



# AUSTRALIAN HOTELS ASSOCIATION

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The Secretary  
Senate Community Affairs Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

By email: [community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)

Dear Mr Humphery

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

Please find attached a response from the Australian Hotels Association in relation to the above Bill.

### Introduction

The AHA, representing 5000 members nationwide, strongly urges the Senate Community Affairs Committee to take full account of the effects of this Bill.

The measures contained in this bill cannot be justified on economic and social policy grounds.

As outlined in this submission, the removal of EGMs from hotels as proposed under the current Bill would have devastating consequences for the financial viability of hotels, particularly those in regional communities and put at risk the jobs of many of the more than 81,000 people employed in the sector.

There would be negative flow on effects for hotel suppliers and their employees and for State revenues. It will significantly reduce the enjoyment of the overwhelming majority of EGMs players who are not problem gamblers.

It also ignores evidence suggesting that the best way to deal with problem gambling is through education and harm minimisation initiatives that reduce the potential for individuals to become problem gamblers and provide long term self exclusions, counselling and support services when a person develops a problem.

### The Proposed Bill and Evidenced Based Policy making

We note that the current review does not have any specific terms of reference. It merely refers to a number of assertions by Senator Fielding, the proponent of the Bill.

These assertions are based on selected references to the 1999 Productivity Commission Inquiry into Gambling. The Senator has failed to take account of any of the changes in the use of EGMs that have occurred since that time.

The AHA is aware that the new Labor Government is committed to establishing a culture of evidence-based policy development within the Australian Public Service. We note that the Prime Minister has stated that before the Commonwealth would consider intervention into this State area of responsibility there needs to be research to

- (i) establish if there is a significant problem with gambling linked EGMs
- (ii) identify the best way to address any identified problem and what this will cost.

We are also aware that the Federal Opposition has indicated that it would require a new review by a respected body such as the Productivity Commission before considering any specific Federal intervention to restrict community access to EGMs.

### The AHA

The AHA is a Federally Registered Industrial Organisation of Employers and has a National Office and Branch Offices in each State and Territory.

Our membership base is made up of both general licensed premises as well as accommodation members. State and Territory branches within the AHA operate autonomously and manage their own finances. A number of hotels linked to casinos are also AHA members.

The overarching objective of the Australian Hotels Association is to effectively contribute to the establishment and maintenance of an economic and social environment that fosters the business success of members and pubs and hotels generally.

In order to achieve such objectives, we are concerned with the stability, viability and growth in the Hospitality and Tourism sector.

The AHA aims to provide relevant advice and services to members by maintaining effective relationships with key politicians, government agencies and both industry and corporate partners. The focus of these relationships is to:

- increase opportunities to generate revenue;
- reduce the cost of doing business;
- manage their regulatory environment, and
- access an adequate supply of appropriately skilled and credentialed people.

AHA members operate in a highly regulated environment and are subject to significant penalties if they are found to breach these obligations.

Hotels have traditionally been an integral part of their local community and are often the main social gathering place, particularly in regional areas. They generate revenue through a number of ways including:

- the sale alcohol and other beverages both on and off premise,
- food sales in bistros restaurants and functions,
- entertainment
- accommodation
- meetings and conventions
- gambling through keno, wagering and gaming machines.

General hotels compete for consumers spending with a range of other hospitality providers such as clubs, restaurants, casinos, bars and nightclubs, as well as a variety of accommodation and entertainment providers.

The laws relating to Electronic Gaming Machines (EGMs) vary in each jurisdiction. Hotels generally have access to machines in NSW (Max 30); SA (Max 40); Qld (Max 40); NT (Max 12). Arrangements in Victoria and Tasmania limit the number of venues that have access to EGMs. Hotels in WA and the ACT do not have access to EGMs. In recent years the respective State Governments have capped machine numbers.

Since the 1970s the hotel sector has undergone significant change as a result of a reduction in the per capita consumption of alcohol and a shift in where people drink away from license premise to the home and other venues. This has been promoted by intense competition from liquor stores and supermarkets for the alcohol dollar.

By 1990 many hotels were under significant financial stress and only survived when State Governments allowed EGMs in hotels. This decision followed recognition of the strong consumer demand for EGMs as an attractive means of entertainment.

The 1990s saw a dramatic escalation of gambling options in most Australian States. The Productivity Commission review of 1999, which remains the definitive source of information on problem gambling for the anti EGMs lobby was undertaken at the peak of this growth.

### Hotels and the Economy

Hotels are important contributors to the Australian economy. They have grown and developed over the last 15 years on the presumption that their income will include a contribution from gambling. The removal of machines from hotel venues would significantly reduce their financial viability placing jobs, bank loans and community amenity at risk.

Extracts from the most recent ABS survey of Pubs, Taverns and Bars (8687.0) found that at the end of June 2005 there were 3,454 pub, tavern and bar businesses operating in Australia. The total number of premises (4,252) were split almost evenly between capital cities and suburbs (2,108) and non-metropolitan areas (2,144).

There were 2,362 pub, tavern and bar businesses with gambling facilities at the end of June 2005 of which 1,401 (59.3%) had less than 20 persons employed. These were 1,092 pub, tavern and bar businesses without gambling facilities at the end of June 2005, of which 846 (77.5%) had less than 20 persons employed.

Key statistics include:

- At the end of June 2005, there were 81,675 persons employed in pub, tavern and bar services. Of these, 57,262 persons (70.1%) were casual employees and 43,179 (52.9%) were female employees. Employment also included 18,779 permanent full-time employees and 4,574 part-time employees.
- During 2004-05, income generated by pub, tavern and bar businesses was \$11,114.3m, which represented an average of \$3.2m per business. Total expenses incurred for the same period were \$10,369.5m.
- The total industry value added by these businesses was \$4,394m, which is the equivalent of 0.5% of Australia's gross domestic product (GDP) for 2004-05.
- For 2004-05, pub, tavern and bar businesses recorded an operating profit before tax of \$784.2m, which represented an operating profit margin of 7.1%.
- The main source of income was from sales of liquor and other beverages which generated \$6,706.1m (60.3% of total income). Other major income items were gambling income, which accounted for 24.3% (\$2,703.1m) of all income, and takings from meals and food sales, which accounted for 10.8% (\$1,200.6m).
- The total income of businesses with gambling facilities was \$9,565.1m which represented 86.1% of total income for all businesses. The major sources of income for businesses with gambling facilities were the sale of liquor and other beverages of \$5,511.6m (57.6%) and gambling income of \$2,703.1m (28.3%).
- The gambling income of these businesses was sourced primarily from poker/gaming machines (96.7%), with the remainder generated from TAB commissions (2.7%) and Keno commissions (0.6%).
- Pub, tavern and bar businesses incurred \$10,369.5m in expenses during 2004-05. Overall, purchases of liquor and other beverages was the highest single expense item, accounting for 36.7% (\$3,806.5m) of total expenses, followed by labour costs (21.9% or \$2,268m) and gambling taxes and levies (9.1% or \$940.5m).
- Other major expenses for pub, tavern and bar businesses in 2004-05 were rent, leasing and hiring (\$641m), purchases of foodstuffs for preparing meals (\$546.5m), interest expenses (\$273.5m), depreciation and amortisation (\$227.9m) and advertising, marketing and promotion expenses (\$199.5m).
- In 2004-05, pub, tavern and bar businesses with gambling facilities recorded total expenses of \$8,901.5m. The largest expense items incurred by these businesses were purchases of liquor and other beverages (\$3,317.4m) and labour costs (\$1,891.4m).
- Businesses with gambling facilities recorded employment of 64,905 persons, which accounted for 79.5% of total employment in pub, tavern and bar businesses. These businesses had 21,924 staff who were trained as licensed gaming staff (33.8% of total employment for businesses with gambling facilities).
- The majority (65.1% or 2,247) of pub, tavern and bar businesses employed fewer than 20 persons. These small businesses accounted for 26.9% of total employment in

pub, tavern and bar services, 28.4% of income from sales of liquor and other beverages, 28.2% of gambling income and 27.9% of total income. .

- The 2004-05 survey results indicate that pub, tavern and bar businesses experienced modest growth between 2000-01 and 2004-05 financial years. Income grew by an average 5.8% per year since 2000-01 while expenditure grew at the rate of 6% per year for the same period. The operating profit before tax grew at an average annual rate of 2.3% per year (from \$715.2m in 2000-01 to \$784.2m in 2004-05).
- ABS Data indicates that hotels with Gambling facilities pay in excess of \$1.05 Billion in tax This is comprised of EGM and other Gambling taxes and levies = \$940.5 million; Payroll tax = \$58.8 million; Land tax and Rates = \$53.0 Million and FBT = \$3.3 million
- Capital Expenditure – The introduction of EGMs into hotels has provided hotels with the funds to renovate and upgrade facilities. As a guide figures from Queensland indicate that this investment averaged nearly \$400,000 per venue in 2005-06. This figure would be far higher since that time because venues renovated to cater for the new laws relating to smoking in enclosed areas. It has been estimated that \$300 million was spent in NSW alone.
- Community Contribution – hotels make significant financial contributions to their local communities. They are also required to contribute to community benefit funds in each jurisdiction. This funding supports community activities, harm minimisation programs and interventions to prevent, reduce and/or respond to cases of problem gaming.

### Current Trading Environment for Hotels

The ABS data indicates that hotels had modest growth over the first half of the decade. Many Hotels are currently experiencing difficult trading conditions. Rising interest rates and petrol prices have reduced household disposable income and hence spending in hotels. This has been exacerbated by the introduction of smoking bans in enclosed areas which has led to an average drop in revenue of around 10%. The sale price of hotels has increased significantly over recent years and many businesses are heavily geared and hence affected by rising interest rates.

Gambling has become a significant and important revenue source for the industry. Hotels have made substantial investment decisions based on the presumption that EGM entitlements provided by state and territory governments will be available over the long term.

### Is there a major community problem with EGMs

The proposed Bill is based on a false premise that there is a major problem with the level of problem gaming associated with EGMs.

Recent studies indicate that the majority of EGM players use machines responsibly with less than 1% of the population identified as problem gamblers. This situation has stabilised since the Productivity Commission review and the improved figures reflects a more mature market as well as the positive impact of harm minimisation strategies and self exclusion and counselling support services. Reference to other indicators such as the number of bankruptcies and marriage break-ups attributed to gambling suggest that there is less of a problem than is portrayed in the Senator's second reading speech.

Despite this fact, the AHA is committed to working with Government and the broader community to implement strategies to further minimise the level of problem gambling in the community.

It is clear that there remains a need for more focussed and co-ordinated approach to research to establish the actual extent of problem gambling and identify strategies to successfully minimise the impact. The AHA has indicated to the Federal Government that it supports the establishment of a Commonwealth Gambling Advisory Committee. This Committee would involve industry, government and community representatives. It would provide advice on gambling related research and intervention strategies. It would inform and review the work of Gambling Research Australia and be based on arrangements currently in place in several states.

This Committee would be a key contributor to evidence-based decision making by the Commonwealth and States on the most appropriate way to deal with the social consequences associated with problem gambling.

### Responsible Gambling Strategies and Gambling Assistance

Since 1999, all of the States which have machine gaming have developed comprehensive responsible gambling strategies and networks which have had a positive impact in reducing the number of at risk and problem gamblers. Most States have a form of government / industry body which is charged to provide policy and social advice to Government with a view to developing and refining responsible gambling frameworks and practices aimed at reducing the negative impacts of gaming.

By way of example, in Queensland the Government supports a Responsible Gambling Advisory Committee comprising representatives of the regulator, community sector and gambling industry. This Committee assists the Government to formulate and implement responsible gambling policies and initiatives to ensure socially responsible industry outcomes. Most States now have comparable bodies or mechanisms that develop and implement responsible gambling programs focussed on prevention, community protection and assistance and rehabilitation for problem gamblers.

State bodies and entities also inform effective prevention, patron and venue education, and direct and indirect assistance for those adversely impacted by machine gaming. All States which operate machine gaming have developed Codes of Practice for Responsible Gambling which are refined and expanded in response to feedback and events. Put simply, the social responsibility landscape around machine gaming has changed and improved significantly in the time since data was collected which informed the 1999 Productivity Commission study.

Australians recognised as 'problem gamblers' represent below 1% of the adult population, and this figure is steadily reducing in response to improved industry and social policy, better education and help services, and even more responsible practice by industry. The 2006 – 2007 Queensland Household Gambling Survey which incorporated interviews with 30,000 adults and is the largest survey of its kind ever undertaken concluded that in the period under consideration, 0.47% of Queenslanders might be classified as 'problem gamblers' – a steady and progressive reduction from the measure achieved in the three previous similar surveys.

These results are consistent with those evident in other Australian gaming jurisdictions. Existing responsible gambling frameworks and practices are having a positive effect in Australia. This evidence needs to be contrasted with the outdated data that has been presented to justify the need for the proposed Bill.

## Conclusions

The AHA believes the level of problem gambling in the community has reduced since the Productivity Commission Inquiry in 1999. Evidence suggest that the best way to deal with problem gambling is through education and harm minimisation initiatives that reduce the potential for individuals to become problem gamblers and provide long term self exclusions, counselling and support services when a person develops a problem.

As outlined above, gambling is a significant and important revenue source for the industry. Hotels have made substantial investment decisions based on the presumption that EGM will be permitted in their establishment over the long term.

It is reasonable to expect that any amendments to existing entitlement would be based on objective, up to date evidence that is supported by a robust cost/benefit analysis.

As outlined above the removal of EGMs from hotels as proposed under the current Bill would

- have devastating consequences for the financial viability of hotels, particularly those in regional communities and flow to employment, suppliers and State revenues; and .
- significantly reduce the enjoyment of the overwhelming majority of EGMs players who are not problem gamblers.

The AHA assumes that both the Government and the Opposition will recognise that the proposition to remove EGMs from Clubs and hotels cannot be justified on economic and social policy grounds and vote accordingly.

If you would like to discuss any of the issues raised within this paper, I encourage you to contact me on my mobile telephone on 0419 627 693.

Yours sincerely

Bill Healey  
Chief Executive Officer  
Australian Hotels Association