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Sent: Wednesday, 7 December 2016 11:01 AM
To: fgm
Subject: Submission to inquiry into future gaming markets
Attachments: Submission to the pokie inquiry.docx

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

Dear Secretary,

Would you please accept the attached submission lodged on behalf of Tasmanian Baptist Churches to the current inquiry.

Any questions relating to this submission should be directed to me in my capacity as Public Questions Officer for Tasmanian Baptists.

With thanks,

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A submission to the
Tasmanian Joint Select Committee Inquiry
into
Future Gaming Markets
from



DECEMBER 2016

Summary and recommendations

Tasmanian Baptist have long been concerned about the exploitation of vulnerable people by electronic gaming machines, particularly those located in hotels and clubs within our communities. The addictive nature of these machines results in great social harm, the effects of which are felt well beyond the problem gamblers' immediate families. Community organisations are often called on to care for the victims and the financial burden is spread very widely. Under current arrangements, any financial benefits provided to the broader community from these machines are meagre in comparison with their social costs.

The evidence shows that the current harm minimisation measures, though welcome, are clearly inadequate. They don't allow full conformity with the Guiding Principles set down by the Hodgman Liberal Government, particularly the requirements that gaming be fair, minimises harm and shares any rewards appropriately. We commend the parliament for establishing this inquiry and urge the Committee to adopt the following recommendations:

- 1. That EGMs be phased out from hotels and clubs entirely;*
- 2. That there be no increase in the number of EGMs in the casinos and that they be subject to a one dollar bet limit and mandatory pre-commitment.*
- 3. That the duration of operating licences be reduced to ten years, with provision for revision after five years, following a further Social and Economic Impact Study and public consultation.*
- 4. That current support services for gambling victims be maintained.*

Background

Tasmanian Baptists believe that we all have a responsibility to safeguard vulnerable people from exploitation. Gambling on electronic gaming machines is an inherently exploitative industry. We have therefore long advocated for more effective restraints on it, first through the Tasmanian Inter-Church Gambling Taskforce, then more recently through Community Voice on Pokies Reform. We are pleased to see the coming together of a very broad coalition of interest-groups under the banner of Community Voice on Pokies Reform. This shows how widely our concerns are shared throughout the community. As a member of Community Voice we support its submission to the current inquiry and welcome this opportunity to add a contribution of our own.

Introduction

Gambling only accounts for a little over one percent of Tasmania's GDP and employment¹. Although the 2015 Social and Economic Impact Study (SEIS) estimated that the incidence of moderate risk and problem gamblers for 2011–2013 was 2.3% of Tasmanian adults (i.e. around 10 000 people) and stable, those gamblers accounted for 20.5% of losses². Furthermore, it is well recognised that for every problem gambler several more people are directly affected. Non-casino EGMs accounted for more gambling losses than any other form of gambling³.

Gambling on electronic gaming machines (EGMs) is inherently addictive. Indeed, the machines and their venues are designed to promote addiction. The harms that arise from problem gambling are well known. Like any addiction, it can lead to psychological and social problems that may have a devastating impact on the gamblers, their families and friends. In the worst cases this can lead to suicide. Hence, like other addictions, it needs to be treated as a serious public health issue.

It also has financial impacts through family impoverishment, lost work time, bankruptcy and financial crime aimed at recouping losses. As well as bearing the cost of the diversion of money from more productive uses, the broader community is called on to care for those affected and to pay for the investigation, prosecution and incarceration of offenders in gambling-induced crime. While some of these costs may be hidden, few can remain unaware of the presence of gambling problems.

With the current operator's licence due to expire shortly, this is an opportune time to review the effects of the present arrangements on our community and consider, after listening to the views of the community, whether changes are needed. We

¹ ACIL Allen Consulting, Nov.2015. Third Social and Economic Impact Study of Gambling in Tasmania, Vol. 1, Summary Report, p(v).

² ACIL Allen Consulting, Nov.2015, op. cit., Vol. 1, p(v).

³ ACIL Allen Consulting, Nov.2015, op. cit., Vol. 1, p17.

believe they are, and commend the Government and the parliament for instituting this inquiry. Never before has the community been directly consulted on whether it wants EGMs in its hotels and clubs.

Although the Committee's Terms of Reference take in casino games and Keno, this submission will focus particularly on EGMs, as they account for the majority of losses by people who can least afford them and are responsible for most problem gambling. They are therefore the most in need of further restraints.

We will begin with some general remarks before addressing most of the Committee's specific Terms of Reference.

The nature of EGMs and their venues.

Although the gambling industry tells us that EGMs are merely another form of entertainment, everything about them and the environment in which they operate, from the sounds and graphics to the various enticements offered, is designed to ensure that the gambler is kept playing in the hope that a big win will be just around the corner, whereupon life will become much easier and more exciting for them. As well as occasional winning spins, these enticements include 'free spins', 'false wins' (when a win is declared although the amount lost on the spin actually exceeds the amount won) and apparent 'near misses' (programmed to appear much more frequently than random).

Some (usually less frequent gamblers), are able to play these machines recognising that the longer they play the more they are likely to lose and regulating their play accordingly. But all too many either do not understand this basic fact or become 'sucked in' and play on in the forlorn hope that they will be the exception to the rule. Of all forms of gambling, participation in playing EGMs was found to be the best predictor of problem gambling status, with 85% of problem gamblers playing EGMs⁴. While no particular group in society is inherently immune to EGMs' enticements, the concentration of venues in clubs and pubs within the lower socio-economic areas of the state is particularly detrimental, as there we find the people least able to afford significant losses and therefore most susceptible to significant harm.

The present regulatory regime.

The organisations funded by the Community Support Levy to assist the victims of gambling, along with many others voluntarily involved in such care, continue to do some fine work. But providing assistance for the victims of problem gambling must never be seen as a substitute for effective preventative measures. Thanks in part to

⁴ ACIL Allen Consulting, Nov.2015, op. cit., Vol. 2, p86.

the past lobbying of community groups such as the Inter-Church Gambling Taskforce, some improvements have been made to the regulatory regime, most notably by the imposition of the Mandatory Code of Conduct. Nevertheless, no government to date has been prepared to take the steps necessary to have a major impact in reducing the incidence of problem gambling. This is borne out by the findings of the series of social and economic impact studies carried out in 2008, 2012 and 2015.

What controls are likely to be effective?

There are three types of measures that are likely to have a significant impact on the incidence of problem gambling on EGMs. They are:

1) Measures to make EGMs less accessible

Accessibility encourages frequent playing which promotes problem gambling. Regulatory measures may include exclusion schemes, but experience has shown that these are too easily sidestepped by problem gamblers.

A more effective measure would be the removal of machines from local communities where gamblers frequently pass by. It is notable that the most common avoidance strategy reported by gamblers themselves was to limit the number of days they gambled and the most popular measures identified by them to reduce excessive gambling was the removal of EGMs⁵. Removal of EGMs from hotels and clubs would effectively limit the number of days that most people could gamble.

2) Measures to reduce the rate at which money can be lost

The available combination of bet size, number of lines played and rate of spin on Tasmanian EGMs allows money to be lost with remarkable rapidity. Limiting the amount that can be lost per spin (e.g. a one dollar limit) is likely to reduce overall losses and ameliorate the impact on problem gamblers. Limiting bet size is a strategy used by gamblers themselves in attempting to minimise harm⁶.

3) Measures to give gamblers control over their losses

Gamblers never set out with the intention of losing, but those who appreciate that they have a gambling problem may well recognise the limits of what they can afford to lose. Giving them the power to nominate their maximum losses in advance would enable them to ensure that, even when they are in 'the zone' (i.e. out of touch with reality), they will be unable to play on past that point. Setting a loss limit is also a strategy favoured by gamblers⁷.

⁵ ACIL Allen Consulting, Nov.2015, op. cit., Vol. 1, p32.

⁶ ACIL Allen Consulting, Nov.2015, op. cit., Vol. 1, p32.

⁷ ACIL Allen Consulting, Nov.2015, op. cit., Vol. 1, p32.

Specific Terms of Reference

(a) Community attitudes and aspirations

Repeated surveys have shown that community attitudes towards EGMs in hotels and clubs are clear and unequivocal. From a telephone poll in February/March 2016, Anglicare found that one third of respondents knew someone with a gambling problem⁸. Tasmanian Baptists are no exception to this. From another poll in November 2015, 84% thought that EGMs in hotels and clubs had provided no benefit to their community. A similar proportion (i.e. 82%) favoured their reduction or complete removal, with the latter being the preferred option⁹.

(b) Social and Economic Impact Studies

The repeated social and economic impact studies are a valuable resource for keeping track of developments and assessing the effectiveness of policies employed. Their findings are invaluable for inquiries such as this one. They should be continued on a regular basis and precede each licence renewal. However, their practical usefulness is subject to the willingness of governments, the gambling industry and the community-at-large to learn the lessons they provide and to act on them.

(c) Hodgman Liberal Government Framework

Guiding Principle 1 of the document in question states that: 'a wide range of gaming products should be available to consumers that are fair, and which provide an acceptable average return to players'. In the context of EGMs, especially for frequent gamblers, 'an acceptable average return' would have to mean a net loss. Whether or not these machines are fair is debatable, and this is currently being tested in the courts under federal consumer law.

Guiding Principle 2 seeks to ensure a sustainable industry while minimising harm from problem gambling. To achieve this, the operators of EGMs would have to drastically reduce their reliance on the 'at risk' and problem gamblers who currently provide over 20 per cent of their take¹⁰.

Guiding Principle 3 states that 'The financial rewards from the gaming industry should be shared appropriately among the industry, players and the Government'. But frequent players of EGMs are unlikely to reap any financial rewards at all – they just carry the costs while the rewards go to others.

Guiding Principle 4, which requires the public interest to be taken into account with respect the placement or location of EGMs, is a welcome, but regrettably late development.

⁸ Anglicare Tasmania, 2016: Community Views on Poker Machines, Research Report (from EMRS phone poll).

⁹ Anglicare Tasmania, 2016: Community Views on Poker Machines, Research Report (from EMRS phone poll).

¹⁰ ACIL Allen Consulting, Nov. 2015, op. cit. Vol. 1, p11.

Hence, while it is good to have these guiding principles set down, the current application of some of them is patchy at best.

In general, we welcome the Government's openness to reconsideration of the process and terms of the allocation of future licences for EGMs in pubs and clubs. But, while we also welcome any reduction in numbers, we note that the document doesn't mention the possible removal of EGMs from hotels and clubs altogether, which evidence shows is the community's preferred option.

(d) Market-based licensing mechanisms

In general, we support the use of market-based mechanisms in tendering for licences, but note that these should include not just evaluation of the financial implications of any proposal for the Government and the licence holder, but also the human implications in terms of what is proposed to minimise harm and provide community benefits. But, most importantly, this term of reference is predicated on the assumption that an on-going licence to operate EGMs in clubs and pubs will be issued. We believe that a preferable option would be to remove them altogether.

(e) Taxation and licensing

Any future licences should be conditional on the operator meeting minimum requirements for harm minimisation (see next term of reference) and a reasonable return to the community through taxation and licence fees. The Government should not be influenced in its decision by promises to establish unrelated developments subject to the applicant being granted the licence, as has happened in the past. It is reprehensible for any applicant to claim that a development, particularly a luxury one for wealthy clients, needs to be propped up by losses from problem gamblers and it is inexcusable for any government to accept such a claim.

(f) Harm minimisation

We support the mandated harm minimisation measures that are currently in place. The evidence from the 2015 Social and Economic Impact Study found that gamblers generally believe that most of the measures have reduced their expenditure without affecting their enjoyment or individual freedoms¹¹. Nevertheless, only 11.8 - 34.7% of 'at risk' gamblers reported a reduced expenditure due to these measures¹². Despite the broad range of this estimate, it shows clearly that more needs to be done.

Harm prevention is always preferable to harm amelioration, which is what the grants from the Community Support Levy are primarily designed to achieve (It is always

¹¹ ACIL Allen Consulting, Nov. 2015, op. cit., Vol. 1, p33.

¹² ACIL Allen Consulting, Nov. 2015, op. cit., Vol. 1, p26.

better to have a fence at the top of the cliff than an ambulance at the bottom). Regrettably, the effectiveness of this harm amelioration has been limited by the fact that only three per cent of moderate risk or problem gamblers were found to have sought help from the support services¹³.

As noted earlier, what is needed are measures to make EGMs less accessible, reduce the rate at which money can be lost and give gamblers more control over their losses. The proposals to remove EGMs from hotels and clubs while allowing no increase in numbers in the casinos, to impose a one dollar bet limit on the remaining machines and to allow gamblers to set an enforceable limit on losses, as put forward by Community Voice on Pokies Reform, would certainly achieve significant harm reduction, if not complete harm prevention. Controlling the size of bets and setting a spend limit are among the most popular self-imposed harm minimisation measures employed by gamblers¹⁴.

(g) Licence terms and durations

We believe that the duration of fifteen years, with an option of a five-year extension that has been applied in the past is too long. Any venue that cannot recoup its initial costs and return a reasonable profit in less than fifteen years is on shaky foundations. And, perhaps more importantly, fifteen years is too long for the public to wait for changes to be made to an agreement that it has found to be contrary to their best interests. It would be more logical to allow the licence to run for a maximum of 10 years and make it subject to amendment after five years, should this prove necessary following a further SEIS and public input. If the licence holder objects, the onus should be on them to show why the proposed amendments should not be made or to relinquish the licence.

(h) Any other matters

We appreciate that some hotel and club businesses may be structured on the assumption that the present arrangements will continue more or less indefinitely and have become reliant on gambling income for their viability. What is needed is business plans that will allow the current venues to adjust from reliance on the take from EGMs to reliance on the provision of accommodation and/or food and other entertainment. A five-year transition period should be sufficient for this.

Some venues may also claim that the local community needs the various services that their gambling income provides. But it is hard to accept that communities in Western Australia, where EGMs are not permitted in hotels and clubs, are any the less vibrant or well provided for than in the rest of Australia. The same could become true of a Tasmania free of EGMs in hotels and clubs.

¹³ ACIL Allen Consulting, Nov. 2015, op. cit., Vol. 1, p15.

¹⁴ ACIL Allen Consulting, Nov. 2015, op. cit., Vol. 1, p32.

As the income from all gambling taxes is only 2 per cent of state revenue¹⁵, the proposed changes would have a very minor effect on the state budget, which would be offset by reduced costs in the provision of services by the state.

It is often claimed by those who defend EGMs that they are lawful and people should be free to use them if they so choose. But that doesn't mean that society should facilitate that choice by allowing them to be widely available throughout the community. Under these proposals occasional players could still use them by going to the casinos. This would be a similar approach to what has been applied to cigarettes, another addictive commodity.

One of the marks of a civilised society is the willingness of some to accept a small sacrifice in order that others may be spared what in this case may amount to great suffering. It is notable that the 2015 Social and Economic Impact Study found that halving of problem gambling, with the losses being directed elsewhere within the state, would reduce GDP by only 0.07 percent¹⁶ - surely a small price to pay for a great social benefit. Furthermore, the fact that the proposed measures are among the most popular with gamblers themselves suggests that few (other than those who profit from the industry) would begrudge them.

Conclusions

The community's views on EGMs in hotels and clubs are clear. They recognise the harm they cause and don't see them as providing a community benefit. They would therefore like them to be removed or at least reduced. Removal of EGMs is the measure preferred by gamblers themselves to reduce excessive gambling. Gamblers also practise limiting the size of bets and setting a spend limit as means of reducing harm. These would be facilitated by imposing a one dollar bet limit on casino EGMs and providing for mandatory pre-commitment. We believe there should also be a reduction in the duration of any future licence. No doubt those who profit from the industry will oppose these changes, but we believe that, if the will is there, they could be implemented at little cost and with great benefit to the community. We urge the Committee to find in favour of this course of action.

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¹⁵ ACIL Allen Consulting, Nov.2015, op. cit., Vol. 1, p19.

¹⁶ ACIL Allen Consulting, Nov.2015, op. cit., Vol. 1, p21.