

## **Submission to the Senate Community Affairs Committee**

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

Submission by

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#### **Introduction**

The Poker Machine Harm reduction Tax (Administration) Bill 2008 presents a proposal to reduce the harm generated by electronic gaming machines (EGMs) also known in Australia as poker machines or ‘pokies’.

This submission seeks to point the committee to some recent work focused on harm generated by EGMs and the potential of some technologically based solutions to substantially reduce harm. Further, this submission suggests that the most appropriate way forward in the reduction of EGM derived harm involves re-thinking the conventional wisdom around EGM regulation and its underpinnings.

#### **The Bill**

The Bill proposes the imposition of a progressively increasing tax on EGMs located in clubs and hotels – that is, in social venues. The tax would not be imposed on EGMs located in casinos and racetracks, so-called ‘destination venues’. This proposal has merit in that it recognises the harm done by EGMs, seeks to reduce the dependence of clubs and pubs on the very significant streams of revenue now provided by EGMs, and does so over a long phase-in time, in acknowledgement of the difficulties that would confront clubs and hotels were their EGM revenue stream to be substantially reduced over a short period of time.

The Bill however does generate the possibility that, failing co-operation from the states, venues could simply be re-licensed as casinos, thus avoiding the tax. Further, despite the long lead time, there needs to be a comprehensive strategy developed to take account of the (fortunately fairly unique) situation in NSW, where substantial elements of social infrastructure are apparently completely dependent on EGM revenues. Although the bill does envisage a fund for supporting local community and sporting groups, clearly this would be diminished over time as EGM revenue declines because EGMs would become increasingly unprofitable, and thus would be progressively withdrawn from operation (the Bill’s purpose).

The Bill acknowledges implicitly that the states will not prohibit EGMs and are unlikely, by their own actions, to take effective harm eradication or even minimisation measures.

## **What are key issues in reducing harm caused by EGMs?**

The current high levels of dependency on EGM revenue at the level of state governments, and indeed in terms of the business activities of hotels and clubs, suggests that the goal of reducing EGM related harm is low on the list of priorities for some key stakeholders. As with many other harm producing commodities in Australian society, EGM use is lawful and regulated, and it appears unlikely that EGM use will be prohibited in any Australian jurisdiction where it is currently lawful.

The key harm minimisation issues are to achieve a reduction in the harm generating capacity of EGMs so that the smallest possible proportion of EGM revenue is derived from problem gamblers (preferably none). At the same time, clubs and hotels would expect to retain a capacity to generate a reasonable stream of revenue from safe use of EGMs. Some people enjoy the use of EGMs without incurring harm, and it is reasonable that those people should continue to be able to do so, although this must be balanced against the considerable harm done to individuals, their families and society overall by the excessive use of EGMs. Indeed, although we accept that many individuals derive enjoyment from EGM use, we also argue that amongst regular EGM users, it is likely that around half experience some level of harm and about a quarter experience very significant harm, and that more than half of the revenue derived from EGMs comes from the pockets of those with gambling problems.

Given these issues it is likely that technology based approaches to reducing EGM derived harm are likely to be feasible. In particular, re-configuring of some aspects of the core technology of EGMs may provide a solid basis for reducing harm. Key to this re-configuration are the reinforcement schedules, or ‘game maths’ of EGM games, which construct the conditioning system which makes games attractive and encourage repeated, and often lengthy sessions of play.

It is also very likely that adopting reduced parameter settings on some key EGM game parameters such as game features, ‘load up’ limits, access to ATMs and availability of multi-line play will reduce harm, as will reducing maximum bet limits and maximum prize limits. The regime of EGM regulation currently being proposed for adoption in the United Kingdom takes account of the relationship between harm and EGM game configuration and requires EGM games with specific game settings to be available in different types of venues. Local clubs and hotels in the UK would, under current proposals, be limited to no more than 2 (pub) or 3 (club) games of type B4 (clubs only), C or D. Type B4 games are permitted a maximum bet of £1 and a maximum prize of £250. Type C games are permitted a maximum bet of £0.50 and a maximum prize of £35, and type D a maximum bet of £0.30 and a maximum prize of £8. It appears that the rationale of this approach is to avoid the ‘colonization’ of social space by gaming machines, and the resultant dependency of clubs and hotels on the revenue so generated. This issue is at the core of any attempts to reform the Australian situation for harm reduction purposes.

## **Effective approaches to addressing EGM related harm**

As noted above technical approaches now have the capacity to address issues of EGM derived harm.

All EGMs operating in Australia are subject to technical standards, which can be amended to require specific parameter settings. Accordingly, it would be feasible to develop a two-stream approach to EGM operation, in which EGMs licensed for social settings would be set at modest parameter settings (e.g., maximum bet of \$1 and maximum prize of \$500, limits to multi-line betting to no more than nine, and so on) whereas ‘high impact’ machines (such as those currently operating in almost all Australian jurisdictions in clubs pubs) could be operated only via use of a ‘smart card’ with both reporting and time/money limit functions. Subject to card security being of an acceptable standard (to prevent trading in cards) this would permit players wishing to access high impact machines to do so but in a much safer environment than is presently the case. Such high-impact machines could be co-located with low impact games provided they were clearly identified, but many venues may choose simply to offer low impact games.

Taking this a step further would involve utilising software (as is currently available in Canada) to analyse player data for the purposes of identifying players exhibiting patterns of play likely to be that of problem gamblers. Such algorithm based software has been demonstrated as effective and reliable in Canada and could readily be adapted to the Australian situation.

Such an approach would have the effect of minimising the impact of harm minimisation changes on the enjoyment of non-problem gamblers, maintaining a stream of revenue (albeit, probably at reduced levels) for venues and state governments, and permitting access to high impact EGM games for those who wish to do so. Development of two streams of EGM accessibility would also be conducive to increasing the diversity of entertainment on offer in local venues – at present, the very high proportion of venue revenue derived from EGMs in many jurisdictions means that the business focus is strongly on the management of gaming activity, whereas reducing its relative importance is likely to increase diversity of entertainment choices and make gaming only one option amongst many.

### **Materials supporting this submission.**

This submission draws on the following publications, copies of which are attached to the submission. We would urge the Community Affairs Committee to consider the evidence set out in the attached documents in forming its view on the Bill under consideration and on the issue of effective EGM regulation more broadly.

Livingstone, C. and Woolley, R. (2007), ‘Risky Business: A Few Provocations on the Regulation of Electronic Gaming Machines’, in **International Gambling Studies**, 7(3): 361-376

Livingstone, C., Woolley, R., Zazryn, T., Bakacs, L., and Shami, R. (2008), **The Relevance and Role of Gaming Machine Games and Game Features on the Play of Problem Gamblers**, Independent Gambling Authority of South Australia, Adelaide

Livingstone, C., and Woolley, R., (2006), **The Changing Electronic Gaming Machine Industry and Technology**, Department of Justice Victoria, Melbourne