

Submission

on the

Poker Machine Harm Reduction Tax (Administration) Bill 2008

to the

Senate Community Affairs Committee

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1. Introduction

On 12 March 2008 the Senate, on the recommendation of the Selection of Bills Committee, referred the Poker Machine Harm Reduction Tax (Administration) Bill 2008 to the Community Affairs Committee. The reporting date is 12 August 2008.

The Bill would introduce a new federal tax on poker machines in pubs and clubs to push pokies out of these community venues and restrict them to casinos and racetracks, which are dedicated gambling venues.

The Committee has invited written submissions addressing issues raised by the Bill. Submissions are due by 13 June.

2. The social effect of poker machines

The Productivity Commission's 1999 inquiry into gambling¹ found that:

- Around 130 000 Australians (about 1 per cent of the adult population) are estimated to have severe problems with their gambling. A further 160 000 adults are estimated to have moderate problems, which may not require 'treatment' but warrant policy concern.
- Taken together, 'problem gamblers' represent just over 290 000 people, or 2.1 per cent of Australian adults.
- Problem gamblers comprise 15 per cent of regular (non-lottery) gamblers and account for about \$3.5 billion in expenditure annually — about one-third of the gambling industries' market.
- They lose on average around \$12 000 each per year, compared with just under \$650 for other gamblers.
- The prevalence of problem gambling is related to the degree of accessibility of gambling, particularly gaming machines.
- The costs include financial and emotional impacts on the gamblers and on others, with on average at least five (and up to ten) other people affected to varying degrees. For example:
 - one in ten said they have contemplated suicide due to gambling; and
 - nearly half those in counselling reported losing time from work or study in the past year due to gambling.

The Ministerial Council on Gambling noted² in 2004 that "More recent surveys in a number of States and Territories have indicated that problem gambling remains a significant community issue."

A 2001 survey of problem gambling in the ACT³ found that 5,297 adults or 1.9% of the ACT adult population were problem gamblers. Of these around 1,250 ACT residents (about 0.5% of the adult population in the ACT) were estimated to have severe problems with their gambling. A further 4,047 adults are estimated to have moderate problems. Problem gamblers account for 37.3% of reported gambling expenditure. The under 25 year age group of regular gamblers has the highest prevalence of problem gambling in the ACT (36.3%).

About 50% of surveyed ACT problem gamblers reported that they suffered from depression due to gambling; about 14% seriously considered suicide due to gambling; and about 25% of had their job adversely affected by gambling or felt that they had less time to spend with their families.

A 2005 survey in the Northern Territory⁴ found a prevalence of 1.06% of problem gamblers. Problem gamblers were overrepresented in low household income groups (incomes below \$20,000 p.a.) and there was an association between low formal educational achievement and problem gambling. Being an Indigenous person or having a non-English speaking background were also significant risk factors.

A 2006 survey in New South Wales⁵ found that 0.8% of the NSW adult population fell into the [severe] problem gambling group and a further 1.6% were considered moderate risk gamblers.

This study also observed⁶ that “Consistent with other studies, gaming machines continue to be associated with the highest prevalence of problem gambling. The gambling preferences of the ‘at risk’ group (moderate/problem) are significantly different to those of other gamblers. ‘At risk’ gamblers (moderate/problem) show a clear preference for linked jackpot gaming machines, higher denomination machines, note acceptors, and gamble more lines per bet and more credits per line. Problem gamblers are also significantly more likely to use venue ATMs for cash withdrawals to be spent on gambling.”

3. Reducing poker machines

State and territory governments have recently acknowledged the harmful social effects of poker machines and have moved to cap numbers. For example Queensland announced an initial two year moratorium on new poker machines on 17 April 2008⁷ and New South Wales has announced⁸ that the cap will be cut by 5,000 and measures expected to reduce the actual number of poker machines by 3000 over 5 years will be implemented.

The New South Wales cut in the cap is merely a reduction of the cap to the current level of actual machines – 99,000. A reduction of this number by 3000 is a reduction of just 3%.

Bearing in mind the Productivity Commission’s finding that problem gamblers contribute about one third of all poker machine revenue any tinkering at the margins is unlikely to have any substantial impact on the prevalence of problem gamblers.

The fundamental social question is whether the alleged benefits of poker machines – revenue for non-profit clubs and the enjoyment of “recreational”, non-problem gamblers are worth the social costs associated with problem gambling. It seems reasonable to conclude that an industry which derives one third of its revenue at the cost of significant human misery is an anti-social industry.

The Bill would implement a decisive scheme for drastically reducing, and eventually eliminating, poker machines from clubs and hotels throughout Australia while allowing them to remain in operation in casinos and at race tracks.

The Bill would accomplish this outcome by introducing a new tax on the gross revenue from poker machines in clubs and hotels. Gross revenue is defined so as to include any amounts paid out in winnings or linked jackpots.

The tax would start at 1% in the 2009-10, increase to 2% in 2010-11 and then by 2% each year to 10% in 2014-15. Thereafter it would increase by 5% each year to a maximum of 30% from 2018-19.

The effect of the tax would be to make it increasingly unprofitable for a club or hotel to operate poker machines.

In South Australia⁹, for example, each gaming machine must return as winnings to players at least 87.5% of the total of all bets on that machine. The remaining 12.5% is considered to be the “net gaming revenue”. After allowing for a tax free threshold of \$75,000, “net gaming revenue” is subject to a State tax which ranges from 21% to 55% for non-profit operators and from 27.5% to 65% for other operators.

Using two examples it is clear that operating poker machines would soon become unprofitable.

1. An operator with “net gaming revenue” of \$75,000 would have to pay \$6000 in 2009-2010 for the new tax. By 2014-15 the operator would be paying \$60,000 for the new tax. By 2015-2016 the operator would be paying \$90,000 for the new tax and *losing* \$15,000 annually.

2. At the other end of the scale a for-profit operator making \$10 million annually in “net gaming revenue” is already paying just over \$6 million in State taxes and retaining only about \$4 million. The first year of the new tax at just 1% would cost the operator \$800,000 and by 2012-13 the operator would be paying \$4.8 million for the new tax and operating at a *loss* of \$800,000 annually.

Recommendation:

The Bill would implement an effective measure to reduce and eventually eliminate poker machines from clubs and hotels. As this is a socially desirable goal, the Bill should be supported.

4. Endnotes

1. *Australia's gambling industries: final report: summary*, Productivity Commission, 1999, http://www.pc.gov.au/data/assets/pdf_file/0004/49234/summary.pdf p 2.
2. *National Framework On Problem Gambling 2004-2008*, Ministerial Council on Gambling, 2004 [http://www.facs.gov.au/internet/facsinternet.nsf/vIA/gambling/\\$File/gambling_broch.pdf](http://www.facs.gov.au/internet/facsinternet.nsf/vIA/gambling/$File/gambling_broch.pdf)
3. *Survey of the nature and extent of gambling and problem gambling in the ACT*, Australian Institute for Gambling Research, 2001, <http://www.gamblingandracing.act.gov.au/Documents/Survey%20of%20Problem%20Gambling%20in%20the%20ACT.pdf> p 9-10.
4. *Northern Territory Gambling Prevalence Survey 2005*, Charles Darwin University School for Social and Policy Research & School of Health Sciences, 2005 http://www.cdu.edu.au/sspr/documents/Gambling_prevalence.pdf
5. A.C. Nielson *Prevalence of gambling and problem gambling in NSW: a community survey 2006*, NSW Office of Liquor, Gaming and Racing Department of the Arts, Sport and Recreation, 2007, p 9; http://www.olgr.nsw.gov.au/pdfs/rr_prevalence_gambling.pdf
6. *Ibid.*, p 119.
7. Hon. Anna Bligh, *Government puts halt to new poker machines*, 17 April 2008, <http://www.cabinet.qld.gov.au/MMS/StatementDisplaySingle.aspx?id=57616>
8. Hon. Graham West, *Review of Gaming Machines Act released*, 7 December 2007, http://www.olgr.nsw.gov.au/pdfs/Gaming_Machines_Review.pdf
9. *Gaming Machines Act 1992*, Schedule 1, paragraph (n) and Section 72.