



CLUBS QUEENSLAND

Voice of Queensland Clubs

30 January 2011

Mr. Hamish Hansford

Committee Secretary
Joint Select Committee on Gambling Reform
PO Box 6100, Parliament House
CANBERRA ACT 2600

Dear **Mr. Hansford**

Re: Inquiry into Gambling Reform – Mandatory Pre-Commitment Scheme

We are pleased to provide the Queensland Community Club Industry's submission on the design and implementation of a universal best-practice full pre-commitment scheme in relation to machine gaming.

Overview

Clubs Queensland is the Peak Industry Association and Union of Employers of registered and licensed community clubs in Queensland. Our membership includes all club types - RSL Clubs, Surf Life Saving Supporters Clubs, Sporting Clubs and General Interests Clubs. Our services to member clubs include a range of professional activities such as provision of expert policy and operational advice, as well as representing industry interests to Government, media and other bodies.

While our views below relate specifically to community clubs in Queensland, we have worked with Clubs Australia to develop a comprehensive national submission on behalf of community clubs in all Australian jurisdictions. We refer the Committee to Clubs Australia's national submission for in-depth analysis of the matters under consideration.

It is important to clarify from the outset that we are not opposed to a pre-commitment scheme as a means of addressing problem gambling. In fact, Queensland leads the nation in pre-commitment scheme trials, which were held in community clubs. These trials yielded useful information on pre-commitment scheme as a risk mitigation tool for problem gambling because they were:

- Voluntary (i.e. not imposed on patrons)
- Venue-based
- Cost-efficient
- Effective to implement and maintain
- One of the options, in a 'suite' of best practice measures, to assist players track their expenditure

The proposed mandatory pre-commitment scheme is at odds with the above, and it will significantly weaken if not decimate the financial viability of a proud not-for-profit industry that operates gaming machines for the collective benefit of its members and local communities.

Gaming machines were introduced in Queensland in 1992 by the Goss Government to assist not-for-profit community clubs trade out of their financial difficulties, as many of them were in economic decline at that time. This was in recognition that 'membership subscription income' was not sufficient to support all club facilities and services. The Goss Government formed the view that community clubs, as not-for-profit, member-driven and community-orientated associations, were ideally placed to return any net surplus from their operation, including that from machine gaming, for the benefit of their members and local communities. As a result of this monumental reform, community clubs in Queensland now generate approximately \$1.9 billion in revenue annually, employ 26,900 people and return \$668 million in direct benefits to the community every year.

As of December 2010, 535 (54%) out of approximately 1,000 community clubs were operating 23,618 gaming machines in Queensland. Table 1 provides a detailed breakdown of the gaming clubs by size (measured according to the number of operational gaming machines).

Club Size	GM Range	Number	Percent	Number of GM	Percent
Micro	1-40	387	72%	6,051	26%
Small	41-100	81	15%	5,103	22%
Medium	101-200	46	9%	7,180	30%
Large	201-280	21	4%	5,284	22%
Total		535	100%	23,618	100%

Source: OLGR (www.olgr.qld.gov.au) December 2010

We foresee that the proposed mandatory pre-commitment scheme will impact all clubs, however noting the above 'club size' categories we advise micro and small clubs are least able to afford and implement the technologically that underpins the scheme.

Micro and small clubs account for 87% of the community clubs industry in Queensland and are often staffed by a significant number of volunteers to assist with financial viability. If clubs are operationally challenged (i.e. increased overheads and decreased turnover), the biggest loser is always the local community, which is denied cash and in-kind support, vital sporting and other recreational/social facilities that are available only through community clubs.

Industry Concerns on a Universal Mandatory Pre-Commitment Scheme

1. Financial Impact

It is undeniable that installing a mandatory pre-commitment scheme will involve a significant financial impost on gaming venues both directly and indirectly (i.e. passed onto venues by gaming manufactures and licensed monitoring operators). These include costs associated with:

- Player registration system to enable player identification and verification
- Purchase/leasing of new machines or retrofitting existing ones to read smart card/USB devices
- Software upgrade to monitor play and shut out the player when the limit is reached
- Networking to a national central monitoring system/database

The sheer scale of this transition is simply beyond the financial means of many clubs, most of which often operate at a 'break-even' level in line with their not-for-profit status. In the case of micro and small clubs, the average annual trading surplus is often significantly less than \$50,000.

Costs associated with what is proposed (ongoing operational and maintenance costs) will be a financial impost for most Queensland clubs. For example, the cost of Maxgaming's Simplay System is estimated at around \$1.50 per machine / per day. As Table 2 shows, for the smallest club in the state, with just three gaming machines, this amounts to **\$1,633.50** per annum and for the largest club, with the maximum number of 280 gaming machines, this amounts to **\$152,460** per annum. Additionally, this is based on today's dollars and does not take into account future 'unknown' cost increases. It also refers to a venue-based system, not one where every machine is linked nationally, and where cards have no biometric security.

Table 2 - Cost Calculations of the Simplay System – Example	
Club Size	Annual Calculation
Smallest Club (3 machines)	\$1,633.50.00 (3 x \$1.50 x 363 days)*
Largest Club (280 machines)	\$152,460.00 (280 x \$1.50 x 363 days)
*Machine gaming is prohibited by law on Good Friday and Christmas Day	
Source: OLGR (www.olgr.qld.gov.au) December 2010	

What is most worrying is that there is no expectation that revenue will increase post a mandatory pre-commitment scheme installation. Instead, research suggests at least 30% declines in revenue, which would see many clubs cease trading, thus defeating the very reason why gaming machines were introduced in community clubs in 1992.

The Committee does not need to look any further than Western Australia where clubs are not allowed to have gaming machines. As ClubsWA's submission to the Committee highlights:

The Western Australian club industry does not enjoy the vitality of other jurisdictions where broader forms of gambling are permitted. ... Western Australian clubs are smaller and have much lower revenue and smaller capital expenditure, employ fewer people, are able to donate less to charity and sport groups, provide more limited services, and have a smaller economic presence and contribution.

ClubsWA concludes: *To determine that the clubs model in Western Australia without gaming is a consideration for clubs throughout Australia, would be a massive miscalculation that would have a disastrous effect to communities throughout Australia.*

2. Basic Cost –Benefit Analysis

Based on this significant investment and risk profile associated with a mandatory pre-commitment scheme, it is not unreasonable to ask how successful the proposed introduction of this impost would be in addressing problem gambling. We believe that the proposed mandatory pre-commitment scheme is not the best way of addressing problem gambling because it targets problem gamblers indirectly whilst also penalising the majority who enjoy their gambling entertainment responsibly.

For instance, a problem gambler can gamble under the proposed mandatory pre-commitment scheme and set a higher or maximum limit to enable them to gamble to their typical highest level. Until such time as a problem gambler seeks help for their condition, it is only then systems that are in place can do what they were designed to do. For example, the current responsible gambling exclusions framework in Queensland offers a problem gambler exclusion from further gaming (through either self-exclusion or venue-based exclusion) whilst also offering ongoing support for rehabilitation via already established and proven counselling services.

Problem gambling is a complex, multi-dimensional phenomenon and the proposed mandatory pre-commitment scheme we suggest only offers a simplistic unproven 'political' solution, i.e. if a person sets a limit and does not exceed that limit, then that person is then not a risk. **While good in theory, all experts would concur that the practical reality of what works for one person is different and unique to each individual with a gambling addiction.** For this reason, it is not surprising that there is no conclusive research that mandatory pre-commitment is effective in reducing the prevalence of problem gambling. As Alexander Blaszczynski, Professor of Clinical Psychology at the University of Sydney aptly points out in his submission to your Committee, the "overall costs-benefits of pre-commitment are yet to be determined".

On the contrary, it is not difficult to see how a proposed mandatory pre-commitment scheme will adversely affect recreational gamblers, i.e. those who have no problem with their gambling habits (99.63% of Queensland adults). Like it or not, recreational gamblers will (as proposed) have to register to use a gaming machine and have their identity checked and verified prior to machine play. As one club manager who is currently using card based gaming technology in his club puts it succulently: "We offered it to every member and the take-up was about one in four" and "Basically with the general use of the card having PIN numbers etc. is a stigma against older people – they don't like it".

Mature club members (i.e. those 50 years and over) are a significant group to consider because they account for as much as two-thirds of the total memberships in a large majority of Queensland clubs, and they will be affected by what is proposed. A majority of this demographic has only basic computer/technology skills, which exacerbates the situation from a usability and casual enjoyment factor. If forced to accept this technology, they may simply stop playing and significantly worse, stop participating in the social activity/interaction, which is so important to their wellbeing.

Significant community impact (as a consequence of legislative/enforced change) on social behaviour is proven. For example, the introduction of Queensland's smoking legislation in July 2006 saw an overnight immediate decline of up to 20% in community club patronage. Add to this the increased 'takeaway' liquor purchases for home consumption (approx. 80% of liquor sold in Queensland is now for 'at home' consumption). These social shifts are a consequence of imposed regulation (for their own good), however, all they have done is forced the public to find 'unregulated ways' to enjoy themselves, i.e. smoke, drink and gamble at home. Increasingly, this 'mature demographic' who have worked hard all their lives are averse to being told how they can or cannot spend their money.

Other Industry Concerns

Imposing the proposed mandatory pre-commitment scheme on gaming machines will have the inevitable outcome of forcing significantly more players to gamble online. Online gambling can be accessed 24/7 from the convenience of the family home or literally anywhere, using a computer or a mobile phone with a credit card or a pre-arranged betting account. Online gambling offers nil/limited support services when compared to venue-based gaming, and this is of significant concern.

While one problem gambler is one too many, good policy must balance the legitimate needs of both groups. Queensland has one of the most effective responsible gambling frameworks in the world. The framework is informed by evidence-based research, which that has resulted in the problem gambling rate declining from 0.83% in 2001 to 0.37% of the adult population in 2009. The framework does not operate at the detriment of recreational gamblers, but still provides critical support to problem gamblers. The same cannot be said of the proposed mandatory pre-commitment scheme which targets everyone (whether they have a gambling problem or not). The effect is a diversion of resources away from problem gamblers who most need support and intervention when they are ready to accept these options.

We believe that the proposed mandatory pre-commitment scheme amounts to political 'social engineering' and is contrary to the values of a liberal democracy (i.e. what is an affordable limit and who decides this limit). In this regard, the proposed mandatory pre-commitment scheme is, in effect, a licence to gamble, akin to obtaining a licence to drive, but in totally different circumstances. It undermines freedom of choice and treats everyone as having a gambling problem by default. The "mandatory" component of the scheme means that there is no scope for opting out, unless a formal process is followed. There are also significant privacy, confidentiality and other concerns with the scheme such as where personal information of players will be stored and how will it be managed. These all make the proposed mandatory pre-commitment scheme highly questionable in both design and outcome. It also will decimate the ability for 'casual play' that is attractive for so many infrequent users.

We note in the Terms of Reference that the best practice full pre-commitment scheme should be "uniform across all States and Territories and machines consistent with the recommendations and findings of the Productivity Commission...." Our understanding of the Productivity Commission's final report is that it did not recommend a universal mandatory pre-commitment model. Rather, it proposed that each jurisdiction should have its own system because of the

differences in regulations and technical standards. In other words, a 'one-size-fits-all' approach is not the answer.

Summary

We unequivocally agree that problem gambling is a very serious matter. As such, it requires solutions that are practical, cost-effective and of ongoing relevance to problem gamblers.

The proposed mandatory pre-commitment scheme does not meet these criteria because it addresses problem gambling at a superficial level (despite being purported as "the" solution to problem gambling). Even the Productivity Commission acknowledges that there are multiple factors that contribute to excessive gambling (such as faulty cognition, emotional and mental issues, failure to understand risk etc.). The proposed mandatory pre-commitment scheme does not resolve these issues for the problem gambler.

Exclusions have successfully addressed problem gambling and Queensland is a leader in this area with its exclusions options, as provided for under the *Queensland Responsible Gambling Code of Practice*. The Code of Practice was developed in a tripartite forum of government, industry and community representatives and it has the support of all key stakeholders. There cannot be a more consensual and concerted approach to addressing problem gaming than this option, and the evidence confirms this by way of the declining problem gambling rate in.

We stress, that problem gamblers need direct assistance and counseling through measures that are evidence-based, cost-efficient and practical. Onerous, untested restrictions on gaming machines that treat everyone as a problem gambler are not the answer to this complex problem.

For these reasons, we support a voluntary (player 'opt in') venue-based pre-commitment scheme that operates within a 'suite' of best practice measures to address the serious issue of problem gambling.

We hope our submission is of assistance to the Committee and appreciate your consideration. As previously stated, we refer the Committee to Clubs Australia's submission for a detailed analysis of the matters under consideration.

Please do not hesitate to contact us if you require more information or any clarification on our submission.

Yours sincerely,

Doug Flockhart
Chief Executive Officer