

Julie Thompson

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Sent: Friday, 9 December 2016 5:00 PM
To: fgm
Subject: Submission to the Joint Select Committee on Future Gaming Markets from the Tasmanian Liquor and Gaming Commission
Attachments: TLGC letter to go with submission JSC on FGM - APPROVED.pdf; TLGC Submission JSC on FGM.pdf

Dear Mr Wright,

On behalf of the Tasmanian Liquor and Gaming Commission, please find attached a covering letter and submission to the Joint Select Committee on Future Gaming Markets.

Yours sincerely,

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The Secretary
Joint Select Committee on Future Gaming Markets
Legislative Council
Parliament House
HOBART TAS 7000

Via email: fgm@parliament.tas.gov.au

Dear Mr Wright

Submission by the Tasmanian Liquor and Gaming Commission

Further to my letter to the Joint Select Committee on Future Gaming Markets of 12 September 2016 and associated background documentation, on behalf of the Tasmanian Liquor and Gaming Commission, I am pleased to provide the attached submission.

The Commission would be pleased to meet with the Committee at its convenience to discuss or expand upon this submission.

Should you have any queries or require any further information regarding this matter, please feel free to contact me cranston.jenny@gmail.com or 0432 418 221.

Yours sincerely

Jenny Cranston
Chair

9 December 2016

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INTRODUCTION

The Tasmanian Liquor and Gaming Commission (TLGC) welcomes the opportunity to make a submission to the Joint Select Committee on Future Gaming Markets. The focus of this submission is mainly on harm minimisation.

While Tasmania has a relatively low number of electronic gaming machines (EGMs), a relatively low per capita loss and one of the tighter harm minimisation regimes in Australia, this does not mean the State has a low level of problem gamblers. According to the Productivity Commission Inquiry Report into Gambling (2010),¹ 80,000 – 160,000 Australians suffer severe problems from their gambling with an additional 230,000 – 350,000 people at moderate risk (p.47). On a per capita basis, this would put Tasmania's problem gamblers at 1600 - 3200 and moderate gamblers at 4600 – 7000.² These are not insignificant numbers.

Furthermore, the Productivity Commission found that in Australia (in 2010) three-quarters of problem gamblers play EGMs with estimates indicating that problem gamblers account for an estimated average of 40% of EGM expenditure, showing that a small percentage of gamblers account for a large percentage of losses (p.47). Extrapolating this to Tasmania, it is likely that over \$70m of annual player losses in Tasmania is linked to problem gamblers.

While the Tasmanian Liquor and Gaming Commission is responsible for the regulation of many forms of gambling, it is electronic gaming machines that cause it most disquiet due to the potential for harm for at-risk and problem gamblers – this is not just “any product” and its capacity for harm for some people is extremely high. While recognising that many people play EGMs recreationally and suffer no harm, other players need to be protected and harm minimisation measures employed.

In terms of harm minimisation, the *Third Social and Economic Impact Study of Gambling in Tasmania*³ (SEIS) lists (p.2) the goals of harm minimisation relating to three areas:

1. supply reduction (controlling the amount of gambling available);
2. demand reduction (encouraging people not to gamble, delay gambling, or gambling less); and
3. harm reduction (alleviating the harm associated with gambling rather than the gambling itself).

Within these areas, there is potential for changes to be introduced to strengthen the harm minimisation measures in Tasmania.

As the Australian Government's independent research and advisory body on a range of social, economic and environmental issues affecting the welfare of Australians, the Productivity

¹ Productivity Commission 2010, *Gambling*, Report no. 50, Canberra.

² The group of moderate gamblers is of significance as they still experience harm and some may progress to more serious problems.

³ ACIL Allen Consulting, The Social Research Centre and the Problem Gambling Research and Treatment Centre (2015), *Third Social and Economic Impact Study of Gambling in Tasmania: Volume 3 – Assessment of Gambling Harm Minimisation Measures*. Melbourne.

Commission is obliged under its statutory guidelines to take a broad view, encompassing the interests of the economy and community as a whole, rather than just particular industries or groups. Given this, the TLGC commends the findings and recommendations of its 2010 *Report on Gambling* to the Joint Select Committee.

ACCESS TO and AVAILABILITY OF EGMS (CONTROL of SUPPLY)

The (TLGC) Commission is of the view that there are already enough EGMS in Tasmania and the proposed post-2023 cap on the number of EGMS in the State should be accepted.

The Commission welcomes the Government's legislation of a public interest test regarding applications for the introduction of gaming machines into licensed premises. We believe that this will give those communities where EGMS are over-represented in terms of overall numbers and density the opportunity to input decisions for the benefit of their members.

Access to available machines in venues could be managed through hours of operation. This is supported by the Productivity Commission's finding in 2010 that "shutdown periods for gaming in hotels and clubs are too brief and mostly occur at the wrong times" (p.3). Its view is that shutdowns should commence earlier and be of longer duration. Of particular note is the Productivity Commission's finding that there is evidence that higher risk gamblers represent a much greater share of those people playing late at night. Moreover, it is said that, at that time, gamblers are more likely to be playing under the influence of alcohol, reducing the capacity for informed consent on a potentially very costly activity where impulsivity and faulty cognitions are already widespread (pp.30-31).

Individual machines could be configured to disallow an uninterrupted use span (on one machine). This requirement to move to another machine would have little effect on the recreational gambler but may force problem gamblers to face a "decision point" in terms of their losses and next steps. If the machines could be configured to give, at this point of shut down, a summary of net losses for the time span, it might be even more effective as a deterrent to continued gambling for the at risk player.

Access to machines may also be affected by the amount of cash people are able to access at venues. ATMs are not available in hotels/clubs and limits on the amount of cash that can be obtained at venues could be tightened with a maximum \$250 EFTPOS withdrawal limit imposed regardless of venue (p.58) – this would include the casinos.

These strategies could be "side-stepped" by players moving from different machines and/or venues but the purpose is to build in moments of enforced stoppage where problem gamblers are given opportunities to take a moment to reflect and have a better chance to make informed choices about their losses and continued play.

ENCOURAGING PEOPLE to GAMBLE LESS (CONTROL of DEMAND)

The Productivity Commission found that the gaming machine of 2010 differs greatly from that of the early 1990s (and especially the earlier era). "There are more features, more networked games, new graphics, and many more playing styles — as well as significantly increased potential for losses in a given period of play" (pp.8-9). This is even truer in 2016 where machine design has developed further in sophistication.

Recreational gamblers typically play at low intensity. However, the Productivity Commission found that if machines are played at high intensity – typically the approach adopted by problem gamblers - it is easy to lose \$1200 or more in an hour.

The rate at which money can be lost (aside from the gambler's own desires) is affected by a number of gaming machine features such as the number of lines that the machine is configured for and bet limits. Real impacts could come from changes to machines that involve a combination of these features that in many cases make it more difficult to exercise self-responsibility and are therefore more dangerous for the problem gambler.

EGMs in Tasmania already have the lowest number of lines at 30; other jurisdictions allow 50 lines on each machine and it is the TLGC's view that this should remain at 30 lines in Tasmania.

There are a number of advocates for reduced maximum bet limits. The Productivity Commission's view is that "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)" (p.55). While Tasmania currently has a maximum \$5 bet limit per spin, the Productivity Commission found strong grounds to lower the bet limit to around \$1 per 'button push' (p.56). This is seen as a simple, cheap and effective way to reduce the amount that can be lost and therefore reduce harm to problem gamblers.

The Productivity Commission's view is that the amount of cash that players can feed into machines at any one time should be limited to \$20 (p.56). "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." Currently \$500 is the allowable limit in Tasmania (under Ministerial Direction 2009).

The current spin rate of reels per bet in Tasmania is a minimum of 3 seconds. This could be set at a higher rate thereby affecting the rate at which money is lost. This combined with a reduced bet limit is a very potent way in which gamblers would lose less at any one time. The following example indicates some possible costs of playing EGMs:

Maximum bet per spin	Spin rate	Maximum number of spins per hour	Expected average cost of play at maximum game speed	Theoretical loss per hour*
\$5	3 seconds	1200	\$6000	\$600
\$5	6 seconds	600	\$3000	\$300
\$1	6 seconds	600	\$600	\$60

* Assumes the average EGM return to player across Australia of about 90%.⁴

(Most players will actually lose more than the theoretical loss per hour as only a few achieve a jackpot; the majority loses more per hour to fund this lucky winner.)

⁴ Productivity Commission Report, Table 11.1 (p.11.7) based on Australian Gambling Statistics 2005-06

One of the misleading features of EGM design is when losses are disguised as wins per spin rather than a net loss indication. For example when a \$5 bet is made, a machine advertises (with reinforcing lights and sounds) that \$2 has been won when in fact the net loss is \$3. Machines designs should only celebrate net wins.

Problem gamblers (or those at risk of so becoming) may benefit from machines that deliver periodic messages on real losses to date and potential losses, such as: "You have lost \$x in the past hour and you are expected to lose the same in the next hour..." This would be in stark contrast to some of the potentially deceptive messages that currently appear.

The Productivity Commission found that gaming machine players should be informed about the cost of playing through disclosure of the 'expected' hourly expenditure and the percentage cost of play. Initially, this should be achieved with a sign fixed to all EGMs, showing the percentage cost of play and the expected hourly cost of play (p.51).

The Productivity Commission goes further to say:

There are vulnerabilities, extending beyond problem gamblers, arising from widespread misunderstandings about how gaming machines actually work. For instance, the evidence shows that many people believe they can recover losses by continuing to play ('chasing losses'), and that machines run 'hot' or 'cold' (with over 50 per cent of gaming machine players believing this). The consequence of these faulty cognitions is that people make expenditure decisions based on significant underestimation of the price they are paying for the good. People often have faulty beliefs, but most of these beliefs do not have the adverse consequences that can arise here (p.13-14).

While changes to gaming machines provide the most promising avenue for harm minimisation (p.23), the TLGC is aware of the costs that would be associated with implementation. However, the more than 6 years until the changes would be required provides sufficient time for machine owners/operators to manage any new requirements; as the current turnover of an EGM is 7 years, this is achievable by 2023.

The TLGC'S MEASURES to ALLEVIATE the HARM from GAMBLING

The TLGC's *Responsible Gambling Mandatory Code of Practice for Tasmania* contains a range of measures that, according to the *Third SEIS*, on balance, seem to have worked to impact at risk gamblers. Of particular focus were initiatives to reduce incentives to gamble more and create breaks in play (for example, no service of food or alcohol at EGMs). "Limiting access to cash at venues continues to act as an important proxy for pre-commitment method (as research has shown that people often have an amount in mind prior to entering a venue and further ATM withdrawals can be a sign of breaching that prior amount)".

The findings of the *Third SEIS* suggest that, taken together, the suites of harm minimisation measures for EGMs (and keno and casino table gaming) have been effective in reducing the expenditure of at-risk gamblers while not affecting the enjoyment of large numbers of problem gamblers. Specifically, the harm minimisation measures EGM gamblers thought had been most effective in reducing harm were:

- reducing withdrawal amounts from venue EFTPOS facilities, casino ATMS and cheque cashing facilities (access to money);
- allowing only socially responsible advertising of gambling;
- reducing the amount of cash you can insert into EGM note acceptors of EGMS located in casinos;
- banning ATMs in hotels and clubs with EGMs; and
- providing information about responsible gambling, help services available etc. (pp.67).

The TLGC understands that there is a group of players who like to play at higher levels of intensity. Many of these players already belong to the (casino) premium player loyalty program where there has been some exemption by the Commission of the rules governing EGM operation. Arguments have been put to increase access to even more relaxed use of EGMs for this group of players on the grounds that despite losses, members have a capacity to pay and are closely monitored by staff for problem signs and, if these conditions are not available in Tasmania, the players will travel interstate to take advantage of more relaxed gambling environments.

Perversely, these people are invited to join the program by virtue of the extent of their losses. While they are subject to less regulation, they are also a well-known, identifiable group. Hence, arguably a greater capacity exists for harm minimisation strategies to be targeted where needed.

Within this (already existing) two-tiered system, capacity exists to incorporate the following changes:

- I. a tighter use of EGMs generally in pubs/clubs and in the main casino based on the recommendations of the Productivity Commission; and
- II. a more relaxed use of EGMs allowing for higher intensity playing which reflects the current use of EGMs in this environment for players (premium loyalty program members) who make mandatory pre-commitments on the extent of their losses.

In this latter environment, a pre-commitment regime with the following features could be introduced:

- to access a more relaxed EGM environment, a member signs up in advance indicating how much s/he is willing to lose by day, month and year;
- once this pre-committed level is reached at any of the time deadlines, the system excludes the player from that program (and environment).

This environment could only be supported *after* the introduction of a tighter use of EGM framework in clubs/pubs and casino main floors as, without this, there is a danger that premium players who reach pre-commitment levels would merely shift to another venue and sustain further substantial losses above their own pre-set limit (indicating they have lost control over their gambling).

Future Tender Process

The TLGC is of the view that a system allowing individual pubs/clubs to tender for the operation of EGMs is highly problematic. For example, while individual operators may see enhanced returns by effectively “cutting out the middleman”, they may be unaware of the increased compliance costs of meeting regulatory requirements they would incur without the benefit of system economies of scale.

There would also be increased costs for the TLGC in managing this compliance regime, a cost ultimately borne by the taxpayer.

The current system of one provider of EGMs provides a level of system accountability, consistency, and quality control, affording gamblers a measure of confidence in the machines, and therefore the overall system, that may not exist in an individualised market.

The TLGC supports the opening of the EGM market in a general tender process only if the competitors are not individual or small groups of venue owners/operators. If a tender process is conducted, we strongly recommend that proposed harm minimisation measures by the operator be part of the value assessment of offers.

Community Service Levy

The State Government requires that 4% of the gross product derived from gaming machines in hotels and clubs in Tasmania be paid into the community service levy (CSL). It seems appropriate that those profiting from gambling, including casinos, be required to contribute to the costs of alleviating the harm caused to some by gambling.

Other

Despite its legislative provision, the TLGC is of the view that the SEIS should not be conducted every three years, as this is too frequent to allow meaningful consideration of findings and to implement potential changes to the system as a result.

While not specifically the subject of the Committee's inquiry, we take this opportunity to put on the public record our concern about internet/online gambling and the dangers this form of gambling represents. This is a borderless activity and the ineffectiveness of individual state/territory regulatory frameworks is becoming increasingly apparent.

We suspect that the on-going use of EGMs is a generational one. Increasingly, younger people are using their telephone applications/computers to gamble online – from anywhere and at anytime.

Advertising of sports betting is of particular concern, particularly in prime time television coverage of major sporting events where the incorporation of this advertising is an integral part of the coverage. This disturbing use of marketing techniques to “normalise gambling” threatens particularly to affect impressionable young people and children who are saturated by the sheer weight of advertising including in the online world. Problem gamblers are similarly affected.

Jenny Cranston (Chair, Tasmanian Liquor and Gaming Commission)

Stuart Barry and Leanne Topfer (Members, Tasmanian Liquor and Gaming Commission)

5 December 2016