



**DUTY OF  
CARE**

**Duty of Care  
Submission  
To**

**Community Affairs Committee**

**Poker Machine Harm Reduction Tax  
(Administration) Bill 2008**

**June 2008**

**DUTY OF CARE  
INCORPORATED**

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INCORPORATED ASSOCIATION  
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Duty of Care Incorporated (Duty of Care) is grateful for the opportunity to make a submission to the Poker Machine Harm Reduction Tax (Administration) Bill 2008.

Sue Pinkerton, founding member, national President, South Australian representative of Duty of Care, problem gambling research consultant and former gambling machine addict<sup>1</sup>, would welcome the opportunity to speak to our submission during any public hearings the committee holds and to respond to any questions the committee may have regarding our submission.

Duty of Care is a national, not-for-profit consumer protection association representing gaming machine consumers and their families. Duty of Care was founded in January of 2005 by three women who had first hand experience of the harmful financial, social and psychological consequences of excessive use of gambling machines. We currently have approximately 300 members, (all of whom have been harmed in some way by gambling machine addiction).

Duty of Care's mission is simple.

We encourage governments to remove gambling machines by lobbying ministers and challenging both current and future legislation that allows gambling machines to continue harming the people of Australia financially, psychologically and emotionally.

We attempt to empower and self-actualise gambling machine consumers as a community consumer group with clearly defined and understood consumer rights and responsibilities.

We educate, support, represent and vocalise the wishes of both gambling machine consumers and the public in relation to consumer rights surrounding gambling machines.

It is our considered and informed position that gambling machines are the most psychologically entrapping, cognitively manipulative, financially, socially and psychologically harmful gambling product yet developed. We believe that the only electronic gambling machine that will not eventually cause harm to users of it is one that is permanently disconnected from any kind of power source.

We signal our intent to continue lobbying state and federal governments to remove gambling machines.

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<sup>1</sup> Duty of Care discourage the use of the term "gaming" – for each one of our members, and for the estimated 300,000 Australians personally harmed by these most cognitively manipulative and addictive machines, gambling is NOT a game. In this submission, any reference to gambling machines can be taken to indicate what others know as "poker machines" or "electronic gaming machines".

In principal, Duty of Care supports the Poker Machine Harm Reduction Tax (Administration) Bill 2008.

We do so because the end purpose of the Poker Machine Harm Reduction Tax (Administration) Bill is to reduce the number of gambling machine venues in Australia and research shows that when it comes to harm, proximity to gambling machines matters more than any other risk factor. As Tracy Schrans from Focal Research in Nova Scotia said at Duty of Care's Conference in Adelaide in 2005,

- “the single greatest risk factor for problem gambling is playing a gambling machine”, and
- “the second greatest risk factor for problem gambling is having ‘convenient’ access to a gambling machine”.

Many of our members report that they had no problem controlling their gambling – until they began playing poker machines. Some have gambled “responsibly” for over forty years, only gambling excessively once gambling machines were legalised and introduced to their local club or hotel. Likewise, many of our members are able to gamble responsibly on other gambling products once they quit gambling machines.

The latest research on the connection between problem gambling and proximity to gambling venues (conducted in New Zealand<sup>2</sup> and released May 2008) showed that problem gambling is significantly more likely to occur in people who live close to a venue that operates gambling machines.

The authors of the study found significant associations between gambling accessibility and gambling behaviour, when controlling for other possible confounding variables. The key findings include the following.

- Compared with those who lived in neighbourhoods **furthest** from gambling venues, people who lived in neighbourhoods **closer** to gambling venues were significantly more likely to:
  - have gambled at a gambling venue in the last year
  - be a problem gambler who had gambled at a gambling venue in the last year.
- People who lived in a neighbourhood closer to a non-casino gaming machine (NCGM) venue were significantly more likely to:
  - have gambled on an NCGM in the last year
  - be a problem gambler who had gambled on an NCGM in the last year.

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<sup>2</sup> Ministry of Health. 2008. Raising the Odds? Gambling behaviour and neighbourhood access to gambling venues in New Zealand. Wellington: Ministry of Health. Accessible at, <http://www.moh.govt.nz/moh.nsf/indexmh/raising-the-odds>

- Gambling behaviour was more strongly associated with the distance to the nearest gambling venue, than with the number of gambling venues within walking distance.
- The more gambling venues there were within 5 km of a person's neighbourhood centre, the more likely it was that the person had gambled at a gambling venue in the last year.
- If people had at least some NCGMs within 800 m of their neighbourhood centre, they were more likely to have gambled on an NCGM in the last year.

Of great interest to our members is the finding that “gambling more generally on **any** type of gambling activity (such as Lotto or Instant Kiwi) in the last 12 months was **not** associated with either the distance to the nearest gambling venue, or the number of gambling venues or NCGMs within walking distance (800 m) or close driving distance (5 km)”.

It is our firm belief that reducing the number of venues with gambling machines is likely to be more effective in reducing the incidence of problem gambling than reducing the number of machines operating in the state alone would do.

While Duty of Care supports the Poker Machine Harm Reduction Tax (Administration) Bill 2008 in principal, we do have concerns with aspects of its implementation as set out in Part 3, Section 11 of the bill.

Part 3, Section 11 of the bill sets out a schedule for the percentage of tax payable on gross poker machine revenue. Duty of Care believes the starting percentage of tax payable on gambling machine revenue (1%) is insufficient as a starting point. Further we believe that the suggested annual increments of 2% are also far too low to effect change before yet another generation of poker machine users and their families are significantly harmed.

We recommend that the bill be amended so that the tax payable for the financial year 1 July 2009 – 30 June 2010 start at 5% and 5% should be added each year thereafter until a maximum of 30% of annual gambling machines profits are paid into the Transition Fund.

In most states and countries that have introduced a smoking ban, annual gambling machine profits for all but the 2 years following the implementation of the smoking ban, grow by approximately 10% per year. Because of this, the loss of 1-2% of profits to the federal government's Poker Machine Harm Reduction Tax will leave venues with an annual growth rate of 8%. In these economically troubled times, that is a significant annual growth rate most small businesses would be only to happy to have.

Gambling machines generate such massive profits for their owners that the loss of 15% of profits as occurred following the introduction of indoor smoking bans, have not had a significant impact on the number of venues still operating. In South Australia where the smoking ban is still new and

gambling machine profits down 15 – 25%, no gambling machine venue has been offered for sale. We can only surmise that if gambling machines are worth owning even when profits drop 15-25% for 2 years running, forcing venues to pay 1-2% of their profits to the federal government is unlikely to make gambling machines not worth having.

For gambling machine venues, the loss of 1-2% of their profits each year is apt to have the same effect on them that placing a frog in a pot of cold water and placing the pot on a stove will have on the frog. Just as the frog remains happily swimming for ages until it cooks, gambling machine venue owners will continue operating and profiting from the financial, psychological and social decimation of their customers for many years into the future.

The initial percentage of profits paid to the Transition Fund must be altered so that it is **not less than 5%** and the annual increments must be increased to at least 5%. The operation of gambling machines must rapidly become unprofitable – and exceed the annual growth rate - to effect change.

Duty of Care remain concerned that this bill is yet another move of yet another level of government to legitimise gambling machine operations, to avoid investigating fully the addictive nature of gambling machine design and to avoid the simple measure of implementing consumer protections that are afforded to consumers of all other products and services in Australia.

Our declared position is that no gambling machines should be allowed to operate from July 1, 2009. We accept – for now - that the federal government has chosen not to bring about this obvious long-term solution to the unacceptable level of problem gambling amongst poker machine users in Australia.

We have taken our strong position on gambling machines in view of;

1. The tenfold increase in numbers of problem gamblers (and related community costs) that invariably follows the legalisation, introduction and wide spread distribution of gambling machines to any state or country around the world.
2. The significant differences that now exist between Western Australia - where poker machines are not allowed outside their single casino<sup>3</sup> - and other Australian states where poker machines abound.
3. The positive effect that banning of gambling machines had on levels of problem gambling in regions where gambling machines have been banned,
4. The surveyed wishes of concerned Australians

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<sup>3</sup> It is widely believed that WA has no gambling machines. This is wrong. WA has gambling machines but not the highly entrapping multi-lined, machines people of other states call “The pokies”. The only gambling machine programs permitted in WA are video poker, video blackjack and bingo/keno-based programs. These gambling programs require the gambler make choices about which cards or numbers they wish to bet on. They are widely recognised by gambling machine experts as less entrapping and therefore less harmful than the more common ‘poker machine’.

5. The overwhelming call of surveyed gambling machine addicts for banning of gambling machines <sup>4</sup>,
6. The professional advice of university academics, local government representatives and problem gambling counsellors and professionals,
7. The development by the gambling industry of increasingly harmful poker machines,
8. The continued practises and policies of the gambling industry that constitute unconscionable behaviour and appear to contravene the trade practices act – policies and practises that are supported by state governments, either overtly or tacitly.

The results of Duty of Cares research into the differences in levels of problem gambling that exist between South Australia and Western Australia clearly shows that gambling machines are the predominant cause of the dramatic increase in numbers of problem gamblers.

In 1990, both South Australia (population of 1.5 million people) and Western Australia (population of 1.9million people) had some 14 different forms of legalised gambling accessible through a large number of outlets throughout their respective states. Both states had one centrally located casino. Western Australia had an estimated 3,000 problem gamblers – South Australia had an estimated 2,500 problem gamblers.

In 1994, South Australia introduced 15,000 multiple lined, electronic gambling machines into 600 venues scattered throughout the state. Western Australia introduced just 1,500 electronic gambling machines into their one casino. By 1999 – with no other gambling products introduced to either state - South Australia's problem gambling population had blown out to 23,000 people. An almost ten fold increase. Western Australia's problem gambling population on the other hand, had grown from 3,000 people to 7,000 people.

In all states and countries throughout the world where EGMs have been legalised, introduced and widely distributed, within five years a sudden and dramatic rise in numbers of problem gamblers occurs. EGMs are clearly a harm causing product, NOT a “safe, fun-filled form of entertainment for all but a few psychologically disturbed individuals.

South Carolina's experience following the removal of all gaming machines from the state in 1999 was explored in Bridwell and Quinn's 2002 study<sup>5</sup>. Bridwell and Quinns study found that within three months of the removal of gaming machines from South Carolina, there was

- an 85% drop in the numbers of people seeking help for their so called “gambling addiction”,
- a 100% drop in numbers of callers to the state run gambling help line,

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<sup>4</sup> Gambling machine addicts often become 'expert' in poker machine addiction management after they quit and begin to analyse their excessive gambling experience. The majority of reformed gambling machine addicts view banning of the machines as a positive harm reduction strategy.

<sup>5</sup> Bridwell, R. Randall and Quinn, Frank L., 2002. “From Mad Joy To Misfortune: The Merger Of Law And Politics In The World Of Gambling”. Mississippi Law Journal. Spring, 2002. pp565-729

- a fifty percent drop in numbers of Gamblers Anonymous (GA) meetings,
- an 80-90% drop in numbers of people attending weekly meetings that continued operating.

Reports by the sheriffs department in the year after gambling machines were removed from South Carolina declared that the crime rate – most notably the prevalence of robbery with violence - dropped by 40% once the gambling machines were removed from the state.

These changes happened despite other gambling products being both legal and readily accessible before and after the ban came into force. Bridwell and Quinn comment in their study that people addicted to South Carolina's gambling machines appear not to have taken up other forms of gambling or other addictive products/substances once the ban came into force – they merely stopped gambling and returned to living their lives as they had before the machines were introduced to the state.

Similar changes in levels of problem gambling have occurred more recently in Norway where the Norwegian government recently banned private ownership of gambling machines. Calls to the gambling hotline dropped after gambling machines were turned off and the levels of spending on all other legal forms of gambling remained static following the removal of gambling machines from shops, bars, hotels and supermarkets.

These facts we suggest provide incontrovertible evidence that gambling machine addiction is not an addiction to gambling but an addiction to a product purposely and knowingly designed to addict. Any government or business that allows gambling machines to remain legal and in operation KNOWING that harm is foreseeable, predictable and preventable, open themselves up to charges of unconscionable conduct.

According to Mark Dickerson<sup>6</sup> almost one in two regular players of gambling machines report overspending while playing gambling machines despite setting time and monetary spending limits before gambling. The “erosion of control” that occurs during play, Dickerson asserts, is both a “natural outcome of regular involvement in the activity” and “responsible for the excess losses experienced by gaming machine players”.

Tim Falkiner and Roger Horbay in their paper “Unbalanced Reel Gaming Machines”<sup>7</sup> look at the illusionary and fraudulent tricks of gambling machine

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<sup>6</sup> Dickerson, M., 2003, “Exploring The Limits Of ‘Responsible Gambling’: Harm Minimisation Or Consumer Protection? Gambling Research (Journal of the National association for Gambling Studies Australia), 15, 29-44

Dickerson, M., 2004. “Measurement and modelling of impaired control: implications for policy”. Presented 5th.Oct.2004: Insight International Problem Gambling Conference, Nova Scotia.

<http://www.nsgamingfoundation.org/main/presentations/Professor%20Mark%20Dickerson.pdf>

<sup>7</sup> Falkiner, Tim and Horbay, Roger.,2006 “Unbalanced Reel Gaming Machines”

[http://www.casinofreepa.org/images/documents/falkiner\\_horbay\\_09\\_09\\_06.pdf](http://www.casinofreepa.org/images/documents/falkiner_horbay_09_09_06.pdf)

program designers. Many of the illusions programmed into gambling machines do not comply with Australian and New Zealand Gaming Machine Standards. Horbay and Falkiner reveal that the international body that checks each new game's suitability and legality before they are foisted on the public, do not check some aspects of gambling machine workings. Checking for the appearance of overlapping symbols during spins and the appearance of psychologically priming high payout line-ups of symbols are just two aspects of gambling machine programming that checkers do not check.

It is our position that the current checking of machine programs for compliance with Australian and New Zealand Gaming Machine standards by an industry-funded body is inappropriate in the extreme. State government's acceptance of gambling machine industry assurances that "all is on the level with regards to gambling machine programming/specifications" beggars belief. What ever happened to healthy scepticism of the veracity of a person's word in circumstances where that same person stands to gain substantially from not revealing the truth? Definitely healthy scepticism is not part of the make-up of current state governments (Western Australia excepted).

For the above and other reasons, Duty of Care believe the causative agent in gambling machine addiction lies within the design and fraudulent promotion of a dangerously addictive product, NOT with the "defective" personalities of the people who unknowingly fall victim to them.

Today, people who self-report having a problem **only** with gambling machines, make up approximately 80% to 90% of the estimated 300,000 problem gamblers in the country. Those who experience problems from betting on the other 14 plus forms of legalized gambling available in Australia together contribute just 10% to the pool of people directly experiencing harm as a result of excessive gambling.

For the above reasons, Duty of Care supports the banning of gambling machines but does not call for all forms of gambling to be banned. Research evidence is increasingly clear - the purposeful design of gambling machines and the unconscionable conduct of gambling machine venue owners/operators in knowingly promoting an unsafe product as a "safe, fun-filled form of entertainment", is predominantly responsible for the unacceptable level of "problem gambling" in any state where gambling machines operate.

It is the unswerving view of Duty of Care Inc that insufficient research was conducted into the detrimental effects the computerisation of gambling machines were having on people in other states and countries. The same state governments that introduced gambling machines have profited from 'tragedy money' for long enough. It is time federal government took seriously its role as protector of public safety and upholder of the rights of ALL Australians. We firmly believe that all Australians must be protected from foreseeable harm. We do not believe the rights of Australians to undertake hazardous gambling pursuits should be upheld at the expense of family security and community health and safety. The government has a duty to

prohibit dangerous consumer products or to enact legislation that will make them safe for consumer use.

The government must develop and promote “safe limits of usage of gambling machines” to inform gambling machine users what “gambling responsibly” looks like. We hope the Poker Machine Harm Reduction Transition Fund board will take heed of our suggestion that the following limits be widely advertised and promoted as “safe gambling limits”.

**Responsible gamblers gamble on gambling machines;**

- **less than once per month,**
- **spend less than 3% of their weekly income, and**
- **gamble for less than two hours in any one session.**

Duty of Care firmly believe that this is the minimum information gamblers machine users need for them to assess the risks they face in choosing to gamble on gambling machines.

It is the fundamental disappointment and fear of Duty of Care that the measures now proposed to introduce new and gradually increasing levels of taxation upon non-casino gaming machines will merely transfer an existing problem to fewer communities rather than fixing the problem itself once and for all.

The government must come to grips with the fact that its lip service approach of dealing with consumer protection for poker machine users must end. All venues should be made to close at the same time each day and hours of operation of poker machine venues must be shortened to provide a genuine and non-negotiable 'rest period where the community is kept safe from the damages and waste caused by excessive loss on poker machines.

Whilst any limitation is preferable to no limitation at all, the government in future must genuinely put its money where its mouth is and effectively grapple with ALL problems and harms caused by gambling machines. These problems and harms will not be eradicated simply by placing large purpose-built gambling machine venues in racetracks (racinos) and casinos around Australia.

Unless gambling machine venues are placed in the desert outback, they will never be 'destination venues' for many Australians simply because these venues will remain too close to their own backyards and because the design of gambling machines are such that they readily addict 10% of all people who use them.

We thank you for accepting our submission. We look forward to speaking to our submission at the Select Committee's convenience.