strengthen consultation processes and incorporate the views of stakeholders, including gambling providers, manufacturers and consumers in the process of policy development. The ACA also supports the need for early involvement of key stakeholders, the early preparation of regulatory impact statements and the public availability of draft and final Regulatory Impact Statements (DR14.3).

The ACA supports routine regulatory impact analyses of major regulatory proposals. The ACA recommends that these analyses be undertaken and made public prior to government decisions being taken so that all stakeholders can contribute and be part of informed decision-making (DR14.4).

The ACA supports the need for clearer and more consistent standards for gaming machines – requiring consistency and ensuring all requirements for gaming machines and games are specified clearly and made available publicly (DR14.5 and DR14.6).

2. CHAPTER 15 - GAMBLING POLICY RESEARCH AND EVALUATION

The ACA also broadly supports the recommendations in this chapter. In particular the ACA supports the inclusion of all stakeholders in determining any new research program. This can be best achieved by the establishment of a research capacity that includes all stakeholders and one that is independent of any government. Replacing the GRA with a national centre for gambling policy research and evaluation (DR15.3) is a step in the right direction and the ACA supports and welcomes the opportunity of participating on the advisory panel.

The ACA believes that Australian government interests at the ministerial level should be represented by the Minister for Tourism supported by his Department. The ACA makes this recommendation on the basis that the gaming industry is inextricably linked to hospitality and tourism. Singapore has long recognised the connection between gambling and hospitality and tourism. Other Asian countries are following Singapore's lead. More importantly the Singapore model also demonstrates that it is possible to apply good responsible gambling policy with tourism policy.

The ACA strongly urges Governments to support and fund the establishment of an independent national centre for gambling policy research and evaluation so that future areas of research priority can be agreed, initiated and completed in a timely manner and be available to inform government policy makers and stakeholders alike (DR15.4).

3. CHAPTER 16 - TRANSITIONS

The ACA agrees with draft recommendation 16.1. The ACA is of the view that appropriate transition periods are important for the industry where major regulatory change is concerned. In this respect the ACA notes that the PC has on a number of occasions in the draft report indicated that it is not sure of what length of time is needed to implement some of the key changes. The ACA suggests that serious attention be given to this matter to facilitate a realistic and achievable industry transition period.

The **Allen Consulting** Group

Analysis of 2009 Productivity Commission draft report into Gambling

December 2009

Report to the Australasian Casino Association

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Executive summary

The Allen Consulting Group commissioned to analyse draft Productivity Commission report into gambling...

The Australasian Casino Association (ACA) has commissioned the Allen Consulting Group (ACG) to prepare a report analysing aspects of the draft report into gambling recently completed by the Productivity Commission (PC).

The ACA has asked that this report examine a number of issues, including:

- the appropriateness of the overarching methodology applied by the PC;
- whether selected findings and recommendations are supported by the evidence collected and analysed by the PC; and
- ascertaining the extent that analysis undertaken by the PC appropriately differentiates between different electronic gaming machine (EGM) venues, namely hotels, clubs and casinos.

...significant weaknesses found in the PC report...

The analysis documented in this report highlights a number of inherent weaknesses in the application of the analytical framework presented in chapter 3 of the draft report. Many of these weaknesses stem from inadequacies in research undertaken since the last PC report was released in 1999, with limited evidence-based research commissioned by governments in the previous 10 years.

...with recommendations not subjected to analysis required by the Productivity Commission Act 1998...

Most significantly, recommendations contained in the draft report are not subjected to the level of analysis required by the *Productivity Commission Act 1998*. This Act requires that the PC give consideration to the interests of industries, employees, consumers and the community. Despite this legislative requirement, it is considered that insufficient effort is made by the PC to identify the impact of recommendations upon recreational gamblers, the gambling industry and society more broadly.

Relevant costs with various recommendations not considered by the PC include reductions in consumer surplus associated with a decline in the consumption of gaming by recreational gamblers, costs incurred by gaming suppliers such as equipment modifications, and reduced producer surplus and economic losses to the Australian economy more broadly.

...or government guidelines...

Furthermore, the analysis underpinning a number of recommendations is inconsistent with guidelines issued by both the Office of Best Practice Regulation and the Council of Australian Governments.

...contrasting with previous PC reports.

The approach taken by the PC in the draft gambling report also contrasts markedly with wide-ranging assessments included in other PC reports such as the *Review of Automotive Assistance* (2002) and the report into *Restrictions on the Parallel Importation of Books* (2009). In these two reports there was much greater effort to consider the interests of all stakeholders.

Little differentiation between EGM venues (casinos, hotels and clubs)...

Separately, much of the analysis undertaken by the PC does not identify differences between EGM venues — hotels, clubs and casinos — in terms of both consumer behaviour and problem gambling. Rather, analysis of issues such as expenditure patterns, the prevalence of problem gambling and appropriate harm-minimisation measures only considers EGM venues in aggregate. This is despite the PC acknowledging key differences between EGM venues whereby casinos are considered atypical destination gaming venues.

...conflicting with what the PC said it would do...

The limited distinction made by the PC between different EGM venues is contrary to an intent outlined in chapter 3 of the draft report to assess ‘whether harm minimisation measures should apply in the same way to casinos, hotels and clubs’ (PC 2009a, p. 3.12).

...and diminishing the appropriateness of report findings and recommendations.

These shortcomings in the application of the PC’s analytical framework diminish the appropriateness of a number of findings and recommendations. In particular, it appears that most of the draft findings and recommendations can not be suitably applied to the casino sector.

In addition to these overarching issues, this report also considers in detail the findings in chapter 4 (*The prevalence of problems with gambling*) and chapter 11 (*Game features and machine design*). In summary the report finds:

- in chapter 4, the PC’s estimation of prevalence, risk factors and cost are strengthened by reliance of diverse data sources, but this approach is undermined by the lack of consistency, comparability and validity of the underlying surveys. For example, the PC relies heavily on a number of recent state-level surveys that use a modified version of the Canadian Problem Gambling Index instrument.
- in chapter 11, the PC’s policy recommendations for lower bet limits, cash input limits and information on cost per hour of play are predicated on a small number of equivocal studies. It is also unclear whether the PC has based its policy recommendations on a sufficiently robust cognitive model of gambling behaviour. As a result, it is unclear whether these findings and recommendations will have a net benefit for society.

Chapter 1

Overview

1.1 Introduction

The Allen Consulting Group (ACG) has been commissioned by the Australasian Casino Association to analyse aspects of the recently released Productivity Commission (PC) draft report into gambling (PC 2009a).

The PC report is wide-ranging, but focussed on reducing problem gambling...

The PC report is wide-ranging, and makes a number of recommendations largely focussed upon reducing the prevalence of problem gambling in the Australian community. However, these recommendations, if implemented, will impact upon both the Australian casino industry and the gambling sector more generally.

...ACA concerned lack of consideration in analysis of different EGM venues.

A particular concern of the ACA is that the PC report does not consider differences between electronic gaming machine (EGM) venues, comprising casinos, hotels and clubs, and thus whether recommendations are equally applicable to these different venues.

This report analyses draft findings and recommendations contained in chapters 3, 4 and 11...

In this light, the ACA has asked that this report analyse draft findings and recommendations contained in chapters 3, 4 and 11. Recommendations contained in chapter 11 are aimed at reducing problem gambling associated with EGMs. There is a concern that the PC has not adequately considered differences between the different types of EGM venues — casinos, hotels and clubs — leading to the development of recommendations applying equally to all venues. Most significantly, recommendations developed by the PC aimed at reducing the prevalence of problem gambling may also reduce the enjoyment obtained by recreational gamblers attending casinos. Furthermore, proposed regulatory may also impact upon the ability of casinos to continue offering international-class facilities, such as hotels, restaurants and live entertainment venues.

...also considers overarching approach and methodology applied by PC.

This report also considers the overarching approach taken by the PC to the gambling report, and particularly whether its methodology for developing and assessing recommendations is sound and reflects 'best practice'. Of particular interest is whether recommendations are subjected to cost-benefit analysis, and whether the standard of the report is comparable with other PC reports.

1.2 Key findings

The casino industry makes a large contribution to Australia...

The casino industry currently makes a significant contribution to the Australian economy. This includes an estimated social surplus of \$3 billion in 2007-08, alongside international VIP program players spending \$739 million during their visits to Australia.

...but this contribution is not focussed on by the PC, which rather concentrates on problem gambling...

The PC does not focus upon this economic contribution, with the report instead concentrated upon developing recommendations aimed at reducing the prevalence of problem gambling. However, in developing these recommendations a number of important issues are overlooked by the PC:

...but PC recommendations are inconsistent with requirements of the Productivity Commission Act 1998...

...with little analysis identifying whether recommendations are applicable equally to different EGM venues...

...and despite a limited evidence base, many specific recommendations were developed.

- recommendations developed by the PC are not subjected to analysis required by the *Productivity Commission Act 1998*, requiring consideration of the interests of industries, employees, consumers and the community;
- little of the PC analysis and associated recommendations identify whether they are applicable equally to different EGM venues — hotels, clubs and casinos; and
- despite there being a limited evidence base for policy development aimed at reducing problem gambling, the PC has developed a number of specific policy recommendations. There is a danger that these recommendations will not be subjected to appropriate analysis by governments prior to implementation.

1.3 Report structure

The remainder of this report considers aspects of the PC report into gambling. It is structured as follows:

- Chapter 2 identifies key findings from a recent study on role of casinos in the Australian economy, providing context for the subsequent analysis of aspects of the PC report; and
- Chapter 3 analyses the findings and recommendations contained in chapters 3, 4 and 11 of the PC report. This analysis considers whether the PC findings and recommendations are supported by the evidence collected by the PC, as well as whether the perspective of casinos was adequately considered.

Chapter 2

Casinos and the Australian economy

Casinos make a range of contributions to the Australian economy...

...but this contribution may be diminished if implementation of PC recommendations reduces casino activity.

Australia has 13 casinos, with many integrated entertainment complexes.

In 2007-08, Australia's casinos had over 49.4 million visitors, earning revenues in excess of \$4 billion and employing just under 20,000 staff.

In 2007-08, revenues from EGMs comprised 41 per cent of total casino gaming revenue (\$1.30 billion).

2.1 Introduction

This chapter provides an overview of previous research on the contribution made by casinos to the Australian economy. This contribution is made in a number of ways, including exporting casino gaming services to international VIP program players, providing extensive tourism infrastructure, as well as providing gaming and non-gaming services enjoyed by many Australians.

There is a risk that the contribution made by casinos to the Australian economy may be diminished if implementation of recommendations made by the PC reduces the extent of gaming activity offered by casinos. There has been insufficient time to carefully analyse the implications of specific recommendations made by the PC for the casino industry. However, some general statements can be made, particularly on the importance to casinos of gaming revenues, which are required to support the provision of an extensive range of tourism infrastructure and non-gaming services.

2.2 The contribution of casinos to the Australian economy: A recap

Background to the industry

Australia's casino industry was established in 1973 with the opening of Wrest Point Hobart. Today, the Australian casino industry comprises 13 casinos. Many casinos are integrated entertainment complexes, featuring restaurants, conference facilities, and hotels. Casinos are destination venues attracting patrons from far afield, contrasting with the convenience nature of other gaming venues that largely attract local patrons.

Key industry data

In 2007-08, Australia's casinos had over 49.4 million visitors, earning revenues in excess of \$4 billion and employing just under 20,000 staff. Casinos attract the majority of patrons from their city or interstate. The importance of international patrons is growing, with 2.4 million visits made by international tourists to casinos in 2007-08.

Gambling is a key facet of the casino industry, comprising \$3.2 billion (78 per cent) of casino revenues in 2007-08 with the balance of revenues including food and beverage sales, conventions and conferences, accommodation and entertainment.

In 2007-08, revenues from EGMs comprised 41 per cent of total casino gaming revenue (\$1.30 billion). Table gaming revenue made up 40 per cent of casinos gaming revenue (\$1.27 billion) and international VIP program players comprised 18 per cent of revenue.

The contribution of casinos to the Australian economy

Australia's casinos provide entertainment infrastructure on a scale far greater than other venues...

Australia's casinos provide entertainment infrastructure on a scale far greater than other venues. In the absence of casinos, it is considered unlikely that this entertainment infrastructure, such as hotels and restaurants, would be provided in its current form. Indeed, successful bidders for casino licences across Australia were typically required to offer not just world-class gaming facilities, but also an extensive range of world-class non-gaming facilities.

...with over 1 million international tourists making 2.4 million visits to Australian casinos in 2007-08, spending a total of \$4.9 billion.

During 2007-08 over 1 million international tourists made 2.4 million visits to Australian casinos. These tourists spent a total of \$4.9 billion, or an average of \$4,940 per tourist, during their visits to Australia. This average expenditure is considerably higher than the average expenditure among international tourists who did not visit casinos of \$2,630 per tourist.

Expenditure associated with international VIP program players was \$739 million...

Expenditure associated with a group of international tourists, known as international VIP program players, totalled \$739 million in 2007-08. This amount comprises \$553 million spent on casino gaming, expenditure by casinos of \$65 million to attract these patrons, and non-casino spending by these players and their entourages totalling \$121 million.

...increasing GDP by \$84 million in 2007-08 and private consumption by \$225 million.

It is estimated that exports and expenditures associated with international VIP program players increased gross domestic product (GDP) by \$84 million in 2007-08 and private consumption by \$225 million. Maintaining these exports at the 2007-08 level is expected to increase private consumption by \$1.8 billion (Net Present Value) over a 10 year period.

Casinos maintain an extensive network of overseas offices to attract international tourists to Australian casinos. These offices, which are predominantly in Asia, direct potential overseas tourists to visit not only casino properties, but also Australian cities and regions. The overseas tourism marketing facilities provided by casinos support and complement the various state and national tourism bodies.

Benefits and costs of the Australian casino industry

Casinos contributed \$3 billion to Australia's welfare in 2007-08...

Australia's casino industry makes a significant contribution to Australia's welfare, as measured by social surplus. Social surplus measures the benefits to both consumers and producers, with a social surplus of \$3 billion calculated for 2007-08. This is an upper-bound estimate, not taking into account costs associated with problem gambling.

...the majority of which was received by gaming patrons.

Gaming patrons receive the majority of the estimated social surplus, indicating that casinos provide significant enjoyment to their patrons. Casinos receive a small share of the social surplus from providing gaming services, and a negligible share from non-gaming services. This finding highlights that gaming revenues are necessary for casinos to provide an extensive range of non-gaming infrastructure and services.

Broader contribution of casinos

The casino industry makes a broad economic contribution to Australia, with casinos providing valuable tourism infrastructure and employment opportunities for staff.

Casinos link international and domestic tourism...

Investment in tourism infrastructure

Many casinos are at the hub of an extensive tourism network, linking international and domestic tourism. Furthermore, the development of a number of casinos has acted as the catalyst for the regeneration of previously run-down urban areas.

...and are undertaking capital works projects totalling \$1.6 billion in the three years to June 2011.

In the three years to June 2011, casinos will undertake major capital work projects totalling just under \$1.6 billion. These projects will make a significant contribution to tourism infrastructure, as well as to Australia's construction industry.

Capital intensity of casino investments

Owners of many of Australia's casinos have overseas investments including in New Zealand, Canada, the United Kingdom and Macau. Investment in Australia has been attracted by a favourable investment climate and robust regulatory regime.

Ongoing investment in casino infrastructure depends upon maintaining a favourable operating environment.

Ongoing investment in casino infrastructure depends upon maintaining a favourable operating environment. The capital intensity of casinos requires owners to closely monitor their investments to ensure sufficient returns are generated — changes to the regulatory or taxation environment may make ongoing investment no longer viable.

Casinos are very large employers...

Employment and training opportunities provided by casinos

Casinos are large employers, with two casinos the largest single site employers in their states. The quality of casino employment is reflected in many staff having a long tenure. Extensive training is also provided allowing staff to progress from entry-level positions into management. Such opportunities are not provided on the same scale elsewhere within the hospitality and entertainment sector.

...with staff provided with the skills required to work in gaming and other roles.

Australia's casinos also provide staff with the skills required to work in gaming and other roles. Many staff do not hold post-schooling qualifications when they join casinos, with the training provided by casinos able to overcome this disadvantage.

Casinos are subject to extensive regulation...

Regulation and responsible gambling in casinos

Casino regulation is jurisdiction specific with each state and territory having its own regulatory authority and legislation. Casinos are subject to casino-specific legislation as well as general regulation including the *Anti-Money Laundering and Counter-Terrorism Financing Act (2006)* and the *Trade Practices Act (1974)*.

Australia's casinos are subject to a stricter regulatory regime than other gaming venues, such as hotels and clubs. However, due to their size and resources, casinos are well placed to comply with, and even surpass, the requirements of various regulations and codes.

...with many measures identified in the 1999 PC inquiry implemented by casinos.

Casinos have implemented many measures identified in the 1999 PC inquiry to promote responsible gambling. These include hiring staff to promote responsible gambling and operating exclusion programs. In 2007-08, casinos employed 438 staff focussed upon promoting and supporting responsible gambling. Efforts made by casinos to promote responsible gambling are recognised globally — Tabcorp, the operator of four Australian casinos, was named a world leader in the promotion of responsible gambling by the Dow Jones Sustainability Index.

Casino taxation and licensing

Casinos are highly taxed, paying \$1.2 billion in taxes in 2007-08, representing 30 per cent of total casino revenues...

Casinos, along with other gaming providers, are one of the highest taxed industries in Australia. In 2007-08, Australian casinos paid a total of \$1.2 billion in taxes to Australian governments, representing 30 per cent of total casino revenues. The largest tax paid by casinos in 2007-08 was gaming taxes, comprising \$552 million.

Casinos pay gaming taxes and GST on table gaming and EGM revenues, and many states charge licence fees. Within New South Wales, Victoria, Queensland and the Australian Capital Territory casinos pay the same tax rate for EGMs as for table gaming. EGM tax rates are higher than table gaming in Western Australia, South Australia, Tasmania and the Northern Territory. Victoria also has a super tax, with New South Wales, Victoria, Queensland, Tasmania and Western Australia imposing community levies.

...with Australia's casino taxation rates generally higher than overseas.

Australia's casino taxation rates are generally higher than a range of international jurisdictions, including Canada, New Zealand, South Africa and the major United States markets. However, Australia's tax rates are lower than Macau, where casinos provide the vast majority of all government taxation revenue and are not subject to company tax on profits.

2.3 Potential implications of Productivity Commission recommendations for the Australian casino industry

Implementation of PC recommendations may adversely impact both recreational gamblers attending casinos, and the casino industry itself.

The overarching objective of many of the recommendations made by the PC in the 2009 draft report is to reduce the prevalence of problem gambling associated with EGMs. However, there is a risk that resulting policy initiatives will adversely impact upon both recreational EGM players attending casinos, as well as the casino industry itself. However, the PC report does not identify the likely impact of EGM-related recommendations on casino stakeholders, and the broader community.

A key risk for the casino industry is that the economic contribution identified in section 2.2 may be diminished as a consequence of implementing EGM-related recommendations. Specific areas where recommendations may impact include:

- reducing the enjoyment derived by recreational gamblers from playing EGMs in casinos, through reducing the amount able to be bet on individual plays;
- imposing costs upon casinos associated with complying with new regulations, such as equipment modifications; and
- reducing casino revenues, and thus scope for casinos to continue to provide international-class tourism infrastructure required by their licence conditions.

Chapter 3

Analysis of the Productivity Commission report

3.1 Introduction

This chapter analyses aspects of the draft PC report into gambling. This includes identifying whether the quality of the current report is in line with that required by the *Productivity Commission Act 1998*, the methodological approach taken by the PC, and the evidence underpinning recommendations and findings.

Chapter considers chapters 3, 4 and 11 of PC report...

Of particular interest is whether the evidence collected and analysed by the PC supports the findings and recommendations contained in chapters 3, 4 and 11. Evidence has been collected by the PC from submissions and consultations, as well as published literature and a range of data sources.

3.2 Comparative analysis of the draft gambling report

Requirements of the Productivity Commission Act 1998

The legislation establishing the PC provides a number of general policy guidelines to guide its operation:

In the performance of its functions, the Commission must have regard to the need:

- (a) to improve the overall economic performance of the economy through higher productivity in the public and private sectors in order to achieve higher living standards for all members of the Australian community; and
- (b) to reduce regulation of industry (including regulation by the States, Territories and local government) where this is consistent with the social and economic goals of the Commonwealth Government; and
- (c) to encourage the development and growth of Australian industries that are efficient in their use of resources, enterprising, innovative and internationally competitive; and
- (d) to facilitate adjustment to structural changes in the economy and the avoidance of social and economic hardships arising from those changes; and
- (e) to recognise the interests of industries, employees, consumers and the community, likely to be affected by measures proposed by the Commission; and
- (f) to increase employment, including in regional areas; and
- (g) to promote regional development; and
- (h) to recognise the progress made by Australia's trading partners in reducing both tariff and non-tariff barriers; and
- (i) to ensure that industry develops in a way that is ecologically sustainable; and
- (j) for Australia to meet its international obligations and commitments.

Productivity Commission Act 1998, s. 8(1).

There is thus a question whether the draft report into gambling is in accordance with these policy guidelines.

...PC is required to recognise the interests of industries, employees, consumers and the community...

...but throughout report, this does not appear to have been done.

Throughout the PC gambling report the requirements of point (e) above — that the interests of industries, employees, consumers and the community be recognised — do not appear to be adequately addressed. In particular, the report places a strong emphasis upon the interests of problem gamblers — a point required by the inquiry terms of reference. However, the interests of the gambling industry and recreational gamblers have not been appropriately considered. This issue is canvassed in more detail in the remainder of this chapter.

Comparison with previous Productivity Commission reports

For example, two previous PC reports were more thorough...

A gauge of the consistency and thoroughness of the draft gambling report in meeting the requirements of the *Productivity Commission Act 1998* can be achieved through a comparison with two previous PC reports — the 2002 PC inquiry report into automotive assistance and the 2009 report into the parallel importation of books (PC 2002 and PC 2009b). Both reports provide a thorough assessment of the impact of various recommendations upon industry, employees, international commitments and initiatives and consumers.

...Review of Automotive Assistance (2002)...

Review of Automotive Assistance (2002)

The automotive assistance report contains analysis of the effect of regulatory options on different sectors of society, such as when considering three options for reducing tariffs on passenger vehicles and components in Australia. Specifically the report considers costs and benefits imposed on the wider community, consumers and firms by tariff protection, and how the different sectors of society will benefit or lose based on the three options presented for tariff reduction (PC 2002).

The automotive assistance report also explores workplace arrangements and industrial relations in the automotive industry, as well as how policy recommendations will affect international agreements and initiatives that Australia is party to. Other aspects of the community perspective considered in the report is companies supplying vehicle producers. This wide-ranging approach to considering the interests of all stakeholders contrasts with the draft gambling report.

...and Restrictions on the Parallel Importation of Books (2009).

Restrictions on the Parallel Importation of Books (2009)

The recently released PC report into the parallel importation of books provides another comparison for assessing the quality of the draft gambling report (PC 2009b).

This report focused on territorial protection for the publication of many books in Australia, encompassing a thorough and consistent assessment of policy options such as repealing parallel import restrictions on books, selective protection arrangements and revised subsidy arrangements.

A whole chapter in this report is dedicated to providing an analysis of the impact of the option of repealing parallel import restrictions upon all major stakeholders including publishers, authors, consumers and the Australian book production industry. Some stakeholders, such as independent booksellers, were not satisfied with the PC analysis, raising concerns that the PC relied upon aged data. Nevertheless, it is considered that the PC analysis in the books report is superior to that in the draft gambling report.

3.3 Overarching issues

Four overarching issues of concern...

Following analysis of chapters 3, 4 and 11 of the draft PC report, four overarching issues of potential concern are identified:

...limited evidence base...

- there is a limited evidence base for policy-making regarding gambling policy;

...lack of differentiation between EGM venues...

- much of the analysis relating to EGMs does not differentiate between venues (hotels, clubs and casinos), with little analysis indicating whether findings, and thus recommendations, are equally applicable to these different EGM venues;

...little analysis on the implications of draft recommendations for all stakeholders...

- contrary to the requirement of the *Productivity Commission Act 1998*, the report contains little analysis on the implications of draft recommendations for all stakeholders so as to identify net social benefits, with analysis instead largely focussed upon problem gamblers; and

...and application of the precautionary approach.

- the application of the precautionary approach to analysis and recommendations.

Limited evidence base for policy-making

Limited research has been conducted or commissioned since 1999 to improve evidence on effective harm minimisation strategies...

A key obstacle noted by the PC in the draft report, and in many submissions to the inquiry, is that there is a limited evidence base for gambling policy development. Since the 1999 PC inquiry only limited research has been conducted or commissioned by Australian governments to improve evidence on effective harm minimisation strategies. For example, Delfabbro (2008) has found that few, if any, harm minimisation studies published in Australia during the past decade meet the standards required for formal clinical evaluations. Formal clinical evaluations of harm minimisation would require the use of randomisation, control groups, longer-term follow-ups and a consistent treatment of drop-out rates. The PC notes in chapter 3 of the draft report the weaknesses in the current evidence base, but has nevertheless decided to make specific policy recommendations.

...but a risk governments will implement specific PC recommendations without evaluation mechanisms put in place.

There is a danger that despite the absence of strong evidence of efficacy, the specific recommendations made by the PC in the current draft report will be implemented by governments without appropriate evaluation mechanisms put in place.

Differentiation between EGM venue types in analysis

Vast majority of EGMs are not in casinos...

In a number of places in the draft report, the PC recognises that casinos are destination venues, in contrast to the convenience nature of hotels and clubs. Indeed, Australia's 13 casinos account for only 6 per cent (12,306) of EGMs, with the balance located in hotels (35 per cent) and clubs (59 per cent) (PC 2009a, p. 2.24).

...meaning much research on EGMs and problem gambling is largely related to hotel and clubs patrons.

With the vast majority of EGMs not located in casinos, much of the research reported by the PC on issues such as problem gambling is largely related to EGM players attending hotels and clubs. Very little of the published research based on prevalence surveys distinguishes between the EGM venue type attended by respondents. With these significant differences between venues, which are acknowledged and reported by the PC, it is unclear why recommendations made by the PC are intended to apply equally to all venue types. Indeed, in chapter 3 of the draft report, the PC indicates its intent to assess whether harm minimisation measures should apply in the same way to casinos, hotels and clubs. However, this assessment did not occur.

Recommendations are not assessed on the basis of a net social benefit

Chapter 3 of the draft PC report outlines a widely accepted framework to good policy development...

Chapter 3 of the draft PC report outlines a widely accepted framework to good policy development. This approach includes the need to reduce the risk of unintended impacts upon recreational gamblers, and the assessment of the likely costs and benefits of policy options. The draft report also suggests that policies should seek to not impose impacts on “industry segments where there are few consumer problems” (PC 2009a, p. 3.2).

...but this framework is not applied to the development of draft recommendations.

However, this framework is not applied to the development of draft recommendations, particularly those that would involve new or amended regulations. Furthermore, are not accompanied by evidence that they will lead to a *net* benefit to the community. Rather, the focus of the analysis is on the benefit to society of a marginal reduction in problem gambling, which is one important component, but the analysis does not make a direct comparison of these benefits to potential costs of regulatory options. The interests of gambling producers and recreational gamblers also do not appear to have been adequately considered in the analysis.

No attempt is made in the report to quantify these costs to gaming industry of proposed regulations...

There is some mention throughout the draft report of potential costs to the gaming industry of proposed regulation, for example the potential costs of altering EGMs. However, no attempt is made in the analysis to quantify these costs, despite the fact that such quantification would certainly be feasible, and is in many ways more straightforward than quantification of the costs of problem gambling.

...contrary to requirements of various government guidelines...

All Australian governments are required to conduct full regulatory analysis for national regulatory proposals under guidelines established by the Council of Australian Governments (COAG), and a majority of governments are also bound by regulatory assessment guidelines for their own legislation and regulations (COAG 2007). The draft recommendations, therefore, do not meet the standard of analysis required by a majority of governments — if these recommendations were to be adopted the onus would be on governments to determine whether the recommendations actually meet their respective requirements for best practice regulation.

The omission of analysis of business compliance costs could be addressed through the use of standard compliance costs methodologies. There are currently standards within the Best Practice Regulation guidelines for governments to measure compliance costs to business. One such approach is the Business Cost Calculator developed by the Office of Best Practice Regulation (OBPR), the components of which are set out in Table 3.1.

Table 3.1

COMPLIANCE TASKS UNDER THE OBPR BUSINESS COST CALCULATOR

Compliance tasks	Description
Notification	Businesses incur costs when they are required to report certain events to a regulatory authority, either before or after the event has taken place.
Education	Costs are incurred by business in keeping abreast of regulatory requirements.
Permission	Costs are incurred in applying for and maintaining permission to conduct an activity.
Purchase cost	In order to comply with regulation, businesses may have to purchase materials or equipment.
Record keeping	Businesses incur costs when required to keep statutory documents up to date.
Enforcement	Businesses incur costs when cooperating with audits, inspections and regulatory enforcement activities.
Publication and documentation	Costs are incurred when producing documents required for third parties.
Procedural	Some regulations impose non-administrative costs, such as requirements on business processes (e.g. safety drills).

Source: Australian Government 2007, p. 142.

...and despite compliance costs being relatively straightforward to measure.

Measures of compliance costs for the gambling sector would be relatively straightforward to estimate because the industry is already highly regulated — governments already collect extensive information on EGMs that could provide the basis for estimates of upgrade costs required under new regulations.

The disconnection in the PC report between a sound theoretical approach outlined in chapter 3 of the draft report, and later chapters, is exemplified in chapter 11. In this chapter it is suggested that there is not an economic cost when a policy measure aimed at reducing the externalities of problem gambling lowers the supply of gambling:

In any case, to the extent that any policy measure acts to counter an ‘externality’ — in this case, where the cost of remedying the costs of problem gambling falls on society more broadly — the reduced supply of that good or service does not represent an economic cost (PC 2009a, p. 11.16).

PC suggests it is economically efficient to address any externality in the market through regulation...

This approach misrepresents good regulatory analysis by assuming that it is economically efficient to address *any* externality in the market through regulation. Furthermore, this approach does not acknowledge that the consumption of gambling services by many people, such as by recreational EGM players, does not result in an externality. Rather, the reduced supply of EGMs is likely to lead to a reduction in the consumption of EGMs by recreational players, and thus diminish the enjoyment these players derive, as measured by consumer surplus. Such a reduction in consumer surplus would be an economic cost. Furthermore, reductions in the supply of gaming services are also likely to reduce the producer surplus derived by gaming suppliers, which is also considered to be an economic cost (Boardman et al 2006).

...but externalities are common place across all markets of an economy...

As noted by the OBPR, externalities are common place across all markets of an economy — very rarely do the actions of a producer, consumer, buyer or seller in a market *not* have an external impact on other parties (see Box 3.1). Accordingly, the presence of an externality is not a *prima facie* rationale for government intervention (Australian Government 2007).

Box 3.1

EXTERNALITIES

An externality occurs when one party imposes on others benefits that are not paid for, or costs that are not compensated through market prices. For example, a factory may pollute a river to the detriment of other users of the river. Alternatively, individuals may choose to drive on already congested roads, increasing the congestion and imposing costs on other road users.

As most activities generate some form of externality (positive or negative), the existence of an externality does not on its own justify government intervention. The determining factors include the size and nature of the externality, and the likelihood that government intervention will be successful in addressing the externality at relatively low cost.

Source: Australian Government 2007, p. 61

...with it necessary to carefully consider and test interventions.

Rather, in considering whether to intervene in the presence of an externality, governments should ask:

- what are the costs to society of the identified externality?
- can new and amended regulation be effective in reducing these costs?
- will the costs of regulation be less than the benefits of regulation (i.e. costs of regulation compared with the benefit of reduced costs of the externality)?

Not all regulatory proposals seeking to address an externality would pass this test, due to the potential difficulties in designing regulation that would effectively address the problem. Furthermore, high regulatory costs may outweigh the benefits of addressing the externality. As noted by the PC, many recent attempts by governments to reduce the costs of problem gambling through regulation have been ineffective, and have therefore most likely resulted in a net cost to society (see PC 2009a, p. XXVI). This has meant that the costs to society through governments administering regulation, and industry incurring compliance costs, have lead to little or no benefits derived from reduced costs of problem gambling.

Using a contemporary example of an emissions trading scheme (ETS), a literal interpretation of the PC approach to assessing ETS options is that the closure of profitable emissions intensive industries does not need to be factored into the decision making process. Rather, applying the PC approach, the closure of an emissions intensive industry is inconsequential so long as externalities (i.e. emissions) are reduced.

Application of precautionary approach to analysis and recommendations

PC suggests application of the precautionary approach...

The draft report includes an assessment of the ‘onus of proof’ in evidence-based policy, and the need to counter the potential inertia that can come from a high evidentiary hurdle for new policy. Analysis in the report suggests that, where there is uncertainty, a ‘balance of evidence’ requirement should apply:

The high potential costs from inaction, or delayed action, suggest that the evidentiary burden should move from the standard in criminal law of ‘beyond a reasonable doubt’, to the standard in civil law of ‘the balance of evidence’. The approach is still evidence-based, but one that accounts for policy uncertainty and the relative risks of being wrong (PC 2009a, p. 3.30).

This issue is most relevant where there is uncertainty around the potential costs and benefits of a measure — including the potential benefit through avoided cost (essentially the cost of the ‘problem’). It supports the notion that a lack of full information, or uncertainty over estimates, should not lead to a tendency towards inaction.

A ‘balance of evidence’ approach is commonly used in areas where future costs are highly uncertain, for example in environmental policy where costs of inaction may not be realised for 50 to 100 years. In these cases, based on all available evidence of costs and benefits, policy should seek to mitigate future risks, ensuring that future costs are not so heavily discounted as to be ignored in the analysis.

...with PC arguing large costs to be alleviated through regulation...

This approach can also be applied to social policy issues, such as problem gambling, where methodological challenges make it difficult to have a high degree of certainty around the actual cost of a problem and therefore the benefits of reducing its prevalence. The draft PC report therefore argues that the potential benefits of government action to reduce problem gambling are sufficiently large (even given a wide estimate range) that the uncertainty around the estimates should not preclude government action.

...but PC doesn’t consider other important costs and benefits of intervention.

A key element missing from this analysis is that other important costs and benefits, such as the costs of government intervention to recreational users, and compliance costs for business, are not directly compared with the benefits of reducing problem gambling. As noted above, these factors are not considered, despite the fact that they are readily measurable and are likely to have a higher degree of certainty than estimates of the benefits of reducing problem gambling. In this case, a ‘balance of evidence’ approach has not been appropriately applied, because not all available evidence is represented.

The approach taken should be to include all relevant costs and benefits, then within that context consider the potential relative size of benefits (with their inherent uncertainty) and costs (most likely with greater certainty).

3.4 Chapter 3: The Policy Framework

Appropriateness of methodological approach

PC considers three different frameworks to consider role of government in the gambling sector...

Chapter 3 of the draft PC report sets out the policy and regulatory framework for government’s role in the gambling sector. The three main types of policy frameworks assessed in the draft PC report are:

...public health model...

- *Public health model* — defined as ‘the science and art of preventing disease, prolonging life and promoting health through the organised efforts and informed choices of society, organizations, public and private, communities and individuals’ (PC 2009a, p. 3.16);

...consumer focus model...

- *Consumer focus model* — which recognises that gambling is a consumer good, and that, as for other consumption, the policy environment should seek to maximise benefits for consumers (including ensuring product safety standards, fitness for purpose etc) (PC 2009a, p. 3.19); and

...and medical model.

- *Medical model* — which concentrates on the effective treatment of people who already have some ‘dysfunctional’ health condition, and encompasses the specialised professionals and knowledge required to achieve this (PC 2009a, p. 3.14).

The PC draws upon these various models to present a viewpoint on what should be the primary objectives of gambling policy in Australia (see Box 3.2).

Box 3.2

PROPOSED PRIMARY OBJECTIVES OF GAMBLING POLICY, PRODUCTIVITY COMMISSION DRAFT REPORT

Reduce detriment to consumers, which in turn requires:

- preventing consumers from becoming problem gamblers;
- lower levels of harm experienced by those gamblers who are already experiencing problems (for example, because they are able to more effectively limit their time or money spent gambling) and, associated with these, reduced harms for their significant others and the community at large;
- more effective help services for those gamblers experiencing significant control problems;
- appropriate behaviours by suppliers of gambling; and
- overcoming consumers’ cognitive misperceptions or poor information, so they can make better informed judgments about their gambling decisions.

Achieve better value for consumers through:

- lower prices (alleviating the impacts of anti-competitive arrangements, ineffective cost-increasing regulatory requirements and unnecessary red tape for gambling suppliers — all of which ultimately fall on consumers as higher prices);
- higher quality and more innovative gambling products; and
- a capacity for greater consumer sovereignty by giving consumers more tools to control their own gambling.

Meeting public expectations through:

- the better realisation of community norms and aspirations, noting that the community’s ambivalence to gambling partly derives regulation; and
- more accountable and transparent government decision-making, in an area where the public have a strong policy interest better functioning communities.

Introduce better institutional arrangements for gambling policy making and regulation — a goal that underpins the capacity to achieve the other objectives.

Source: PC 2009a, p. 3.19-3.20.

PC considers the overall goal of gambling policy to be maximising net community benefits...

...but PC doesn't consider existing frameworks and guidelines for best practice regulation...

These policy objectives set some broad goals for mitigating the impact of problem gambling, and providing an environment for gamblers to participate in gambling while achieving 'value for money'. The draft PC report goes on to say that, while some of these objectives may involve trade-offs, the overall goal of gambling policy can still be characterised as *maximising net community benefits*.

A missing component in this framework is consideration of existing frameworks and guidelines for best practice regulation. Guidelines for best practice regulation have been in place for Commonwealth, State and Territory governments — as well as for decisions made by COAG — for a number of years. The premise behind these guidelines is that governments should, in making new or amending existing regulations, conduct appropriate analysis. For instance, the *COAG Principles for Best Practice Regulation*, as set out in Box 3.3 below, require that governments should only regulate where there is a clear problem that needs to be addressed, when a range of regulatory and non-regulatory options have been considered, and when there is sufficient evidence that the proposed change will generate a net benefit for the community (COAG 2007).

Box 3.3

PRINCIPLES OF BEST PRACTICE REGULATION

COAG has agreed that all governments will ensure that regulatory processes in their jurisdiction are consistent with the following principles:

1. establishing a case for action before addressing a problem;
2. a range of feasible policy options must be considered, including self-regulatory, co-regulatory and non-regulatory approaches, and their benefits and costs assessed;
3. adopting the option that generates the greatest net benefit for the community;
4. in accordance with the Competition Principles Agreement, legislation should not restrict competition unless it can be demonstrated that:
 - (a) the benefits of the restrictions to the community as a whole outweigh the costs, and
 - (b) the objectives of the regulation can only be achieved by restricting competition.
5. providing effective guidance to relevant regulators and regulated parties in order to ensure that the policy intent and expected compliance requirements of the regulation are clear;
6. ensuring that regulation remains relevant and effective over time;
7. consulting effectively with affected key stakeholders at all stages of the regulatory cycle; and
8. government action should be effective and proportional to the issue being addressed.

Source: COAG 2007, p. 4

Similar guidelines are in place for the Commonwealth Government (through the Office of Best Practice Regulation), the Victorian Government (through the Victorian Competition and Efficiency Commission), the New South Wales Government (through the Better Regulation Office), and in the Australian Capital Territory, Western Australia and the Northern Territory.

Such analysis includes taking into account costs and benefits to all affected stakeholders. As the OBPR states in its guidelines:

*...with Office for Best Practice
Regulation guidelines requiring
analysis to be evidence-based and
comprehensive...*

An impact analysis should be evidence-based and comprehensive. This means that all groups affected by the problem and its proposed solution must be identified, including those directly affected by the options and those indirectly affected. In addition, the effects on the community as a whole should be addressed (Australian Government 2007, p. 69).

*...such that draft PC report does
not meet expected standards of
regulatory analysis.*

The approach taken in the draft PC report, while focusing on the potential benefits of a reduction in problem gambling, does not meet these standards of regulatory analysis. This is primarily because the report does not apply a sufficiently broad and consistent approach to comparing the full impact of its proposed changes to regulation in the gambling sector. There are three key factors supporting this conclusion:

- a lack of full cost benefit analysis for draft recommendations which involve regulatory change;
- a reliance on risk-based assessment favouring potential benefits and costs avoided (precautionary approach), rather than a consistent assessment of all costs and benefits; and
- a misrepresentation of the commonly accepted role for government in the presence of market failures, such as externalities.

Potential benefits of reducing problem gambling

*PC attempts to estimate the 'size
of the prize'...*

In chapter 3 of the draft report, the PC develops an estimate labelled the 'size of the prize' — what it considers to be the potential gain to society of reducing the extent of problem gambling, and other harms associated with gambling (see Box 3.4).

Box 3.4

DRAFT FINDING 3.1

Even under conservative assumptions, a sustained 10 per cent reduction in the costs associated with problem gambling is estimated to generate benefits to society of around \$450 million a year in 2008-09 prices, and longer-term benefits amounting to several billion dollars. This implies that even harm minimisation measures with modest efficacy may produce worthwhile net benefits so long as they do not also involve excessive costs.

Source: PC 2009a, p. 3.23.

*...generating an estimate of
\$450 million a year...*

This estimate of potential benefits, which is of \$450 million a year (in 2008-09 prices), is by the PC's own admission a 'back-of-the-envelope' calculation, largely based upon estimates developed as part of the 1999 inquiry (PC 1999).

...based upon a reduction of 10 per cent in problem gambling. But no evidence is produced on exactly how this would be achieved.

The estimate of \$450 million was derived by first estimating the gross social costs associated with problem gambling as being around \$4.5 billion a year, and then hypothesising that a sustained 10 per cent reduction in problem gambling would reduce these costs by \$450 million. This cost reduction is considered to be a benefit by the PC. No evidence is provided by the PC on the feasibility of a 10 per cent reduction in problem gambling given existing knowledge on the efficacy of various regulatory options and other interventions. Furthermore, the PC argues that high, but unquantified, costs are incurred by recreational and low risk gamblers. This may be the case, but it ignores the widely accepted fact that ‘recreational gamblers gain clear benefits from gambling’ (PC 2009a, p. 4.8).

PC approach to estimating potential benefits from reducing problem gambling is not useful for policymaking...

This estimate by the PC is akin to the approach often taken in health policy to develop an estimate of the ‘cost of illness’. Cost of illness studies are generally not considered to be particularly useful, in themselves, for informing policymaking (Byford et al 2000). This is because no guidance is provided on how resources and regulatory effort should be allocated to reduce the size of the ‘problem’.

...PC estimates of the potential benefits of reducing problem gambling do not consider gambling mode or venue type, or the costs associated with achieving such a reduction.

It is felt that the PC estimates should also consider venue type, particularly the social costs associated with EGM play in casinos, in comparison to convenience venues such as hotels and clubs.

Most critically, the estimates reported by the PC do not consider the social costs of interventions that may be used to reduce problem gambling. These social costs could include:

- financial costs to government of developing and operating problem gambling programs; and
- regulatory costs, including –
 - reduced consumer surplus received by recreational gamblers if interventions reduces play on EGMs; and
 - costs incurred by gaming suppliers, including EGM modification costs, and reductions in producer surplus associated with reduced consumption.

A more appropriate approach would be to estimate the net benefit of gambling (not just social cost of problem gambling)...

A more appropriate estimate than singularly focussing upon the social costs of problem gambling, would be to report the net benefit of gambling (encompassing benefits to consumers, producers and others), alongside the social costs of problem gambling. This approach was partly taken in the 1999 report (see Table 3.2).¹

¹ The 1999 PC report did not consider producer surplus in analysis of benefits of gambling. However, this is considered to be a valid measure for inclusion in a cost-benefit analysis (Boardman et al 2006).

Table 3.2

MEASURED CONSUMER BENEFITS, SOCIAL COSTS AND NET IMPACTS OF GAMBLING, BY MODE OF GAMBLING, \$ MILLION (1997-98)

	Net consumer benefit	Social costs of gambling	Net benefit ^a
Wagering	629 — 885	267 — 830	(201) — 617
Lotteries	1,232 — 1,498	34 — 106	1,126 — 1,464
Scratchies	219 — 266	24 — 74	145 — 243
Gaming machines	1,617 — 2,491	1,369 — 4,250	(2,634) — 1,122
Casino table gaming	581 — 771	48 — 150	431 — 723
Other	103 — 184	57 — 176	(73) — 127
All gambling	4,365 — 6,076	1,800 — 5,586	(1,221) — 4,277

Note: ^a Figures in brackets represent a loss.

Source: PC 1999, p. 11.7.

...thus providing greater insight to policymakers, including advice on how policy change may impact upon all stakeholders.

Including all the costs and benefits of gambling, to provide an estimate of net social benefit, will provide greater insight to policymakers. This would also provide a framework against which the impact of policy changes upon all stakeholders can be assessed, instead of placing the emphasis solely upon the costs of problem gambling. A danger is that the costs associated with regulatory changes incurred by recreational gamblers and gaming suppliers may be far greater than benefits derived from reducing the costs associated with problem gambling.

3.5 Chapter 4: The prevalence of problems with gambling

Chapter 4 of the draft PC report considers a wide range of data to analyse the extent of problem gambling in the Australian community. In this chapter, six findings are made, but no recommendations are developed. The chapter findings consider:

- whether people not categorised as ‘problem gamblers’ are harmed by gambling;
- the number of people suffering significant gambling problems, particularly regular gamblers;
- the amount of EGM expenditure made by problem gamblers; and
- an apparent decline in the prevalence of problem gambling.

Not only problem gamblers are considered to be harmed by gambling

The PC considers that gambling-related harm is not confined to those who are categorised as being problem gamblers. This finding is significant, as it implies there could be large societal benefits from harm-minimisation measures.

PC considers that gambling-related harm is not confined to those who are categorised as being problem gamblers

Box 3.5

DRAFT FINDING 4.1

There are many people not categorised as ‘problem’ gamblers who, nevertheless, say they are harmed by their gambling.

Source: PC 2009a, p. 4.22

Problem gamblers experience both consumer and psychiatric issues relating to gambling.

Prevalence measures are collected by psychological screens, but different screens yield different results.

Non-problem gamblers also considered by the PC as suffering harm.

Basis of finding and limitations

The PC defines problem gamblers as individuals experiencing both consumer and psychiatric issues relating to gambling. Consumer issues relate to when detriment is experienced due to the nature of the product itself. Psychiatric issues move beyond this to include behaviours consistent with addiction. Gamblers who experience harm are considered to experience emotional, social or monetary costs as a result of gambling (PC 2009a, p. 4.4).

Psychological screening tools are used to measure the actual number of problem gamblers. Up to 1999 the South Oaks Gambling Screen (SOGS) was used in Australia, however all recent studies have used the Canadian Problem Gambling Index (CPGI).

A problem gambler is identified by the SOGS when a score of SOGS 5+ is achieved. In contrast, the CGPI requires a score of 8+ to be identified as a problem gambler. When applied to the same populations, the SOGS has identified greater numbers of problem gamblers. This situation highlights that the term 'problem gambler' is somewhat arbitrary and may be more usefully conceived as a spectrum rather than a threshold.

Following the compilation of data from various studies, the PC finds that gamblers exhibiting no or moderate risk of problem gambling in fact experience harm. This finding is drawn from survey questions relating to jobs, health, psychological and psycho-social harms (see Table 3.3).

Table 3.3

VARIABILITY BETWEEN STUDIES: SHARE OF AFFECTED PEOPLE WHO ARE CPGI 0-7

	Queensland (2006-07)	New South Wales (2006)	South Australia (2005)	Tasmania (2007)	Variability (percentage points)
Sometimes to always thought had a gambling problem	62.0	46.8	60.5	51.5	15.2
Affected health	66.7	42.7	53.9	26.8	39.9
Often/always bet more than can afford	50.0	18.1	39.2	11.7	38.3
Sometimes to always caused financial problems for the household	49.4	23.2	23.1	20.5	28.9
Often/always felt guilty about gambling	36.9	19.4	37.4	27.8	18.0
Often/always criticised about gambling	25.6	22.5	37.3	13.1	24.2

Source: PC 2009a, pp. 4.20-4.22

There are three key issues identified by the PC that reduces the validity of the most popular screening instruments – the South Oaks Gambling Screen (SOGS) and the Canadian Problem Gambling Index (CPGI).

First, there is no gold standard against which population screens can be tested to measure their validity. The complex and at times nebulous nature of problem gambling effectively means that an appropriate suite of clinical and psychological tests has not yet been developed to definitively identify a problem gambler.

The PC acknowledges that there are numerous issues associated with the measurement of gambling-related harm and the prevalence of problem gambling.

Second, there are limited data that could thoroughly test whether a set of apparent environmental or behavioural risk factors are associated with future harm – a point recognised by the PC:

Ideally, a longitudinal study would be undertaken that would identify those factors with the best capacity for predicting future harm. As it stands, the current assessment of risk factors rests on the judgment of experts (which is useful, but incomplete). It also rests on the reasonable, if largely untested, view that people displaying weak symptoms of harm (for instance, sometimes feeling guilty) are at risk of higher future harms (PC 2009a, p. 4.5).

Third, the nature and extent of gambling-related harms are hard to measure, aggregate and compare. There are many forms of harm, some of which are hard to measure and confirm because of their subjective nature and they cannot be readily aggregated across different questions or across individual respondents (PC 2009a, p. 4.8).

In addition to the subjectiveness of the concept of harms, it is also difficult to capture the frequency of different behaviours or experiences ranging from never, rarely, sometimes, often to always. This too is subjective, as the level of harm experienced by persons given an identical response could in fact be quite different (PC 2009a, p. 4.8).

The PC acknowledges that modifications to the CPGI in Australia raise a number of concerns.

To compound these measurement issues, Australian researchers have modified the CPGI methodology, raising concerns that this may affect estimated prevalence rates (see Table 3.4). While these changes are subtle, it undermines the rigorous process of development, testing, and validation of the CPGI which occurred over a three year period (Ferris & Wynne 2001). The originator of the CPGI does not support these modifications given that it changes the psychometric properties of the test (PC 2009a, 4.15).

Table 3.4

AUSTRALIAN MODIFICATIONS TO THE CPGI

Score	Original CPGI measure of frequency	Modified Australian CPGI measure of frequency
0	Never	Never
1	Sometimes	Rarely Sometimes
2	Most of the time	Often
3	Almost always	Always

Source: PC 2009a, p. 4.15.

The PC's analysis of the validity of the modified CPGI finds that errors are not likely to be significant.

These untested modifications potentially undermine the reliability of the data from three out of the four main prevalence studies upon which the PC has based its findings.

The PC devotes Appendix D to address with this issue. The findings of this analysis, which included Monte Carlo analysis, are that the modified CPGI is likely to:

- underestimate the number of problem gamblers but this effect is not likely to be more than a few per cent;
- overestimate the numbers of moderate risk gamblers to a more significant degree — around 5 per cent;
- have ambiguous effects on the numbers of low risk gamblers; and
- underestimate the number of no risk adults, but by a negligible degree.

The PC's treatment of this issue provides some comfort that the modifications to the CPGI should not result in significant estimation errors.

The magnitude of the divergence in estimates from the modified CPGI and un-modified CPGI calls into the question whether the modified CPGI is accurate.

The fact that the Tasmanian prevalence survey has applied the CPGI in its unmodified form provides an additional opportunity to test the accuracy of the modified CPGI. There are likely to be environmental and population differences between Tasmania and other states so any indicators will not be strictly comparable. That being said, a comparison of measurements across a range of variables reveals that there are significant differences between Tasmania and the states which used the modified CPGI (Queensland, South Australia and New South Wales). These differences can be observed in Table 3.3 and Table 3.5:

- in Table 3.3, the estimates for Tasmania are at or near the bottom end of the range, in some cases significantly lower than estimates in the other three states; and
- in Table 3.5, the estimates for Tasmania are at or near the top end of the range, and again in some cases, the divergence from the other three states is significant.

The direction of these differences between Tasmania and the other three states are consistent with the PC's findings in Appendix D. However, the magnitude of the divergence calls into the question whether the modified CPGI is as accurate as the PC suggests.

Table 3.5

VARIABILITY BETWEEN STUDIES: PROBLEM GAMBLERS

	Queensland (2006-07)	New South Wales (2006)	South Australia (2005)	Tasmania (2007)	Variability (percentage points)
Sometimes to always thought had a gambling problem	88.0	83.1	83.7	100.0	16.9
Affected health	70.9	81.0	83.6	88.3	17.4
Often/always bet more than can afford	34.6	57.7	53.9	77.9	43.3
Sometimes to always caused financial problems for the household	54.7	57.0	65.2	86.2	31.5
Often/always felt guilty about gambling	66.6	66.3	71.9	57.9	14
Often/always criticised about gambling	28.5	44.3	30.2	34.1	15.8

Source: PC 2009a, pp. 4.20-4.22

Other issues also make it difficult to compare and aggregate estimates from different states. Indicators for Queensland are from a large-scale prevalence survey relating to all gamblers, the New South Wales and Tasmanian figures relate to weekly gamblers and the South Australian figures relate to at least fortnightly gamblers.

Application of finding to casino industry

There is no analysis of extent of harm associated with casino-based EGMs.

The analysis reported by the PC suggests that many non-problem gamblers also experience harm from gambling. This finding would be of concern to casinos and other EGM venues as it suggests that many more people are harmed by gambling than solely problem gamblers. However, this raises the need to also identify whether the same levels of harm are experienced by recreational gamblers in a casino environment, compared to recreational gamblers attending convenience venues such as hotels and clubs.

The prevalence of problem gambling

The PC's estimation of the prevalence of problem gambling is based on recent state-based prevalence studies that use the CPGI instrument (see Box 3.6).

Box 3.6

DRAFT FINDING 4.2

There are estimated to be between 90,000 and 170,000 Australian adults suffering significant problems from their gambling in a year (0.5 to 1.0 per cent of adults), and between 230,000 and 350,000 people with moderate risks that may make them vulnerable to problem gambling (1.4 to 2.1 per cent of adults).

Source: PC 2009a, p. 4.25.

Basis of finding and limitations

The PC's estimate of prevalence was obtained from sample surveys using the CPGI...

The PC's estimate of prevalence was obtained from sample surveys using the CPGI. This represents a shift towards the more contemporary instrument, away from the SOGS. Those with a CPGI score of 8 or more are considered to be problem gamblers. This segment encompasses 90,000 to 170,000 Australian adults suffering significant problems from their gambling in a year (0.5 to 1.0 per cent of adults). Those adults that scored CPGI 3–7 were categorised as gamblers at moderate risk. This segment encompasses a further 230,000 to 350,000 Australian adults (1.4 to 2.1 per cent of adults).

Although the PC's estimates are strengthened by relying on a diverse range data sources, there are a number of issues to note:

...but the source data used different survey methods...

- these estimates were gained using differing survey methodologies and sampling parameters (see previous section) which may detract from the comparability and validity of the aggregate figures; and
- the PC report states that results are obtained from sample surveys that have a substantial degree of statistical imprecision and thus there is a high probability of inaccuracy in estimates.

...and have a substantial degree of statistical imprecision.

Application of finding to casino industry

Research examining casino-based EGM play, suggests there is a lower level of problem gambling in casinos than other EGM venues.

A paper by Thomas (2009), addressing EGM problem gambling, measured the frequency of gambling on EGMs for city-based casinos relative to other non-casino EGM venues (clubs and hotels). Analysis of survey data indicated that a larger share of EGM players attended non-casino EGM venues more than weekly (18.9 percent of the total sample size), compared to attendance at casinos (2 per cent of the total sample size). This analysis also suggests that a larger proportion of problem gambling takes place at non-casino venues. Further evidence using a five-point scale over range of activities also finds that problem gamblers play more frequently on EGMs at non-casino EGM venues than at casinos.

Problem gambling among players of EGMs

The PC found that problem gambling is more concentrated among EGM players...

The PC found that problem gambling is more concentrated among those who use EGMs. This finding leads to a strong emphasis on EGM-related policy throughout the draft report (see Box 3.7).

Box 3.7

DRAFT FINDINGS 4.3 AND 4.4**Draft finding 4.3**

About 15 per cent of adults gamble regularly (excluding Lotto and 'scratchies'). While imprecise, it is estimated that around one in ten of this group would be classified as problem gamblers, with approximately an additional 15 per cent experiencing moderate risks.

Draft finding 4.4

Around 5 per cent of adults play gaming machines weekly or more often. Around 15 per cent of this group would be classified as problem gamblers with around an additional 15 per cent experiencing moderate risks. Altogether, around one third of regular gaming machine players face significant risks.

Source: PC 2009a, p. 4.30-4.31.

Basis of finding and limitations

The estimates underpinning draft findings 4.3 and 4.4 are synthesised in tables 4.10 and 4.11 of the draft report. There are a number of potential statistical inconsistencies associated with the source data and their analysis.

Definitions of problem gambling differed between jurisdictions...

Table 4.10 in the draft PC report identifies the prevalence of problem gambling. However, the definition of problem gambling differed between jurisdictions, with many studies dated. Victorian data is the most current, collected in 2008, with data for Western Australia and Tasmania from 1999.

...data is also dated...

Table 4.11 reports the estimated prevalence of problem gambling among regular gamblers. This analysis has the same deficiencies as table 4.10 in terms of the dated nature of the data. The definition of regular gamblers varies among the various prevalence surveys, however information is not provided indicating the differences between specific state surveys.

...the various surveys considered by the PC applied differing measurement techniques...

The PC notes that EGMs do not necessarily cause problem gambling, and that problems experienced by EGM players may be attributed to problem gambling in other areas. However, it is argued that strands of evidence suggest that EGMs are the likely source of most gambling problems in Australia. Various examples are provided yet the differing measurement techniques applied in different surveys are not explored in detail. These differing methods could lead to inaccuracy in results, comparisons and aggregate figures.

...evidence is not 'clear cut' linking problem gamblers exclusively with EGMs.

Although the PC argues that 'the greater the extent of the problem, the more likely it is related to EGMs,' this does not translate to all gambling problems being attributed to EGMs. Even if EGM play constitutes a large proportion of problem gambling, conclusions linking problem gamblers exclusively with EGMs may be biased and incorrect.

Application of finding to casino industry

Draft findings 4.3 and 4.4 suggest there are risks faced by EGM players, highlighting that this as an area of concern for gaming venues. Once again, no distinction is made between casino and non-casino EGM venues.

EGM expenditure by problem gamblers

The PC estimates that problem gamblers account for an estimated 40 per cent of total EGM expenditure...

Analysis by the PC estimates that problem gamblers account for an estimated 40 per cent of total EGM expenditure (see Box 3.8).

Box 3.8

DRAFT FINDING 4.5

It is estimated that problem gamblers account for around 40 per cent of total gaming machine spending (the midpoint of a range of estimates as high as 60 per cent and conservatively at least 20 per cent). Moderate risk gamblers account for a further significant share.

Source: Source: PC 2009a, p. 4.37

...but data used by the PC appears to be incomplete, with trends not comparable...

Basis of finding and limitations

This finding is based on analysis of several prevalence surveys tabulated in Appendix B of the draft report. However, the data appears to be incomplete and trends have been established by equating levels of spending gathered from different states over different time periods.

...with no analysis identifying whether this finding is applicable to casinos...

Furthermore, no analysis is undertaken identifying whether this find is applicable to casinos, with the type and specific nature of gaming venues likely to affect patron expenditure. For example, evidence from New Zealand suggests that casinos have a lower rate of irresponsible gambling than convenience venues. This is supported by Thomas (2009), who argues that problem gamblers are more likely to regularly attend non-casino EGM venues than attend casinos.

Many of the figures presented are also dated, drawing upon findings from the 1999 PC inquiry into gambling.

...the limited data analysed by the PC is supplemented with data from a single New South Wales club.

Evidence cited in Appendix B from analysis of data from a single club is used to support the above PC finding. This analysis found that 20 per cent of players account for 80 per cent of income received. However as noted by the PC, there is no explanation of how much of the twenty percent is accounted for by problem gamblers.

Application of finding to casino industry

Finding 4.4 illustrates the percentage of EGM revenue received by all EGM venues that can be attributed to problem gamblers. An indication is also given as to the expenditures of moderate risk gamblers on EGMs. However, no analysis is undertaken to identify the percentage of casino-based EGM revenue attributable to problem gamblers.

Trends in problem gambling

Problem gambling prevalence has declined...but the reasons are not known...

Draft finding 4.5 highlights that the prevalence rates of problem gambling appear to have declined, but the reasons for this fall are not known.

Box 3.9

DRAFT FINDING 4.6

While far from certain, problem gambling prevalence rates appear to have fallen. It is unclear how much this reflects natural adaptation or the impact of government policy, though both are likely to have contributed. Adult population prevalence can be misleading about the extent of problem gambling– the key concern is the proportion of regular gamblers who have problems.

Source: PC 2009a, p. 4.45.

Basis of finding and limitations

...prevalence measured applied in surveys have changed...

The PC postulates that over time problem gambling prevalence rates have fallen. However, this finding requires careful consideration as prevalence measures have also changed over time. For example, earlier studies used the SOGS screen and more recent studies use the CPGI screen. This makes period comparisons and trend evaluation difficult. Sample surveys are also known to have a degree of inaccuracy, with jurisdictions using different sampling methods that could generate systematic biases.

...with government and EGM venue policies also potentially playing a role...

A range of policies have been introduced by governments and EGM venues aimed at reducing the prevalence of problem gambling. However, the available analysis is unable to demonstrate policy effects.

Application of finding to casino industry

...this decline could be a sign that current policy is working.

The declining prevalence rates of problem gambling can be seen as an indication that government policy and industry have had some effect. However, little mention is made by the PC of initiatives taken by the gaming industry to reduce the prevalence of problem gambling.

3.6 Chapter 11: Game features and machine design

Chapter 11 of the draft PC report focuses upon the design elements and features of EGMs that may contribute to the rate of problem gambling.

The PC has chosen to focus on EGMs given its thesis that the majority of people who experience problems with gambling are EGM players.

The findings and recommendations of the PC in this chapter span four areas:

- the intensity of play and the role for bet limits (Draft Finding and Recommendation 11.1);
- the rate that cash can be fed into machines and the role for cash input limits (Draft Finding and Recommendation 11.2); and
- information for consumers on the cost of play (draft recommendation 11.3).

These findings and recommendations are examined in detail below.

The intensity of play and the role for bet limits

The PC argues that, in theory, EGMs can be played very intensively...

The PC is emphatic that EGMs have the potential for high intensity play, at a very high cost per hour. The PC also considers that these machine characteristics may not be well understood by players, and that problem gamblers generally play more intensively and for longer. On this basis, the PC is particularly interested in problem gambling measures that reduce the intensity of play. This is reflected in Draft Finding and Recommendations 11.1 (see Box 3.10).

Box 3.10

DRAFT FINDING AND RECOMMENDATION 11.1

Draft finding 11.1

Current bet limits imposed by all jurisdictions are set too high to be effective in constraining the spending of problem gamblers, given the speed and intensity of play that a modern gaming machine allows. The maximum bet needs to be low enough to constrain the spend rate of problem gamblers, but not so low as to adversely affect recreational gamblers (who typically bet at quite low levels).

Draft recommendation 11.1

In all jurisdictions, the maximum bet limit on gaming machines, other than those in high roller or VIP rooms at casinos, should be set at one dollar.

Source: PC 2009a, pp. 11.15 and 11.18

Basis of findings and associated limitations

...with problem gamblers considered to play EGMs intensively...

The PC's central thesis is that problem gamblers will bet on more lines and more credits per line than recreational players. Even though the evidence of more intensive play by problem gamblers is not always very pronounced, on the whole, the PC concurs with one researcher that '... the balance of evidence suggests that problem gamblers do tend to gamble more intensively as well as for longer periods than other players' (Delfabbro 2008, pp. 104–105). The PC also cites qualitative anecdotal evidence to support its view.

Although there is some evidence to suggest that the intensity of play is a key difference between problem gamblers and recreational gamblers the extent of this difference may be overstated for a number of reasons.

...but the evidence for this is inconclusive.

The first issue with this argument is that at times it overstates the link between the intensity of play and harm. While some studies suggest that there is some correlation between the two, there are a number of studies that have been inconclusive. Table 3.6 summarises the findings of the studies used by the PC.

Table 3.6

DIFFERENCES IN PLAYING CHARACTERISTICS BETWEEN RECREATIONAL AND PROBLEM GAMBLERS

Study	Indicator	Non-problem gamblers	Problem and at-risk gamblers	Ratio
Credits per line				
Productivity Commission (1999)	Multiple credits per line	36 per cent	70 per cent	2:1
South Australia's Department of Human Services (2001)	Always bet more than one credit per line	16 per cent	27 per cent	1.7:1
South Australia's Department of Families and Communities (2007)	More than one credit per line	34 per cent	47 per cent	1.4:1
Number of lines				
Productivity Commission (1999)	Average number of lines	6	9	1.5:1
South Australia's Department of Human Services (2001)	More than one line per spin	69 per cent	80 per cent	1.2:1
South Australia's Department of Families and Communities (2007)	Number of lines played	n/a	n/a	No significant difference
Total bets per line				
Queensland prevalence survey	Percentage that spends \$1 or more per button push	12 per cent	50 per cent	4.2:1
Duration of play				
Svetieva et al (2006)	Time spent playing per week	192 minutes	280 minutes	1.5:1
Svetieva et al (2006)	Days played per week	1.79 days	2.28 days	1.3:1
Queensland prevalence survey	Percentage with session length 2 hours or more	11 per cent	78 per cent	7.1:1

Source: PC 2009a, p. 11.9

There is significant variability in the correlation between the intensity of play for problem gamblers relative to non-problem gamblers...

...such that it would be prudent not to overstate the premise that problem gamblers play EGMs intensively.

Table 3.6 indicates that there is significant variability in the correlation between the intensity of play for problem gamblers relative to non-problem gamblers. As expected, the playing characteristics of problem gamblers exceed that of non-problem gamblers, but this ranges from a factor of 1.2 to a factor of 7.1. Only the Queensland prevalence survey identified significantly more intensive play by problem gamblers.

In light of this, it would be prudent not to overstate the premise that problem gamblers play EGMs intensively, with Delfabbro (2008) equivocal in this regard. Some studies such as Svetieva et al (2006) have arrived at the opposite conclusion to the PC, that is, the main difference between problem and non-problem players was the duration of sessions rather than the intensity of play (PC 2009a, p. 11.10).

Blaszczynski et al (2001), a pivotal study in informing the PCs findings, admits that there are 'many gaps in our knowledge surrounding factors that contribute to the development of problem gambling at the individual, structural and social levels' and 'significant areas of deficit in our basic understanding of the patterns and characteristics of play by problem and recreational gamblers...'

The intensity of gambling for problem gamblers needs to be assessed with more robust data in different contexts. Larger studies may find that:

The intensity of gambling for problem gamblers needs to be assessed with more robust data in different contexts...

...with the policy implications tempered by a probabilistic view of the different factors that result in gambling-related harm.

- amongst some groups, problem gambling may be more strongly reflected in the time of play rather than intensity of play; and
- amongst some groups, highly intensive play is preferred but this does not lead to harm.

The absence of strong evidence suggests that the relationship between intensity and harm are complex and until better studies are available, the policy implications need to be considered probabilistically (Box 3.11).

Box 3.11

LENGTH OF PLAY, INTENSITY AND HARM

Although it is not stated outright, an implicit assumption in the PC’s analysis is that intensity of play and harm are correlated. This leads to the PC’s emphasis on reducing the average/maximum cost of play.

When considered in conjunction with the third variable of length of play the relationship between intensity of play and harm are more likely to be only moderately correlated.

Table 3.7 depicts the expected likelihood of harm when assessed against the intensity and length of play. It illustrates that a high intensity of play is but one factor that increases the likelihood of problem gambling.

Source: Allen Consulting Group

Table 3.7

LENGTH OF PLAY, INTENSITY AND LIKELIHOOD OF HARM

		Intensity of play		
		Low	Medium	High
Length of play	Short	Low	Low/Moderate	Moderate
	Medium	Low/Moderate	Moderate	Moderate/High
	Long	Moderate	Moderate/High	High

Source: Allen Consulting Group

It is possible to play EGMs very intensively, leading to significant losses in a short period of play...

...but the actual frequency of the maximum rate of loss is unknown.

The PC shows that in theory, the intensity of play could be as high as \$600 to \$1,200 per hour, depending on the policy parameters in different states (Table 11.1, p.11.5).

However, it is unclear whether the figures presented in Tables 11.1 and 11.2 reflect the reality of losses by problem gamblers, or gamblers in general. For instance, these examples are inconsistent with an example used by the PC later in chapter 11 where it suggests that average expenditure is between \$32 and \$60 per hour. In this different context the PC argues that a \$20 cash input limit would have a limited impact.

In addition, it is unclear whether the theoretical maximum rate of losses (as in Table 11.2) is a good summary indicator of the potential intensity of play. The intensity of play is a factor of the spin speed, the number of lines, the number of credits per line and the frequency of button push. Collapsing these various elements into a single measure of maximum rate of loss masks the reality of the potentially variable impact of these different elements.

Lower bet limits will have small costs for the general gambling population and significant benefits for problem gamblers...

The PC concludes that there would be 'little harm' to most players from a significant reduction in the maximum bet limit, and 'a considerable reduction in harm' for problem gamblers (PC 2009a, p. 11.11). Furthermore, the PC argues that '...if few players bet above \$1 per button push and they were more likely to be problem gamblers, it becomes difficult to justify a bet limit much above that level, in view of the harm that problem gambling generates' (PC 2009a, p. 11.11)

The PC arrives at this conclusion based mainly on the findings of Blaszczynski et al (2001), which studied EGM players in non-casino venues. This study found that:

- relatively few participants bet above \$1 per spin, so only a small percentage of players would be affected by this limit; and
- those who did bet more than \$1 per spin 'were relatively more likely to be problem gamblers', as it found that 2.3 per cent of non-problem gamblers and 7.5 per cent of problem gamblers typically bet more than \$1 per game.

...but there is a very narrow evidence base for this finding.

Qualitative findings of Blaszczynski support this view, It is important to note that while Blaszczynski et al (2001) provides useful directions for the development of policy, is far from conclusive (Box 3.12).

Box 3.12

RELIABILITY OF BLASZCZYNSKI ET AL (2001) FOR POLICY-MAKING

Although the Blaszczynski et al study is well regarded, having been independently vetted by Tse et al, the authors themselves concede that the study only provides 'preliminary evidence', is 'the first study of its nature', and has a number of self-identified limitations:

- the narrow sampling of venues was based on convenience and 'should not be taken to be representative of all clubs or hotels in metropolitan or rural areas in New South Wales'. No casinos were included in this study;
- participants were self-selected and there is likely to be a differential effect between recreational and problem gamblers in agreeing to participate in the study;
- the study was not conducted in a real natural environment and participants could have moderated their behaviour while being observed; and
- the study was confined to single type of one-cent machines.

The researchers go further and say, 'these factors warrant caution in extrapolating these results to all gamblers across New South Wales or indeed other states or countries'.

Source: Blaszczynski et al 2001, p. 63.

The PC draws on two studies from Queensland and New South Wales to support the findings of Blaszczyński et al 2001. While the Queensland study does show that problem gamblers are more likely to spend \$1 or more per button push this study also shows that many non-problem gamblers (between 12 and 31 per cent) spend \$1 or more per button push (PC 2009a, p. 11.12). The PC also supports its argument using analysis of EGM play data for loyalty members at an unidentified New South Wales club. However, no evidence is presented by the PC to indicate the representativeness of this club, such that it is inappropriate for the findings of this analysis to be applied across all EGM venues, particularly casinos.

The fact that few players bet above a particular threshold does not mean that this feature would not be missed.

The proportion of players who bet over \$1 is only one way to measure the costs of a reduction in the bet limit and it is worth considering other potential impacts on non-problem gamblers. Firstly, non-problem gamblers may enjoy varying their bet sizes on occasion — a lower bet limit denies them this variability. Secondly, the level of enjoyment derived by non-problem-gamblers may be influenced by the knowledge that they have the ability to place high individual bets, even though they choose to bet well below the maximum.

The single original study that recommends a maximum bet limit of \$1 is equivocal.

The policy recommendation to reduce bet limits to \$1 relies primarily on the findings of a paper by Blaszczyński et al (2001). As discussed above, the findings of this study not considered sufficient for policy development (Box 3.12). The original recommendations by Blaszczyński et al were enthusiastic but equivocal:

This study provides preliminary evidence to support the effectiveness of reducing the maximum bet size from \$10 to \$1 on electronic gaming machines for at least a small proportion of players (Blaszczyński et al 2001, p. 11).

The PC also draws support for this policy from a submission by McMillen (2009). Upon closer examination, the submission by McMillen cites ‘large maximum bets’ as just one of several risk factors that warrant greater regulation. The PC highlights McMillen’s support for maximum bet limits but does not arrive at the same conclusion in the other three policy areas of spin speeds, note acceptors and jackpot prizes.

Even though that research is inconsistent and inconclusive, it has provided important information on EGM gambler behaviour and their interaction with the machines. Combined national and international evidence indicates that the speed of play (i.e. reel spin), large maximum bets, note-acceptors and large jackpot prizes are potential risk factors for problem gambling – and therefore they should be more restricted and regulated (McMillen sub. 223, p 25).

The potential benefits of a lower bet limit may be offset by an increase in gambling time leading to a negligible or negative net benefit.

As discussed in Box 3.11, the recommendation for a \$1 bet limit may be ignoring the other side of the EGM dynamic, that is, the time spent gambling. Lower bet limits may only lead to more prolonged periods of play and thereby result in no net reduction, or even a net increase, in gambling related harm (Table 3.8).

Table 3.8

LENGTH OF PLAY, INTENSITY AND LIKELIHOOD OF HARM

		Intensity of play		
		Low	Medium	High
Length of play	Short	Low	Low/Moderate	Moderate
	Medium	Low/Moderate	Moderate	Moderate/High
	Long	Moderate	Moderate/High	High
	Very long	High		

BET LIMITS

Source: Allen Consulting Group

As the PC points out, the key supporters of this policy measure have since tempered their original enthusiasm, saying that the available evidence suggests that a reduction in the bet limit to \$1:

...would reduce the rate of expenditure for players and that these reductions would be greater for problem gamblers than non-problem gamblers.

but:

Whether or not such a change is likely to translate into a decrease in overall expenditure for problem gamblers is not known (Blaszczynski et al 2004, cited in PC 2009a, p. 11.17).

Application of finding to the casino industry

First, all of the studies cited by the PC have been based in non-casino settings and it is unclear that these betting behaviours can be extrapolated to the casino sector.

PC doesn't accurately report bet limits in overseas casinos.

Second, the PC indicates that bet limits already apply in the United Kingdom and New Zealand (pp. 11.11-11.12). However, it does not mention that these other jurisdictions have acknowledged differences between casinos and other venues. In the United Kingdom, different bet limits apply to EGMs in casinos in regions (akin to Australia's destination gaming casinos). Furthermore, there no regulated EGM bet limits in New Zealand casinos. Similarly, the Canadian casinos are subject to different bet limits compared to EGMs in other convenience venues.

The role for cash input limits

The PC discusses a range of potential policy options to reduce harm by restricting the way that money is inserted into EGMs. Draft finding and recommendation 11.2 support reducing the cash input limit (see Box 3.13). The PC also recommends that if this policy recommendation is not accepted, then alternatives such as banning note acceptors or capping the allowed denominations should be implemented.

Box 3.13

DRAFT FINDING AND RECOMMENDATION 11.2**Draft finding 11.2**

The limits on the maximum amount of cash that can be inserted into gaming machines are set too high. A lower cash input limit would not hinder the preferred betting style of most players, but would act as a brake on high intensity play by preventing players from loading up gaming machines with multiple high denomination notes.

Draft recommendation 11.2

In all jurisdictions, the maximum amount of cash that can be inserted into a gaming machine should be \$20, with no further cash able to be inserted until the maximum credit on the machine falls below \$20.

- This restriction should not apply to gaming machines in high roller or VIP rooms at casinos.

Source: PC 2009a, p. 11.24-11.25.

The need to insert cash is a short break in play and therefore an opportunity to stop gambling...

...but the evidence base for this finding is very weak.

Basis of finding and limitations

The PC is of the view that a low cash input level forces problem gamblers to re-insert cash, which ‘acts as a succession of short breaks in play’ and requires them to ‘often reconsider whether to continue gambling’ (PC 2009a, p. 11.25).

The PC relies on two documents that do not demonstrate a particularly high level of rigour:

- In a submission to IPART in New South Wales, the Liquor Administration Board (LAB) recommended a reduction in the cash input limit, from \$10,000 to \$200, one of a number of recommendations that the LAB said was ‘acceptable to industry’. IPART was unwilling to make a recommendation on this matter off the back of the LAB recommendations, in view of the lack of evidence (no evidence) and stakeholder views on the matter (no substantive comments) (IPART 2004).
- A study by Brodie et al (2003) looking at changes in EGM revenue before and after the introduction of restrictions on note acceptors in Queensland makes an oblique reference to the efficacy of cash input limits as it tries to explain fluctuations in EGM revenue data:

One possibility for the initial decrease in metered win could be that the original policy measure (allowing only one \$20 note to be inserted when the total credits amount to less than \$20) was detrimental to metered win. Therefore after the policy was adjusted (to allow for the inserting of up to five \$20 notes at any one time) revenue returned to trending values.

The other possibility is that the short term ‘shock’ and subsequent return to trend would have occurred without the policy adjustment. This would again open up arguments for the reintroduction of the original limit (allowing only one \$20 note to be inserted when the total credits amount to less than \$20) if it encourages harm minimising behaviours amongst people with a gambling problem (Brodie et al 2003, pp. 17-18).

This finding does not appear to be an endorsement of the cash input limit policy proposal.

Ultimately, the draft finding that cash input limits should be lowered is largely based on the PC’s own views rather than any compelling evidence base:

In the Commission's view, the cash input limit should be set at a level that does not hinder continual play for most players at their preferred betting style, but at the same time acts as a brake on high intensity play by preventing players from loading up EGMs with multiple high denomination notes.

and:

While the evidence on this matter is not clear, and there can be no precise way to pick an appropriate figure, the Commission judges that a cash input level of \$20 would not have adverse implications for most players who do not have problems with their gambling (PC 2009a, p.11.24).

At first glance, it appears reasonable to assume that the need to periodically re-insert with cash input limits will have the same effect as a break in play and thereby allow gamblers the opportunity to reconsider whether to continue gambling. However, on further examination, this is a weak assumption for two key reasons:

Lower cash input limits do not result in a sustained break in play.

First, the break in play will be too short to have the same impact as a true break in play (enforced for example by a pre-commitment regime or other regulatory measure). The PC itself articulates elsewhere in its report that breaks in play are only effective 'at a time of day, and be of a duration, that provides higher risk gamblers with a sustained break in play' (PC 2009a, p. 10.22). It is difficult to see how the time it takes to feed a \$20 note can have any effect.

Lower cash input limits may have the opposite effect.

Second, this recommendation does not take into account the psychological and/or decision-making theory that underpins the mental state of problem gamblers. In particular, such a proposal begs the question "Are problem gamblers more likely to exert self-control if they insert \$100 up front or \$20 every 20 to 30 minutes?" If anything, the reverse could also be true — feeding notes often may make a problem gambler desensitised to the action of feeding notes and may be more inclined to continue feeding notes even once they have surpassed their limit.

This is more in line with the theoretical underpinnings of pre-commitment (which is in turn built on the broader behavioural science and economic literature) where the gambler makes the choice up-front when their self-control is strongest.

The PC provides strong de facto support for disallowing note acceptors.

In its concluding paragraph, the PC makes a further de facto recommendation to disallow note acceptors, impose limits on the denominations accepted and banning of note splitters:

Were governments not to implement this recommendation, there would be strong grounds for not allowing note acceptors on gaming machines where these are not already present and for not increasing the denominations of existing note acceptors. In addition, 'note splitters' should not be permitted where the denomination of the note acceptor is \$20 or less, as they are likely to undermine any harm minimisation benefits of low denomination note acceptors. However, they may have a useful role in jurisdictions where high denomination note acceptors are used (PC 2009a, p.11.26).

This is contrary to the evidence in the literature.

The evidence underpinning for the PC's support for these various measures is unclear. In appraising the studies available, the PC concluded that:

In sum, evidence on the efficacy of prohibiting note acceptors or limiting their use to low denomination notes is not wholly clear, although the measure does appear to have good face validity as a harm minimisation measure, and was supported by problem gamblers (PC 2009a, p. 11.22).

In supporting these measures, the PC appears to be adopting the findings of the study by the Blaszczyński et al (2001) rather selectively. After establishing the credibility of this study to build the case for bet limits earlier on in the chapter, the PC does not give weight to the recommendations of that same study on note acceptors.

Evidence on effectiveness of note acceptor changes for harm minimisation is not strong.

The study found that although the reconfiguration of note acceptors resulted in a significant reduction in EGM revenue (42 per cent), this reduction was not associated with problem gambling status, severity of problem gambling, amount of money lost or persistence of play (Blaszczyński et al, p. 9). Ultimately the authors were unequivocal in their conclusions and recommendations:

There was little evidence that the proposed modification to bill acceptors would impact either positively or negatively on the levels of enjoyment or satisfaction of patrons in either hotels or clubs.

Anecdotal data obtained from pathological gamblers participating in the focus groups suggested that this proposed modification would be unlikely to lead to an alteration in patterns of play.

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 minimizing harm associated with electronic gaming machines but would lead to an overall reduction in revenue to the gaming venues (Blaszczyński et al 2001, p. 9)

The reconfiguration of machines to accept denomination notes of \$20 or less was not found to be an effective harm minimisation strategy (Blaszczyński et al 2001, p.11).

IPART was also not convinced of the case to ban note acceptors as an option to minimise gambling-related harm.

The PC also cites a study in Queensland which provided qualitative evidence of the effectiveness of note acceptors but ultimately found no long-term impact in EGM data.

Misconceptions and the role of information on cost of play

In response to concerns that many EGM players are not aware of the cost of play, the PC developed a recommendation aimed at addressing this issue (see Box 3.14).

Box 3.14

DRAFT RECOMMENDATION 11.3

Governments should ensure that gaming machine players are informed about the cost of playing, through disclosure of the 'expected' hourly expenditure and the percentage cost of play.

- Expected hourly expenditure should be shown as a range, from the minimum based on a low intensity rate of play to the maximum permitted within the machine's parameters.
- The percentage cost should be calculated as 100 minus the return to player percentage.

Source: PC 2009a, p. 11.46-11.48.

Gamblers have misconceptions and erroneous beliefs about how EGMs work.

Basis of finding and limitations

The PC draws on a range of studies and makes the convincing case that the lack of understanding about how EGMs work underpins some of the erroneous beliefs held by some gamblers. This in turn can lead to problem gambling.

The PC argues that the fact that such misconceptions are common amongst all gamblers suggests that there could be widespread benefits for all consumers from a better understanding of the risks and costs involved in playing EGMs. The rationale for greater government intervention is two-fold:

- from a problem gambling perspective, this is a harm minimisation measure; and
- from a consumer protection perspective, such information is important to ensure that consumers can make an informed choice.

There are warnings and player information displays already in place.

The PC acknowledges that the industry, government regulators and non-government organisations all provide a variety of information sources to counteract the prevailing misconceptions. The PC does not assess the overall adequacy of the information currently available but notes that it is unambiguous, easy to understand and uses creative approaches to improve salience of the information (PC 2009a, pp. 11.41-11.42).

There is no assessment of the adequacy of current information displays but the PC endorses additional displays of the hourly costs of play.

Notwithstanding the information that is already available, the PC identifies three key concerns:

- gamblers may not have the capacity to absorb and understand information about probabilities, odds and payout structures;
- this understanding can be overridden by irrational beliefs when gambling; and
- the occasional experience of winning reinforces erroneous beliefs.

It is proposed that information at the point of consumption on the expected costs of play will address these issues. In particular, the PC favours displaying the average cost of play per hour, spanning the range of possible losses according to different rates of play.

...dollar cost per hour conveys a more useful message than a percentage 'return to player'.

...it remains the fact that an EGM does cost players a certain amount on average to play, and this information should be conveyed to players in a more readily understandable form than a 'return to player' percentage (PC 2009a, p. 11.44)

The PC's findings and recommendations in this regard should be considered in light of its related recommendation in chapter 6 of the draft report.

There is no evidence to support the PC's recommendations, and the recommendations are not subject to the same level of assessment advocated for other such measures.

It seems intuitive, but the PC does not provide any evidence that cost per hour information would more effectively address any gambler's misconceptions and/or erroneous beliefs. The PC's conclusions on what information would be useful to consumers and problem gamblers does not appear to satisfy its own standard of rigour proposed in chapter 6:

Warnings should be market-tested for effectiveness prior to their introduction, and their impacts assessed by monitoring help-line services before and after implementation (PC 2009a, p. 6.11).

In addition, draft recommendation 11.3 does not complement its findings on information and education in chapter 6 of the draft report. In its draft recommendation 6.1, the PC advocates gambling warnings that:

- are conspicuous;
- use effective imagery;
- highlight behaviours that are indicative of problem gambling and the benefits of altering these; and
- include contact details for help services.

Information of cost per hour of play does not appear to converge with the latter three factors in this list. Given that there is a limited amount of suitable space for signage at a gambling venue, and that signage can be costly, it appears that the PC will need to provide a holistic assessment of the various options to improve information and signage.

PC has largely considered EGM specific activities, and not broader policy initiatives.

Finally, in seeking to improve awareness of the cost of playing EGMs, the PC has largely limited its analysis to EGM specific activities. However, broader policy initiatives, such as improving financial literacy, could also be beneficial.

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