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Dear Member,

RE: Response to claims by Clubs Australia regarding poker machine reform

You may be aware of recent reports that Clubs Australia Executive Director, Anthony Ball, has been leading what has been described as a highly organised campaign against poker machine reform.

We write to provide some background surrounding this issue, and to offer to meet with any Member or Senator who wishes to discuss this matter further.

We also seek to provide some additional information relating to unsubstantiated claims made by Clubs Australia in recent weeks.

On 23 June 2010, the Government released the Productivity Commission's Report into Gambling.

What the Productivity Commission said –

The Productivity Commission concluded that *"the number of Australians categorised as 'problem gamblers' ranges around 115,000, with people categorised as at 'moderate risk' ranging around 280,000"*¹.

The PC concluded that *"most policy interest centres on people playing regularly on the 'pokies'. Around 600,000 Australians (4 percent of the adult population) play at least weekly"*².

The PC also found that *"around 15 percent of these regular players are 'problem gamblers'," and "their share of total spending on machines is estimated to range around 40 percent"*³.

¹ Productivity Commission Inquiry Report into Gambling 2010, pg 2

² Productivity Commission Inquiry Report into Gambling 2010, pg 2

³ Productivity Commission Inquiry Report into Gambling 2010, pg 2

This is because, as the report pointed out, using an average poker machine, *"it is easy to lose \$1200 or more in one hour"*⁴.

The PC concluded that the social cost of problem gambling was *"at least \$4.7 billion dollars a year"*⁵.

What the PC report recommended –

As a result the PC made a number of recommendations, including:

- * That the amount of cash that players can feed into machines at any one time should be limited to \$20 (currently it is up to \$10,000);
- * There are strong grounds to lower the bet limits to \$1 per button push, instead of the current \$5 and \$10;
- * Shutdown periods for gaming in hotels and clubs should commence earlier and be of longer duration;
- * There should be a progressive move over the next six years to implement full 'pre-commitment' systems which allow players to set binding limits on their losses;
- * There should be increased 'warning displays' and 'cost of play displays' on poker machines which tell individual gamblers how much they will lose in a set time period if they continue playing at their current level of gambling intensity; and,
- * ATMs should be relocated away from gaming floors and a \$250 daily cash withdrawal limit should be imposed.⁶

What the Government has agreed to –

The Gillard Government has agreed to implement *"a best practice full pre-commitment scheme – that is uniform across all States and Territories and machines – consistent with the recommendations and findings of the Productivity Commission"*⁷.

Implementation will commence in 2012 with the full pre-commitment scheme commencing in 2014. The Government also agreed to support the recommendations of the Productivity Commission in relation to warning displays and cost of play displays on machines and to implement a \$250 daily withdrawal limit for ATM with poker machines (excluding casinos).

The Federal Government acknowledged that these reforms should initially be attempted through consensus with the States and Territories, but if this consensus could not be reached by 31 May 2011 the Federal Government agreed to act unilaterally, passing the necessary legislation by Budget 2012.

⁴ Productivity Commission Inquiry Report into Gambling 2010, pg 2

⁵ Productivity Commission Inquiry Report into Gambling 2010, pg 2

⁶ Productivity Commission Inquiry Report into Gambling 2010, pg 2 and 3

⁷ The Hon Julia Gillard & Mr Andrew Wilkie Agreement, 02 September 2010

What Clubs Australia has been claiming –

Clubs Australia has frequently made the claim that only 0.5 percent of Australians are problem gamblers.

According to the Productivity Commission statistics like this are "*misleading*"⁸.

As the Productivity Commission concluded:

*"It is common to report prevalence as a proportion of the adult population, but this can be misleading for policy purposes, given that most people do not gamble regularly or on gambling forms that present significant difficulties."*⁹

The PC report is unambiguous. Of those who regularly play poker machines, "*15 percent are 'problem gamblers' and they are responsible for 40 percent of the money lost*"¹⁰.

Clubs Australia has also claimed that a system of mandatory pre-commitment for all poker machines would be "*completely untested*"¹¹. Again, this is not true.

There have been results on full pre-commitment in Norway, as well as studies of optional pre-commitment in Nova Scotia. There are also optional pre-commitment schemes being tested here in Australia, in Queensland and South Australia. Clubs Australia would be aware of these studies.

Clubs Australia Executive Director, Anthony Ball, has also claimed that problem gambling is higher in Tasmania where ATMs are banned from venues, compared with other states such as NSW, Queensland and South Australia.

What he has failed to point out is that there are two recognised categories of problem gamblers; 'problem gamblers' and 'those at moderate risk of becoming a problem gambler'.

The number of people at 'moderate risk of becoming a problem gambler' is higher in all of those states and if you count those groups together, Tasmania actually has the lowest rate of problem gambling.

Clubs Australia has also argued that a full pre-commitment scheme would be an unfair burden on recreational gamblers. They offer no evidence to support this claim.

However, there is significant evidence to prove that this claim is simply wrong.

For example, a Victorian Government study titled 'Impact of Gambling Machine Characteristics on Play Behaviour of Recreational Gamblers, released in September 2009 concluded:

*"From a recreational gambler perspective, it is quite apparent that the new policy decision of compulsory limits during play is not likely to adversely impact the gaming experience of recreational gamblers, as most indicate that this would only very marginally affect their play. Similarly, the same applies to the concept of having a compulsory set limit past a certain expenditure point – this was not seen as a major issue for recreational gamblers and hardly affected play enjoyment."*¹²

⁸ Productivity Commission Inquiry Report into Gambling 2010, pg 2

⁹ Productivity Commission Inquiry Report into Gambling 2010, pg 2

¹⁰ Productivity Commission Inquiry Report into Gambling 2010, pg 2

¹¹ Media Release: Clubs Australia, 02 September 2010

¹² Impact of Gambling Machine Characteristics on Play Behaviour of Recreational Gamblers, September 2009

Clubs NSW has also claimed that if their machines were made safer they would have to reduce their community contributions.

Much is made by Club Australia about these contributions, but the Productivity Commission has questioned the value of these claimed contributions, making the following conclusions:

- * Many of the benefits go to members, not the public at large; and,
- * The gross value of social contributions by clubs is likely to be significantly less than the support governments provide to clubs through tax and other concessions.¹³

In other words, according to the PC, the clubs industry takes much more tax breaks than it gives back in community benefits.

Clubs Australia has also tried to argue that any move to make machines safer would cost jobs. The Productivity Commission also rejects this.

It says:

*"Many people are employed in the gambling industry. However, most are highly employable and would be in demand in other parts of the service sector were the gambling industry to contract. In that sense, the gambling industries do not create net employment benefits because they divert employment from one part of the economy to the other."*¹⁴

A report commissioned by the Tasmanian Department of Treasury and prepared by the South Australian Centre for Economic Studies found that:

*"Gambling facilities employed an average of 3.2 persons per \$1 million in gambling income, 8.3 persons per \$1 million income from sales of liquor and other beverages and 20 persons per \$1 million income from meal and food sales."*¹⁵

Clubs Australia Executive Director, Anthony Ball, has rejected the PC's claim that around 40 percent of poker machine revenue comes from problem gamblers.

In a submission to the New South Wales Independent Pricing and Regulatory Tribunal, Clubs Australia argued that the figure was 23.1 percent.¹⁶ They offered no evidence to support this.

But even if we did accept this seemingly arbitrary figure, the clubs industry is conceding that at least \$800 million in poker machine losses in their own clubs is coming from problem gamblers – people who shouldn't be on their machines.

Mr Ball is on the record as saying he supports *"people's right to set their own limits on what they can afford to spend gambling"*¹⁷.

A full pre-commitment system, as proposed by the Government, will achieve this.

We would respectfully suggest to Mr Ball and clubs around Australia that if they truly support a person's right to set their own limits, they must also support a person's right to set those limits before they enter a venue and for those limits to be binding.

¹³ Productivity Commission Inquiry Report into Gambling 2010, pg 6.1

¹⁴ Productivity Commission Inquiry Report into Gambling 2010, pg 6.1

¹⁵ South Australian Centre for Economic Studies, June 2008, pg vii

¹⁶ Clubs Australia Submission to Productivity Commission Inquiry Report into Gambling 2010, pg 92

¹⁷ Media Release: Clubs Australia, 02 September 2010

We would once again like to extend our offer to meet with any Member or Senator who would like to discuss this issue further.

Alternatively we are happy to work towards making ourselves available to sit in on any meetings you may be having with clubs, if you see value in that option.

Please do not hesitate to contact our offices if you have any queries at all.

Yours Sincerely,

NICK XENOPHON
Independent Senator for South Australia

ANDREW WILKIE
Independent Member for Denison