



Australian Government
Productivity Commission

Gambling

Productivity Commission Issues Paper

December 2008

The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website or by contacting the Media and Publications section on (03) 9653 2244 or email: maps@pc.gov.au.

HOW TO PARTICIPATE IN THIS INQUIRY

The Treasurer has asked the Commission to undertake a 12-month public inquiry into gambling (attachment A).

In preparing our report, we will draw on discussions with, and written submissions from, people and organisations with an interest in this area and on other research and sources. This paper sets out some issues on which we are seeking views. We will use this issues paper as the basis for consultations with participants. The paper is not intended to be exhaustive — please raise any matter you see as relevant to the inquiry. Nor should you feel obliged to comment on all the matters raised in this paper.

Following consultations and receipt of submissions, a draft report will be prepared and released for public comment. The Commission will then present its final report to the Australian Government for consideration by the Council of Australian Governments (COAG).

The Commissioners on the inquiry are Gary Banks and Robert Fitzgerald.

KEY DATES

Reference received	24 November 2008
Consultations	Progressively throughout the inquiry
Initial submissions due	31 March 2009
Draft report	July/August 2009
Submissions on draft report due	September 2009
Public hearings	September/October 2009
Final report	24 November 2009

MAKING A WRITTEN SUBMISSION

There is no specified format for submissions (attachment B). They may range from a brief commentary on a particular aspect of current arrangements to more substantial assessment of a range of relevant issues. Where possible, provide supporting data and documentation. This is a public review and the Commission seeks to have as much information as possible on the public record. ***However, please clearly mark material relating to participants' personal or commercial circumstances that are of a genuinely confidential nature.*** Include a submission cover sheet with all submissions.

If possible, lodge submissions by email as a text document (.txt, .rtf), a Microsoft Word document (.doc) or similar text format, rather than Adobe Portable Document Format (.pdf), to ensure screen readers can read it. Remove any drafting notes, track changes, annotations and other hidden text and marked revisions, as well as any internal links and large logos and decorative graphics (to keep file sizes down). You may also send submissions by mail or fax and we can arrange to record oral submissions over the telephone if you require that.

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1 Scope of the inquiry

What has the Commission been asked to do?

The Commission has been asked to undertake a 12 month public inquiry into Australia's gambling industries. According to its terms of reference, the Commission can consider matters covered in its 1999 report (PC 1999):

- the nature and definition of gambling
- the participation profile of gambling, including problem gamblers and those at risk of problem gambling
- the economic impacts of the gambling industries
- the social impacts of the gambling industries
- the contribution of gambling revenue on community development activity and employment
- the effects of the regulatory structures governing the gambling industries
- the implications of new technologies
- the impact of gambling on government budgets.

The terms of reference also ask the Commission to undertake research into the impacts of harm minimisation measures introduced since 1999, specifically:

- the impact that the introduction of the measures at gambling venues has had on the prevalence of problem gambling and on those at risk
- the effectiveness of the measures used by state and territory governments.

The full terms of reference are set out in attachment A.

Background to the inquiry

The current inquiry stems from a COAG decision on 3 July 2008 (COAG 2008) and is intended to provide policy recommendations on gambling for consideration by all Australian jurisdictions. In their joint ministerial press release issuing the timetable and terms of reference for the inquiry, the Assistant Treasurer and the Minister for Families, Housing, Community Services and Indigenous Affairs noted that:

The inquiry will help shape government action to tackle problem gambling. It will inform policy responses to minimise the prevalence of problem gambling in Australia. The Commission will have the scope to provide additional research into the impacts of harm minimisation measures and how effective they are in countering problem gambling. (Bowen 2008 in attachment A)

A focus on problem gambling

The starting point for addressing the terms of reference for this inquiry is the Commission's 1999 'Information Report' on Australia's gambling industries. The key findings of that report are reproduced in attachment C.

The essential message of the 1999 report was that liberalisation of the gambling industries, particularly in relation to gaming machines, had generated social costs as well as benefits. The report also found that the social costs related to problem gambling had not been adequately addressed either by government policy or industry self-regulation.

Consistent with its terms of reference, the Commission will concentrate on updating key developments since 1999 and focus on issues where it can add most value to policy development, particularly relating to the social impacts of gambling — namely:

- problem gambling and those 'at risk'
- the extent of the social costs of gambling
- harm minimisation measures introduced to address problem gambling and policy responses to other consumer issues associated with gambling.

The Commission will also consider any major regulatory, taxation or competition matters that affect consumers and the industry, as well as relevant technological developments.

Previous research, available data and the scope for further surveys

The Commission will draw on relevant Australian and international research and other reports. It will also make use of available data, such as that compiled by the ABS, the Queensland Government Treasury on behalf of state and territory gambling agencies (*Australian Gambling Statistics 1980-81 to 2005-06*) and the Australasian Gaming Council. It is interested in any information that augments, substantiates or contradicts the findings of its 1999 report, particularly in relation to the social costs of gambling, including the prevalence and impacts of problem gambling.

Participants are invited to draw the Commission's attention to, and to comment on, relevant Australian and international research and reports, and available data that have been produced since 1999.

For this inquiry, the Commission is proposing, among other research, to undertake a ‘meta-analysis’ of the large number of existing surveys that relate to gambling and problem gambling.

It is also considering undertaking new surveys of clients of counselling agencies and counselling services themselves.

Recent Senate report

The Senate Standing Committee on Community Affairs (Senate Committee) recently held an inquiry into proposed legislation to deal with problem gambling — the Poker Machine Harm Reduction Tax (Administration Bill) 2008, the Poker Machine Harm Minimisation Bill 2008 and the ATMs and Cashed Facilities in Licensed Venues Bill 2008. The Senate Committee released its report on 10 November 2008.

The majority of the Senate Committee concluded that, in view of the anticipated Productivity Commission inquiry into Australia’s gambling industries, the three bills not be passed at this time. Senators Xenophon, Siewert and Fielding did not agree with the Senate Committee majority.

The Commission will take into account submissions to the Senate Committee, as well as the Senate Committee’s report.

(The Commission will also consider the raft of other inquiries, reports and regulatory measures undertaken by all governments since 1999 — see later.)

2 Gambling activity in Australia

Gambling can be defined as staking money on uncertain events driven by chance, with the distinguishing feature that, over time, gamblers as a group will lose money. Gambling is, thus, more like consumption than investment, with the benefits due to the enjoyment of playing.

The main forms of gambling are gaming machines (or poker machines), wagering and betting on racing and sporting events, casino games, and lottery products such as lotto games and instant lotteries.

The gambling industries

The ‘gambling industries’ consist of organisations that provide gambling services, such as clubs (hospitality and sporting), hotels (pubs, taverns and bars), casinos, TABs, sports betting organisations and lottery organisations. Each has some characteristics in common, but also there are some significant differences.

Unfortunately, the most recently available ABS data on gambling services in Australia are for 2004-05.¹ According to those data, around \$16.5 billion in revenue was generated by gambling businesses in 2004-05, consisting of \$15.5 billion in net takings (turnover less payouts of prize money) and \$1 billion in commissions (monies received by organisations acting as hosts for the sale of off-course TAB products, lottery tickets, Keno and gaming machine services) (ABS 2006a, b, c). The largest source of net takings was gaming machines in hotels and clubs with \$8.7 billion (or 56 per cent of total net takings). Gambling businesses generated around \$3 billion in profit (before tax) in 2004-05.

With the exception of casinos, the number of businesses providing gambling services fell considerably from 1998 to 2005 (table 1), though as shown later, aggregate real spending on gambling has continued to rise.

Table 1 **Businesses providing gambling services**
Number at end of June

	1998	2005
Pubs, taverns and bars	2888	2362
Hospitality clubs	2408	1816
Sporting clubs and venues	na ^a	386
Casinos	13	13
Lottery agents and operators	134	232
Gambling services nec ^b	1629	561
Total	7072	5370

^a Sporting clubs and venues were excluded from the ABS 1997-98 survey. ^bGambling services nec covers businesses mainly engaged in providing totalisator betting or other gambling services (except casinos or lotteries).

Source: ABS (2006a, 1999).

The structure, technologies and market conduct of the gambling industries can affect:

¹ The ABS is reviewing its data collection in this area. *Australian Gambling Statistics* for 2006-07 is expected to become available early in 2009, and during the course of this inquiry, the Commission will seek more current data from governments.

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- outcomes for consumers, by lowering or increasing prices, or in the use of a share of the profits for the community
 - outcomes for individual businesses
 - the nature and extent of social benefits and costs of gambling.

Consistent with global trends, new technological platforms for gambling are emerging. These include the use of the internet and mobile phones to enable online sports betting, wagering and casino gaming. The future significance of these platforms within Australia will depend on Australian and global regulatory regimes, the extent of innovation in the services provided, and on gamblers' preferences (see section 6).

A particular area of community interest is the availability of gaming machines, given the major role they have in problem gambling. There are currently just under 200 000 licensed gaming machines in use, with most being in clubs and hotels, compared with around 185 000 in 1999.

However, the number of machines is not the only consideration. There are at least six other features relevant to the impacts of gaming machines:

- the characteristics of gaming machines (playing speed, denomination, structure of payouts, and game types) and the intensity of use
- the distribution of machines among different socio-economic areas
- the number of venues
- the number of machines per venue
- their accessibility to the community
- competitive pressures to maximise use of machines.

For instance, in Western Australia, gaming machines are available at the Burswood Casino only. In contrast, in New South Wales, gaming machines are available in thousands of venues. All other things being equal, these differences can be expected to influence the social and economic impacts of gambling in the two States.

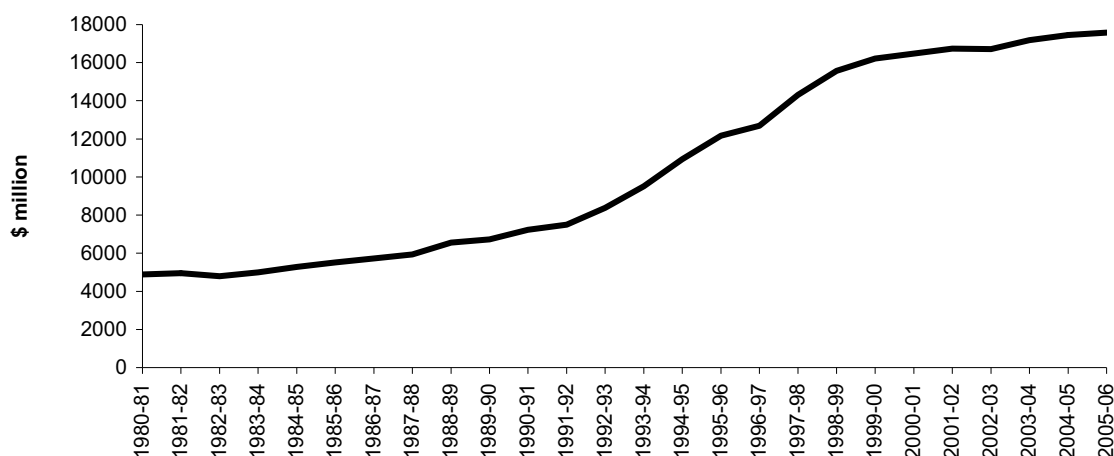
What have been the main changes to the structure (shares, ownership patterns, location) and conduct of Australia's gambling industries? What are the likely future trends? What new technological platforms for gambling are emerging? What are the impacts of these changes on gamblers, businesses, and the likely social costs and benefits of gambling?

What have been the changes to gaming machines (numbers, location and characteristics)? Why have these occurred and what have been the impacts? What future trends are likely in the characteristics of gaming machines?

Gambling expenditure

Data from the *Australian Gambling Statistics 1980-81 to 2005-06*, prepared by the Queensland Government Treasury, show that Australians ‘spent’² about \$17.5 billion in 2005-06 on gambling (figure 1) or about \$1100 per capita (adult) or 2.9 per cent of household disposable income (figure 2). This expenditure represents the annual *net losses* (or the amount wagered less any winnings) of gamblers as a group in Australia. Its significance compares with household expenditure in 2005-06 of about \$11 billion on gas, electricity and other fuel, \$11 billion on alcoholic beverages and \$20 billion on clothing and footwear.

Figure 1 **Real expenditure on gambling, 1980-81 to 2005-06^a**



^a Expressed in 2005-06 values.

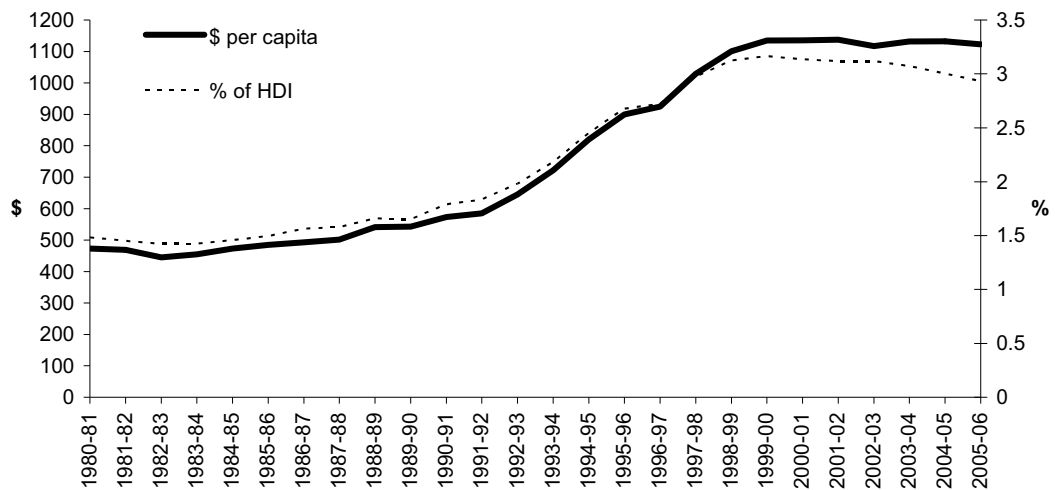
Data source: Queensland Government Treasury (2007).

Expenditure on gambling grew rapidly from 1990-91 until 1999-00, at the time of the last Commission’s inquiry, after which it slowed discernibly, largely reflecting a

² Sometimes, the turnover of gambling is cited as spending on gambling. Turnover is a much bigger number, but it ignores the returns to players and so does not measure the true cost to players of gambling.

slowdown in gaming machine and casino expenditure (figure 1 and table 2). This tapering of expenditure is more obvious on a per capita basis, or as a proportion of household disposable income (HDI), where there has been a decline since 1999-00 from a peak of close to 3.2 per cent to 2.9 percent in 2005-06.

Figure 2 Gambling expenditure shares, 1980-81 to 2005-06^a



^a Expressed in 2005-06 values.

Data source: Queensland Government Treasury (2007).

Table 2 Annual growth rates in real gambling expenditure over selected periods^a

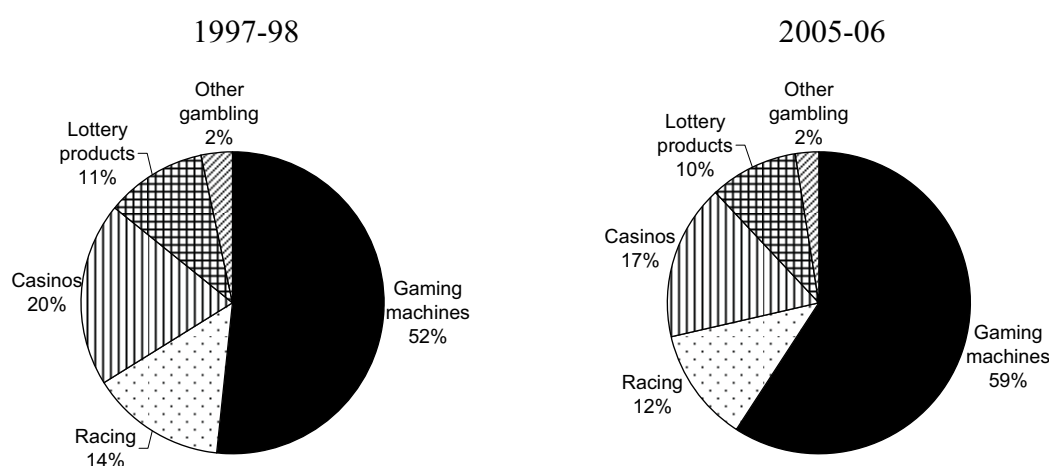
	1980-81 to 1990-91	1990-91 to 1999-00	1999-00 to 2005-06
	%	%	%
Gaming			
Gaming machines ^b	2.4	15.9	1.8
Casinos	31.5	17.6	-0.3
Lottery products ^c	3.4	0.7	1.0
Other gaming ^d	6.3	-4.8	-0.1
Total	4.9	12.3	1.3
Racing	2.6	-0.5	0.9
Sports betting ^e	-	23.9 ^f	22.2
All gambling	4.1	9.7	1.4

^a Annual trend rates of growth are based on an estimated exponential growth model. ^b Does not include gaming machines in casinos. ^c Lottery products cover lotto/tattslooto, instant lottery, lotteries and pools. ^d Other gaming covers keno, minor gaming and interactive gaming. ^e The annual growth rates for sports betting are estimated from a low base. ^f The annual growth rate covers the period 1994-95 to 1999-00.

Source: Commission estimates based on data by Queensland Government Treasury (2007).

In a three year update on the Commission's 1999 report and a more recent speech to the Australian Gaming Expo Conference (Banks 2002, 2007), the Chairman of the Commission, noted that the deceleration in gambling expenditure appeared to have largely arisen from a 'maturing' of the market (for gaming machines in particular), potentially assisted by the introduction of new harm minimisation measures. However, gaming machines continue to dominate overall spending and, indeed, have grown significantly in importance compared with other forms of gambling (for example, figure 3).

Figure 3 Expenditure shares on main gambling types, 1997-98 and 2005-06



Data source: Queensland Government Treasury (2007).

What factors explain trends in gambling expenditure, particularly in gaming machine expenditure, since 1999? Has the gaming machine market 'matured'? What roles have harm minimisation measures played?

What factors explain the increased share of gaming machine expenditure in total gambling expenditure since 1999?

What are likely to be the future changes in spending for different types of gambling, especially in relation to gaming machines and to new technologies (such as those involving the internet or mobile phones)?

The Commission will seek to obtain from government agencies more recent data on expenditure than those available in the *Australian Gambling Statistics* (currently, 2005-06). For example, the Commission notes that there are 2007-08 data on various aspects of gambling expenditure on some state government websites or in annual reports of their regulators.

3 Participation and profile of gamblers

For its 1999 report, the Commission undertook a national gambling survey, which examined various aspects of the participation and profile of gamblers in Australia — such as who gambles, the socio-economic, cultural and demographic characteristics of gamblers, and their preferred forms of gambling. It found that 82 cent of Australian adults had participated in gambling over the previous year, with lotteries having the highest participation rate of all forms of gambling.

Since then, there have been more than 10 surveys of gambling participation and profiles undertaken at the state and territory level, which tend to show that participation in all forms of gambling has declined (table 3).

Table 3 Recent survey estimates of gambling participation rates^a

<i>Gambling form</i>	<i>NSW</i>	<i>Qld</i>	<i>Tas</i>	<i>SA</i>	<i>National</i>
	<i>AC Nielsen (2007)</i>	<i>Queensland Household Gambling Survey (2006-07)</i>	<i>SA Centre for Economic Studies (2008)</i>	<i>SA Department of Family and Communities (2006)</i>	<i>PC (1999)</i>
Lotto or other lottery games	56	62	51	52	60
Instant scratch tickets	na ^b	25 ^c	31	24	46
Gaming machines	31	30	29	30	39
Racing	20	16	17	19	24
Keno	11	16	26	8	16
Casino table games	5	5	7	6	10
Sports betting	8	5	4	4	6
Any form of gambling	69	75	72	70	82

^a Per cent of adult population in the relevant jurisdiction that gambled in the previous 12 months. ^b Grouped in lotto or other lottery games. ^c Art Union Tickets in Queensland.

For this inquiry, the Commission is interested in how the participation and profile of gamblers may have changed since 1999. This covers such matters as the characteristics of gamblers (such as socio-economic, cultural and demographic characteristics), the forms of gambling undertaken, and how much is spent and how frequently.

What surveys of the participation and profile of gamblers have occurred since 1999 and what do they show? What methodology was applied in these surveys? How robust are the results?

Problem gamblers

While gambling is a pleasurable recreational pursuit for many gamblers, for some it gives rise to significant problems and harms. Such people typically spend increasing amounts of time and money on gambling, may deceive people about their gambling, find it difficult to control the impulse to gamble, and can engage in socially destructive behaviour as a consequence.

There are several instruments currently available to measure the prevalence of problem gambling. These include the South Oaks Gambling Screen (SOGS, 1987), the Diagnostic and Statistical Manual of Mental Disorders of the American Psychiatric Association, fourth edition (DSM-IV, 1994), the Victorian Gambling Screen (VGS, 2001), the Canadian Problem Gambling Index (CPGI, 2001) and the Sydney Laval Universities Gambling Screen (SLUG, 2006).

In its 1999 report, the Commission used the SOGS — based on the notion of a problem gambling continuum — together with self-assessment questions and other indications of harm from gambling. The Commission found that:

- about 2.1 per cent of the adult population representing just over 290 000 people were problem gamblers, with 1 per cent having ‘severe’ problems (applying the ‘Dickerson method’)
- problem gamblers comprised 15 per cent of regular (non-lottery) gamblers and accounted for about one-third of total expenditure on gambling annually.

The Commission further concluded that the prevalence of problem gambling was related to the degree of accessibility of gambling, particularly gaming machines.

Assessing trends from recent surveys

There have been a number of surveys undertaken at the state and territory level since the Commission’s 1999 report. Many have used the recently developed CPGI, although, until 2006, some used SOGS as well (table 4). Care is required in interpreting the results from these surveys.

There can be no precise definition or measure of problem gambling, since it involves a continuum of difficulties experienced by consumers, with varying judgments about where on this continuum the difficulties are severe enough to be categorised as a ‘problem’. Moreover, because it relates to personal experiences and impacts, it is hard in population surveys to obtain accurate information about it. Indeed, surveys are most likely to understate the extent of problem gambling — however defined — because of a natural reluctance by respondents to reveal the truth about such matters.

Table 4 Available estimates of problem gambling prevalence

<i>Instrument</i>	<i>State or territory</i>	<i>Study</i>	<i>Prevalence estimates ^a</i>	
			%	
SOGS^b			SOGS 5+	SOGS 10+
	Vic	Centre for Gambling Research ANU (2004)	1.12	0.30
		PC (1999)	2.14	0.35
	Tas	Roy Morgan Research (2006)	1.41	0.18
		PC (1999)	0.44	0.00
	NT	Charles Darwin University (2006)	1.06	0.23
		PC (1999)	1.89	0.10
	ACT	Australian Institute for Gambling Research (2001)	1.91	0.45
		PC (1999)	2.06	0.07
	National	PC (1999)	2.07	0.33
CPGI^c			CPGI 3–7	CPGI 8+
	NSW	AC Nielson (2007)	1.60	0.80
	Vic	Centre for Gambling Research ANU (2004)	0.91	0.97
	Qld	Queensland Household Gambling Survey (2006-07)	1.80	0.47
		Queensland Household Gambling Survey (2003-04)	1.97	0.55
		Queensland Household Gambling Survey (2001)	2.70	0.83
	SA	SA Department of Family and Communities (2006)	1.20	0.40
	Tas	SA Centre for Economic Studies (2008)	0.86	0.54
		Roy Morgan Research (2006)	1.02	0.73
	NT	Charles Darwin University (2006)	na	0.64
VGS^d			VGS 9–20	VGS 21+
	Vic	Centre for Gambling Research ANU (2004)	0.90	0.74

^a Prevalence in the Australian adult population. ^b The SOGS is a 20 item scale. A score of 5 or greater denotes the person is a 'probable pathological gambler' in the United States and a 'problem gambler' in Australia. ^c The CPGI has a 9 item scale with scores ranging from 0 to 27. A score of 0 denotes the person has 'no risk' of problem gambling, 1 to 2 denotes 'low risk'; 3 to 7 denotes 'moderate risk' and 8+ denotes 'problem gamblers'. ^d The VGS is a 21 item scale. A score of 21 or greater denotes a gambling problem.

It is particularly difficult to determine trends in prevalence rates when different problem gambling instruments or survey methodologies are employed. For example, a survey in Victoria found a problem gambling rate of 0.97 percent in 2004 (based on the CPGI 8+ threshold), less than half the prevalence rate for that State found in the Commission's survey (2.14 per cent based on SOGS 5+) five years earlier. The difference could indeed reflect a fall in the problem gambling prevalence rate, but it undoubtedly also reflects differences in the diagnostic

instrument used. Similarly, the 2004 SOGS (5+) estimate of 1.12 per cent for that State may not confirm a significant reduction since 1999 because of methodological differences in the surveys.

Even when using the same diagnostic instrument — and applying it in precisely the same way — large samples are needed to get reliable estimates of the extent of problem gambling, given that its prevalence in the total population is very small.

The clearest indicator of trends come from the Queensland Household Gambling Survey series, using the CPGI and based on large sample sizes (with the most recent survey based on a total sample of 30 000 persons). The survey showed that for 2006-07, 0.47 per cent of the adult population in Queensland were in the problem gambling group, a further 1.80 per cent in the moderate risk group, with the prevalence of those experiencing problems appearing to fall over time.

Few of the surveys in table 4 have estimated the proportion of total expenditure on gambling attributable to problem gamblers. An exception was the 2001 survey of ACT residents conducted by the Australian Institute for Gambling Research. This study estimated that 1.9 per cent of the surveyed population were problem gamblers (measured by SOGS 5+) and that they accounted for 37.3 per cent of reported gambling expenditure (Australian Institute for Gambling Research 2001, p. 10).

The Commission will undertake a meta-analysis of the surveys that have been undertaken in different jurisdictions — as well as seek insights from the extensive use of a variety of diagnostic instruments overseas — to assess the likely changing patterns of the incidence, prevalence, impacts and profile of problem gambling. The Commission will analyse the results of these surveys taking into account differences in the diagnostic instrument and survey methodology used.

However, there is little utility in seeking to measure the *exact* numbers of problem gamblers. As noted, such a definitive result is probably a conceptual and empirical impossibility. Moreover, whether the actual number of problem gamblers is 1, 2 or 3 per cent of the population, it equates to hundreds of thousands of Australians, with many more who are directly affected by their problems or are at risk. It is generally accepted that the precise numbers have little bearing on the need for effective policy action.

What new problem gambling instruments have been developed since 1999, either in Australia or overseas? How adequate are the instruments, particularly the Canadian Problem Gambling Index and the Victorian Gambling Screen, in measuring problem gambling prevalence in Australia? How do these new instruments compare with the South Oaks Gambling Screen? Is it possible to refine these instruments further, or to change the survey methodology that applies to them, to make them more accurate or counter the inherent bias in responses?

What changes have occurred to the incidence, prevalence and profile of problem gamblers once account is taken of the potentially different thresholds used to define problem gambling? What has happened to 'at risk' groups'? Have new groups of problem gamblers emerged? Have problem gambler spending patterns changed? What factors are likely to have affected problem gambling prevalence?

What other Australian or overseas surveys of problem gambling prevalence and profiles have occurred since 1999? How robust are the results?

4 Impacts of gambling

Like most industries or activities, gambling has a range of impacts — both benefits and costs. Some apply to those in the industries; some apply indirectly to people in other industries; some affect those who engage in gambling and the people with whom they interact; and some of the impacts operate at the community-wide level.

In its 1999 report, the Commission made the following findings:

- The benefits of liberalisation came primarily from the satisfaction that people obtained from having increased access to what for many was an enjoyable form of entertainment.
- Although the gambling industries employed a large number of people in Australia, the net production-side impacts had been small when account was taken of displacement of other activities in the economy.
- The costs of problem gambling included financial and emotional impacts on gamblers and on others, with on average at least five other people affected to varying degrees. For example, one in ten problem gamblers said they had contemplated suicide due to gambling and nearly half of those in counselling reported losing time from work or study in the previous year due to gambling.
- Although quantifying the benefits and costs was very difficult, the impact on society was estimated to range from a net loss of \$1.2 billion to a net benefit of \$4.3 billion. There were divergent results for different gambling modes, with lotteries revealing clear benefits, whereas gaming machines and wagering including the possibility of net losses to society.

For this inquiry, the Commission is interested in how the impacts — both benefits and costs — of gambling have changed since 1999. For instance, based on evidence from several countries, and particularly New Zealand, Abbott (2006) noted that the prevalence of problem gambling would have a tendency to fall over time, despite continued exposure, as people resolve their problems. On the other hand, others

have maintained that gambling problems have persisted at past rates or even increased.

Moreover, the impacts of gambling may be influenced by the many measures introduced by governments since 1999 to address problem gambling and those at risk, as set out in the ‘National Snapshot of Harm Minimisation Strategies’ (FaHCSIA 2008).

Have the nature and extent of impacts from gambling on the gambling industries, other industries, gamblers and the wider community changed since 1999? In what way? What factors have contributed to any changes? For example, have measures introduced by governments to address problem gambling and those at risk of problem gambling reduced the extent of social costs of gambling?

What are the regional impacts (for example, in low income areas, outside major metropolitan areas, or in remote or Indigenous communities)?

What Australian or overseas studies have been undertaken since 1999 on the impacts of gambling? What do they show? What methodologies and assumptions were applied in these studies? How robust are the studies’ estimates of impacts? To what extent has the resolution of problems faced by former problem gamblers mitigated the social impacts?

The Commission is particularly interested in any changes to the adverse impacts or costs associated with problem gambling.

Have the nature and extent of the costs of problem gambling on individuals, their families and the wider community changed since 1999? If so, in what way? What factors have contributed to any changes?

Problem gambling is often categorised as self-harming behaviour affecting a certain group of individuals. However, gambling can have other problematic impacts on consumers more generally. The Commission has just completed a major inquiry into consumer policy in Australia (PC 2008), where issues such as unfair practices that may mislead consumers and misunderstandings by consumers can result in adverse outcomes for them. While this is not ‘problem’ gambling, it may be an impact that has policy implications.

What kinds of consumer issues may arise from gambling and how best should policy deal with them?

Gambling can also have broader community impacts — such as by strengthening or weakening social networks between people, community norms and trust (all facets of what is broadly described as ‘social capital’).

What are the impacts of gambling on social capital, and what might this imply for the regulation and taxation of the gambling industries?

5 Taxation and regulatory arrangements

Taxation

Gambling is subject to the Australian Government's GST, as well as a wide range of state and territory taxes, licence fees and levies.

Gambling taxation represents a significant share of state and territory governments' own-tax revenue. In 2006-07, state and territory governments collected around \$4.8 billion in revenue from gambling, representing 9.8 per cent of state and territory taxation revenue (ABS 2008). Revenue from gaming machines accounted for over 60 per cent of total gambling revenue collected by state and territory governments. Over 65 per cent of state and territory gambling revenue was collected in two jurisdictions — New South Wales and Victoria.

The introduction of the GST on 1 July 2000 led to changes in state and territory taxation arrangements. Since then there have been decreases in the share of government revenues from taxes on gambling and gaming machines (figure 4).

What have been the main changes to state and territory taxation arrangements applying to gambling since 1999? Have there been changes to the application of the mutuality principle?

What factors have influenced trends in state and territory gambling tax revenues, following the introduction of the GST? Have declining shares of tax revenues from gambling and gaming machines resulted from increases in other state and territory taxes, such as payroll tax and stamp duty? How has the determination of gambling tax rates changed?

To what extent are different forms of gambling taxed differently? What impacts have any differences in taxation had? Have they led to problems or distortions in gambling activity? How have any differences in taxation, and consequent impacts, changed since 1999?

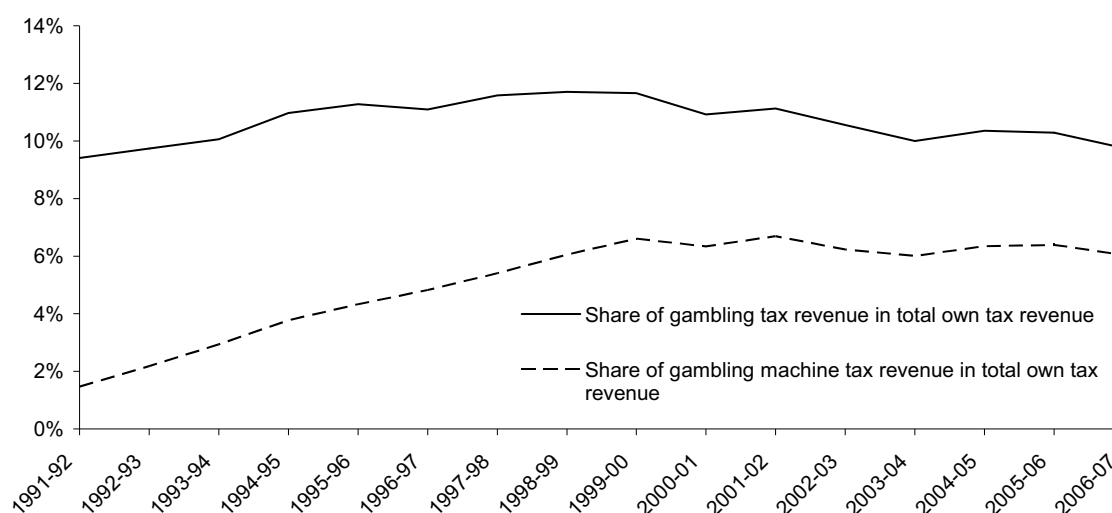
What challenges to state and territory tax arrangements are posed by technological changes to gambling (for example, the emergence of certain forms of internet gambling)?

Has there been greater harmonisation of taxation arrangements across the states and territories or across different gambling forms? What role should the Australian Government take in this area?

In its 1999 report, the Commission found that on the basis of available information at the time, there was not a strong or unambiguous case for significantly reducing gambling taxes. Any changes would need to be incremental and carefully monitored.

Are the current levels of gambling taxes, particularly in respect of gaming machines, appropriate? How do gambling taxes affect the 'odds' of gambling for consumers, and with what distributional outcomes for consumers and effects on problem gamblers?

Figure 4 Tax share from gambling, all states and territories



Data sources: ABS (Taxation Revenue, Cat. no. 5506.0, various issues).

Government regulation

The regulation of gambling in Australia is primarily the responsibility of state and territory governments. Although there has been considerable liberalisation of traditional restrictions on gambling, extensive regulations apply across jurisdictions, the purpose and impact of which differ markedly.

One set of regulations mainly has economic and revenue goals. For instance, some regulations create 'exclusivity' arrangements or otherwise limit competition among

providers of gambling services (such as the granting of a monopoly to casinos, the TAB and lotteries). These regulations typically have the effect of raising revenue greater taxation.

Nevertheless, the stated intent of much regulation has been the protection of consumers or to uphold community norms, such as harm minimisation measures, restrictions on access to gaming machines and probity requirements. (Consumer protection measures are considered in the next section.)

What have been the main developments in state and territory regulations applying to gambling since 1999? What are the rationales, benefits and costs of any new regulatory measures?

To what extent has technological change affected the ability of state and territory governments to regulate gambling? Has regulation impeded technological innovation within Australia's gambling industries?

To what extent are different forms of gambling regulated differently? What impacts have any differences in regulations had? Have they led to problems or distortions in gambling activity? How have any differences in regulation, and consequent impacts, changed since 1999?

To what extent has there been greater harmonisation of regulations across the states and territories or across different gambling forms?

The Australian/New Zealand Gaming Machine National Standard has been developed by officials from state and territory gaming regulatory agencies. The Standard sets out the core technical requirements, common to all jurisdictions, for the design of gaming machines and games for operation throughout Australia and New Zealand, and to guide testers in their testing for compliance with the Standard. Each jurisdiction provides an appendix setting out any additional or differing requirements for that jurisdiction.

Are there any inconsistencies across jurisdictions in the application of the Gaming Machine National Standard? Are these justified? What impact do they have on the gambling industries? Are the individual gambling policy objectives of jurisdictions unduly affecting the technical orientation of the National Standard?

Regulatory and policy-making processes and institutions

In its 1999 report, the Commission set out a blueprint for the regulatory governance of gambling. Components included:

- separating policy making from regulatory and enforcement functions

-
- establishing an independent gambling authority with the primary objectives of furthering the public interest and consumer protection
 - establishing an independent board with responsibility for administering any community benefit fund, funding counselling and harm minimisation programs, and gathering and disseminating research.

The Commission also favoured the establishment of an independent national research institute funded by all governments.

What have been the main changes to state and territory regulatory frameworks for gambling since 1999? How have the governance and administration of regulatory frameworks changed? What impacts have any changes had on the quality of policy and regulation-making in the jurisdictions?

Many measures have been introduced by the states and territories since 1999 to address problem gambling and those at risk of problem gambling.

To what extent have these measures been supported by research, especially field trials and evaluations? What has been the quality of this research against such criteria as validity, reliability, independence, and transparency?

Following release of the Commission's 1999 report, a Ministerial Council on Gambling was established to 'minimise the negative consequences of problem gambling by exchanging information on responsible gambling measures, and providing a forum for discussing common issues with the objective of developing suitable regulatory approaches' (GRA 2005). The Ministerial Council subsequently developed a National Framework on Problem Gambling, to be implemented by state and territory governments.

The Ministerial Council also agreed to a national gambling research program that would focus on developing a range of measures to be implemented by states and territories, primarily related to gaming machines. Gambling Research Australia administers the research program, which sets out priority areas for research nominated by the Ministerial Council.

How effective has the Ministerial Council on Gambling been in addressing its objectives? To what extent has the National Framework on Problem Gambling been applied by state and territory governments? How effective has Gambling Research Australia been in addressing its objectives? Are its priority areas of research appropriate? What changes, if any, should be made to the various national initiatives?

6 Consumer protection measures

While gambling is enjoyable for many people, it poses particular risks and problems that justify the introduction of some consumer protection measures. These risks and problems include:

- information problems — gamblers may be poorly informed about the nature of the gambling product they are buying, such as the role of skill compared with chance, and the actual odds of winning. These information problems may be exacerbated by the advertising used, player inducements and the design of gambling products. Gamblers may also find it difficult to track time and money spent on gambling because of the unpredictable combination of wins and losses.
- probity risks — the risks of games being rigged and criminal involvement in gambling
- problem gambling risks — a small percentage of gamblers experience, or are at risk of experiencing, severe recurring problems with their gambling to the cost of themselves, their families and the wider community.

This section considers issues related to two broad types of responses to these risks and problems:

- ‘harm minimisation’ measures that aim to address problem gambling, those at risk and broader consumer problems
- quantitative restrictions on the supply of gambling, including caps on gaming machines and restrictions on internet gambling.

Harm minimisation measures

The terms of reference ask the Commission to examine the impact of harm minimisation measures on the prevalence of problem gambling and on those at risk, and the effectiveness of the measures used by state and territory governments.

Apart from the provision of help services for people already experiencing problems with their gambling, the primary forms of harm minimisation involve:

- giving consumers more information to make informed decisions about gambling
- enabling consumers to exercise controls over their gambling
- altering the gambling environment — including the characteristics of venues and of games — to reduce harm and minimise problems.

Table 5 provides some examples of measures within each of these three categories.

Table 5 Possible harm minimisation measures

<i>Informed choice</i>	<i>Consumer controls</i>	<i>Venue/games restrictions</i>
Meaningful 'price' or odds information	Self exclusion systems	ATMs - location, withdrawal limits
Expenditure statements	Pre-commitment options - spending, duration	Credit restrictions
Warnings		Bill (note) acceptor limits
Help service information		Cheque payouts
Information on how games work		Limits on spending rates
Ethical promotion		Enforced breaks
		Machine caps
		Opening hours
		Advertising restrictions
		Lighting, sounds and clocks

Industry and government actions

Since 1999, many of these measures have been introduced by governments and by the gambling industries.

In particular, voluntary codes of practice have been introduced by the gambling industries, setting out measures to address problem gambling and other consumer protection concerns. Examples are the Australasian Gaming Council's Responsible Gaming Code, the New South Wales Clubs' ClubSafe Code of Practice, and the Victorian Gaming Machine Industry Codes of Practice.

What industry codes of practice have been introduced since 1999, or are in prospect, to address problem gambling and other consumer protection concerns? What measures do they contain?

What measures have gambling venues introduced to address problem gambling and other consumer protection concerns?

Are there sufficient incentives, such as the threat of litigation by gamblers, for gambling venues to introduce consumer protection measures? What does the case law in this area reveal?

Should governments make industry codes of practice mandatory?

Many state and territory governments and the Australian Government have introduced harm minimisation measures, which are developed and administered by government agencies. The measures are contained in mandatory regulation and/or in voluntary or mandatory codes of practice (or guidelines). Some regulations cross-

refer to industry codes of practice. The ‘National Snapshot of Harm Minimisation Strategies’ prepared recently by the Department of Families, Housing, Community Services and Indigenous Affairs (2008) sets out many of these measures.

Does the National Snapshot of Harm Minimisation Strategies provide a complete representation of government actions? What other government actions have taken place since 1999 to introduce harm minimisation measures? What harm minimisation measures are in prospect?

To what extent have the development of harm minimisation measures reflected regulatory best practice (such as clear objectives, evidence of likely efficacy, consultation with stakeholders, coordination with other measures, and cost-effectiveness)? What changes, if any, in regulatory processes in this area are warranted?

Are there inconsistencies in harm minimisation measures across jurisdictions, as well as across the different forms of gambling? What problems or distortions do any inconsistencies cause?

Smoking restrictions, introduced in recent years by some governments, are not a harm minimisation measure as such. Their primary rationale is to address public and occupational health and safety concerns in gambling venues, rather than problem gambling. Nonetheless, they may reduce expenditure by gamblers, including problem gamblers, who are smokers and thus indirectly reduce problem gambling.

What impact has smoking restrictions had on expenditure by gamblers? To what extent is the impact temporary? Are gambling venues able to legally reconfigure their premises to accommodate smokers?

Assessing the effectiveness of harm minimisation measures

In its 1999 report, the Commission applied a guiding regulatory principle in assessing the effectiveness, or costs and benefits, of harm minimisation measures: namely, whether the measure can target the sources of social costs of gambling without detracting unduly from the benefits of gambling.

The Commission considered that measures that provided for informed choice and consumer control were about empowering *all* consumers, including problem gamblers, to make informed and deliberate choices about their gambling. These were assessed as likely to satisfy the regulatory principle above. Measures involving restrictions on gambling venues and games could potentially reduce problem gambling or its harmful impacts, but could also detract from the enjoyment of recreational gamblers. They were seen as warranting more careful assessment of their benefits and costs.

The Commission further found that existing arrangements were inadequate to ensure the informed consent of consumers, or to ameliorate the risks of problem gambling. Particular deficiencies related to information about the ‘price’ and nature of gambling products (especially gaming machines), information about the risks of problem gambling, controls on advertising (which can be inherently misleading), availability of ATMs and credit, and pre-commitment options, including self-exclusion arrangements.

Is the Commission’s approach to evaluating consumer protection or harm minimisation measures still appropriate?

To what extent have industry and government actions since 1999 dealt with the inadequacies in arrangements previously identified by the Commission?

What have been the impacts of harm minimisation measures that have been introduced? What have been their impacts on problem gamblers and those at risk of problem gambling? Have the measures led to a reduction in the incidence and prevalence of problem gamblers and of those at risk of problem gambling? Have the measures enhanced consumer protection more generally? Have they provided gamblers with informed choice or greater control over their gambling? Do the measures adversely affect recreational gamblers? Have there been any unintended consequences arising from the measures? What other benefits and costs of the measures are there?

To what extent are comorbidities (such as depression and substance abuse) in problem gamblers and those at risk of problem gambling relevant to the effectiveness of harm minimisation measures?

What evaluation, research or trials relating to the effectiveness, or benefits and costs, of harm minimisation measures have been conducted and what do they show? What has been the adequacy of such evaluations against such criteria as validity, reliability, independence and transparency? How have such evaluations informed policy?

The scope for new technologies

New technologies have the potential to enhance or support harm minimisation measures. Some examples include gambling venues providing smart cards or player loyalty cards designed to enable gamblers to control their expenditure, or biometric technology to enable gamblers to self-exclude more effectively.

What new technologies might enhance or support harm minimisation measures? Are there examples of such technologies being used here or overseas? Are there regulatory impediments to the adoption by the gambling industries of these new technologies? What would be the cost to the industries? What privacy issues might arise? What other impacts would these technologies have? Should the adoption of particular technologies be mandated?

Quantitative restrictions

Quantitative restrictions on gambling services, along with probity requirements, have historically been a major focus of measures to protect consumers. Western Australia has prohibited general community access to gaming machines. Most other jurisdictions have controlled gaming machine numbers or introduced other restrictions on the availability of machines. The Australian Government has introduced restrictions on interactive or internet gambling.

Regulation of access to gaming machines

Regulating access to gaming machines can include restrictions on the number of gaming machines in a venue, region or state or territory, restrictions on opening hours of gambling venues with gaming machines, as well as restrictions on the location of gaming machines.

In its 1999 report, the Commission found that venue caps on gaming machines were likely to be preferable to state-wide caps in helping to moderate the accessibility-based drivers of problem gambling. Moreover, it considered that the wide dispersion of gambling venues, and thus gaming machines, would pose bigger risks for problem gambling than when the venues are in a few locations.

What key developments have there been since 1999 to regulating access to gaming machines in the states and territories? Have there been any data or studies showing what impacts regulating access to gaming machines has had on problem gambling or on the broader social impacts of gambling? Are there changes in prospect that would increase or decrease access to gaming machines (for example, increasing caps or extending the location of gaming machines)? What changes should be introduced?

Regulation of internet gambling and other emerging gambling technologies

In its 1999 report, the Commission found that internet gambling offered the potential for consumer benefits, as well as new risks for problem gambling. It said

that managed liberalisation — with licensing of sites for probity, consumer protection and taxation — could meet most concerns, although its effectiveness would require involvement by the Australian Government as well as state and territory governments.

As it transpired, the Australian Government introduced the *Interactive Gambling Act 2001* prohibiting the provision or advertising of interactive gambling services to a customer physically present in Australia. The prohibition includes services often described as ‘online casinos’, which usually involve using the internet to play games of chance, or games of mixed chance and skill such as roulette, poker, craps, online pokies and blackjack. However, there are exemptions or restrictions, such as in relation to the provision of lotteries over the internet and to some forms of online betting and wagering.

The Act is enforceable through a combination of ‘whistleblowing’ complaints and the imposition of heavy financial penalties on internet service providers. It is supported by the Interactive Gambling Industry Code — an industry code of practice — establishing procedures to be followed by internet service providers for internet gambling content hosted outside of Australia.

The Australian Communications and Media Authority is responsible for administering the Act. During 2006-07, the Authority received eight valid complaints under the Act (ACMA 2007, p. 39). Four investigations resulted in the location of prohibited content outside Australia and, thus, were notified to the makers of filter software in accordance with the Interactive Gambling Industry Code. One investigation was terminated due to lack of information. The remaining three investigations resulted in the location of content that was not prohibited.

The Interactive Gambling Act is not intended to exclude or limit the operation of state and territory legislation that is capable of operating concurrently. Thus, state and territory regulation of internet gambling can still apply, but it cannot override or be inconsistent with the Act.

Other ways of delivering gambling are also emerging, such as through mobile phones and digital TV, and these may entail new forms of regulation.

Regardless of Australia’s current regulatory position on ‘new’ gambling technologies, globally the regulatory picture appears to be changing to a more liberal model. For instance, online gaming is now legal in the United Kingdom. As reputable providers of gambling emerge overseas, they may become increasingly attractive to Australian consumers. It is unclear whether the present regulatory measures intended to constrain access to overseas sites will remain effective in that

environment. If not, this could have ramifications for taxation revenue and for the protection of consumers.

In addition, while the global emergence of new gambling technologies poses challenges for governments and consumers, it also provides opportunities for them as well as for Australian business.

What trends are likely in relation to internet gambling and other platforms such as mobile phones and digital TV?

Which community groups are affected most by internet gambling? How does internet gambling affect problem gamblers and those at risk of problem gambling? How might other forms of gambling, such as wagering services provided by TABs, be affected?

What possible consumer and commercial benefits may be derived from new gambling platforms and what do these benefits suggest for appropriate regulatory arrangements?

What have been the rationales, benefits and costs of the Interactive Gambling Act and any other regulation applying to internet gambling? Is the regulation of internet gambling justified? What evidence is there of the impact of this regulation on problem gambling and those at risk of problem gambling? What other impacts of the regulation have there been? How has the Act affected other gambling forms, particularly those not reliant on the internet to deliver services? What has been the extent of compliance with and enforcement of the Interactive Gambling Act? Is the lack of reach of the Act to offshore internet gambling a concern?

What impacts have the recent High Court Betfair decision had on the capacity of state and territory governments to regulate internet gambling?

What changes should be introduced to the regulation of internet gambling within Australia? What has been the experience of regulating internet gambling overseas? What does the overseas experience reveal about the consequences of stringent or lax regulatory regimes?

To what extent do the developments in new gambling platforms reflect broader global trends in e-commerce, with their parallel regulatory challenges?

7 Government programs relevant to gambling

In addition to the suite of harm minimisation measures covered in section 6, all state and territory governments have other programs in place covering:

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- the provision of counselling and support services for people affected by problem gambling
 - community education and awareness about gambling
 - research into the impacts of gambling.

Funding of these programs is generally through the imposition of a tax or levy (mandatory or voluntary) on the gambling industries, which in turn may be earmarked for a specific fund.

For example, in Tasmania, there is a monthly Consumer Service Levy on the gross profits of gaming machines in hotels and clubs (but not the casino) (4 per cent for hotels and 2 per cent for clubs). Fifty per cent of the funds raised by the levy must be distributed for the provision of research into gambling, services for the prevention of problem gambling, treatment for the rehabilitation of problem gamblers, community education concerning gambling, and other health services. The remaining fifty per cent of the funds are distributed for the benefit of sport and recreation clubs and for the benefit of charitable organisations.

In its 1999 report, the Commission found that counselling services for problem gamblers served an essential role, but that there was a lack of monitoring and evaluation of different approaches, and funding arrangements in some jurisdictions were too short term. It also found that counselling services, awareness promotion and research activities related to problem gambling, were likely to be most effectively funded from earmarked levies on all segments of the gambling industry, with the allocation of funds independently administered.

What key developments have occurred to government programs since 1999? What changes, if any, have taken place in respect of funding the programs? What changes should occur to government programs? Should greater attention be given to the education of young people about gambling, particularly in relation to financial literacy? How successful would such an approach be?

What developments have there been in relation to providing counselling and support services? Has there been increased monitoring and evaluation of treatment options for problem gamblers? Have new treatment options emerged? Has the proportion of funding for counselling and support services changed? How relevant are comorbidities to the provision of counselling and support services to problem gamblers?

Have government programs relevant to gambling been evaluated? What do these evaluations show?

Attachment A: Media release and terms of reference

NO.084

**ASSISTANT TREASURER'S JOINT MEDIA RELEASE
WITH
THE HON JENNY MACKLIN MP
MINISTER FOR FAMILIES, HOUSING,
COMMUNITY SERVICES AND INDIGENOUS AFFAIRS**

New Productivity Commission Inquiry into Gambling

The Australian Government today released the timetable and terms of reference for the Productivity Commission's update to its 1999 inquiry into Australia's gambling industries.

The inquiry will commence on 24 November 2008, with the Commission expected to provide a draft by mid-2009 and a final report before the end of next year.

Ms Macklin said it was important for the Commission to investigate problem gambling nearly a decade after its report on the industry in 1999.

"Problem gambling wrecks lives. For people who are addicted, gambling is a dangerous, damaging drug that hurts, not just gamblers, but also family, friends and workplaces," Ms Macklin said.

"The Government is determined to tackle problem gambling. That's why the Government has re-convened the Ministerial Council on Gaming and requested an update to the Productivity Commission's 1999 problem gambling inquiry."

There have been many changes to the gambling environment over the last decade, including the growth of internet and sports betting.

The regulatory landscape has changed considerably since the 1999 report. State and Territory Governments have introduced a wide range of measures to address the concerns raised in the original Productivity Commission inquiry.

This includes a ban on credit gambling, limitations on access to cash and ensuring players have accurate information on the odds of winning.

The Australian Government also released a *National Snapshot of Harm Minimisation Strategies in Australia*.

The snapshot was developed by the Ministerial Council on Gambling and contains up-to-date information, on a state-by-state basis, of measures to protect people from the dangers of gambling.

Mr Bowen said the new inquiry would be beneficial for all levels of government.

"The inquiry will help shape government action to tackle problem gambling," Mr Bowen said.

"It will inform policy responses to minimise the prevalence of problem gambling in Australia.

"The Commission will have the scope to provide additional research into the impacts of harm minimisation measures and how effective they are in countering problem gambling."

The gambling industry and those affected by gambling are encouraged to contact the Commission for information on contributing to the inquiry process.

Terms of reference for the inquiry are below.

A snapshot of Harm Minimisation Measures in Australia contains the most recent information on State and Territory regulatory frameworks and will be updated regularly. It can be viewed at www.fahcsia.gov.au

20 October 2008

TERMS OF REFERENCE

Australia's Gambling Industries

Productivity Commission Act 1998

I, CHRIS BOWEN, Assistant Treasurer and Minister for Competition Policy and Consumer Affairs, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998* hereby request that the Productivity Commission undertake an inquiry into Australia's gambling industries and report within 12 months of the date of receipt of this reference. The Commission is to hold hearings for the purpose of this inquiry.

The Productivity Commission could provide an update of the 1999 Productivity Commission report (1-8) and provide some additional research into the impacts of harm minimisation measures (9-10):

1. the nature and definition of gambling and the range of activities incorporated within this definition;
2. the participation profile of gambling, including problem gamblers and those at risk of problem gambling;
3. the economic impacts of the gambling industries, including industry size, growth, employment, organisation and interrelationships with other industries such as tourism, leisure, other entertainment and retailing;
4. the social impacts of the gambling industries, the incidence of gambling abuse, the cost and nature of welfare support services of government and non-government organisations necessary to address it;
5. the contribution of gambling revenue on community development activity and employment;
6. the effects of the regulatory structures – including licensing arrangements, entry and advertising restrictions, application of the mutuality principle and

differing taxation arrangements – governing the gambling industries, including the implications of differing approaches for industry development and consumers;

7. the implications of new technologies (such as the internet), including the effect on traditional government controls on the gambling industries;
8. the impact of gambling on Commonwealth, State and Territory Budgets;

Assessment of Harm Minimisation Measures since 1999

9. the impact that the introduction of harm minimisation measures at gambling venues has had on the prevalence of problem gambling and on those at risk; and
10. evaluate the effectiveness and success of these harm minimisation measures used by the State and Territory Governments.

The Commission is to provide both a draft and a final report. The Government will consider the Commission's recommendations, and its response will be announced as soon as possible after the receipt of the Commission's report.

CHRIS BOWEN

[received 24 November 2008]

Attachment B: How to make a submission

This is a public inquiry and the Commission invites all interested individuals and organisations to take part. Anyone can make a public submission. In your submission, you do not need to address all the issues raised in this paper and you may comment on any other issues that you consider relevant to the terms of reference.

There is no specified format

A submission can be anything from a short note or email outlining your views on a few matters to a more substantial document covering a wide range of issues. Where possible, you should give evidence to support your views, such as data and documentation. Although every submission is welcome, multiple, identical submissions do not carry any more weight than the merits of an argument in a single submission.

Participants are welcome to make subsequent submissions throughout the course of the inquiry. In particular, participants will be invited to make further submissions to respond to the draft report, which is expected to be released in September.

Submissions should be public documents

The Commission seeks to have as much information as possible on the public record. This is a public inquiry, and the Commission will make submissions available for others to read. Submissions will become publicly available documents once placed on the inquiry website, which will normally occur shortly after receipt of a submission, unless it is marked confidential or accompanied by a request to delay release for a short period of time. Any confidential material sent to the Commission should be provided under separate cover and clearly marked.

Email lodgement is preferred

If possible, submissions should be lodged by email or as a text or Microsoft Word document (.txt, .rtf, .doc), rather than Adobe Portable Document Format (.pdf), to ensure screen readers can read them. (Submissions may also be sent by mail or fax and arrangements can be made to record oral submissions over the telephone.)

Please ensure that the version sent to the inquiry is the final version, and that you have removed any drafting notes, track changes, annotations, hidden text, marked revisions, as well as any internal links. Please also remove large logos and decorative graphics (to keep file sizes down). This will enable the submission to be

more easily viewed and downloaded from the website. Copyright in submissions sent to the Commission resides with the author(s), not with the Commission.

Each submission should be accompanied by a submission cover sheet containing the submitter's personal and organisational contact details. The submission cover sheet is available at the end of this attachment or from the inquiry's website.

Productivity Commission
SUBMISSION COVER SHEET
(not for publication)

Gambling Inquiry

Please complete and submit this form with your submission to:

By email: gambling@pc.gov.au

OR By fax: (02) 6240 3377

Or by post:

Gambling Inquiry

Productivity Commission

GPO Box 1428

Canberra City ACT 2601

Organisation:

Street address:

Suburb/City:

**State &
P'code:**

Postal address:

Suburb/City:

**State &
P'code:**

Principal contact:

Ph:

Position:

Fax:

Email address:

Mob:

Please indicate if your submission:

☐

contains NO confidential material

☐

contains SOME confidential material (provided under separate cover and clearly marked)

☐

contains confidential material and the WHOLE submission is provided 'IN CONFIDENCE'

Attachment C: Key findings from the Commission's 1999 report

The key findings of the Commission's 1999 report into Australia's gambling industries (PC 1999, pp. 2–4) are set out below.

- Gambling provides enjoyment to most Australians, over 80 per cent of whom gambled in the last year — spending about \$11 billion — with 40 per cent gambling regularly.
- Gambling is a big and rapidly growing business in Australia, with the industries currently accounting for an estimated 1.5 per cent of GDP, and employing over 100 000 people in more than 7000 businesses throughout the country.
- The main source of national benefit from the liberalisation of gambling has been the consumer gains from access to a service that gives people enjoyment.
 - Net gains in jobs and economic activity are small when account is taken of the impact on other industries of the diversion of consumer spending to gambling.
- The principal rationales for regulating the gambling industries any differently than other industries relate to:
 - promoting consumer protection
 - minimising the potential for criminal and unethical activity
 - reducing the risks and costs of problem gambling.
- Around 130 000 Australians (about 1 per cent of the adult population) are estimated to have *severe* problems with their gambling. A further 160 000 adults are estimated to have *moderate* problems, which may not require 'treatment' but warrant policy concern.
 - Taken together, 'problem gamblers' represent just over 290 000 people, or 2.1 per cent of Australian adults.
- Problem gamblers comprise 15 per cent of regular (non-lottery) gamblers and account for about \$3.5 billion in expenditure annually — about one-third of the gambling industries' market.
 - They lose on average around \$12 000 each per year, compared with just under \$650 for other gamblers.
- The prevalence of problem gambling is related to the degree of accessibility of gambling, particularly gaming machines.

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- The costs include financial and emotional impacts on the gamblers and on others, with on average at least five other people affected to varying degrees. For example:
 - one in ten said they have contemplated suicide due to gambling
 - nearly half those in counselling reported losing time from work or study in the past year due to gambling.
 - The adverse impacts on individuals and the community, help explain the ambivalence of most Australians about the gambling industries, despite their widespread involvement
 - around 70 per cent of people surveyed believed that gambling did more harm than good
 - 92 per cent did not want to see further expansion of gaming machines.
 - Quantification of the costs and benefits of the gambling industries is hazardous. Uncertainty about key parameters constrained the Commission to providing low and high estimates. For the gambling industries as a whole, estimates of their *net* contribution to society, ranged from a net loss of \$1.2 billion to a net benefit of \$4.3 billion.
 - This masks divergent results for different gambling modes, with lotteries revealing clear net benefits, whereas gaming machines and wagering include the possibility of net losses.
 - Policy approaches for the gambling industries need to be directed at reducing the costs of problem gambling — through harm minimisation and prevention measures — while retaining as much of the benefit to recreational gamblers as possible.
 - The current regulatory environment is deficient. Regulations are complex, fragmented and often inconsistent. This has arisen because of inadequate policy-making processes and strong incentives for governments to derive revenue from the gambling industries.
 - Restrictions on competition have not reduced the accessibility of gambling other than for casino games. With the possible exception of casinos, current restrictions on competition have little justification.
 - Venue caps on gaming machines are preferable to state-wide caps in helping to moderate the accessibility drivers of problem gambling. However, more targeted consumer protection measures — if implemented — have the potential to be much more effective, with less inconvenience to recreational gamblers.

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- Existing arrangements are inadequate to ensure the informed consent of consumers, or to ameliorate the risks of problem gambling. Particular deficiencies relate to:
 - information about the ‘price’ and nature of gambling products (especially gaming machines)
 - information about the risks of problem gambling
 - controls on advertising (which can be inherently misleading)
 - availability of ATMs and credit
 - pre-commitment options, including self-exclusion arrangements.
 - In such areas, self-regulatory approaches are unlikely to be as effective as explicit regulatory requirements. In most cases, regulation can be designed to enhance, rather than restrict consumer choice, by allowing better information and control.
 - Counselling services for problem gamblers serve an essential role, but there is a lack of monitoring and evaluation of different approaches, and funding arrangements in some jurisdictions are too short term.
 - Services, awareness promotion and research activities related to problem gambling are likely to be most effectively funded from earmarked levies on all segments of the gambling industry, with the allocation of funds independently administered.
 - Internet gambling offers the potential for consumer benefits, as well as new risks for problem gambling. Managed liberalisation — with licensing of sites for probity, consumer protection and taxation — could meet most concerns, although its effectiveness would require the assistance of the Commonwealth Government.
 - On the basis of available information, there is not a strong or unambiguous case for significantly reducing gambling taxes, with the possible exception of lotteries. Any changes would need to be incremental and carefully monitored.
 - The mutuality principle, combined with lack of constraints on gaming machine numbers, appears to be distorting the investment and pricing decisions of some clubs, with impacts on competitors. Of the options for dealing with it, only tax action at the state level appears feasible.
 - Policy decisions on key gambling issues have in many cases lacked access to objective information and independent advice — including about the likely social and economic impacts — and community consultation has been deficient.
 - An ideal regulatory model would separate clearly the policy-making, control and enforcement functions.

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- The key regulatory control body in each state or territory should have statutory independence and a central role in providing information and policy advice, as well as in administering gambling legislation. It should cover all gambling forms and its principal operating criteria should be consumer protection and the public interest.

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