

# InterChurch Gambling Taskforce

13 June 2008

Community Affairs Committee  
Parliament House  
Canberra ACT, 2600

## **Submission on Inquiry into *Poker Machine Harm Reduction Tax (Administration) Bill 2008***

The Victorian InterChurch Gambling Taskforce welcomes this opportunity to make a submission to the Senate Community Affairs Committee on the *Poker Machine Harm Reduction Tax (Administration) Bill 2008*. The Taskforce welcomes the general thrust of the Bill, with a key focus on:

- Increasing the tax on the electronic gaming machine industry to increase the benefits back to the community of allowing electronic gaming machines (EGMs) in the community; and
- Reducing the accessibility of EGMs by reducing their accessibility, as geographic accessibility is a key factor in determining the level of problem gambling in the community.

People who gamble in a venue will come predominantly from the local area. Research commissioned by the Victorian Casino and Gaming Authority found that in six regions studied the average distance people travelled to a EGM venue was 2.5 km.<sup>1</sup> The same research found that 68% of people that played EGMs selected a venue based on accessibility.<sup>2</sup>

The Taskforce is of the view that it is the number of venues in an area and their geographical distribution, rather than the number of machines in each venue, that is the greater factor in determining the level of problem gambling in an area. Under this hypothesis, a smaller number of venues with higher numbers of EGMs is likely to reduce problem gambling compared to a larger number of geographically dispersed venues with a fewer number of EGMs each.

The Taskforce is of the view that higher taxes on the EGM industry maximise the benefits to the community of allowing for EGMs to legally operate, as the Taskforce believes that the expenditure of tax revenue will have more benefit than money that flows as profits to the EGM industry itself.

While the Bill will impact on the EGM industry across Australia, the Taskforce will speak largely from a Victorian perspective as this is the jurisdiction that the Taskforce is most familiar with and has the most experience in. The Taskforce notes that venue arrangements and EGM distribution varies significantly from State to State. However, it does not believe that this detracts substantially from the aims of the Bill.

### **Victorian InterChurch Gambling Taskforce**

The Victorian InterChurch Gambling Task Force was established in 1996 by the Heads of Churches in Victoria with the following objectives:

1. To increase awareness amongst the Churches about the broadening gambling industry and to potentially harmful effects on the common good.

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<sup>1</sup> VCGA, "Longitudinal Community Impact Study: 1999 Report", Volume 1, September 2000, p. 32,81.

<sup>2</sup> VCGA, "Longitudinal Community Impact Study: 1999 Report", Volume 1, September 2000, p. 81.

2. To provide critical analysis and interpretation of research on gambling and the gambling industry, in particular the social and economic impacts and any other projects undertaken by the government, the Victorian Casino and Gaming Authority and the gambling industry.
3. At every level to communicate the alternatives to gambling as a solution to
  - a) individual personal problems
  - b) socio-economic development.
4. To call Government to further account for its integration of the gambling industry into its economic management.

### **Community Attitudes to Electronic Gambling Machines**

From a Victorian perspective, EGMs remain the key form of gambling that cause harm in the Victorian community. In the last survey in 2003 it was found that 84% of people with gambling problems identified pokies as their favourite form of gambling.<sup>3</sup>

Surveys of the Victorian community have shown repeatedly that people do think that gambling and EGMs particularly are a serious social problem and are too widely accessible. These attitudes exist strongly amongst gamblers as well as non-gamblers. People want to see action to reduce the harm from EGMs.

In the 2003 commissioned by the Victorian Government funded Gambling Research Panel:

- 85% of Victorians said that gambling is a serious social problem;
- 87% of non-gamblers and 74% of gamblers agreed that gambling was too widely accessible in Victoria;
- 80% of gamblers and 88.5% of non-gamblers believed that EGMs should be removed from suburban/local shopping strips; and
- 81% of people believed that gambling problems in Victoria had worsened in the three years before the survey.<sup>4</sup>

Of importance, a significant majority of Victorians (62.4%) think local governments should have the right to determine if new pokies are placed into their area.<sup>5</sup>

Also, a majority of Victorians (62.9% of gamblers and 51.1% of non-gamblers) favoured gambling taxes in preference to other forms of taxation.<sup>6</sup>

It is about a third of Victorian adults who play pokies at all and only one in forty play on a weekly basis.

The Gambling Research Panel study from April 2004 found that 50% of gamblers did not believe gambling added to their enjoyment of life.

### **Evidence of EGMs having Negative Impacts**

Approximately 1.12% of Victorian adults have gambling problems. However, the general prevalence figure masks the true extent of problem gambling, with 28% of regular EGM

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<sup>3</sup> Centre for Gambling Research, Australian National University, "2003 Victorian Longitudinal Community Attitudes Survey", Gambling Research Panel, Melbourne, April 2004, p. 12.

<sup>4</sup> Centre for Gambling Research, Australian National University, "2003 Victorian Longitudinal Community Attitudes Survey", Gambling Research Panel, Melbourne, April 2004, p. 13.

<sup>5</sup> Centre for Gambling Research, Australian National University, "2003 Victorian Longitudinal Community Attitudes Survey", Gambling Research Panel, Melbourne, April 2004, p. 14

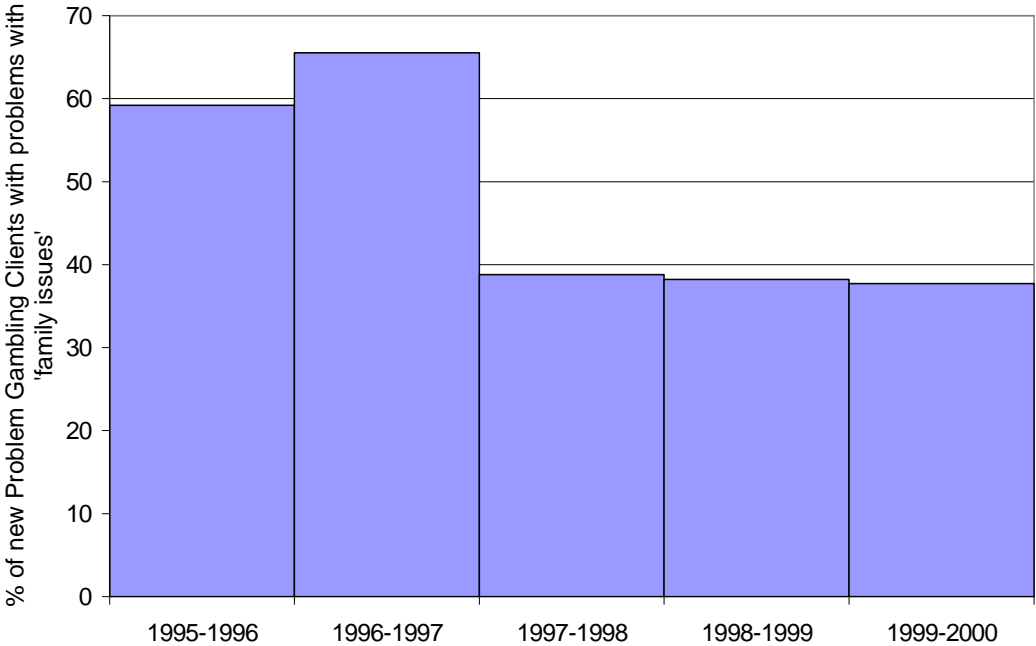
<sup>6</sup> Centre for Gambling Research, Australian National University, "2003 Victorian Longitudinal Community Attitudes Survey", Gambling Research Panel, Melbourne, April 2004, p. 14.

gamblers who had gambling problems and a further 15% of regular gamblers were at moderate risk of developing a gambling problem.<sup>7</sup>

The Productivity Commission found that people with gambling problems and their families reported that lack of trust, lying, arguments and financial stresses lead to enormous pressures on families<sup>8</sup>. These effects are confirmed by the behaviours disclosed by people in Victoria seeking help from problem gambling counselling services. Of new Break Even clients with dependent children in the 1997 –1998 financial year:

- 81.9% said they had lied about their gambling to family, therapist or others;
- 17.3% said they had committed illegal acts relating to their gambling problem; and
- 60.7% reported they had jeopardised relationships, jobs or education due to their gambling.

In the years prior to the Commission survey, 42% of people with gambling problems reported having arguments with family over gambling money, compared with 4% of regular gamblers without gambling problems<sup>9</sup>. This compares reasonably well with the proportion of new problem gambling clients of Gambler’s Help and Break Even services with ‘family issues’ between the period 1998-2000 given in Figure 1<sup>10</sup>. The number of new problem gambling clients of Gambler’s Help and Break Even having ‘family issue’ problems in the period 1995-2000 is given in Figure 2.



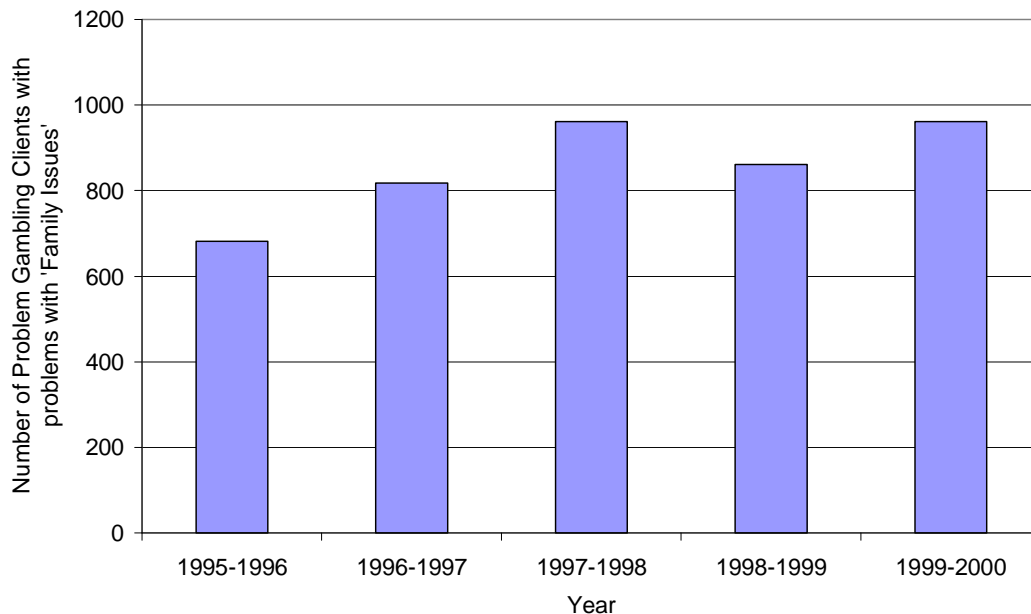
<sup>7</sup> Centre for Gambling Research, Australian National University, '2003 Victorian Longitudinal Community Attitudes Survey' Gambling Research Panel, April 2004, pp. 87, 93.

<sup>8</sup> Productivity Commission, "Australia's Gambling Industries", Report No. 10, AusInfo, Canberra, 1999, p. 7.1.

<sup>9</sup> Productivity Commission, 1999, p. 7.28.

<sup>10</sup> The University of Melbourne Problem Gambling Research Program, "Client and Service Analysis Report No. 6", Victorian Department of Human Services, September 2001, p. 39.

**Figure 1. The percentage of new problem gambling clients to Gambler’s Help with problems with family issues, 1995-2000.**



**Figure 2. Number of new problem gambling clients to Gambler’s Help with problems relating to ‘family issues’ 1995-2000.**

Relationship breakdown and divorce are significant negative impacts that can result for families from having a family member with a gambling problem. The Productivity Commission found that a total of 11.3% of people with gambling problems said that their gambling had at sometime led to a relationship breakdown, with 4.7% reporting the break-up had occurred in the last 12 months, representing 39,200 relationships nationally<sup>11</sup>. This compared to just 0.1% of regular gamblers without a gambling problem. The Commission conservatively estimated that there are around 1,600 gambling related divorces annually<sup>12</sup>. The Victorian Government had previously estimated that the proportion of people with gambling problems who are divorced or separated is twice the Victorian average<sup>13</sup>.

The Productivity Commission quoted qualitative research that found children living with a parent with a gambling problem reported<sup>14</sup>:

- a common experience of parental separation;
- a marked change in personality of the parent who became secretive, deceptive, unreliable, irresponsible, irrational, disinterested and selfish;
- large tangible losses such as money, homes, holidays and even schooling; and
- a loss of a secure financial environment, the disintegration of stability, isolation from others and insecurity stemming from a volatile home life.

A 1999 study conducted by the University of Melbourne for the Department of Human Services, *“The Impacts of Gambling on Adolescents and Children”*, conducted focus groups

<sup>11</sup> Productivity Commission, “Australia’s Gambling Industries”, Report No. 10, AusInfo, Canberra, 1999, pp. 7.28 and T.1.

<sup>12</sup> Productivity Commission, “Australia’s Gambling Industries”, Report No. 10, AusInfo, Canberra, 1999, Appendix T. The Commission estimated that there were between 1,600 and 4,000 gambling related divorces in Australia in 1998.

<sup>13</sup> Victorian Department of Human Services, “Victorian Government Problem Gambling Communication Campaign Fact Sheet”, Melbourne, 2001.

<sup>14</sup> Productivity Commission, 1999, p. 7.32.

of 146 Victorian children and adolescents. The most commonly discussed personal experiences of the 'impact of gambling' in the focus groups since parents had begun were changes to family recreational habits<sup>15</sup>. The study concluded that the impact of parental problem gambling on dependent children and adolescents in Victoria included economic hardship and family environmental conditions likely to have negative emotional and psychological consequences for dependent minors<sup>16</sup>. The report recommended that a detailed analysis of the impact of parental problem gambling on dependent children and adolescents be undertaken.

The Productivity Commission reported on research that has found that children of people with gambling problems are more likely to develop gambling problems themselves<sup>17</sup>. The Commission's own surveys showed that 2% of those in counselling for problem gambling had a child with a gambling problem, compared to 0.9% of all people with gambling problems and 0.58% of gamblers without gambling problems<sup>18</sup>. The Commission concluded that it seems likely that children of people with gambling problems would be more familiar with how to gamble. They might also learn their parents' cognitive and cultural models of gambling that might predispose them to a higher risk.

The Productivity Commission stated that the intergenerational impacts of problem gambling strengthened the argument for preventative approaches to problem gambling<sup>19</sup>.

The Productivity Commission found that of gamblers in counselling, 13.1% reported domestic or other violent incidents related to their gambling<sup>20</sup>. The Commission noted a clinical study that found that 40% of partners of people with gambling problems developed stress-related illnesses<sup>21</sup>.

Of people with gambling problems in counselling, the Productivity Commission reported that 46.6% stated that their gambling problem had resulted in a 'major adverse effect' on their partner and 20.7% reported a 'major adverse effect' on their children<sup>22</sup>.

As would be expected, problem gambling often results in significant adverse financial impacts on families.

The Productivity Commission found that 40.4% of people with gambling problems in counselling reported often running out of money to buy household essentials or to pay urgent bills, with a further 27.9% sometimes running out of money for these purposes<sup>23</sup>. This would have significant negative impacts for any members of the family financially dependent on the person with the gambling problem. Of those new Break Even clients in Victoria in the 1997 – 1998 financial year that were parents with dependent children that had gambling problems:

- 82% reported using funds from normal household expenditure to gamble,
- 46% reported using savings and

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<sup>15</sup> The University of Melbourne Problem Gambling Research Program, "The Impacts of Gambling on Adolescents and Children", Victorian Department of Human Services, September 1999, p. 13.

<sup>16</sup> The University of Melbourne Problem Gambling Research Program, "The Impacts of Gambling on Adolescents and Children", Victorian Department of Human Services, September 1999, p. 13.

<sup>17</sup> Productivity Commission, "Australia's Gambling Industries", Report No. 10, AusInfo, Canberra, 1999, p. 7.35.

<sup>18</sup> Productivity Commission, 1999, p. 7.36.

<sup>19</sup> Productivity Commission, 1999, pp. 7.36 – 7.37.

<sup>20</sup> Productivity Commission, 1999, p. 7.28.

<sup>21</sup> Productivity Commission, 1999, p. 7.29.

<sup>22</sup> Productivity Commission, 1999, p. 7.28.

<sup>23</sup> Productivity Commission, 1999, p. 7.55.

- 8.7% reported resorting to crime to help finance their gambling<sup>24</sup>.

Break Even clients with dependent children also reported having significant gambling related debts, with the average debt in 1997-1998 being \$11,526 (Table 1).

**Table 1: Gambling related debts of parents with dependent children that were new Break Even clients in 1997-1998<sup>25</sup>.**

Maximum Debt	\$600,000
75% quartile	\$8,000
Median Debt	\$3,000
25% quartile	\$800
Minimum Debt	\$0
Average Debt	\$11,526

The Productivity Commission found that 7.9% of people seeking help for gambling problems had lost a house as a result of problem gambling<sup>26</sup>.

### **Losses from problem gambling**

The Productivity Commission concluded that 42.3% of revenue from EGMs comes from people with gambling problems<sup>27</sup>. The figure is supported by a 2001 study by the Australian Institute for Gambling Research of gambling in the ACT that found the proportion of EGM revenue coming from people with gambling problems was 48.2%<sup>28</sup>.

### **Victorian Government spending to address the harms from EGMs**

The Victorian Government spends only a small fraction of what it earns as gambling revenue on services to prevent harm from gambling and to assist those affected by problem gambling.

It funds Gambler's Help services at just under \$11 million per year.

The Victorian Government insists that it needs definitive research before it is willing to introduce measures to reduce problem gambling. However, it will only spend a total of \$7.2 million over five years on research into the measures to reduce the harm from gambling. Thus, while insisting on high quality research to confirm that a measure will reduce problem gambling, it refuses to fund the research that it claims it needs.

### **Destination Gambling**

The Taskforce notes that one of the impacts of the *Poker Machine Harm Reduction Tax (Administration) Bill 2008* is to force the shift of EGMs out of pubs and clubs to horse race venues and casinos. The intended effect appears to be to result in a shift to destination gambling.

The Taskforce, along with most community agencies dealing with the fallout from gambling problems, recognises that accessibility is a key issue which must be minimised if Victoria is to achieve a more responsible EGM environment. Convenience gambling needs to be

<sup>24</sup> The University of Melbourne Problem Gambling Research Program, "The Impacts of Gambling on Adolescents and Children", Victorian Department of Human Services, September 1999, pp. 53-54.

<sup>25</sup> The University of Melbourne Problem Gambling Research Program, September 1999, p. 55.

<sup>26</sup> Productivity Commission, "Australia's Gambling Industries", Report No. 10, AusInfo, Canberra, 1999, p. 7.50.

<sup>27</sup> Productivity Commission, "Australia's Gambling Industries", Report No. 10, AusInfo, Canberra, 1999, p. 22.

<sup>28</sup> Australian Institute for Gambling Research, "Survey of the Nature and Extent of Gambling and Problem Gambling in the ACT", University of Western Sydney, July 2001, p. 114.

eliminated for obvious access reasons but also because there is little support for it and no net economic gain as it simply shifts discretionary spending from existing businesses into the EGM enterprise. The Taskforce therefore believe any distribution of machines considerations must consider maximising the restriction of venues to relatively isolated areas that require a deliberate choice by a person to visit the EGM venue, rather than entering because it happened to be handy.

In other words, the Taskforce acknowledges a balance is needed between concentrating EGMs in specific areas and spreading the EGMs widely across Australia in a way that would increase accessibility and therefore increase problem gambling. The Taskforce prefers that EGMs be located across the State, but concentrated in venues where a visit to the venue requires deliberate effort by its patrons.

A cautionary note however is that current experience suggest that larger venues do not necessarily demonstrate a stronger commitment to duty of care considerations with their gamblers. Thus the Taskforce would support larger destination venues, such as racetracks and casinos, provided that the larger venues be required to implement appropriate strategies to reduce the harm to the community from EGMs and to maximise community benefit. The Taskforce notes this view is consistent with the recent study completed for the Victorian Government on destination gambling.<sup>29</sup> The report concluded:<sup>30</sup>

Thus, in the context of harm minimisation, the principle of convenience gambling reduction through DSG [Destination Style Gambling] is likely to be a sound policy. However, the effectiveness of DSG will depend on a meaningful reduction of EGM availability in poorer areas. Simply reducing total EGM densities across an area is likely to have limited effect. What is required is a spatial reconfiguration of supply, where gambling opportunities are completely reallocated in a way that affects the level of accessibility (taking into account space, time, and resource opportunities and constraints) within a vulnerable area. In essence, the effectiveness of the DSG model will depend on this simultaneous reduction in availability at the local level.

In terms of the DSG venues themselves it is to be expected that fewer venues will have a more powerful and extensive effect on the areas in which they are located than the convenience venues they are designed to replace. As DSG venues are likely to occupy a new market, they will represent a case of supply-led growth. The extent to which DSG reaches new markets will depend on a range of situational variables including product mix, range of facilities and attraction, location of complementary activities such as shopping or entertainment, degree of marketing, and general amenity value. The real question is if this growth into new markets (and the harm caused by it, that is, the dispersal of problem gambling into new social groups) is to be offset by the reduction in convenience gambling.

What is important in the DSG model is its capability to socially reposition the burden of harm. The DSG markets are likely to be more affluent (given by the fact that DSG is predicated on increased accessibility which means more spatial mobility which in turn requires wealth). The incidence of problem gambling may increase in these new markets. Conversely, the accessibility of the less mobile, lower socioeconomic groups

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<sup>29</sup> Martin Young, Bill Tyler and Waimei Lee, "Destination Style Gambling. A Review of the Literature Concerning the Reduction of Problem Gambling and Related Social Harms Through the Consolidation of Gambling Supply Structures", School for Social and Policy Research, Charles Darwin University for the Department of Justice, March 2008

<sup>30</sup> Martin Young, Bill Tyler and Waimei Lee, "Destination Style Gambling. A Review of the Literature Concerning the Reduction of Problem Gambling and Related Social Harms Through the Consolidation of Gambling Supply Structures", School for Social and Policy Research, Charles Darwin University for the Department of Justice, March 2008, p. 2.

who live in areas highly provisioned to gambling opportunities may be reduced, resulting in a lowering of problem gambling. In essence this amounts to a trade-off. DSG gaming venues may increase problem gambling but this will be discounted by the reduction in convenience gambling.

The degree to which this trade-off occurs (i.e. an increase in the harm among new groups versus a decrease of harm in existing, lower socioeconomic groups) will be mediated by the ability of larger DSG venues to implement effective harm reduction strategies. This is an advantage of the destination concept. If we accept that DSG venues will be the diametric opposite of convenience gambling, they will not only have the advantages of venue-based regulation and monitoring or problems, they will also have a strong community attachment and involvement. This would place DSG venues in a powerful position to implement preventative harm reduction measures (including issues of venue design), monitoring strategies, and amelioration programs that are simply beyond the ability of smaller venues or convenience gambling styles.

The Taskforce notes that in the Victorian Government rejecting a move to a destination gambling model, a key factor was the view that while destination EGM gambling could reduce accessibility to a degree, overall opportunities to EGM gambling would remain high.<sup>31</sup> The Victorian Government assessment concluded, negatively, that destination EGM gambling could potentially increase problem gambling harm based on the belief that existing people with gambling problems are likely to adapt their behaviour to the reconfigured supply structure in order to act on their compulsion to gamble. The view was taken that in the longer term, destination EGM gambling may reduce problem gambling harm as less accessible gambling opportunities present a barrier to impulsive gambling for at-risk gamblers. This again points to the positive impact of moving to a destination venue model for EGM gambling needing to be carried out in a way that maximises the harm reduction through the restrictions it places on the destination venues, rather than assuming that all models of destination gambling will automatically result in significant harm reduction.

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<sup>31</sup> Victorian Department of Justice, 'Destination Gaming. Evaluating the benefits for Victoria', May 2008.