

SUBMISSION TO THE SENATE COMMUNITY AFFAIRS COMMITTEE
ON THE
POKER MACHINE HARM REDUCTION TAX (ADMINISTRATION) BILL 2008

TABCORP HOLDINGS LIMITED

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EXECUTIVE SUMMARY

Gambling

- Gambling is a legitimate form of entertainment, enjoyed by many Australians each year.
- The majority of people who gamble do so responsibly and within their means.
- A small proportion of people have a problem with their gambling. It is important that industry, government and the community sector work together to assist these people.
- Gaming takes place in three types of venues: 1) casinos, which are specifically designed to provide gaming and are consequently heavily regulated and controlled, 2) suburban hotels and 3) community clubs. Hotels and community clubs account for 94% of gaming machines in Australia, and the majority of regular EGM players play in clubs and hotels.

Regulation

- Over the last 10 years, industry and governments have worked together to create a sustainable gambling industry. As a result, problem gambling prevalence rates have come down significantly in Australia.
- Gambling is one of Australia's most heavily regulated industries. This is appropriate to ensure integrity, probity and community confidence in the industry.
- Regulation must balance the objective of protecting problem gamblers, with the need to ensure recreational gamblers can continue to choose to enjoy this activity
- The Poker Machine Harm Reduction Tax (Administration) Bill 2008 is a severe impost on an already heaving regulated industry.
- The framework developed by the South Australian Responsible Gambling Working Party should be applied to any measures proposed to address problem gambling, to ensure a balanced approach is adopted

Economics

- Gambling generates significant economic benefits and employment that need to be recognised in any reviews of the activity.
- Gambling is heavily taxed and gambling taxes fund essential services for many Australians.
- If the Bill is passed, Australia's economy would be affected, with a reduction in employment and community investment likely consequences

1. Gambling is a form of entertainment

1.1 Gambling is a long established recreational activity for Australians

Gambling is an important industry in Australia.

Gambling was established as part of Australian culture early on, being a popular social pursuit amongst the colonists. Today, gambling is part of the Australian way of life; a form of entertainment which the vast majority of Australians participate and enjoy in each year.

1.2 The majority of Australians gamble once each year

According to the Productivity Commission, 82% of Australians participated in at least one form of gambling in 1997-98. Lotteries and instant scratch tickets were the gambling forms favoured by the majority. Thirty nine per cent of Australians played Electronic Gaming Machines (EGMs) at least once during that period and 11.4% played EGMs regularly, that is between one and three times per week.¹

A 2003 study of gambling participation undertaken in Victoria found that 77.4% of Victorians had gambled once in the prior 12 months. Again, lotteries and instant scratch tickets was the method of gambling favoured by the majority. The third most popular was EGM gambling with 35.3% of the population indicating they had played EGMs once during the preceding 12 months. Eight and a half per cent of the population were regular EGM players, playing between one and three times each week.²

1.3 The majority of regular EGM players play in clubs and hotels rather than casinos

The Productivity Commission also found that the majority of regular EGM players played in clubs (11.9% of the population) and hotels (9.5% of the population). Only 1.7% of the population regularly played EGMs at a casino.³

This may reflect the fact that over 187,000 EGMs are located in hotels and clubs whereas only around 12,000 EGMs are located in Australia's casinos.

¹ Productivity Commission 1999, *Australia's Gambling Industries*, Report No.10, AusInfo, Canberra

² Australian National University, Centre for Gambling Research (2004), *2003 Victorian Longitudinal Community Attitudes Survey*, Gambling Research Panel Report No 6

³ Productivity Commission, op. cit.

1.4 *Most Australians gamble for enjoyment*

The Productivity Commission has estimated that the net consumer benefit of gambling is between \$4.4 billion and \$6.1 billion every year⁴. Net benefit measures satisfaction or entertainment value, taxes, licence fees and community contributions, taken against the consumer loss experienced by problem gamblers.

In August 2006, Roy Morgan undertook a Australia-wide telephone survey to determine whether gamblers were most likely to play for enjoyment or to win. Across Australia, 41% of respondents reported they played for enjoyment with a significantly smaller proportion (17%) reporting they play to win.⁵

Gambling is clearly an activity from which the majority of consumers derive enjoyment.

2. **Responsible versus problem gambling**

2.1 *The majority of gamblers do so responsibly*

It is important to recognise that, consistent with gambling being a recreational pursuit, the vast majority of people that gamble do so responsibly and within their means.

2.2 *A very small proportion of the population have a problem with gambling*

In its report on Australia's Gambling Industries, the Productivity Commission estimated that 2.1% of Australian adults had a problem with their gambling. It was estimated that 1% of the population had a severe problem and 1.1% had significant problems.⁶

In December 2006, the then Victorian Minister for Gaming announced that Victoria's problem gambling prevalence rate had fallen from 2.1% of the adult population in 1999 to 1.1% in 2004.⁷ This level of prevalence was based on a study undertaken for the Gambling Research Panel.⁸

While there has been significant debate about problem gambling prevalence, the Chairman of the Productivity Commission, Gary Banks, reported in 2007 that problem gambling prevalence was more likely to be down than up.⁹

This statement is consistent with adaptation theory that suggests over time, problem gambling prevalence will eventually level out and decline.

⁴ Productivity Commission, op. cit.

⁵ Source <http://www.roymorgan.com/news/polls/2006/>

⁶ Productivity Commission, op. cit.

⁷ Media Release from the Victorian Minister for Gaming, "Venues announced for pokie machine removals", 18 December 2006

⁸ GRP (2004) 2003 Victorian Longitudinal Community Attitudes Survey, Centre for Gambling Research, Australian National University

⁹ Banks, G., *Gambling in Australia: are we balancing the equation?*, 19 August 2007

In Victoria's case, the EGM industry is now 15 years old, and the 'adaptation' of the population is most likely responsible for the decrease in the prevalence of problem gambling. Accepting that the Victorian community has adapted its gambling behaviours, radical new measures to address problem gambling are likely to have diminishing returns and impact disproportionately on recreational gamblers.

2.3 Problems are more pronounced with gaming in hotels and clubs

The Productivity Commission found that 254,000 problem gamblers participated in EGM gaming. This was followed by lotteries at 232,600. Far fewer problem gamblers were reported for wagering and casino gaming activities. Similarly, expenditure by problem gamblers on EGM gambling was greater than any other mode of gambling.¹⁰

The Productivity Commission also reported that EGM play was the favourite mode of gambling among problem gamblers.¹¹

In Australia, 94% of EGMs are located in hotels and community clubs. The balance are offered in casinos, which are heavily regulated and controlled environments.

For these reasons, Tabcorp believes the efforts of government, industry and the community sector should focus on problem gaming in the hotels and clubs sectors.

2.4 Encouraging responsible gambling amongst recreational players is just as important as assisting problem gamblers

Tabcorp believes problem gambling is a significant issue and addressing the matter appropriately is key to a sustainable gambling industry.

For that reason, we support, in equal measure, methods that encourage responsible gambling and those measures designed to address problem gambling where it can be demonstrated that the benefits to problem gamblers outweigh the costs to non-problem gamblers in diminution of product enjoyment.

3. The regulation of gambling

3.1 Gambling is one of the Australia's most heavily regulated industries

Australia's gambling industries operate within strict regulatory frameworks which govern industry probity and the delivery of gambling products. Tabcorp believes government undertakes its regulatory role appropriately.

3.2 Industry regulation is a shared responsibility

It is also true that industry recognises the importance of self-regulation which is critical to ensuring a sustainable gambling industry.

¹⁰ Productivity Commission, op. cit.

¹¹ Ibid.

To that end, industry has worked with government and the community sector over the last 10 years on a range of initiatives.

Tabcorp has formulated a responsible gambling framework, based on best practice across Australia and internationally, and consulted with employees, counselling services, community groups, governments and expert researchers.

It is our aim to develop gambling environments that are supportive to customers and where potential harm to individuals and the broader community is minimised.

Based on a social health approach, the company's responsible gambling framework consists of three core components namely:

- Primary prevention – those initiatives that the company pursues before a person decides to gamble, for example the provision of information to enable informed choice, financial support for research.
- Secondary protection – activities we pursue once an individual has decided to gamble, for example the Tabcorp Responsible Gambling Code of Conduct, appointment of dedicated responsible gambling managers across the company's business units and development of training programs for staff.
- Safety net and rehabilitation – interventions that are appropriate where an individual has most likely developed a problem with their gambling, for example funding for counselling services and the operation and funding of self-exclusion programs.

Tabcorp has continually led the industry in the development and introduction of responsible gambling initiatives which is why we have been recognised as global leader in the promotion of responsible gambling by the Dow Jones Sustainability Index.

We believe providing financial literacy education for young people is an important step towards ensuring that when young people are able to gamble, they can make an informed choice to do so.

3.3 *Regulatory initiatives*

Over the last 10 years, state and territory governments have introduced, by legislation and regulation, numerous measures aimed to minimise the harm caused by problem gambling. We have listed below the measures introduced by the Victorian Government that apply to EGM gambling:

Note acceptor limits	Machines may accept all notes up to and including \$50. \$100 notes prohibited.
Autoplay	Prohibited
Gaming machine spin rates	Not to be reduced below 2.14 seconds
Maximum bet limit	Maximum bet is currently \$10. From 1 July 2008, new EGMs must comply with a \$5 maximum bet with all EGMs to be compliant by 2012. This applies to hotel and club EGMs only.

Regulation of loyalty card schemes	Yes
Player information on the odds of winning	Must be provided
Access to cash from ATM and EFTPOS facilities	ATMs must be located outside the gaming area. Cash withdrawals limited to \$200 per transaction. Total cash withdrawals not to exceed \$400 per ATM, per day by 2010. ATMs to be prohibited in gaming venues post 2012. The ban on ATMs does not apply to Crown Casino.
Smoking	Smoking ban in enclosed licensed premises from 1 July 2007. Exemptions for casino VIP rooms.
Cash advances	No cash advances from credit accounts
Payment by cheque	Winnings in excess of \$1000 are to be paid by cheque. Some exemptions exist for Crown Casino.
Cashing of cheques	Prohibited
Minors banned from gaming area	Yes
Gaming machine advertising	Prohibited
Gaming machine signage	Size and number of signs in each venue strictly limited
Lighting	Gaming venues must be adequately lit
Clocks	Requirement for clocks on all EGMs
Restrictions on playing time / opening hours	24 hour venues banned
Gaming machines banned from retail shopping centres	Yes
Limits on machine numbers	No more than 27,500 EGMs are to operate in Victorian hotels and clubs. Of these, 20% must be located in rural/regional Victoria. Regional caps apply to 19 Victorian municipalities. There will be a cap of 10 EGMs per 1000 adults in every Victorian municipality (except CBD) from 2010.
Codes of Conduct	Mandatory, government approved codes of conduct to be in place by 1 December 2008
Staff training	All gaming room staff must undertake a government approved responsible service of gambling training course
Pre-commitment	Pre-commitment mechanisms will be a mandatory feature of all next generation EGMs from 2010

The measures listed above are extensive and considerably restrict the operation of EGM gambling in Victoria. Many have directly impacted revenue generated by EGM gambling.

The above clearly demonstrates that it is incorrect to claim that the Victorian Government is addicted to EGM gambling revenue and therefore unwilling to act to restrict the product. This experience is replicated in other Australian jurisdictions.

4. Finding a balance in gambling policy

4.1 Recreational gamblers should be considered in gambling policy

Industry sustainability requires the gambling industry to be serious in its attempts to address problem gambling.

However, too often the gambling debate ignores the legitimate right of people to gamble responsibly, as a recreational activity.

Statics demonstrate that the vast majority of gamblers do so responsibly and do not have a problem with their gambling. It is critical that gambling continues to be an enjoyable recreational pursuit for these people.

Banning EGM gambling would significantly disadvantage the vast majority of gamblers, who pursue this activity responsibly.

Similarly, there is a balance to be struck in the development of policy to ensure that the costs to recreational gamblers of introducing new initiatives aimed at minimising harm are not outweighed by the benefits to those people who have a problem.

Australians value freedom of choice in how they spend their time and money. As a community, we also value the desire to assist community members in trouble. There needs to be an emphasis on personal responsibility in dealing with matters such as gambling, rather than simply relying on broad regulatory measures.

Promoting responsible gambling rather than simply addressing problematic gambling is critical to achieving this balance.

4.2 *A South Australian framework to promote balance in gambling policy*

In 2007, the South Australian Minister for Gaming asked that State's Responsible Gambling Working Party to report on the matter of pre-commitment in EGM gambling venues.

The following criteria were considered important to achieving collaboration between diverse stakeholders, and therefore a solution that effectively balanced diverse views.

Cost effective	Efficient within the context of a sustainable industry and venue viability
Evidence-based	Relevant research is considered and incorporated where appropriate
Flexible	Flexibility of functions is important to meet the needs of a variety of customers and venues
Informed choice	Accessible information to support choice
Integrated	Integrated with existing industry responsible gambling programs ie Host Responsibility Coordinators, Gaming Care and Club Safe
Long-term	Longevity of any new system is highly likely
Privacy	Compliance with Commonwealth Privacy Principles
Simple	Ease of use is important so that social gamblers are not deterred or inconvenienced (particularly important for tourism)
Variety	Not just limited to one solution
Voluntary	Voluntary for the customer to take up and for the venue to provide

Tabcorp believes these criteria should be adopted by all governments to ensure a balance between the rights of recreational gamblers and the need to assist problem gamblers is reached.

5. Economic benefit

5.1 *Economic activity generated by the gambling industry needs to be recognised*

Australia's gambling industries generate significant economic activity and benefit to the community.

The Productivity Commission estimated that in 1997-98, value added to Gross Domestic Product from gambling was \$7.3 billion or 1.5% of GDP. This takes into account taxation.¹²

More recently, an IBISWorld Industry Report estimated that the clubs and hotels industries contributed over \$10 billion to GDP in constant 1997 prices.¹³ In 2006-07, it was estimated that Australia's casino industry contributed \$2.907 billion to GDP.¹⁴

Gambling is also a significant employer. In 1998, the Australian Bureau of Statistics reported that gambling businesses employed over 220,000 Australians¹⁵. More recent figures suggest that gambling businesses at hotels and clubs, casinos and lotteries businesses employed over 150,000 people in 2004-05. This represents more employees than cafes and restaurants, department stores and accounting services.¹⁶

The racing industry is also a significant employer, particularly in rural and regional communities. In 2006, the Victorian Racing Industry found that 74,400 people were employed in racing and its support industries in Victoria alone.¹⁷

The gambling industry also invests significantly in community infrastructure, for example high quality hotels and club venues. The clubs sector is well known for the financial support offered to the community. In the case of Tabcorp, around \$300 million per annum is provided in payments to the Victorian Racing Industry. This financial support is critical to the ongoing health of this important industry.

Investigations into the gambling industry should always take into account the economic benefits the industry generates. Policy measures being considered by governments should also take these matters into account.

5.2 *Gambling taxation funds essential services for many Australians*

The taxes, levies and licence fees paid by Australia's gambling industry are significant.

¹² Productivity Commission, op. cit.

¹³ IBISWorld Industry Reports Clubs (Hospitality) in Australia: H5740, 29 February 2008 and IBISWorld Industry Report Pubs, Taverns and Bars in Australia: H5720, 3 April 2008

¹⁴ Australian Casino Industry Economic Report FY2007

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¹⁶ Sources: www.ibisworld.com.au, URS Finance and Economics (2006), Australian Bureau of Statistics (2006), Clubs, Pubs, Taverns and Bars, Australia, 2004-05, Cat. No 8687.0, ABS, Canberra

¹⁷ IER Pty Ltd, *Size and Scope of the Victorian Racing Industry*, (2006)

In 2005-06, gambling taxes paid were \$4.6 billion, with \$2.8 billion of these generated by gaming machines¹⁸. The GST is also levied on gambling activity.

In the case of Victoria, the majority of taxes generated by gambling fund Victoria's hospitals. Since 1994-95, Victoria's EGMs have generated over \$12 billion in tax, including GST since 2000-01. This funding could have built the equivalent of 14 new children's hospitals.

State governments have a limited capacity to raise their own revenue relative to the expenditure they are required to undertake. The abolition of EGM gambling would leave a \$1 billion hole in Victoria's budget every year. This is \$1 billion less the government would be able to spend on essential services or \$1 billion more the government would need to raise in taxes.

6. The Poker Machine Harm Reduction Tax (Administration) Bill 2008

Tabcorp trusts the information provided above will provide the Senate Community Affairs Committee with some useful information as it considers the important matter of gambling.

In summary:

- The Poker Machine Harm Reduction Tax (Administration) Bill 2008 ("the Bill") seeks to impose a new tax on EGM gambling in hotels and clubs, which would eventually render this activity uneconomic
- The Bill is an unnecessary impost and restriction on an already well-regulated industry
- If the Bill is passed, hotels and clubs would be severely affected. Employment would decrease, and the capacity of hotels and clubs to invest in high quality community infrastructure would be diminished
- If the Bill is passed, State governments would be faced with significant shortfalls in their budgets. This situation could be rectified only by cutting service delivery or increasing other taxes on the local community.

In short, we believe the Bill would be disastrous.

Tabcorp believes that state and territory governments, working with industry and the community sector, have made significant progress in addressing problem gambling over the last 10 years. More needs to be done to promote responsible gambling. However, with the problem gambling prevalence in decline, it is appropriate that jurisdiction over the regulation of gambling continue to rest with state and territory governments.

¹⁸ Source: Office of Economic and Statistical Research (2007)

Overview of Tabcorp

Tabcorp is a diversified entertainment group that strives to offer a first-class entertainment experience for our customers across Australia.

Tabcorp manages leading customer brands in Australia, including the Star City and Jupiters casinos, TAB in Victoria and New South Wales, Tabaret gaming in Victoria, Keno, TAB Sportsbet and Sky Channel, serving millions of customers every day.

Tabcorp was listed on the Australian Stock Exchange (ASX) in August 1994 to acquire the wagering and gaming businesses of the former Victorian Totalizator Agency Board. Tabcorp acquired the Star City hotel and casino in Sydney, in 1999. In 2003 the company merged with Jupiters, the owner of hotel and casino complexes in Brisbane, Gold Coast and Townsville as well as gaming machine monitoring. In 2004, Tabcorp completed the acquisition of Tab Limited, the New South Wales based wagering, media and gaming company.

Tabcorp's three major business units of Casinos, Wagering and Gaming employ more than 11,000 people in all States of Australia.

Tabcorp has more than 220,000 shareholders and has a market capitalisation within the top 50 Australian companies listed on the Australian Securities Exchange.

Tabcorp is committed to ensuring its products are enjoyed by its customers and delivered responsibly. In recognition of its efforts, Tabcorp has been recognised as global leader in the promotion of responsible gambling by the Dow Jones Sustainability Index.

The company makes a significant contribution to the communities in which it operates through sponsorships, donations, provision of community services and payment of taxes.