

# **Submission**

on the

## **Poker Machine Harm Reduction (\$1 Bets and Other Measures) Bill 2012**

to the

### **Joint Select Committee on Gambling Reform**

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# 1. Introduction

The *Poker Machine Harm Reduction (\$1 Bets and Other Measures) Bill 2012* was introduced into the Senate on 22 March 2012 by Senators Di Natale, Madigan and Xenophon and referred to the committee for inquiry and report.

The Committee has invited public submissions on the terms of reference which are due by 31 October 2012.

## 2. Problem gambling

The Productivity Commission report finds that there are between 80,000 and 160,000 Australian adults suffering significant problems from their gambling with a further 230,000 to 350,000 experiencing moderate risks that may make them vulnerable to problem gambling.

It is estimated that problem gamblers account for 22 to 60 per cent of total gaming machine spending (average of 41%). The likely range for moderate risk and problem gamblers together is 42 to 75 per cent.<sup>1</sup>

Proposing harm reduction measures seems an inadequate response to an industry that derives perhaps as much as three quarters of its revenue from people who are gambling beyond their means and experiencing or at risk of significant harms to themselves and their families.

It seems doubtful, even if all the various harm minimisation measures designed to reduce the level of problem gambling were to be implemented, that these measures would result in a substantial reduction in problem gambling.

It is time to consider whether the entertainment value gaming machines provide to non-problem gamblers is of sufficient value to outweigh the social cost of problem gambling. Australians are able to access many alternative forms of entertainment, including alternative forms of gambling. The alternatives are generally associated with a lower rate of problem gambling than with gaming machines.

It is time to consider whether the State governments – charged with providing for the peace and good order of their State – are failing in their duty to the extent that they have become dependent on revenue from gambling and have consequently become reluctant to restrict access to gambling in any substantial way.

The fundamental social question is whether the alleged benefits of gaming machines – revenue for non-profit clubs and enjoyment for “recreational” non-problem gamblers – are worth the social costs associated with problem gambling.

If State governments will not act to curb this social harm then the Commonwealth should take what measures it can to effectively force the reduction and eventual elimination of gaming machines.

The *Poker Machine Harm Reduction (\$1 Bets and Other Measures) Bill 2012* seeks to utilise the corporations power of the Constitution of Australia, s 51 (xx), to impose requirements on the design features of electronic gaming machines in order to reduce the potential rate of losses by players.<sup>2</sup>

### **3. Parameter requirements for poker machines**

#### **3.1 \$1 maximum bet per spin**

The Productivity Commission has noted that States and territories currently impose either \$5 or \$10 maximum bets per spin on electronic gaming machines and some jurisdictions also regulate the minimum spin times. The net result of these provisions is that the average cost of one hour's continuous play at maximum speed varies from \$600 to \$1200.<sup>3</sup>

Clause 8 (3) of the Bill would implement a Productivity Commission recommendation that the maximum bet per spin be reduced to \$1.<sup>4</sup> This would reduce the cost of one hour's play at maximum speed to \$120 – a reduction to 10%-20% of current levels.<sup>5</sup>

This seems to be a sensible measure to reduce the potential maximum loss per hour for poker machine players.

#### **3.2 \$20 limit on bank note acceptors and entering additional credit**

The Productivity Commission has noted that some States and territories already impose limits on the highest denomination bank notes that can be accepted by poker machines with Queensland and the ACT setting a \$20 maximum; Victoria setting a \$50 maximum; New South Wales setting no limit and some jurisdictions banning note acceptors altogether. Some jurisdictions also impose limits, ranging from \$100 to \$1,000, on the maximum credit that can be on a poker machine at any one time.<sup>6</sup>

Limiting the maximum banknote that can be accepted does not seem to be very effective if multiple banknotes can be inserted readily.

Clause 8 (1) and (2) of the Bill would implement the Productivity Commission's recommendation that *"Governments should restrict to \$20 the amount of cash that a player can insert into a gaming machine note acceptor, with no further cash able to be inserted until the maximum credit on the machine falls below \$20"* but sensibly extend the measure to apply to all credits on a poker machine not just credits added by bank note acceptors.<sup>7</sup>

#### **3.3 \$500 jackpot and linked jackpot limit**

The Productivity Commission has noted that only some jurisdictions set limits on jackpots and linked jackpots with limits for linked jackpots as high as \$500,000 or \$1 million.<sup>8</sup>

The Productivity Commission recommended that *"Governments should initiate research on the potential for jackpots to exacerbate the problems some people face with their EGM gambling, with consideration given to the further regulation of jackpots if they pose significant risks to gamblers."*<sup>9</sup>

However, the Productivity Commission did cite some evidence that problem gamblers may continue playing longer than they otherwise might in order to chase jackpots and "recover" losses.<sup>10</sup>

Limiting jackpots may reduce this harmful behaviour.

### 3.4 Phase in

Clause 7 of the Bill sets an achievable and practical timetable for the implementation of the parameter requirements for poker machines set out in Clause 8 of the Bill. This should minimise implementation costs and allow clubs time to plan for potential revenue losses if the measures prove to be successful in reducing spending by problem gamblers.

***Recommendation 1:***

**The Poker Machine Harm Reduction (\$1 Bets and Other Measures) Bill 2012 contains well targeted measures for reducing the harms of poker machines and should therefore be supported.**

## 4. Minimum uniform national standards and national monitoring network

Clause 13 of the Bill would direct the Minister “to take all reasonable steps to ensure that, in consultation with the Council of Australian Governments and the Ministerial Council on Gambling:

*(a) minimum uniform national standards for poker machines are developed that encompass harm minimisation best practice, with particular reference to maximum losses; and*

*(b) the minimum uniform national standards developed under paragraph (a) are in place and take effect from 1 January 2015; and*

*(c) a national poker machine monitoring network is established.”*

The Explanatory Memorandum states that “*These national standards must be in place and take effect from 1 January 2015*”. It is not clear how a Commonwealth statute could direct that national standards are to be agreed on by representatives of the States and put in place by a certain date. The EM seems to overstate the effect of Clause 13 which would require the Minister to “take all reasonable steps” to ensure this outcome but cannot mandate that the outcome is achieved.

While the consultation envisioned by the Bill is desirable it is unhelpful for the Commonwealth Parliament to seek to mandate from one side a process which of its nature requires the free participation of all the parties.

***Recommendation 2:***

***Clause 13 should be withdrawn from the Bill.***

## 5. Endnotes

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1. *Gambling: Productivity Commission Inquiry Report* 06/2010, p 5.1:  
<http://www.pc.gov.au/projects/inquiry/gambling-2009/report>
2. Constitution of Australia, s. 51 (xx).
3. *Gambling: Productivity Commission Inquiry Report* 06/2010, table 11.1 on p 11.7:  
<http://www.pc.gov.au/projects/inquiry/gambling-2009/report>
4. *Gambling: Productivity Commission Inquiry Report* 06/2010, Recommendation 11.1 on p 11.29: <http://www.pc.gov.au/projects/inquiry/gambling-2009/report>
5. *Gambling: Productivity Commission Inquiry Report* 06/2010, table 11.2 on p 11.7:  
<http://www.pc.gov.au/projects/inquiry/gambling-2009/report>
6. *Gambling: Productivity Commission Inquiry Report* 06/2010, table 11.5 on p 11.31:  
<http://www.pc.gov.au/projects/inquiry/gambling-2009/report>
7. *Gambling: Productivity Commission Inquiry Report* 06/2010, Recommendation 11.2 on p 11.39: <http://www.pc.gov.au/projects/inquiry/gambling-2009/report>
8. *Gambling: Productivity Commission Inquiry Report* 06/2010, p 11.50:  
<http://www.pc.gov.au/projects/inquiry/gambling-2009/report>
9. *Gambling: Productivity Commission Inquiry Report*; Recommendation 11.3 on p 11.53:  
<http://www.pc.gov.au/projects/inquiry/gambling-2009/report>
10. *Gambling: Productivity Commission Inquiry Report* 06/2010, p 11.50:  
<http://www.pc.gov.au/projects/inquiry/gambling-2009/report>