AUSTRALASIAN Gaming Council

ABN 64 092 720 753

Submission to the Joint Select Committee on Gambling Reform: Inquiry into the Poker Machine Harm Reduction ($1 Bets and Other Measures) Bill 2012

31 October 2012

Australasian Gaming Council

About the Australasian Gaming Council (AGC)

The Australasian Gaming Council (AGC) is a national industry association established in June 2000.

The AGC supports a sustainable gambling industry, while promoting gambling information, education and responsible gambling.

Within a public policy framework the AGC:

- promotes responsible gambling and high quality gambling research;
- develops and distributes gambling education resources;
- participates in public policy forums and events about gambling;
- maintains an extensive gambling research e-Library and industry statistical database; and
- provides first class services for members including issues papers, newsletters, research comment and the AGC website.

The AGC has broad coverage of the industry in Australia. AGC members are the Australian Hotels Association, the Gaming Technologies Association, the Australasian Casino Association, the Australian Leisure and Hospitality Group and Tabcorp Holdings Limited.

To read more about the AGC or to access the AGC's public e-Library of gambling research articles please visit us at www.austgamingcouncil.org.au

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Key Messages

AGC members subscribe to a view that principles which are underpinned by sound research, where understanding has been furthered through meaningful stakeholder consultation, are essential to sustainable public policy and for furthering an environment that fosters responsible gambling practices.

Responsible gambling occurs in regulated environment as a product of the collective actions and shared commitment of industry, government, the community and individual gamblers themselves.

Initiatives and regulatory goals to combat problem gambling must comprise realistic, evidence-based measures that are proportional to the issue addressed and thoroughly evaluated for cost-benefit and impact.

The imposition of any measure unsupported by a systematic program of research evidencing both efficacy and cost-benefit runs a distinct risk of failing to appropriately address problem gambling harm.

While the Productivity Commission (PC) was of the opinion in 2010 that there may be "considerable piecemeal evidence available" to support a $1 bet limit the AGC posits that the empirical research conducted has been extremely limited. There has been no systematic research investigation into the effect of a $1 bet limit across a range of gamblers and machine denominations.

Taking the PC's figures at face value, it remains clearly possible that at least 50% of problem gamblers could still experience problems despite the imposition of a bet limit 1/5 to 1/10 the size of current values. Meanwhile a significant number of recreational gamblers would stand to have their non-problematic activity curtailed.

The body of evidence to support other changes – such as limits to Bank Note Acceptors (BNAs) and jackpots is also meager. In fact with regard to the effect of jackpot prizes on problem gambling the PC specifically recommended further research.

Problem gambling harm may not be effectively minimised simply through mandating low spend/win parameters for one gambling form. It should also be considered that when joined with a $500 maximum prize, $1 maximum bet EGMs may not remain an attractive product to many consumers (whether they are those experiencing problems or not) leading to consumer rejection of EGM play and the possibility that gamblers may transfer their activity to alternative gambling forms.

Information provided by Australia's EGM manufacturers makes it plain that those who consider a 'low intensity' EGM to be simply, quickly and cheaply implemented underestimate the timeframes required, as well as the costs, and impacts that would actually be entailed.

Changes required by the Bill would have significant negative impacts upon venue revenues, venue viability, venue employment and venue contributions to taxation revenues and community objects.

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1. Introduction

The Australasian Gaming Council (AGC) welcomes this opportunity to provide comment upon the Poker Machine Harm Reduction ($1 Bets and Other Measures) Bill 2012 ('the Bill') to the Joint Select Committee on Gambling Reform (JSCGR).

1.1 Provisions of the *Poker Machine Harm Reduction ($1 Bets and Other Measures) Bill*

The object of the Bill as stated, is "to reduce the harm caused by problem poker machine gambling, by limiting the rate of poker machine losses that can occur, through the regulation of the parameters of the practical operation of poker machines".[1]

Electronic Gaming Machine (EGM) parameters which the Bill seeks to regulate are:

s.8(1) Bank Note Acceptor (BNA) Limits – specifically that no EGM should accept banknotes of a denomination greater than $20;

s.8(2) Credit Insertion Limits – specifically that no EGM should be capable of accepting additional credits if the EGM stands in credit to the player of $20 or more;

s.8(3) Maximum Bet Limit – specifically that no EGM should be capable of allowing a maximum bet in excess of $1 per spin; and

s8(4) Jackpot and Linked Jackpot Arrangements – where the Bill requires that no EGM should have a jackpot or a linked jackpot arrangement greater than $500.[2]

The time frame allowed for the significant changes to EGM hardware, software and infrastructure required by these measures has been specified by the Bill as no later than 31 December 2016 for venues operating more than 10 EGMs, or in those smaller venues with 10 or less EGMs, no later than 31 December 2018.

EGM manufacturers are required by the Bill to provide only EGMs capable of compliance with these provisions from 31 December 2012 – a date now barely two months in the future.

1.2 Responsible gambling and harm minimisation – The current environment

AGC members subscribe to a view that principles which are underpinned by sound research, where understanding has been furthered through meaningful stakeholder consultation, are essential to sustainable public policy.

The industry also holds a firm view that responsible gambling – where recreational gambling is enjoyed as part of an informed consumer choice and problems occurring through excessive gambling are diminished - cannot occur through the actions of any one sector alone.

Responsible gambling occurs in regulated environment as a product of the collective actions and shared commitment of industry, government, the community and individual gamblers themselves.

Through both industry initiatives and the auspices of Australian state and territory governments numerous responsible gambling and harm minimisation measures, many of which have been

[1] *Poker Machine Harm Reduction ($1 Bets and Other Measures) Bill 2012*, s. 3
[2] *Poker Machine Harm Reduction ($1 Bets and Other Measures) Bill 2012*, s. 8

fostered in a collaborative environment involving all stakeholders, have been implemented over past decades.

EGM gambling in particular has been a focus of efforts to promote responsible gambling practices and implement responsible gambling policies. The list of harm minimisation measures pertaining to this gambling form alone is lengthy.

Over a decade of effort has been made in this regard and the prevalence of problem gambling across Australian jurisdictions has shown a distinct downward trend. Nevertheless, concerns remain held, by all stakeholders, for those impacted by problem gambling.

In 2010 the Productivity Commission's (PC's) report, *Gambling,* recommended a number of measures for consideration in further addressing the harms that may arise from problem gambling – particularly for consumers choosing to use EGMs.

Since the release of that report, the Federal Government has put forward draft legislation (the *National Gambling Reform Bill 2012*) outlining a package of further measures for harm minimisation.

Including that:

- By the end of 2013, pre-commitment technology is to be available on every gaming machine made or imported into Australia;
- By the end of 2016, state-linked pre-commitment, dynamic warnings and cost of play displays are to be available on EGMs; and
- By 1 February 2013, a $250 per card per day withdrawal limit on ATM machines in gaming premises is to apply (except in casinos and communities where it may cause unreasonable inconvenience).[3]

The industry in Australia supports the implementation of voluntary pre-commitment in particular and is currently engaged in assisting a trial of mandatory pre-commitment in the Australian Capital Territory.

The industry has also evinced support for other non-legislative measures outlined by the Federal Government, including improvements to self-exclusion program functionality, further staff training to assist those consumers demonstrating observable signs of possible problem gambling and increased financial counselling and online gambling help services.

It is clear that EGM parameters outlined by the Bill subject to current inquiry correspond to descriptions of what has been termed a 'low intensity' EGM.

Such a concept is an amalgam of some of the PC's 2010 report findings and recommendations – many of which have been, and continue to be, quite strenuously debated – and opinion put forward by other commentators.

The first report of the JSCGR (released 6 May 2011) put forward a majority view that 'low intensity' machines – with a $1 maximum bet limit, a $500 maximum prize and a $20 maximum load-up limit – should be the only machines unaffected by a requirement for mandatory pre-commitment.[4]

[3] http://www.fahcsia.gov.au/our-responsibilities/communities-and-vulnerable-people/programs-services/problem-gambling/national-gambling-reform-bills

[4] Parliamentary Joint Select Committee on Gambling Reform (May 2011) *First Report, The Design and Implementation of a Mandatory Pre-commitment System for Electronic Gaming Machines*, Recommendations 36 and 42, p xix.

Recommendations made by the JSCGR regarding 'low intensity' EGMs have since failed to receive the support of the Australian Government.

1.3 AGC concerns regarding the *Poker Machine Harm Reduction ($1 Bets and Other Measures) Bill*

The AGC believes that imposition of any measure unsupported by a systematic program of research evidencing both efficacy and cost-benefit runs the distinct risk of failing to appropriately address problem gambling harm.

As the AGC has reiterated on numerous occasions, initiatives and regulatory goals to combat problem gambling must comprise realistic, evidence-based measures that are proportional to the issue addressed, thoroughly evaluated for cost-benefit/impact and can be expected to remain relevant and effective over time.[5]

The AGC remains concerned that the changes to EGM parameters proposed by the Bill do not meet a number of these criteria.

Chiefly, the AGC submits that:

- There has been no systematic research investigation in to the effect of a $1 bet limit across a range of gamblers and machine denominations. While the PC was of the opinion in 2010 that there may be "considerable piecemeal evidence available" the AGC posits that the empirical research conducted is actually extremely limited;

- Using the PC's own figures, it remains clearly possible that some 50% of problem gamblers could still experience problems despite imposition of an EGM bet limit 1/5 to 1/10 the size of current values. Meanwhile, a significant number of recreational gamblers stand to have their non-problematic activity curtailed;

- The body of evidence to support other changes – such as limits to BNAs and EGM jackpots is also meager. In fact with regard to the effect of jackpot prizes on problem gambling the PC specifically recommended further research;

- Problem gambling harm may not be effectively minimised simply through mandating low spend parameters for one gambling form. It should be considered that when joined with a $500 maximum prize, $1 maximum bet EGMs may not remain an attractive product to many consumers (whether they are those experiencing problems or not) leading to consumer rejection of EGM play and the possibility that gamblers may transfer their activity to alternative gambling forms;

- Information provided by Australia's EGM manufacturers makes it plain that those who consider a 'low intensity' EGM to be simply, quickly and cheaply implemented underestimate the timeframes required, as well as the costs, and impacts that would actually be entailed; and

- Changes required by the Bill would have significant negative impacts upon venue revenues, venue viability, venue employment and venue contributions to taxation revenues and community objects.

[5] The industry supports the COAG Guidelines for Best Practice Regulation - http://www.finance.gov.au/obpr/docs/COAG_best_practice_guide_2007.pdf

2. Limiting Bet Size to a $1 Maximum

As the PC reported in 2010, the current regulated maximum bet on EGMs throughout Australian states/territories is commonly $5 or $10 - with just under 60% of EGMs located in jurisdictions that offer a $10 maximum bet.[6] (*Appendix One*)

In practice the Gaming Technologies Association (GTA) reports that about half of Australia's EGMs are deigned to accept a maximum bet that is lower than the regulated maximum).[7]

The PC noted that the 'intensity' at which EGMs may be played varies according to the number of lines chosen by the player, bets made per line and the speed of play. Following a finding that problem gamblers play at higher intensities than that of recreational gamblers, the PC favoured constraints upon bet size as a means of minimising harm.

A $1 bet limit was a subsequent recommendation of the PC's 2010 report. However the AGC is of the view that on the evidence available the Commission erred in coming to such a decision.

2.1 Bet size and speed of play –the PC's theoretical loss calculations

A major part of the rationale for a $1 bet limit remains a view of high theoretical losses that can be incurred through EGM play.

The PC's recommendation regarding changes to bet size were influenced by calculations regarding the 'cost of play' per hour on an EGM (literally an estimation of the highest possible cost to the consumer if an EGM were to played at the highest possible bet limit and speed of button push with no break in play for a full hour).

The PC's Cost of EGM play at different bet limits and game speeds and current state limits

Max cost per button push	Average cost per hour (RTP = 90%, Spin rate = 3 seconds or 1200 button pushes per hour)	Average cost per hour (RTP = 90%, Spin rate = 5.5 seconds or 654 button pushes per hour)	State/Territory max bet =$5	State/Territory max bet = $10
$1	$120	$65	VIC TAS QLD NT	NSW SA ACT WA
$2	$240	$131		
$3	$360	$196		
$4	$480	$262		
$5	$600	$327		
$6	$720	$392		
$7	$840	$458		
$8	$960	$523		
$9	$1080	$589		
$10	$1200	$654		

Source: Productivity Commission 2010 p11.7, AGC 2012

The highest of the 'cost of play' figures calculated and presented in the PC's report ($1200 per hour with a constant bet of $10 and spin rate of 3 seconds) has since been extensively quoted.

However the GTA has pointed out several flaws with the PC's theoretical cost of play calculations on numerous occasions.

[6] Productivity Commission (2010) *Gambling* , Ausinfo, Canberra p 11.4
[7] Gaming Technologies Association, *Submission to the Productivity Commission's Draft Report*. Submission DR 344 p 20

In a submission to the PC's draft report the GTA stated clearly that the calculations used to estimate the PC's figures "made a number of assumptions and omitted several variables - resulting in skewed statistics which dramatically overstate the "expected cost of play": [8]

> "The regulated minimum spin rate is unachievable on a sustained basis and an estimated 50% of Australia's gaming machines accept a lesser maximum bet than the regulated limit. CIE [Centre for International Economics] estimated an average spin rate of 5.5 seconds in 2001; since then, free games and similar features have increased which results in slower spin rates.
>
> The average return to player across Australia is 90.4%. A $10 maximum bet only applies in South Australia, New South Wales and the Australian Capital Territory; the other Australian jurisdictions have implemented (or are implementing) a $5 maximum bet.
>
> At 5.5 seconds per spin, 90.4% return to player and a $5 maximum bet, the $1200 per hour 'expected cost of play' would more accurately be $315 – but even this figure is exaggerated if it is intended to represent a practical indication of the average cost of playing a gaming machine in the field."
>
> Gaming Technologies Association (2009) *Submission to the Productivity Commission's Draft Report* p20

Since that time the GTA has reiterated, on a number of occasions to the JSCGR itself, that the PC's hypotheses regarding the levels of play intensity possible on current EGMs are inherently flawed.[9]

2.2 Research into a $1 bet limit in Australia

The gambling industry in Australia has made clear on many occasions a belief that regulatory steps taken to prevent harm from problem gambling should derive from a fulsome evidence base in order to ensure that they do in fact work effectively and are without unintended consequences.

Measures implemented should be effectively targeted in order to assist problem gamblers while impinging as little as possible on the amenity or enjoyment derived from EGM play by recreational gamblers.

Discussion in the body of the PC report, and referenced from other available sources, suggests that while regulating bet size in order to combat problem gambling has been a subject of consideration and debate for some years there is equally a clearly acknowledged lack of systematic research into *what* bet limit would be appropriate or evidence to show how any range of possible limits could impact on the play of gamblers in practice.

Views on the issue abound – various studies have reported that limiting the number of lines played on an EGM, limiting maximum bets and slowing play speed have been rated by survey respondents as potentially effective or very effective harm minimisation measures.[10]

However, as a review of the Australian research has pointed out, "although these modifications may be intuitively appealing as harm minimisation measures, it is not clear whether there is any evidence

[8] Gaming Technologies Association, *Submission to the Productivity Commission's Draft Report*. Submission DR344 p20
[9] Joint Select Committee on Gambling Reform, Official Committee Hansard Wednesday 2 May 2012 pp 50-52; *Gaming Technologies Association Discussion Paper – Hourly Expenditure*, submitted to the Joint Select Committee on Gambling Reform in response to questions on notice, submitted 25 May 2012.
[10] See for example Australian Institute for Primary Care (AIPC) (2006) *The changing electronic gaming machine industry and technology*, Victorian Gambling Research Panel; New Focus (2005) *The experience of problem gamblers, their loved ones and service providers*, Victorian Department of Justice; Rodda, S and Cowie, M (2005) *Evaluation of electronic gaming machine harm minimisation in Victoria*, Report prepared for the Victorian Department of Justice, Caraniche Pty Ltd – Reported in Delfabbro, P (2008) *Australasian Gambling Review, Fourth Edition* (1992-2008) pp178-179

that they work in practice, or whether problem gamblers would alter their behaviour in the face of such modifications" [11]

Despite a long discussed need for systematic empirical research on this issue very little has been conducted.

Blaszczynski, Sharpe and Walker conducted an industry funded study in 2001 for the NSW Gambling Industry Operators Group (GIO) that is often referenced as the only empirical study to specifically research the effects of a reduction in Australian EGM bet limits to $1.

This particular study involved 779 gamblers (for which SOGS[12] scores were available for 634 participants) on 1c poker machines.

A limited number of EGMs were reconfigured in a selection of hotels and clubs in Sydney to investigate not only the impacts of a maximum bet reduction to $1, but also a reduction in BNA levels to $20 and a reduction in reel spin speed.[13]

With regard to a reduction in bet size, findings included that only a small percentage of study participants reported bet sizes of an amount greater than $1. (An analysis by gambling status revealed that 2.3% of recreational versus 7.5% of pathological gamblers placed bets greater than $1).

The authors note however that it was not possible to determine whether the reduction of maximum bet size differentially affected problem as compared to recreational gamblers. Since problem gamblers were almost three times more likely to bet over $1 at least once, it was instead considered "reasonable to assume" that this group would be affected more than recreational gamblers.[14]

While 2.3% of recreational gamblers and 7.5% of problem gamblers bet *above* the $1 limit in this study the implication remains that 92.5% of problem gamblers may bet *below* $1.[15]

The research concluded that reducing the maximum bet size to $1:

> "potentially might, for a small proportion of players, reduce both the development and the severity of gambling problems"[16]

Further, as this research stipulated the limitations pertinent to the study there can be little doubt that findings were constrained by the parameters of inquiry itself (i.e., they pertain to 1c denomination machines and a convenience sample of hotels, clubs and gamblers in metropolitan Sydney who agreed to participate).

The authors clearly specified that consideration needs to be taken in the interpretation of results and specifically cautioned against "generalising the findings to other populations of gamblers and gaming devices other than 1c denomination poker machines".[17]

[11] Delfabbro, P (2008) *Australasian Gambling Review*, Fourth Edition (1992-2008) p179
[12] The South Oaks Gambling Screen
[13] Blaszczynski, A, Sharpe, L and Walker, M (2001) *The Impact of the Reconfiguration of Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling*, University of Sydney Gambling Research Unit.
[14] Blaszczynski, A, Sharpe, L and Walker, M (2001) Op. Cit. p 10
[15] KPMG Econtech (2009*) Economic Analysis of Productivity Commission Draft Report on Gambling*, Final Report prepared for the Australasian Gaming Council, p 21
[16] Blaszczynski, A, Sharpe, L and Walker, M (2001) Op. Cit. p 10
[17] Blaszczynski, A, Sharpe, L and Walker, M (2001) Op. Cit.

The lead author of this study, Professor Alex Blaszczynski, outlined the limitations of the research to the JSCGR again in 2011: [18]

> *"*I draw your attention to the fact that those findings were based on 1c gaming machines. Whether those findings extrapolate to high-denomination machines is questionable. Again, the limitations of that particular study are clearly outlined in that report: it was based on volunteers. No doubt a lot of problem gamblers would not have agreed to participate in that particular study. But it did give us some indications".
>
> JSCGR, Transcript of Public Hearing, Sydney, 4 February 2011 p GR 38

The research conclusions of the 2001 Blaszczynski, Sharpe and Walker study note the "significant areas of deficit in basic understanding of the patterns and characteristics of play by problem and recreational gamblers" and go on to suggest further research and exploration is warranted.[19]

The AGC contends that in the absence of further studies the imposition of federal policy mandating a bet size of $1 is simply not supported by sufficient empirical evidence.

2.3 Bet limits and the amelioration of problem gambling: Can one size fit all?

In the 1999 report, *Australia's Gambling Industries*, the PC concluded that 'any measure to reduce intensity should use a large dataset of gambling sessions by problem and non-problem gamblers to set the appropriate level of controls credits and total amount bet per button press'.[20] In the subsequent 2010 report the PC acknowledged that the intervening decade had yielded no such systematic investigation.[21]

The PC subsequently analysed data from state/territory prevalence studies in an attempt to understand what bet limit may be sufficient to constrain problem gamblers with the least impact on recreational gambling. Analysis, using unit data taken from the Queensland State Prevalence Survey (2006-07) can be found in Table 11.3 of the PC's 2010 report.

PC Report Table 11.3: Problem Gamblers Play More Intensively

	% of Risk Groups			
	Recreational	**Low Risk**	**Moderate Risk**	**Problem Gambler**
Spends $1 or more per button push	12	22	31	50
Spends less than $1 per button push	**88**	**78**	**69**	**50**
Total	**100%**	**100%**	**100%**	**100%**
Session length 2 hours or more	11	22	8	78
Session length less than 2 hours	89	78	52	22
Total	**100**	**100**	**100**	**100**

Source: Productivity Commission (2010) p 11.12

[18] Professor Alex Blaszczynski, Parliamentary Joint Select Committee on Gambling Reform, Transcript of Public Hearing - Sydney, 4 February 2011 p GR38.
[19] Blaszczynski, A., Sharpe, L. and Walker, M. (2001) Op. Cit. pp 11-12
[20] Productivity Commission (2010) *Gambling*, Ausinfo, Canberra p 11.18
[21] Ibid

The AGC would note firstly, that these figures come from analysis of unit record data from the 2006-07 Queensland prevalence survey. The percentiles recorded were calculated by the PC from data available on "typical playing styles, choices concerning lines played, credits per line and EGM denomination".[22]

In effect this means that they are the product of extrapolation from retrospective, self-report prevalence survey responses applicable to a 12 month period in one state – with all the limitations that description would suggest. They are not the product of any objectively measured study of actual behaviours or expenditure.

Further, while these statistics claim that a fairly large majority of recreational and low risk gamblers in Queensland spend under $1 per spin, if the table is to be taken at face value so indeed do the majority (69%) of moderate risk gamblers and 50% of problem gamblers.

Following the table, 50% of problem gamblers and 69% of moderate risk gamblers could continue to play in their customary manner and presumably continue to risk/suffer problems if EGMs were to be limited to a $1 maximum bet.

Conversely, the 12% of recreational gamblers and 22% of low risk gamblers who typically bet above $1 per button press would be forced to curtail a non-problematic playing style.

The PC did not recommend $1 bets as a primary – or as any 'stand-alone' policy.

Rather, in discussion of play intensity, the PC report remarks that "of course, since many problem gamblers also spend under $1…other measures, such as pre-commitment, will also be necessary".[23]

2.4 The impact on recreational gamblers of a $1 bet

The industry is of the view that measures undertaken to reduce problem gambling should not restrict the amenity and enjoyment derived from gambling by that significantly larger percentage of the population defined as recreational gamblers.

The lesser *percentile* of recreational EGM gamblers cited by the PC at Table 11.3 should not be mistaken with a lesser *number* of recreational EGM gamblers potentially impacted by policy change.

For instance, the 2006-07 Queensland Prevalence Survey (from which the data in Table 11.3 derives) classified some 14,000 persons (0.47% of the total state adult population) as problem gamblers.

About 67% of Queensland adults (or just under two million people) were identified as recreational gamblers – of which approximately 35% reported EGM play in 2006-07 (approx. 685,785 persons).

12% of this number equates to roughly 82,294 individuals betting over $1 on EGMs in Queensland – without incident or harm – a figure over twelve times greater than that of any problem gamblers who may conceivably be assisted.

To put this figure another way – only 5% of all gamblers surveyed in Queensland for the 2006-07 study betting over $1 per spin were categorised as problem gamblers. (*Appendix 2*).

[22] Productivity Commission (2010) *Gambling*, Ausinfo, Canberra p11.12
[23] Ibid p11.11

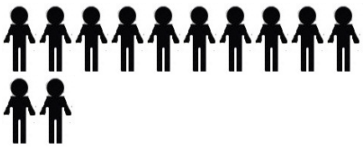
AGC Analysis: The Queensland Household Gambling Survey 2006-07 & PC Table 11.3 (Groups Betting over $1)

Total recreational gamblers (n = 1,965,000)

34.9% of recreational gamblers play EGMS (n =685,785)

12% of EGM playing recreational gamblers bet more than $1 (n = 82,294)

Bet > $1 = No Problems (n = approx. 12.5)



Total problem gamblers (n=14,000)

93.5% of problem gamblers play EGMs (n = 13,090)

50% of EGM playing problem gamblers bet more than $1 (n=6,545)

Bet > $1 = Problems (n = approx. 1)

That the changes suggested by the Bill have the capacity to impact on a substantial number of recreational gamblers is clear.

On EGMs of the lowest (1c) denomination Blaszczynski Sharpe and Walker found that reducing the maximum bet from $10 to $1 was rated as slightly less satisfying and enjoyable for some recreational gamblers.[24] It remains unknown how recreational gambler amenity and enjoyment would be affected on higher denomination EGMs were they to be similarly constrained.

It also remains unknown whether limiting problem gamblers who currently bet over $1 to a maximum $1 bet would be sufficient to limit the harms and problems arising for those individuals or if, in fact, they may continue to experience issues.

In broadly targeted measures – such as seeking to impose a 'one size fits all' standard $1 bet - policy makers are perhaps missing an integral point.

As noted by Professor Blaszczynski at hearings before the JSCGR, expenditure may not of itself illuminate the presence of a gambling problem. Rather, expenditure that is excessive in relation to disposable income is key:

> "The concern essentially is that there are a lot of people who gamble under the $1 limits but who, by the nature of their income, still experience significant problems. The question essentially is not the amount of money a person gambles; it is the amount of money relative to their disposable income."
>
> JSCGR, Transcript of Public Hearing, Sydney, 4 February 2011 p GR 38

[24] Blaszczynski, A., Sharpe, L. and Walker, M. (2001) Op. Cit. p10

2.5 The role of frequency and duration in problem gambling

Given the presence of a wide diversity of means amongst those Australians who choose to gamble on EGMs even where individual bet sizes may be large, overall expenditures may still be carefully considered.

Consider a scenario where repeated $1 bets are placed by a gambler who makes frequent venue visits spending hours on EGMs at each session and chasing losses.

Juxtapose this example with a gambler who chooses to make visits of much lesser frequency where $5 per spin is wagered but the gambler plays only for such time as their initial, carefully budgeted outlay, may last.

Industry observations made to the PC bore out that recreational gamblers may well participate in the latter kind of behaviour.[25]

Industry submissions also provided the example of the recreational gambler who, upon winning a number of credits may decide to increase their bet/stake – effectively at no cost to their initial outlay.

The PC saw these short periods of high intensity/no cost betting as essentially 'benign' play - and went on to observe that prevention of this type of play "might lead to frustration at times, reducing recreational players enjoyment of game play".[26]

Bet size may not be the defining behavioural issue with regard to problem gambling. As the PC report itself remarks, while there is evidence that problem gamblers bet on more lines and more credits per line:

> "the major behavioural difference between problem and recreational gamblers is the duration (and number) of playing sessions rather than intensity of play".[27]

Prevalence survey findings reinforce this understanding. In NSW in 2011 for example the problem/moderate risk group were reported to gamble for longer sessions on EGMs and also to gamble with greater frequency.[28]

2.6 Considering the possible unintended consequences

In a 2004 discussion of bet limits the NSW Independent Pricing and Regulatory Tribunal (IPART) noted concerns that any reduction in bet size could also have potentially unintended consequences - such as prolonging gambling sessions.[29]

Results from an attitudinal study conducted by Schottler Consulting for the Victorian Department of Justice in 2009 provide support for a premise that elevated play frequency may result where limits are placed on bet choices.

While this research found that "problem gamblers report no decrease in play enjoyment as a result of a limit on bets per line to a single credit" it also stated that "problem gamblers reported a likely

[25] See for example the discussion at Productivity Commission (2010) *Gambling* p 11.20
[26] Productivity Commission (2010) *Gambling*, p 11.20
[27] Productivity Commission (2010) *Gambling* p11.11
[28] Ogilvy Illumination (2012) *Prevalence of Gambling and Problem Gambling in New South Wales,* NSW Office of Liquor, Gaming and Racing, s 10.3
[29] Independent Pricing and Regulatory Tribunal of New South Wales (IPART) (2004) *Gambling: Promoting a Culture of Responsibility*. p 92

increase in their play frequency if EGM play lines were restricted (arguably because they know that this would slow their 'rate of expenditure').[30]

This report advises that "this is an area for some policy caution. Indeed, it may suggest that problem gamblers will spend a longer time gambling and the longer time spent gambling may have a deleterious effect on their interpersonal relationships (e.g. with family members or a spouse). In this respect, this is an area for further research, given that the impact of such a change is currently unclear".[31]

The Blaszczynski, Sharpe and Walker study did not find elevated play persistence amongst study participants in 2001 but considered that this may have reflected a players choice to use a different machine (where the larger bet sizes were available) or to substitute other forms of gambling.

The authors concluded that "only further research that investigated patterns of play on venues where all machines were modified would resolve this issue.[32]

Consideration should also be afforded to the possibility that gamblers who find their EGM activity curtailed may choose to transfer their activities to gambling forms where bet options are not subject to restrictions.

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[30] Schottler Consulting (2009) *Impact of changes to Electronic Gaming Machine play characteristics on play behaviour of recreational gamblers*, Victorian Department of Justice, p 98
[31] Ibid
[32] Blaszczynski, A., Sharpe, L. and Walker, M. (2001) Op. Cit. p10

3. Other Measures: Bank Note Acceptor (BNA), Cash Input and Jackpot Limits

3.1. Bank Note Acceptor and cash input limits

The AGC submits that with regard to other measures contained in the Bill there is a further lack of systematic investigation to inform policy and somewhat contradictory results in that which is available.

The research of Blaszczynski et al in 2001 into bet limits also examined player behaviour in response to reduced BNA limit of $20.[33]

The modification was ultimately considered of limited effectiveness in minimising harm but the authors thought that it would lead to an overall reduction in revenue to the gaming venues.[34]

A Queensland study from 2003 exploring outcomes of a reduction in BNA limits to $20 found that a reduction in harmful behaviours was reported in the high risk/problem gambling group (the majority of consumers reported no change) but that no long term changes to revenue were experienced.

Shocks to revenue were initially found in Queensland when the maximum cash input value was just under $40 - however little more is known given a subsequent policy change.

Overall, results in Queensland were reported as somewhat counterfactual, as the decrease in harmful gambling behaviours reported did not result in a long term decrease in metered win. The report authors considered that either:

1. People are not actually behaving as they reported; or

2. The impact of the behaviour change is of only marginal economic consequence. This calls into question the assumption that problem gambling contributes about 33% (Productivity Commission estimate) of all gambling revenues. [35]

In short there remains a lack of clear evidence on this issue and little empirical research to suggest any 'optimal' limit could be reliably decided.

3.2 Jackpot limits

Jackpots are largely considered to be attractive to all EGM gamblers (and limiting this EGM feature a means therefore of making EGMs less attractive to all gamblers).

The PC recommendation on the impact of jackpots on problem gamblers in particular was for further research after a failure to reach any definitive conclusions.[36]

Since the time of the PC's report a study undertaken by the Centre for Gambling Education and Research has considered that linked jackpots may be potential risk factor for problem gamblers.

[33] Blaszczynski, A., Sharpe, L. and Walker, M. (2001) Op. Cit.
[34] Ibid p9
[35] Brodie, M. Honeyfield, N. and Whitehead, G. (2003) *Change in Bank Note Acceptors on Electronic Gaming Machines in Queensland – Outcome Evaluation*, Queensland Office of Gambling Regulation p4
[36] Productivity Commission (2010) *Gambling* p11.53

The authors also state however that only further research could distinguish between the influences of different types of linked jackpots on gambling behaviour and if and how much their removal might reduce enjoyment for recreational gamblers.[37]

In a recent article reviewing the literature on how jackpots influence EGM gambling behaviour Rockloff and Hing note that "much more research is needed to fully understand the effects of EGM jackpots on gambling behaviour".[38]

> "Although there are reasons to expect large jackpot prizes will have an outsize influence on behaviour, these reasons need to be tested in the context of venue-based EGMs. Moreover little is known about how the structural features of how jackpots are awarded might similarly affect player behaviour. As jackpots are an integral and important feature of many – if not most – EGMs, it is important to understand their value to players, and likewise their potential influence on excessive consumption and by extension problematic patterns of gambling".
>
> Rockloff, M. and Hing, N. (2012) The Impact of Jackpots on EGM Gambling Behaviour: A Review, *Journal of Gambling Studies* DOI 10.1007/s10899-012-9336-7

[37] Hing, N. and Haw, J. (2011) *The Influence of Venue Characteristics on a Player's Decision to Attend a Gambling Venue,* Gambling Research Australia
[38] Rockloff, M. and Hing, N. (2012) The Impact of Jackpots on EGM Gambling Behaviour: A Review, *Journal of Gambling Studies* DOI 10.1007/s10899-012-9336-7
[38] Senator Richard Di Natale, Media Release, *"Green's Announce Pokies Circuit Breaker",* 14 October, 2011 < http://www.austgamingcouncil.org.au/images/pdf/Media_Releases/greens%20mr%20141011.pdf>

4. Time Frames for Change and Implications for Cost

One of the key benefits noted by the Greens when publicising a 'low intensity' EGM policy was that such a measure provides a "simple, targeted and cheap alternative to mandatory pre-commitment".[39]

However the PC's 2010 report confirms that implementation of a $1 bet limit alone would take some time - due to the cost of the complex changes required to reconfigure/upgrade the EGM fleet, create new games and obtain regulatory approval.

> - Given current technologies, many existing EGMs would need to be replaced and others retrofitted with new software/hardware..... However, the early retirement (or significant upgrading) of newer machines would be expensive.
> - There is only a limited capacity for gaming machine manufacturers to re-design existing games to be compatible with such a bet limit. (The lower the new bet limit and the higher the denomination of the machine, the more likely it is that the game would have to be completely redesigned, rather than just having some of its parameters adjusted.)
> - Regulatory approval for new games takes considerable time.
>
> Productivity Commission (2010) *Gambling* p11.29

The PC recommended in 2010 that new EGMs made from 2012 have the capacity to operate to a $1 bet limit but that full compliance across all states/territories should not be implemented until 2016. In their responses industry voiced distinct concerns with that time frame.

Two years later the similar time frames specified by the Bill are just as contentious and already significantly elapsed.

This is information known to the JSCGR. On 25 March 2011 at hearings before the Committee the PC explained the work and cost in refurbishing/replacing the current EGM fleet to comply with any requirements for lower bet limits/EGM intensity. [40]

Australia's gaming machine manufacturers have further confirmed the significant work and expense that would be required and have explained at length that "changing the bet limit and maximum pay-out requires a complete game change on every machine".[41]

The GTA has pointed out that for a new, technologically advanced gaming machine the cost to re-write and replace the game (with all regulatory approvals and testing) will be around $5,000.

However, for those machines that are more than three years old (approximately 75% of the Australian gaming machines currently available) costs would be significantly higher as both a software and hardware change would be necessitated.

The GTA estimates that around 50% of Australia's gaming machines are more than 5 years old. This technology is too old to be modified and will require replacement of the entire machine – a cost that is estimated by the GTA at approximately $25,000 per EGM.

In total, the GTA have estimated costs to converting or replacing the Australian EGM inventory on an immediate basis could cost in the region of $2.5 billion.[42]

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[40] Productivity Commission, Parliamentary Joint Select Committee on Gambling Reform, Transcript of Public Hearing - Canberra, 25 March, pp GR 40-43.
[41] Gaming Technologies Association Media Release "$3 billion + to introduce $1 bet limits on poker machines" 9 November 2011 http://www.austgamingcouncil.org.au/images/pdf/Media_Releases/gta%20mr%20101111.pdf

While it has been contended that the time frames for implementation set out by the Bill reduce the cost of converting all Australian EGMs to 'low intensity' machines [43] the opinion of AGC members remains that, given the length and complexity of the EGM supply process and the large variability of the 'replacement cycle' of EGMs across Australian venues, costs remain substantial.

Further, cost is not limited to the cost of reconfiguring or replacing EGMs. As the PC noted:

> "It remains the case that venues would be adversely affected. Such effects could include reduced services and facilities and temporary employment effects, although the evidence is that short-term 'shocks' do not have protracted economy-wide employment effects".
>
> Productivity Commission (2010) *Gambling* p11.29

These impacts should not be understated. Casinos reported to the PC that a $1 bet limit would have a major impact on casino industry employment and investment as 43% of Australian casino EGMs had an average bet of more than $1 - generating 60% of total EGM casino revenues. (In non-VIP areas In VIP areas 91% of EGMs have an average bet above $1 and generate 97% of casino EGM income).[44]

Casinos contended in a submission to the PC's draft report that the introduction of a $1 bet limit for EGMs in non-VIP areas would impact up to 50% of the $1.0 billion in revenues generated in those areas – with a major impact on casino industry employment and investment.[45]

A report by the CIE estimated in 2001 that a $1 maximum bet in New South Wales could see gaming machine revenue experience a decrease in the region of 17% and 39% at clubs and hotels respectively.[46]

Further modifications (slower game speeds and reductions to BNAs) were anticipated by CIE to lead to higher revenue reductions.[47]

CIE estimated in 2009 that regulations that resulted in a 10% contraction in spending on EGMs would have economy-wide costs in the short-run of $0.7 billion per year. The long run costs are estimated at approximately $30 million per year.[48]

> "A 10% reduction in the industry (across Australia) is estimated to lead to job losses in the order of 12,000 people. The direct job losses in Victoria from an 8.5 per cent reduction in gaming machine expenditure were reported as being 3,000 people, suggesting that the modelling results compare well with past real world evidence".
>
> Centre for International Economics (2009) *Gambling with Policy*, p43

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[42] Gaming Technologies Association (2012) *Submission to the Joint Select Committee on Gambling Reform Inquiry into the Prevention and Treatment of Problem Gambling* p 3
[43] Australian Greens "*More Porky Pies from Pokies Pushers*", Media Release, 11 November 2011
[44] Productivity Commission (2010) *Gambling*, Ausinfo, Canberra p 11.26
[45] Ibid
[46] Centre for International Economics (2001) *Gaming Machine Revenue at Risk, The Impact of Three Proposed Modifications to Gaming Machines in NSW,* Report prepared for the NSW Gaming Industry Operators Group p x
[47] Ibid p xi
[48] Centre for International Economics (2009) *Gambling with Policy, The Economic Contribution of Gaming Machines to the Australian Economy*, Report prepared for the Gaming Technologies Association pp 42-43

5. Conclusion

In 2004 IPART considered the Blaszczynski, Sharpe and Walker research discussed here as well as a report of the impacts of change to a $1 bet limit, written by the CIE and a subsequent review of both reports by the Centre for Gambling Studies at the University of Auckland.

IPART expressed concern regarding an 'optimal' bet limit and its impacts and called for research to be conducted by the Ministerial Council on Gambling.

> "IPART recommended that no reduction should be undertaken without modelling the effects of a range of potential bet levels on recreational gamblers and the gaming industry to provide sufficient evidence of the optimal bet level. IPART recommended that research into a range of levels 'at and below the existing $10 limit' should be conducted at a national level".
>
> Centre for Gambling Education and Research (2005) *Review of the ACT Government's Harm Minimisation Measures*, ACT Gambling and Racing Commission p 134

To the current day no such systematic research has been undertaken.[49]

EGM parameters outlined in the Bill remain largely unsupported by any systematic program of empirical research determining just what EGM bet, win and cash input limits could feasibly ameliorate the harms experienced by a majority of problem gamblers and protect those 'at risk' from developing problems whilst allowing recreational gamblers continued amenity.

Informed policy making needs to be based on clear evidence. Empirical research that uses both objective and observational data is required.

In 2001 Blaszczynski et al wrote that:

> "While there is undoubtedly a need for effective harm minimisation strategies, it is imperative that these are evidence based. If strategies are introduced on the basis of face validity, they may be ineffective at targeting problem gamblers, or worse they may have unforseen negative consequences" [50]

More than a decade later the research currently available points less to solid conclusions with imperatives for policy action than it has pointed to a need for considered analysis and targeted studies.

The time frames for implementation proposed by the Bill provide still further barriers to practical realisation and generate substantial costs.

They are not the only financial impacts that will flow from the Bill before the Committee. AGC members have strong concerns that changes required by the Bill would have significant negative impacts upon venue revenues, venue viability and venue contributions to taxation revenues, employment and community objects.

[49] Productivity Commission (2010) *Gambling*, Ausinfo, Canberra p11.25
[50] Blaszczynski, A., Sharpe, L. and Walker, M. (2001) Op. Cit. p 42

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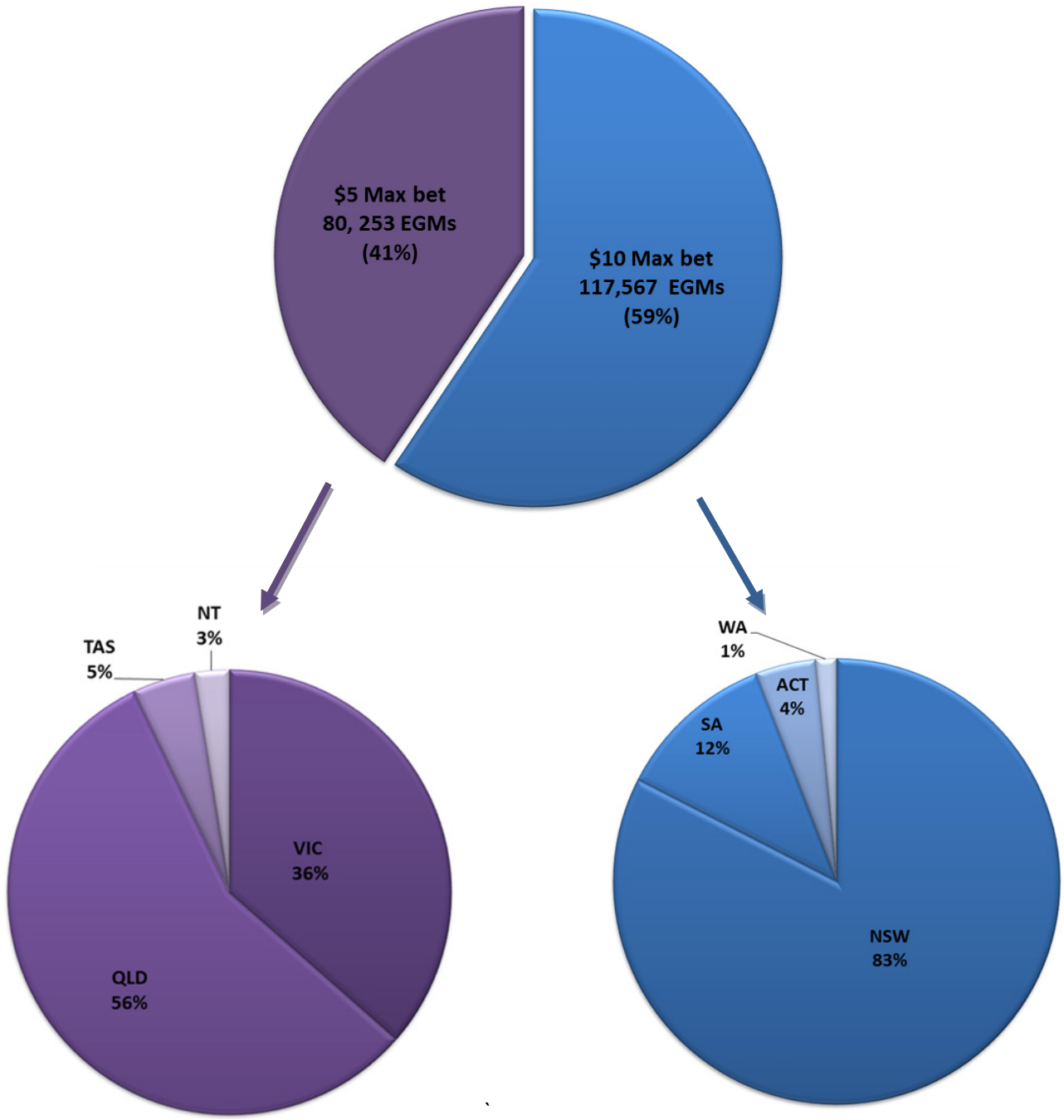
Appendix One: Australian EGMs by State – Maximum Regulated Bet Limit

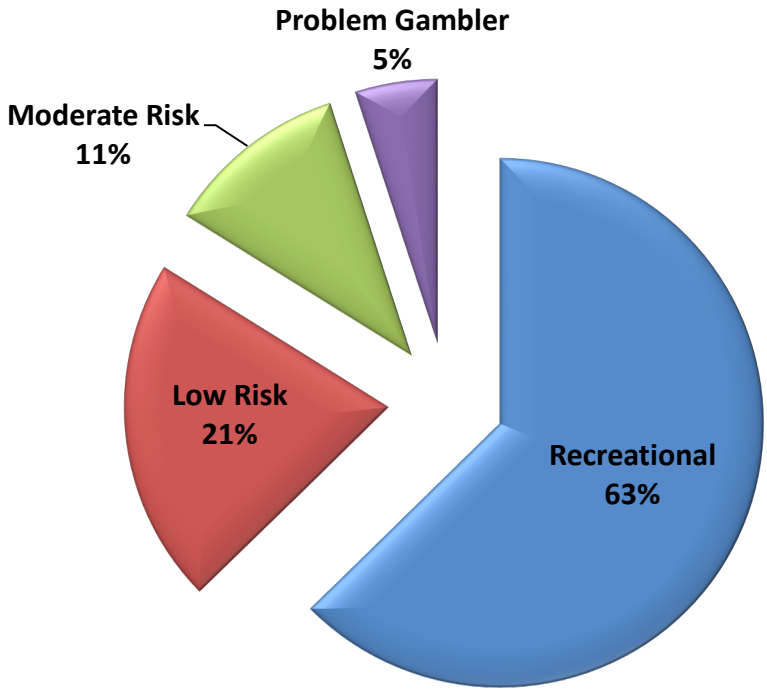


Source: Productivity Commission (2010) – note that Tasmania reduced the maximum bet from $10 to $5 on 1 April 2010 with a transition period of up to 3 years.

Appendix Two: Queensland Prevalence Survey 2006-07 - Proportion of gamblers who bet greater than $1

PGSI Gambler Group	Estimated Number[51]	% playing EGMs[52]	Estimated Number	% betting > $1[53]	Estimated Number
Recreational (No problems)	1,965,000	34.9%	685,785	12%	82,294
Low Risk Gamblers	167,000	75.9%	126,753	22%	27,886
Moderate Risk Gamblers	54,000	87.8%	47,412	31%	14,698
Problem Gamblers	14,000	93.5%	13,090	50%	6,545

Total QLD EGM Gamblers Betting > $1 per spin by PGSI group (2006-07)



[51] *Queensland Household Gambling Survey 2006-07,* Queensland Government, Fact Sheet 1- Gambling Group Estimates, p2
[52] *Queensland Household Gambling Survey 2006-07,* Queensland Government, Appendix 1, Table F9: *Participation rates for different gambling activities by gambling group*, p 41
[53] Productivity Commission (2010) *Gambling,* Table 11.3