

Submission Report:
The Poker Machine Harm Reduction (\$1 Bets and
Other Measures) Bill 2012.

29 May, 2012

Submitted on behalf of the Gambling Impact Society (NSW)
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1. Letter of Transmittal

31/10/2012

PO Box 6100
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To the committee secretary of the joint select committee on gambling reform,
We are submitting you this report.

The report is titled: The Poker Machine Harm Reduction (\$1 Bets and Other Measures) Bill 2012. The Purpose of this report is to inform you of the position of our client organisation, the Gambling Impact Society (GIS) of New South Wales, Australia.

The content of the following report will discuss the impact problem gambling has on families and the community, as well as recommendations throughout for an appropriate course of action.

If you have any questions about this report or this paper, please don't hesitate to contact:

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Kind regards,

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2. Introduction

Poker Machine Reform in Australia is an area in need of urgent attention. There is no doubt that public policy needs to address the harm EGM'S cause and develop methods, to prevent harm to the individuals who use them and the families who are burdened by the consequences of the negative impacts of problem gambling. The Bill; The Poker Machine Harm Reduction (\$1 bets and other measures) Bill 2012, seeks to put effective measures in place to minimise harm and increase safety in the operation of poker machines in Australia.

Two Productivity Commission Reports (1999 and 2010) along with numerous national and international research studies indicate electronic gaming machine gambling (pokies) is the most addictive form of gambling. There is a pressing need for our Federal Government to wrest regulatory control of this issue from the State and Territory governments whose vested interests have compromised their ability and social responsibility to protect individuals, families and communities from these harmful gambling products.

This submission is on behalf of The Gambling Impact Society (NSW) a voluntary organisation which supports those affected by problem gambling, along with providing community education and professional resource support to those working in the field.

3.a. Background

The extent of gambling harm in Australia is a significant issue which over recent years has been brought to greater attention. It is increasingly evident that there is widespread community demand for increased regulation of poker machines across Australia in order to prevent problem gambling and reduce its continued harm on individuals, families and the wider community.

Gambling and poker machine gambling in particular has the potential to wreak havoc in the lives of those who gamble problematically and those around them. Its negative impacts are not only short, but long term effects on health, well-being and relationships within families and the community. The need for meaningful poker machine reform was demonstrated in the 1999 Productivity Commission Report yet 10 years later the 2010 Productivity Commission Report evidences that effective harm reductions strategies are yet to be implemented. This is a clear case of regulatory failure of a product (EGMs) which has been clearly demonstrated to be causing significant and long lasting community damage.

Federal legislative intervention is necessary to successfully address the issue of problem gambling as State governments with their dependence upon gambling taxations are too compromised to lead such reforms. To date because of the reliance on State governments to initiate harm minimisation strategies there has been a complete failure of regulation of this industry and its technology. The Federal government's acknowledgement of the severity of problem gambling as a community issue has created increased awareness. This needs to be complimented with full commitment to implement effective poker machine gambling reform to take place across all gambling venues in Australia.

As mentioned in the Productivity Commission Report 2010, greater accessibility to gaming machines and gambling avenues contributes significantly to the incidence and prevalence of problem gambling. The report recommends the development of appropriate and effective public health and consumer protection strategies as part of strengthened harm reduction policy as a means to reduce problem gambling.

3.b. Statistical Information

The statistics on gambling which particularly concern us are:

- One in six people who play the poker machines regularly have a serious addiction.
- Only around 15 per cent of people who have a gambling problem seek help.
- Those affected by problem gambling are six times more likely to be divorced than those without gambling problems (Thomas, S, 2008).
- Children with parents who are addicted to gambling are up to 10 times more likely to become addicted themselves, than children with non-gambling parents (The Problem Gambling Treatment and Research Centre, 2010).
- The NSW Health Report of 2007 found that 10.4% of NSW residents had experienced a problem with gambling in the family.
- Between 40 – 60% of gambling revenue is from those gambling problematically (Productivity Report 2010)

One in five suicidal presentations are linked to problem gambling (a study by The Alfred Hospital, Mental Health team research, Costello 2010).

3.c. Impact of Problem Gambling on Society

In NSW much of community gambling occurs in sports and social clubs which are registered as not for profit organisations attracting with major State and Federal tax concessions. The legal and social contract which allows Clubs in NSW to operate gaming machines is based upon the concept that poker machines revenue should benefit the community, however, Con Walker (2009) found that less than one per cent of gambling profits from 18 of NSW largest Clubs for instance, was returned to the community in donations. By contrast the harm caused to communities through problem gambling is estimated to be \$4.7billion annually (Productivity Commission Report 2010).

The 2010 PC report stated ‘while precision is impossible, various state surveys suggest that the number of Australians categorised as ‘problem gamblers’ ranges around 115,000, with people categorised as at ‘moderate risk’ ranging around 280,000 (PC 2010, vol. 1, p. 2). This estimate suggests there are almost 400,000 people with severe to moderate gambling problems in Australia. The 1999 Productivity Commission Report found for every person with a gambling problem 5-10 others are negatively affected. The 2010 Productivity Commission report, the Chair’s Preface noted that “between five and 10 people are affected by each problem gambler, bringing into the millions the total number affected”

We believe these are conservative estimates but they still suggest at least four million Australians are struggling with the effects of problem gambling on their lives. This is a large figure that puts a burden on society through demands on the resources of community and public services (Productivity Commission, 1999). As well as being a huge burden in itself, problem gambling can lead to other issues within society. “Problem gamblers are four times more likely to have problems with alcohol and four times as likely to smoke daily than non-

problem gamblers” (Thomas 2008). There are significant relationships between problem gambling and crime particularly embezzlement. The following figure (Fig 1) illustrates the widespread impact of problem gambling on the community

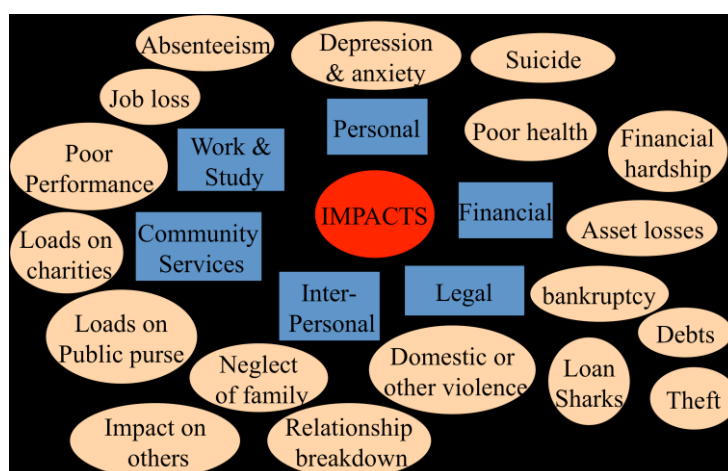


Fig. 1 **The Impacts of Problem Gambling** (source: Productivity Commission 1999, Vol.1:25)

3.d. Voice of the wider community

The Gambling Impact Society and other health and welfare organisations (members of the Stop the Loss Coalition) have joined forces in promoting the benefits of reducing poker machine harm through technological change.

Clubs Australia believe this bill and its measures will not work, proposing that if poker machines are technically limited in their uses, gamblers will find alternative forms of gambling to maintain their addictive behaviour. The GIS refutes this view based on evidence from Norway where Electronic Gaming Machines (EGM's) were removed in 2007 and then reintroduced with mandatory limits a year later. Research demonstrated there was minimal transition from EGM gamblers to other forms of gambling.

The most recent data from Norway 2010 indicates a drop from participation in EGM gambling from 22% in 2005 to 20% in 2006 to 18% 2007, nil in 2008, 2% in 2009 and 2% 2010 (Norwegian Gaming Authority presentation to European Association of Gambling Studies Conference Vienna, September 2010).

There has also been a significant reduction in calls to the National helpline from 2006 1792 (when note accepters were banned) 2007 1117 (when Slot machine withdrawn 1 July 2007) to 817 in 2009 and 464 (Jan – June) 2010. (Norwegian Gaming Authority, Sept. 2010). This is well short of the over 2,000 calling in each year before 2005. In addition the number of people calling in with gambling problems related to EGMs remains trivial compared to Australia.

Most importantly the GIS propose that these measures will have a significant benefit to the community in terms of reducing and preventing harm from poker machine gambling.

Evidence from community polls have consistently indicated that the majority (70-83%) of the community want to see change to poker machine technology to make these products safer.

4.a. The Club Industry

The gambling industry backed by organisations such as Clubs Australia, stand on the viewpoint that poker machine reform and regulation just 'won't work' (Cummings 2011). Tom Cummings, a former problem gambler, in a review last year on the poker machine reform, has revealed the argument and grounds on which Clubs Australia and the club industry of Australia to stand on, lacking substance and solidarity.

Clubs Australia have argued the reform is destined to fail, stating the reforms do not and will not stop those addicted to gambling from partaking in other forms of gambling. Whilst we acknowledge there are harms associated with other forms of gambling, it is evident (Productivity Commission Reports 1999 and 2010) that 80 per cent of those with gambling problems are struggling with the use of poker machines.

The matter lies in the harmful nature of poker machines. It is our viewpoint that if regulation can be placed on one form of gambling and be effectively carried out, this could become the basis for further regulation to be enforced in other areas of gambling products.

The grounds which Clubs Australia base their arguments against \$1 bet implementation have been based on financial concern. Such grounds have been refuted by both consumers and academics on more reasonable terms. Cummings has commented on the convenience of capped bets over pre-commitment technology, stating:

"..The software changes required to cap maximum bets at \$1 are cheaper and simpler than installing pre-commitment technology, and so it stands to reason that the majority of venues would take up this option." (Cummings 2011)

Doctor Charles Livingstone from Monash University report on The Drum stating that "The pro-pokie forces claim the costs of changing machines will be prohibitive, that the changes won't help problem gamblers and that there's no evidence to support the proposals" (Livingstone 2011).

Furthermore, Livingstone refutes this ongoing financial-war between the gaming industry and those in favour of implementing the reform through acknowledging that yes, there will be unavoidable costs in changing the machines to a 'low-impact' configuration however the costs, when added up are considerably low and can even be considered as beneficial to the industry through its tax deduction scheme. (Livingstone 2011)

"Elements of pre-commitment are not, by the way, prohibitively expensive or particularly difficult to devise or implement, but they provided an excuse to oppose reform, particularly given the lack of imagination so far displayed by Clubs NSW and their allies" (Livingstone 2011).

The dispute over the financial situation of the potential reform leaves the Club Industry feeling unsettled considering the survival of the industry lies on the backs of vulnerable Australians, with over 40 per cent of poker machine revenue coming from those addicted. (ACGT 2012)

In an article on the recent events in parliamentary discussion, Clubs Australia is awaiting the evidence of problem gambling and the poker machine reform to come to light. "Clubs Australia spokesman Jeremy Bath told AAP the organisation was taking Prime Minister Julia Gillard at her word that whatever the government did in tackling problem gambling would be 'evidence-based'" (Advocate 2012).

It is evident that despite intensive political lobbying there is a lack of solid argument by the Industry that regulation of poker machines should be enforced for the greater good of the

Australian community. This is not about who can make the greatest revenue, it is about creating and sustaining a healthier and happier nation.

It is also evident from the most recent Clubs Australia campaign – Part of The Solution that there is minimal regard by this industry for product safety issues. Their recommendations significantly omit any responsibility for mandatory technical change or indeed the opportunity to use technology to assist with early intervention. Current loyalty card systems used in clubs create player tracking data this is currently used for gambling and other promotions by the club. However this could readily be used to facilitate early identification of the development of problematic gambling behaviour. Yet this receives no mention in their Part of the Solution document. (Refer www.clubsnsw.com.au/.../CA-PartOfTheSOLUTION%202012.pdf).

What is clear is that the overt recommendations of Clubs Australia are the more “passive approaches” of consumer education and tertiary support to those who have already developed a problem. Whilst these are also measures recommended by many, including ourselves, we do not see them as fully embracing a public health approach to gambling as they fail to address the technological changes and regulatory changes needed to underpin meaningful and effective reform. Without these, such passive measure are likely to fail to prevent problem gambling or address the extent of community damage.

Clubs Australia and Clubs NSW have regularly claimed they have halved the prevalence of problem gambling in NSW by their own initiatives (claims made in the Part of the Solution document and in numerous media articles released during their anti- reform campaign 2010 - 2012). However as evidenced by the most recent prevalence data for NSW released 31/10/12 (http://www.olgr.nsw.gov.au/gaming_research_year.asp#RGF_Reports_2012) the report indicates that figures between 2006 and 2012 have remained the same at 0.8% of the NSW population and that more concerning is that numbers of moderate risk gamblers have increased:

The current prevalence of problem gambling in NSW, as defined by the PGSI (score 8 or more) is 0.8% (or $n=39,840$ adults). This is the same as the prevalence rate in 2006 (0.8%), although (for reasons noted above) the two estimates are not truly comparable. When the PGSI is applied only to regular gamblers in 2011 (as it was in 2006) the prevalence rate halves (0.4%).

An additional 2.9% of the sample was classified as ‘moderate risk’ (score 3-7) gamblers (a total of 3.7% classified as ‘problem/moderate risk’). The prevalence of moderate risk gamblers in 2006 was lower (1.6%), and the overall ‘problem/moderate risk’ category was therefore smaller (2.4%), although the figures are not directly comparable due to methodological changes between the survey years (Ogilvy, 2012 p.12)

It is clear that current passive approaches under the policy direction of “Responsible Gambling” have had minimal little impact in reducing problem gambling in NSW - the State with the highest number of poker machines.

4.b. Impacts on Families

The Productivity Commission 2010, found that for every one person gambling problematically 5 -10 other individuals are negatively impacted. This means there are at least four million Australians who could be negatively affected by problem gambling each year including friends, employers and probably most severely, families.

The impact that a gambling problem can have on families is drastic. The average EGM problem gambler will lose \$21,000 per year to poker machines (The Facts 2012). This obviously causes huge strain on families, whom are often unaware of the problem until a large debt has been acquired. As well as dealing with the financial impact gambling addiction creates, family members often have to cope with the distress of divorce, the neglect of children, domestic abuse, isolation and their own mental health.

Tim Costello (2012) has said, "There is nothing voluntary about a gambling addiction". It is important to note that there is certainly nothing voluntary about being a wife, child, or mother of a person struggling with a gambling addiction.

4.c. Impacts on Health

The health and safety of a human life is a public right that should be in all countries, exercised to its greatest potential. However, given the fact of regulatory failure and consumer protection in relation to these gambling products; individuals, families and communities continue to be harmed. This is with the government's full knowledge this is preventable. Reynolds (2008) argues "a right to health should drive policies that provide persons with the opportunities and the environments to lead a healthy life to his or her full potential" (p.49).

Garry Smith (2005) defines problem gambling to be "behaviour related to gambling that creates negative consequences for the gambler, for others in his/her social network, or for the community" (p.75). This definition is a clear depiction of the ways in which problem gambling, and at its most severe addiction to poker machine gambling, can have greater impacts on the health of the gambler, and the relationships of those around them.

In understanding the need and importance of introducing a poker machine reform, it is necessary to accept the inherent risks in poker machine gambling due to the product's design and volatility. It is the nature of poker machine continuous gambling form along with the design features, which create the conditions by which the gambler can develop a harmful behavioural addiction. This in turn can have drastic implications on the health of not only the gambler, but the wider community, family members and friends surrounding them.

Raylu and Oei (2002), highlight these greater implications on the health and well-being of individuals as they argue pathological gambling to be a "progressive and chronic disorder that encompasses an unrelenting failure to resist impulses to gamble and where this "maladaptive behavior disrupts, or damages personal, family, or vocational pursuits"(p.1010).A recent study at Alfred's hospital emergency department in Melbourne indicated one in five suicidal presentations were related to problem gambling.(Costello 2010)

Raylu and Oei explain the detrimental and harmful effects gambling can have on gamblers leading to a "wide range of social, economic and psychological problems" (p.1009). The grave manner in which gambling and poker machine gambling is increasingly becoming of greater concern, as new technologies such as EGM's are finding new avenues for younger generations to fall into the gambling trap from a juvenile age. Gupta and Derevensky (2008) bring to light the techno-savvy generation, arguing that:

"Technology is an ever-evolving phenomenon which inevitably brings with it social change...technology will continue to play a meaningful role in the evolution of gambling practices"(p.210).

It is imperative that the technology of the gambling product is used to create increased safety in its design and greater measures for harm reduction. It is important that the onus of

responsibility is not left to the gambler alone. As we have stated, this is a product safety issue not a pure human behavioural issue.

5. Weaknesses of the National Gambling reform Bill 2012

On the 17th of February 2012, the Australian Government released a draft of the National Gambling Reform bill 2012.

This draft legislation is designed to give effect to several key parts of the Government's commitment to reduce the harm caused by poker machines to people with a gambling addiction, as well as their families and the community.

This bill will require that:

A) By the end of 2013, pre-commitment technology to be made available on every gaming machine that is either made in, or imported to Australia.

B) By the end of 2016, state-linked pre-commitment and dynamic warnings, as well as the cost of play displays, with longer implementation timelines for small venues.

C) By the 1st of February 2013, a \$250 per card per day withdrawal limit on ATM machines in gaming premises, except in casinos and in communities where this may cause unreasonable inconvenience.

However, these proposed reforms fail to address a number of major concerns. These concerns include the actual product design as well as the features poker machines have, which include product design features such as free spins and losses disguised as wins. The bill also does not address maximum load ups (\$10,000 in NSW) or speed of play (spin rates). At present, Australia has these high intensity poker machines on every corner, and the community has easy access to the machines. The more accessible machines are the more people there are out there that become addicted to gambling.

It is the general accessibility to these high intensity machines, which possess the ability to cause such extensive community damage, which is of concern. Poker machines are in desperate need of attention and regulation.

5.b. The Poker Machine Harm Reduction (\$1 Bets and Other Measures) Bill 2012 will Improve Poker Machine Safety

The GIS strongly believe that some aspects of EGM product safety will be addressed through the proposed \$1 bet limits. This will result in reducing the volatility of the machine and significantly reduce harm.

The proposed \$1 per spin bet limits will impact on the speed at which people gambling can lose money and potentially reduce the volatility of the game. This will prevent harm, assist gamblers to stay in control and reduce the likely negative impacts of large financial losses currently \$1200 – 1500 an hour (Productivity Report 2010).

In addition the Bill's proposal will endeavour to further reduce harm by placing a \$500 limit on jackpots. This reduced amount, will affect player gambling by reducing "big win" incentives which have been linked to problem gambling behaviour. We are aware that Dr Clive Allcock, a well-known psychiatrist in the problem gambling field and public advocate of lowering jackpots, also supports this proposition.

The potential to reduce harm by addressing the technology of the machine by reducing jackpots and machine volatility will undoubtedly assist gamblers to maintain control over their spending. This will enable greater positive outcomes for gamblers and their families by directly affecting household spending, decreasing family poverty and improving family health.

6. Conclusion

Gambling is a legal activity yet 70 -75 per cent of the population do not gamble regularly on poker machines (Productivity Commission, 2010). However, poker machine gambling products are disproportionately responsible for community harm with over 30% of their regular users demonstrating level of problem gambling or “at risk” behaviours and contributing between 40 – 60% of gambling revenue (Productivity Commission 2010). This is clearly a product safety issue requiring greater technical regulations and consumer protection strategies.

Regular gambling has inherent risks of problem gambling and as such the community not only require greater information as to the risks but satisfaction in knowing that gambling products on offer have been scrutinised as to their safety in relation to community harm and that design features which contribute to this are eliminated. This is particularly of relevant to EGMs, which are widely available in the community.

Problem gambling is not an individual's problem occurring in isolation. It starts with the normalisation of gambling in the community and product marketing which provides minimal information about the risks of gambling or the likely outcomes of loss preferring to promote the less likely wins. It then progresses to the individual who, in choosing to gamble on EGMs, has little opportunity to access technical support to maintain control. This is unbalanced given the products design features are set to invite continuous gambling, present losses disguised as wins and incentives to gamble and with a range of features to encourage illusions of control. This has been known since Professor Mark Dickerson researched such a phenomenon in 2003 (Refer http://www.abc.net.au/4corners/content/2003/20031013_georges_gold/int_dickerson.htm)

Problem Gambling as we have seen, significantly negatively affects, families, employers, and friends. It has been estimated that for every person gambling problematically there are 5-10 others who are affected. These effects include; depression, anxiety, and other mental health disorders, poverty, crime, relationship breakdown, divorce, family disruption, domestic violence and suicide. This then effects society as the impacts of this spread to the wider community.

The Productivity Commission 2010 made specific recommendations for reducing poker machine harm significantly for the individual, family and community, concluding that significant social and societal benefits would ensure a healthier community.

Whilst there are considerable vested interests which would seek to slow down gambling reform most notably Clubs Australia, there is sufficient body of evidence over the past 10 years to indicate that this bills' proposed poker machines harm reduction measures, will have considerable positive impacts and significant community support. In addition, successes gained in this reform could potentially assist the development of preventive measures for other gambling products.

We believe there are a range of strategies required to reduce gambling harm including: community education, host responsibility training, reductions in product marketing, limiting alcohol access whilst gambling and strengthening self-exclusion programs. We are aware the committee has access to our previous submissions for the Productivity Commissions

enquiry 2009 and the more recent inquiry into gambling harm and its treatment. We encourage further perusal of our past submissions over the past 10 years to State and Federal governments concerning this issue.

The proposed changes to the technology of gaming machines (\$1 bets) and the lowering of jackpots to \$500, we believe will make a valuable contribution to preventing problem gambling and the negative effects it has on society as a whole.

As stated by Reverend Tim Costello, "There is nothing voluntary about a gambling addiction" (2012). There is however, an opportunity for our government to voluntarily have the political courage to take a stand on this issue and implement meaningful reform.

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