



Australian National University
Canberra ACT 0200, AUSTRALIA
Email: jan.mcmillen@anu.edu.au
Telephone: w. 61 (0)2 6125 2638

Elton Humphery
Committee Secretary
COMMUNITY AFFAIRS COMMITTEE
AUSTRALIAN SENATE
PARLIAMENT HOUSE
CANBERRA ACT 2600
Tel: (02) 6277 3515
Fax: (02) 6277 5829
Email: community.affairs.sen@aph.gov.au

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

Thank you for your invitation to make a submission to the Committee on the *Poker Machine Harm Reduction Tax (Administration) Bill 2008*. I must apologise that my immediate commitments allow only a brief submission.

I strongly endorse the underlying purpose of the Bill – to minimise problem gambling and associated harms experienced by gamblers, families and communities. On the evidence available, however, I am not convinced that the Bill would achieve its stated objectives. In my view, the Bill also could have unintended consequences which to my knowledge have not been analysed or considered.

Unlike alcohol or cigarette taxes, for example, there is no evidence that higher tax rates are a disincentive to gambling participation or expenditure. Gambling taxes also tend to affect people on lower incomes more than other groups, as gambling takes a greater share of their disposable income. Significantly, the Productivity Commission's 1999 national gambling inquiry (which provides the most recent assessment of gambling taxes and their impacts) found that 'Overall, taxes are not an effective instrument for managing problem gambling' (Productivity Commission 1999: 19.1).

The proposed legislation also would have profound impacts on total tax revenues raised by States and Territories, and thus on their capacity to deliver essential public services. Since the coalition Commonwealth Government reduced funding to the States in the 1970s, most State/Territory governments have become increasingly dependent on gambling taxes as an important part of their total revenues (McMillen 1996; McMillen *et al.* 1999; Productivity Commission 1999: 19.1-19.39; Smith 1998). The reliance of State and Territory governments upon gambling taxation revenue has been a contributing factor in the overall development and expansion of contemporary gambling, compounded by interstate rivalry and sustained industry lobbying for a share of the gambling market.

In addition, the proposed Bill would have immediate and progressive impacts on local economies, as well as community programs and services provided by gambling venues in local communities. While it is difficult to obtain an accurate, independent picture of how clubs and hotels disperse their gambling income, over recent decades they have expanded to provide a range of facilities and become major hubs for social interaction in most communities – often to the disadvantage of alternative venues.

Table 1 presents a summary of estimated gambling taxes for 2007-08. It is important to note that State differences in the share of own-state generated taxation revenue derived from gambling are due to the relative strength and diversity of the overall State

economies, variability in the availability and popularity of gambling products, and widely different tax rates for types of gambling.

However, overall growth in gambling tax revenues has slowed since 1999-2000. Real tax revenue from gambling has declined in several jurisdictions, partly the result of policy reform and new regulations introduced in response to the Productivity Commission's criticisms. Yet at the State level, the pattern between jurisdictions remains uneven. NSW gambling taxes comprise 32% of the national total, and are directly linked to the high level of EGM expenditure in that state. Even so, some gambling tax rates in NSW are lower than elsewhere; efforts to introduce tax reforms have been the target of determined and successful industry opposition (McMillen & Wright 2008).

Gambling taxes vary from State to State as well as between (and within) different forms of gambling. The general trend in all jurisdictions, however, has been for governments to agree to tax concessions under pressure from the gambling sector. In many jurisdictions, tax rates for gaming machines, casinos and wagering have been progressively lowered since the 1990s as market competition increased. In contrast, the historical authority of State governments over monopoly lotteries has enabled them to extract relatively high rates of taxation from lottery operators.

Importantly, tax rates are just one dimension of the policy context for legalised gambling. As the Productivity Commission's inquiry demonstrated, there are many factors that influence the prevalence and incidence of problem gambling (see Figure 1). Government policies (including licensing standards and procedures, regulatory requirements and enforcement, taxation, harm minimisation strategies, etc.) are an important component in a complex interaction between environmental and behavioural influences on problem gambling.

Furthermore, gambling policies, accessibility, industry practices, social capacity and harmful community impacts vary widely from state to state, and often from region to region. Demographic, spatial and economic influences also impact on gambling impacts at the level of local communities (McMillen et al. 1999; McMillen & Doran 2006). The Bill fails to recognise or address that complexity.

Further, while convenient access is known to be a factor in gambling expenditure, direct links between venue location and problem gambling are less certain. Evidence suggests that people will travel long distances to gamble; and that venues in central urban locations (at transport hubs where many people work, shop and seek entertainment) attract patronage from wide areas - i.e. the catchment areas for city venues such as casinos are relatively large (McMillen and Doran 2006). The spatial concentration of gambling activity that could result from the proposed Bill would inevitably have impacts that are not adequately understood or considered.

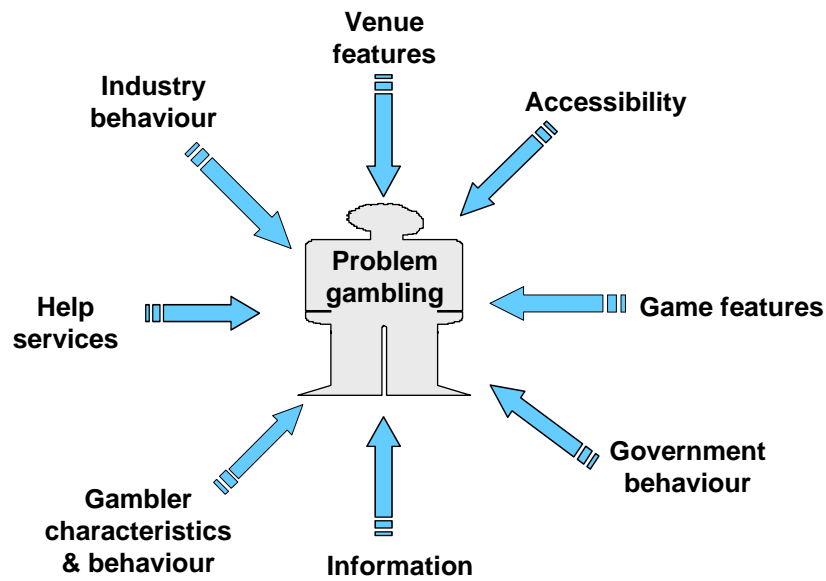
The potential implications and consequences of the Bill for all Australian States and Territories warrant detailed, independent research and analysis. I submit that the Rudd government's proposed comprehensive national review of taxation is most appropriate context for that analysis to occur.

Sincerely

Professor Jan McMillen

13-06-2008

Figure 1. An epidemiological framework for problem gambling



Source: Productivity Commission 1999. *Australia's Gambling Industries*, p. 6.20.

Table 1: Gambling Taxes as Share of Total State Tax Revenues, estimates 2007-08

State/Territory	Gambling Tax Revenues ^a \$m	Total Tax Revenues \$m	Gambling Tax Revenues ^a %
NSW	1,609	17,562	9.16
Vic	1,530	11,589	13.20
Qld	868	9,272	9.36
SA	405	3,243	12.49
WA	145	5,527	2.62
Tas	89	752	11.84
ACT	51	924	5.52
NT	68	439	15.49

Source: ^aTax includes licence fees and charges. Percentages are based on estimates in NSW Budget Paper No. 2, Victorian Budget Paper No. 4, Queensland Budget Paper No. 2, South Australian Budget Paper No. 3, West Australian Budget Paper No. 3, Tasmanian Budget Paper No. 1, ACT Budget Paper No. 3, Northern Territory Budget Paper No. 2, 2006-07.

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Appendix A. Problem gambling and expenditure - background information.

At a general level, evidence clearly shows that the prevalence of problem gambling in Australia continues to be unacceptably high.¹ Despite the numerous harm minimisation strategies that have been introduced in various States/Territories since the Productivity Commission's 1999 inquiry, there is no indication that problem gambling prevalence has declined (see Banks 2007).

The proportion of State/Territory populations who experience gambling problems also varies. This variation appears to be affected by the particular types and extent of gambling available, as well as different government policies and regulations.

In all jurisdictions, however, research has continued to find *prima facie* evidence of a strong association between problem gambling and regular gambling on electronic gaming machines (EGMs, commonly called pokies) – in clubs, hotels and casinos. All Australian casinos except the Canberra Casino operate large numbers of EGMs. This seems to be a fundamental oversight in the rationale underlying the proposed Bill. Other forms of regular gambling (casino table games, wagering) also are linked to relatively high levels of problem gambling, although to a lesser degree than gaming machines.

Total gambling expenditure continues to grow, totalling \$17.57 billion in 2005-06, or around \$1,123 per adult.

- Growth is mainly in the gaming sector, with EGMs (pokies) continuing to dominate gaming expenditure. Expenditure on EGMs comprises 60% of gambling activity;
- Gambling expenditure varies across jurisdictions, from \$1,357 per adult in NSW (reflecting the availability & spending on EGMs) to \$551 per adult in WA (where EGMs are not permitted outside Burswood Casino).

But the rate of industry growth has slowed since 1999, constrained by policy reform & new regulations since the Productivity Commission inquiry. Real annual expenditure since 1998-99 has grown by \$1.36 billion, compared to growth of \$7.8 billion in the seven years before 1999.

- Overall, per capita spending has flattened; and
- Gambling expenditure has declined as a proportion of HDI (from 3.16% in 1999-2000 to 2.93% in 2005-06)

¹ Note: I should disclose that I was author/chief investigator of the Centre for Gambling Research study of Victorian gambling patterns and attitudes cited by Senator Fielding, as well as numerous other studies (e.g. 2001 ACT problem gambling prevalence study). I have also contributed to gambling research in all States and Territories (e.g. the Productivity Commission inquiry, the 2006 NSW Prevalence Study).

Appendix B. Biography - Professor Jan McMillen, Australian National University

Jan McMillen has extensive experience in the analysis of gambling policy and regulation, the study of gambling impacts and social policy. She was appointed as Australia's first professor of gambling research at the University of Western Sydney, where she was Director of the former Australian Institute for Gambling Research (AIGR) 1997-2003. In 2003 she was appointed to the Australian National University as Professor and Director, Centre of Gambling Research (RSSS). In 2007 she closed the ANU Centre for Gambling Research to concentrate on independent research. She currently holds an honorary professorial position at ANU.

She has also been a regulator, appointed to independent Gaming Commissions in Victoria and Queensland. Her dual roles as researcher-regulator have provided a detailed understanding of community perspectives, the responsibilities of gambling operators and the practical aspects of gaming policy and regulation.

She has completed over 50 gambling research projects since 1996 and published numerous book chapters and academic articles. In 2001 she established the prestigious academic journal, *International Gambling Studies* published by Taylor and Francis (UK).