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GAMING MACHINES IN PUBS AND CLUBS

Background Paper

September 2002

STATUS QUO

The Tasmanian *Gaming Control Act 1993* details, amongst other things, the exclusive contract between the Crown and Federal Hotels Ltd. regarding the provision of poker machines in pubs and clubs around Tasmania.¹ In particular it details the timeline for the progressive roll-out of poker machines, which is as follows:

- 💰 750 pokies to be introduced into pubs and clubs by 31 December 1997;
- 💰 500 extra pokies introduced into pubs and clubs by 31 December 1998;
- 💰 From December 1998 until 30 June 2000 maximum pokies in a club = 25
- 💰 From December 1998 until 30 June 2000 maximum pokies in a pub = 15
- 💰 By 30 June 2000 there were 1386 pokies in clubs and pubs around the state.
- 💰 30 June 2000 to 30 June 2001 maximum pokies in a club increased by 5 = 30
- 💰 30 June 2000 to 30 June 2001 maximum pokies in a pub increased by 5 = 20
- 💰 30 June 2001 to 30 June 2002 maximum pokies in a club increased by 5 = 35
- 💰 30 June 2001 to 30 June 2002 maximum pokies in a pub increased by 5 = 25
- 💰 By June 2002 there were 2023 pokies in clubs and pubs around the state.
- 💰 30 June 2002 to 30 June 2003 maximum pokies in a club increased by 5 = 40
- 💰 30 June 2002 to 30 June 2003 maximum pokies in a pub increased by 5 = 30

There are currently over 100 venues statewide with gaming machine licences (external to the Casinos).



¹ The contract between the Crown and Federal Hotels Ltd. Is referred to as ‘the Deed’, and is incorporated into Part 2 of the *Gaming Control Act 1993*.

POST 30 JUNE 2003 = POTENTIAL OPEN SLATHER

The contract then details that in 6 months from 30 June 2003 the Gaming Commission and the Companies will undertake a joint review of the maximum number of gaming machines in any one club or hotel.

"Not later than the 1st day of July 2003 and at least annually thereafter the Gaming Commission and the Companies will confer to agree the maximum number of Gaming Machines in any one Club or hotel..." (Clause 9 (f))

In other words the legislation ceases to define the upper limit post 30 June 2003 and instead defers that decision to the Gaming Commission and the companies (Federal Hotels) involved. So we have no way of telling what it is the community is facing post the end of the next financial year.

It is a gross distortion by the current Labor government to claim that Clause 9(f) equates the cap on further roll out of pokies which the community is calling out for. What the provisions for post 30 June 2003 actually does is remove the previous legislated maximum number allowed, and instead places any form of regulation firmly in the hands of the Gaming Commission and Federal Hotels. The decision of how many pokie machines the community can sustain will be determined by those with vested economic interests.

From 1st July 2002 there will be the scope for a 20% increase in pokies throughout the state, with new machine licences granted to the most profitable venues (the majority of which are in the state's least affluent suburbs).



WHAT NEEDS TO CHANGE AND WHY?

Many elements of the community from social welfare groups, Churches and local councils, have expressed increasing alarm about the negative impacts that pokie addiction is wreaking upon the community. These bodies have first-hand experience dealing with the broad impact that problem gaming has, not only upon the individual gambler but also upon the significant others in that individual's life, including partners, children, relatives, friends, employers or workmates. The adverse impacts are not limited to isolated individuals but effect the fabric of the community as a whole.

This broad concern is not restricted to only the negative impacts being sustained at the individual and community levels, but is also voiced about the entrenched tendency of respective state governments to predicate more and more of their annual budgets upon gaming revenue, a large proportion of which is derived from external gaming machines.

FINANCIAL IMPLICATIONS

- ♣ Jan 1997 – June 1997 Tasmanians lost \$5.5 million on poker machines. (6 months following introduction into pubs & clubs)
- ♣ July 1997 – June 1998. Total amount 'fed' into pokies for this financial year was \$206 million (from \$45 million the previous year – an increase of 400%). **Tasmanians lost \$23.7 million on pokies in pubs & clubs.**
- ♣ July 1998 – June 1999 Turnover was \$352 million – up by \$145.5 million. **\$39.3 million was lost on pokies in clubs and pubs.**
- ♣ July 1999 – June 2000 Turnover was \$592.6. **\$60.8 million was lost on pokies in clubs and pubs.**
- ♣ July 2000 – June 2001 Turnover was \$749 549 881. **\$166 million was lost on pokies in clubs and pubs.²**

The statistics also show that while poker machine wagering is skyrocketing, other forms of gaming in the State are declining or stagnating.³ Statistics released by the Tasmanian Gaming Commission in January 2001 show that pokie-related gaming had increased by 55% although the machines had only increased by 5%. There are also concerns over the fact that the cap on the upper betting limit has been removed.



² 2000-01 Annual Report, the Tasmanian Gaming Commission.

³ Tasmanian Gaming Commission Report, 1999 – 2000.

State Revenue (from Pokies outside Casinos only)

- ♠ 1996 – 97 \$5.2 million
- ♠ 1998 – 99 \$13 million
- ♠ 1999 – 00 \$19.8 million
- ♠ 2000 – 01 \$25.4 million

State Government allocated \$1.531 302 to problem gambling in the financial year 2000 - 2001. In contrast, the State tax rake off on all poker machines in casinos, clubs and pubs has grown from \$9 million in 1993 to almost \$46 million by 2001.

The profits from poker machines in pubs and clubs are shared equally between the pub/club owner, the Federal Hotels Ltd group and the State Government.

THE FOLLOWING NEEDS TO HAPPEN:

- ◆ An immediate moratorium on further increases of pokie machines in pubs and clubs.
- ◆ An immediate moratorium on further licensed premises being granted gaming licenses.

An immediate cap on both the expansion of pokies and also the number of venues being granted gaming licences will provide the community breathing space during which the following study and legislative initiatives can be put into place.

- ◆ Immediate legislation to amend Clause 9 (f) & (g) of the Deed in the *Gaming Control Act 1993*

Clause 9 (f) of the Deed states:

"Not later than the 1st day of July 2003 and at least annually thereafter the Gaming Commission and the Companies will confer to agree the maximum number of Gaming Machines in any one Club or hotel..."

Clause 9 (g) then continues:

"Notwithstanding anything else herein contained after the installation of the 1250th Gaming Machine the over-all number of Gaming Machines in Tasmania in excess of that amount shall be limited only by the financial viability of the introduction of Gaming Machines

PROVIDED THAT the number of Gaming Machines in any one Club or Hotel shall not exceed the permissible number pursuant to the terms of this Deed."

As mentioned earlier in this paper, Clauses 9 (f) and (g) of the Deed actually remove the previous legislated maximum number allowed, and instead places any form of regulation firmly in the hands of the Gaming Commission and Federal Hotels. This raises concerns that such decisions allowed for by the Deed will be determined solely by whether it is economically viable and beneficial FOR THE POKER MACHINE OPERATORS. There does not seem to be any provision for other ramifications to be considered.

◆ **Develop a transition strategy for the removal of pokies, and non-renewal of gaming licences.**

Obviously businesses with licences for gaming machines have invested money with the hope of recovering revenue, and they could be affected adversely should their machines be shut-down overnight. Thus a transition strategy to address this potential problem is required.

◆ **An independent social and economic impact study on the immediate and long-term effects upon the community of the expansion of poker machines in pubs and clubs.**

There needs to be an immediate independent and comprehensive social and economic impact study conducted on the immediate and long-term effects upon the community of poker machines in pubs and clubs. This is the bare minimum research acceptable for a State where the Government continues to increase its gaming revenue to underpin its annual budget.

Installation of poker machines in the suburbs does not require any Local Government approval process or Socio-Economic Impact studies in order to determine any benefit to, or impact upon, the community.

These impacts can be loosely placed into 3 categories: impacts upon the immediate individual (the gambler); impacts upon family and friends of the immediate individual; and broader ramifications amongst the community experiencing a shortage of money being spent at other local businesses and services.

The establishment of an Inquiry into the social and economic impacts of poker machines would provide an avenue through which people's experiences and observations could be collated, and the pros and cons of the current system evaluated. The Inquiry's hearings would be public (largely, unless some sessions are required to be in camera) which provides transparency regarding information and material provided.

Nationwide, more and more anecdotal evidence is coming to the public's attention regarding the adverse impacts upon the community of the increased accessibility to poker machines outside casinos.

The serious nature of this issue is recognised elsewhere. In 2001 it was announced that the Australian Institute of Gambling Research will be conducting a face-to-face study with Canberra's problem gamblers, (not solely those addicted to pokies). The survey's impetus was the growing concern in the community of the costs of gambling addiction and the goal is to ascertain effective responses to addiction. So although

this is not necessarily the nature of the study required for the Tasmanian situation it does indicate a growing awareness of the broad effects upon the community in general of gaming addiction.

Note: The State Labor Government relies upon the argument that a social and economic impact study is not warranted because in July 1999 the Productivity Commission⁴ released a report on Gaming which, according to the State Government, found "that there is not a substantial problem in Tasmania." This is a distortion and people need to resist being bullied by it. What the State Government does not explain is that when the Productivity Commission Report was prepared it was not conducting the baseline surveys but relied upon analysis of data no later than 1994, which predated the 1997 introduction of poker machines into pubs and clubs in Tasmania. Therefore the Productivity Commission Report was not necessarily saying that there isn't an impact but that they had no access to current information to assess whether there is a problem and of what magnitude. (What the Productivity Commission Report did say was that in 1999 92% of Australians believed there are far too many poker machines in pubs and clubs.)

◆ **Urgently review the adequacy of current funding and services for gaming addicted persons, and for gaming affected families and communities**

Individuals and organisations have raised concerns about the apparent discrepancies between the amount of revenue gaming machines provide the State government compared with the amount made available by the State government through the Community Support Levy. (Of the almost \$46 million state revenue from all poker machines in casinos, clubs & pubs in 2001, \$1.5 million was allocated to problem gamblers). Whether sufficient money is going into prevention, community education and rehabilitation requires examination, as well as whether all possible areas of remediation are being canvassed.

◆ **Review the role and membership of the Tasmanian Gaming Commission**

The Tasmanian Gaming Commission is established under Section 123 of the *Gaming Control Act 1993* and its functions determined by Section 125. The Commission consists of 3 people appointed by the Governor on the Minister's recommendation. Concern has been raised that the membership is industry-based and its priorities are focussed upon revenue. The Commission's membership and functions become even more crucial under the contentious Clauses 9 (f) and (g) of the Deed discussed previously in this paper.

The Greens have repeatedly tabled legislation in the House of Assembly which would expand the Gaming Commission from its current three members to include an extra four community representatives appointed by the Minister. The Greens also believe the conflict of interest situation where the Secretary of Treasury also being the Chair of the Gaming Commission be addressed..

⁴ In response to the Productivity Commission's Report, the Federal Treasurer Peter Costello called for all States to cap the number of poker machines in pubs, clubs AND casinos. 21 July 1999.

◆ **Establish a Community Support Levy Foundation.**

The Greens advocate that a Community Support Levy Foundation should consist of nine people appointed by the Minister, but excluding persons employed or significantly associated with a licensed premises gaming operator, casino operator or gaming operator at any time within the preceding two years.

The role of the Community Support Levy Foundation is to distribute the community support levy on the basis of public submissions. The Foundation is to report to both Houses of Parliament at the end of each financial year.

◆ **Re-examine the role and application of the Community Support Levy.**

There are specific concerns about the lack of transparency in the decision-making process determining the amount of revenue to be directed towards the Community Support Levy but even more importantly, how it is then redistributed to 'the community'. This is very significant in the context of preventing and fighting gaming addiction related to poker machines.

◆ **Immediately investigate whether the undertakings made to the Legislative Council during debate on the *Gaming Control Act 1993*, in December of that year, have been adhered to, particularly but not limited to the funding of tourism advertising by Federal Hotels.**

Clause 3 (j) of the Deed, provides for a contractual commitment by the Companies to undertake,

"To continue to promote and market tourism to a standard not less than the existing standard employed by the Companies as at the date hereof and to maintain in each year of this Deed in real terms at least the existing level of marketing expenditure (1992-93 Eight Million Dollars) and to provide to the Minister for the Crown responsible for the Department of Tourism Sport and Recreation an annual presentation sufficient to satisfy the Minister that the Companies have complied with the provision of this clause."

This clause was emphasised in the 2nd Reading Speech delivered by the then Treasurer, Tony Rundle MHA (*HANSARD* Thursday 11 November 1993) and also featured heavily in the Upper House debate on Thursday 2nd of December 1993.

However, there are concerns that the \$8 million is being spent on promotion for the Casinos specifically by the Federal Group rather than on tourism for Tasmania in general.



THOSE WHO HAVE CALLED FOR A SOCIAL AND ECONOMIC IMPACT STUDY

- ♥ Hobart City Council: Passed the following motion:

That the Aldermen of Hobart City Council write to the State Government and the Premier Mr Bacon and call on the State Government to do the following two things:

- 1). Prevent any further increase in the numbers of poker machines in the Hobart City
- 2) Demand that an assessment independent of government be immediately established to report on
 - (i) The social and economic impacts of the expanded operation of poker machines throughout the community in pubs and clubs; and
 - (ii) The adequacy of current funding and services for gaming addicted persons, and for gaming-affected families and communities.

Passed July 2001. 8 to 2 (one not present, another declared an interest)

- ♥ Clarence City Council. Passed a similar motion 8-1 on the 13th August 2001 (2 absent and 1 declared interest).
- ♥ Wapping Branch of the ALP (State Conference 12-13 August 2001)
- ♥ TasCOSS
- ♥ The Gambling Review Council
- ♥ Anglicare
- ♥ Gambling Anonymous
- ♥ Tony Foster, Mayor of Brighton
- ♥ Tasmanian Greens. Peg Putt MHA tabled legislation to cap further pokies roll-out.
- ♥ Local Government Association of Tasmania (1999)
- ♥ Registered Clubs of Tasmania
- ♥ Retail Traders Association
- ♥ The Uniting Church, Synod of Tasmania
- ♥ The Salvation Army

