



Gambling Research Australia

An initiative of the Ministerial Council on Gambling

Convener Robert Chappell

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25 June 2008

Mr Elton Humphrey
Secretary
Australian Senate Community Affairs Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Humphrey

Poker Machine Harm Reduction Tax (Administration) Bill 2008

I refer to your letter dated 18 March 2008, advising Gambling Research Australia of the referral of this Bill to the Community Affairs Committee of the Senate, and of the reasons for referral, and inviting a submission.

About GRA

The Gambling Research Australia Program is an initiative of the Ministerial Council on Gambling and is governed by a memorandum of understanding (MOU) between the member Ministers of that Council. Under the MOU, GRA is the body of senior officials nominated by the member Ministers to be responsible for managing and implementing the program, following national research priorities set out in the MOU. In addition, the MOU calls for the establishment of a clearing house of gambling research.

GRA is supported by a secretariat hosted in the Victorian Department of Justice. The secretariat staff have significant expertise in the procurement of research (through direct commission and grant processes) and in the management of the clearing house, which is provided through the website www.gamblingresearch.org.au.

Response and basis on which it is made

While it is clearly not appropriate for GRA to engage in the policy debate relating to the Bill, it is appropriate—as part of its clearing house role—for GRA to seek to inform the Committee's deliberations by making reference to the publicly available research relevant to the referral of the Bill to the Committee.

In his speech moving the second reading of the Bill, Senator Fielding quotes statistics and comments upon them. In the attached document, observations are made in relation to the major statements appearing in Senator Fielding's second reading speech.

This response has been prepared by secretariat officers and is essentially their work, submitted with the agreement of GRA. It seeks to sketch out some basic underlying propositions about gambling behaviour (including “at risk” behaviour) and the present body of available research.

The available research

Although the Productivity Commission’s report *Australia’s Gambling Industries* is nearly ten years old, it remains the most recent national study of gambling. Individual jurisdictions have undertaken gambling prevalence studies over the past five years (the results of which are mentioned below). Prevalence studies provide insight into the presence of problem gambling and a broad understanding of gambling behaviours and socio-demographic characteristics.

While it is not uncommon for research reports to state findings as “facts”, for policy formation purposes these findings need to be assessed in terms of their robustness as they are necessarily based on sample surveys.

Further, it is often the case that researchers will include caveats and qualifications when interpreting results and in comparing their findings to those in other reports. Methodologies need to be taken into consideration as results may differ according to the approach taken for example, with quantitative work the sorts of methodological difference which will affect outcomes are the sample design, the number of participants and their actual method of selection, how behaviours are measured or how questions are asked.

In GRA’s own research, a peer review process has been implemented to enhance the robustness of the research findings.

Gambling and “at risk” gambling behaviours

There are numerous forms of gambling in each of the jurisdictions with each being managed under differing legislative and regulatory frameworks. Some comparative statistics from five recent prevalence studies undertaken in jurisdictions (detailed below) are provided for information.

It should also be noted that those who gamble often engage in multiple forms of gambling. The most popular forms of gambling were found to be lottery products/scratch tickets followed by poker machines. It was also found in each of the five jurisdictions, that problem gamblers tend to participate in many forms of gambling.

The following table provides comparisons of “at risk” gamblers (defined as moderate risk and high risk/problem gamblers) based on jurisdictions’ prevalence studies¹.

	<i>Victoria</i>	<i>South Australia</i>	<i>New South Wales</i>	<i>Northern Territory</i>	<i>Queensland</i>
High Risk/ Problem Gamblers	0.97%	0.40%	0.80%	0.64%	0.47%
Moderate Risk	1.00%	1.2%	1.60%	-	1.80%

The characteristics of the “at risk” gamblers have some variance between jurisdictions as can be seen from the demographic profiles provided in the table below. South Australia and New South Wales shared a number of characteristics with a major difference in employment status whilst Queensland had an age and marital status difference to other jurisdictions.

“At risk” profile comparison

<i>Victoria</i>	<i>South Australia</i>	<i>New South Wales</i>	<i>Northern Territory</i>	<i>Queensland</i>
<ul style="list-style-type: none"> likely to be male between the ages of 30 and 60 years most being educated up to secondary school level being either unemployed or receiving social security payments 	<ul style="list-style-type: none"> most likely being male between 18 and 24 years secondary level education a marital status of never married typically earning less than \$20,000 	<ul style="list-style-type: none"> most likely being male between 18 and 24 years secondary level education a marital status of never married likely to be in full time employment 	<ul style="list-style-type: none"> likely to be male between the ages of 25 and 55 years from group households 	<ul style="list-style-type: none"> being male between the ages of 18 and 55 most likely to be married.

¹ **NSW** Prevalence of Gambling and Problem Gambling in NSW—Community Survey 2006, NSW Office of Liquor, Gaming and Racing.
Northern Territory Gambling Prevalence Survey 2005, October 2005, Charles Darwin University, School for Social and Policy Research & School of Health Services
Queensland Household Gambling Survey 2006–07, Research and Community Engagement Division Queensland Office of Gaming Regulation/Office of Economic and Statistical Research, Queensland Treasury
Victoria 2003 Victorian Longitudinal Community Attitudes Survey
South Australia Gambling Prevalence in South Australia, October–December 2005, Department for Families and Communities, Government of South Australia.



Please advise whether GRA or the secretariat can provide any other assistance.

Thank you for the opportunity to provide this response on behalf of Gambling Research Australia.

Yours sincerely

[Original signed]

Robert Chappell

Convener, Gambling Research Australia

Director, Independent Gambling Authority

(Nominee of the South Australian Minister for Gambling)

*Response to the Senate Community Affairs Committee by Gambling Research Australia
concerning the referral of the
Poker Machine Harm Reduction Tax (Administration) Bill 2008
(as proposed by Senator Fielding)*

The table which follows contains observations on major statements (text marked in **bold print**) contained in Senator Fielding’s second reading speech.

The following works are referred to in the body of the table:

Australian Gambling Statistics—Office of Economic and Statistical Research, Australian Gambling Statistics 2005–06. Queensland Treasury, 2007

Caraniche Report—Rodda, S and Cowie, M (Caraniche Pty Ltd): *Evaluation of Electronic Gaming Machine Harm Minimisation Measures in Victoria*. Gambling Research Panel, December 2005.

Livingstone & Woolley—Livingstone, Charles and Woolley, Richard: ‘Risky Business: A Few Provocations on the Regulation of Electronic Gaming Machines’, *International Gambling Studies*, 7:3, pages 361–376.

McMillen—McMillen, Jan: *2003 Victorian Longitudinal Community Attitudes Survey*. Gambling Research Panel, April 2004.

PC—Productivity Commission: *Australia’s Gambling Industries—Inquiry Report*. Productivity Commission, 1999.

SOGS—Lesieur, H.R., & Blume, S.: The South Oaks Gambling Screen (the SOGS): a new instrument for the identification of pathological gamblers. *American Journal of Psychiatry*, 144, 1184–1188.

Thomas & Jackson—Thomas, S and Jackson A: *Risk and Protective Factors, Depression and Comorbidities in Problem Gamblers*. Beyond Blue, February 2008.

<i>Second Reading speech content</i>	<i>Cited source</i>	<i>Observations</i>
<ul style="list-style-type: none"> ▪ Around 52% of problem gamblers said they had borrowed money and not paid it back 	PC 7.1: One in two problem gamblers have borrowed money from some source to finance their gambling, and <u>one in five</u> problem gamblers borrowed money without paying it back.	<u>Caveat:</u> The PC has cited on page 7.2 that any data drawn in this chapter is from a wide range of sources – and is not of equal quality and recognises the need to examine methodological differences between the various strands of the problem gambling literature.

Second Reading speech content	Cited source	Observations
<ul style="list-style-type: none"> ▪ About 36% of problem gamblers said they had sold property to raise money to bet; 	PC 7.49: Around one in ten reported selling property to finance their gambling (and more than one in three gamblers in counselling).	<u>Caveat:</u> The PC has cited on page 7.2 that any data drawn in this chapter is from a wide range of sources – and is not of equal quality and recognises the need to examine methodological differences between the various strands of the problem gambling literature.
<ul style="list-style-type: none"> ▪ A further 43% of problem gamblers said they sometimes went without food to pay for their addiction; 	PC 7.56: 4% always went without food and grocery items; 11.8% often went without; 27.2% sometimes went without (Totals 43%)	These are proportions based on the survey of counselling services and are proportions of problem gamblers in counselling not problem gamblers in general.
<ul style="list-style-type: none"> ▪ And one in four problem gamblers suffered divorce or separation. 	PC 7.29: suggests that just under one in ten problem gamblers report a split-up with partners due to gambling. About one quarter of problem gamblers seeking counselling report that gambling has led to dissolution of a relationship with a partner.	<u>Caveat:</u> The PC has cited on page 7.2 that any data drawn in this chapter is from a wide range of sources – and is not of equal quality and recognises the need to examine methodological differences between the various strands of the problem gambling literature.
<ul style="list-style-type: none"> ▪ On average, around seven other people are affected by a severe problem gambler's behaviour. That's around 2 million Australians. 	PC 7.1: On average, around seven other people were reported to be adversely affected to varying degrees by a severe problem gamblers behaviour.	This is presented in Chapter 7 and the source is the survey of counselling agencies. The 2 million Australians is an estimate that is based on the prevalence rate in 1999 report (national survey conducted by PC) and the number of problem gamblers at that time. See caveat above.
<ul style="list-style-type: none"> ▪ And a staggering 50% of regular poker machine users are problem gamblers or at risk of becoming problem gamblers. 	Livingstone & Woolley, p.364. Available evidence (ref not provided) indicates that more than half of regular EGM users were current problem or "at-risk" gamblers.	McMillen, p. 12 "About 15 percent of regular gamblers in the 2003 Victorian survey are identified as problem gamblers..." The quotation from Livingstone and Woolley p.364 is accurate but they do not provide a direct reference to this estimate.
<ul style="list-style-type: none"> ▪ Not only are poker machines addictive for players, but they are also addictive for state and territory governments. 		Many references indicate that problem gamblers gamble on many products with EGMs a favoured game. However, for the clear majority of EGM players EGMs are not addictive.
<ul style="list-style-type: none"> ▪ State government revenue from poker machines and Keno in 2006–07 was almost \$3 billion. 	Source is unknown.	This revenue figure is presumed to have been derived from Australian Gambling Statistics.

Second Reading speech content	Cited source	Observations
<ul style="list-style-type: none"> ▪ In my own home state of Victoria, 85 per cent of problem gamblers spend most of their gambling time using poker machines. That's 36,000 people in Victoria alone and most play the pokies every week. Another 32,000 Victorians who use poker machines are classified by the Centre for Gambling Research as "at risk" of becoming problem gamblers. So that's 68,000 people, or more than half of regular poker machine users in Victoria, are problem gamblers or at risk of becoming problem gamblers. 	<p>McMillen, p 97: A large majority of problem gamblers spent most of their money on electronic gaming machines (85.1 per cent);</p> <p>Moderate-risk gamblers—</p> <ul style="list-style-type: none"> ▪ approximately another 1 per cent of the Victorian population are moderate-risk gamblers; ▪ overall, an estimated 15.2 per cent of regular gamblers in Victoria are at moderate risk. <p>McMillen, p. 87: As measured by SOGS 5+ the overall figures (assuming problem gambling prevalence rate of 1 per cent, a severe problem gambling rate of 0.3 per cent and an adult Victorian population of 3,475,197) suggest that in 2003 approximately 34,751 adults in the Victorian population could have gambling problems, with 10,425 of them experiencing severe problems (SOGS 10+).</p> <p>In 2003 about 8.5% of Victorian EGM users (107,000) people were regular (weekly) users (McMillen, p 53) of whom 2.78% were found to be problem gamblers – about twice the gambling average (McMillen, p 93). Thus, about 36,000 of Victoria's 42,000 problem gamblers mainly used EGMs and most (83%) at least weekly. A further 32,000 EGM users were at risk (McMillen, pp 97, 93, 53).</p>	<p>The figures quoted are accurate.</p>

Second Reading speech content	Cited source	Observations
<ul style="list-style-type: none"> ▪ A 2005 report commissioned by the Victorian Government found that problem gamblers spent an average six times the spending on poker machines of non-problem gamblers every week. In practical terms that means problem gamblers were spending more than \$440 a week on poker machines. 	<p>Livingstone & Woolley, p. 365—original source Caraniche Report.</p>	<p>The estimates from the Caraniche Report are based on a survey of 418 EGM players—not randomly selected but approached at venues (based on volunteers hence raising the issue of bias). The authors state that this was an ‘<i>opportunistic</i>’ sampling method. They state that: ‘<i>the findings are suggestive and not definitive.</i>’ (page 73)</p>
<ul style="list-style-type: none"> ▪ One recent study estimates problem or at-risk gamblers account for about 53 per cent of the money spent in Victoria on poker machines outside casinos in 2005–06. 	<p>Reference not cited.</p>	<p>No reliable research has been produced which provides a solid basis for calculating the proportion of EGM expenditure accounted for by problem gamblers in Victoria.</p>
<ul style="list-style-type: none"> ▪ The Productivity Commission's estimated problem gamblers accounted for 42 per cent of expenditure on poker machines nationally. 	<p>PC, p. 9</p>	<p>The Productivity Commission uses the proportional loss factor—the ratio of expenditure by problem gamblers in any mode to that of non-problem gamblers – based on its survey to estimate the former’s share of total gaming machine expenditure. However, the expenditure given by players in this survey is self-report which has its own inadequacies.</p> <p>Indeed, in McMillen (page 104), she states: “<i>Previous surveys have shown that respondents tend to significantly underestimate gambling expenditure for some forms of gambling (such as gaming machines and table games at a casino) and overestimate expenditure for lotteries and scratch-its. Thus we are unable to explore relationships between the level of expenditure by particular groups of gamblers or the problem gambling share of losses.</i>”</p>

Second Reading speech content	Cited source	Observations
<ul style="list-style-type: none"> ▪ Poker machines plague our suburbs and cause family breakdown and financial devastation and the Government has turned a blind eye to the devastation. The Productivity Commission found one in ten people with significant gambling problems said they had thought of committing suicide because of their gambling. 	<p>PC 7.1: Around 60% of those with at least moderate gambling problems indicate that they have suffered depression as a result of gambling. And about 9% of problem gamblers (around 60% of those in counselling, the most severe category) report that they have seriously thought about suicide because of their gambling. It is estimated that there are between 35 and 60 suicides linked to gambling each year.</p> <p>PC 7.14(Survey clients from counselling agencies)</p> <p>Around half the people with at least moderate gambling problems say they have suffered depression as a result of gambling at some time and around 53% say they have been depressed because of gambling in the last year.</p> <p>McMillen pp 113–114:</p> <ul style="list-style-type: none"> ▪ Majority of problem gamblers (59.0 per cent) have felt seriously depressed in the last 12 months, compared to a rate of 13.1 per cent of non-problem regular gamblers; ▪ In the past 12 months a considerable 11.5 per cent of problem gamblers have thought about or attempted suicide as a result of their gambling, while only 1.1 per cent of non-problem regular gamblers had suicidal tendencies. 	<p>Comments imply proven causality of linking gambling on gaming machines and private impacts such as depression, suicide, family break-ups and crime. McMillen (p. 109) states: “...<i>simple correlations between problem gambling and adverse personal impacts, by themselves, can be misleading. The Productivity Commission’s extensive inquiry suggested that adverse impacts such as divorce, crime and depression were typically symptoms rather than causes of problem gambling.</i>”</p> <p>In Thomas & Jackson (a <i>Beyond Blue</i> publication: <i>Risk and Protective Factors, Depression and Comorbidities in Problem Gamblers</i>), they state: “<i>It is not possible from this survey to establish a causal nexus between problem gambling and these co-morbidities. We do not know whether one set of conditions precedes the other nor whether they are causally linked. Longitudinal research is required to address this question.</i>” (page ix)</p>

Second Reading speech content	Cited source	Observations
<ul style="list-style-type: none"> ▪ Problem gamblers spend about 20 per cent of their household income on gambling while other gamblers spent just over one per cent. 	<p>PC: 7.1: Based on national survey data, gambling losses represent an average of 22.1% of household income (before tax) for problem gamblers (with a median of 12.2%).</p>	<p>The Productivity Commission uses the proportional loss factor—the ratio of expenditure by problem gamblers in any mode to that of non-problem gamblers – based on its survey to estimate the former’s share of total gaming machine expenditure. However, the expenditure given by players in this survey is self-report which has its own inadequacies.</p>
<ul style="list-style-type: none"> ▪ Gambling was also responsible for relationship breakdowns and poor job performance. The most common impact on gamblers was depression. The Victorian community is demanding action. 	<p>PC 7.1: About one in ten problem gamblers said that their gambling had ‘ever’ led to a relationship breakdown. It is estimated that there are around 1,600 gambling-related divorces annually. One in ten gamblers in counselling reported domestic or other violent incidents related to their gambling.</p>	<p>The Productivity Commission uses the proportional loss factor—the ratio of expenditure by problem gamblers in any mode to that of non-problem gamblers – based on its survey to estimate the former’s share of total gaming machine expenditure. However, the expenditure given by players in this survey is self-report which has its own inadequacies. Also refer to McMillen comment (p. 109).</p>
<ul style="list-style-type: none"> ▪ A report revealed three in four Victorians believe pokies do more harm than good and gambling was too widely accessible. 	<p>PC Vol.1, page 3 and McMillen, pp 128–130</p> <p>The Productivity Commission’s 1999 national survey found that around 70 per cent of Australians (including a substantial majority of regular gamblers) consider that gambling does more harm than good to the community. Conversely, in 1999 only 15 per cent of Australians felt gambling does more good than harm. These negative community attitudes and prejudices have been reflected in previous studies.</p> <p>McMillen, p. 130, asked the reverse—the level of agreement to whether poker machines in clubs and hotels do more good than harm—73% stated that they disagreed with this statement for clubs and approx. 78% disagreed when asked about hotels.</p>	<p>The McMillen Report asked respondents to state their agreement or disagreement to the following statements : <i>On the whole poker machines in clubs do more good for the Victorian community than harm</i> and <i>On the whole poker machines in hotels do more good for the Victorian community than harm</i>.</p> <p>A reverse interpretation (disagreed that more good than harm comes from gaming machines does not equal in a survey those who agree that they do more harm) is not necessarily an accurate presentation of the results (see previous column).</p>

Second Reading speech content	Cited source	Observations
▪ Unfortunately state and territory governments are so addicted to pokies that the \$3 billion a year split by government and operators is the biggest barrier to addressing this menace	Reference not cited	The revenue figure is presumed to have been derived from Australian Gambling Statistics.