



ABN 37 067 391 511

12th January 2011

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

gamblingreform@aph.gov.au

Dear Committee Secretary,

ALH Group (ALH) welcomes the opportunity to comment on the Inquiry into Gambling Reform – Submission on the Pre-Commitment Scheme.

ALH operates 286 licensed venues and over 450 retail liquor outlets across Australia employing almost 14,000 people. These venues offer a diverse hospitality experience including electronic gaming, lotteries, sports bars, bistros, restaurants, cafes, retail liquor, accommodation, nightclubs and wagering.

ALH Group's four main business activities are pub operations, retail liquor sales, property development and gambling operations. ALH hotels are located in capital cities and urban and regional centres across Australia. ALH is largest and only national hotel operator in Australia. ALH positions its venues at the family and community level; as such they are frequently the hub of a local community - a meeting place for friends, family and social and community groups.

ALH is a jointly owned between Woolworths Limited (75%) and the Mathieson family (25%).

ALH is in the unique position of being able to inform the Committee's Inquiry from the retail front. This experience gained over several decades has enabled ALH to become a market leader in the provision of responsible gambling.

Responsible Gambling and Regulation

ALH believes that tackling problem gambling is a shared initiative and that:

- All key stakeholders have an important role to play, the industry, government, community and the individual;
- The objective common to each of these stakeholders is to minimise the level of problem gambling while at the same time preserving the utility of responsible gamblers.
- Industry 'self-regulation' has been an important contributor.

ALH believes real progress has been made in reducing the prevalence of problem gambling in Australia over the past decade and notes that:

- Spending on electronic gaming machines has declined since 1999 as a percentage of household disposable income;
- The Productivity Commission estimates that between 0.5% and 1% of adult Australians are problem gamblers;
- Regulatory goals set in tackling problem gambling should be realistic and recognise that some small level of problem gambling will persist.

ALH are concerned that regulatory landscape has become very uneven and;

- Traditional hotel and club venues have been subject to more heavy-handed regulation than other forms of gambling and emerging on-line gaming products;
- Regulatory unevenness causing migration to less regulated gambling products;
- Gambling products offered on-line and over the telephone may need to be subject to an even stricter level of regulation due to the lack of physical interface and the inability to apply traditional responsible service of gaming measures.
- Gambling policy is highly politicised, a formal regulatory impact framework would ensure more economic rigour and less subjectivity in policy making;
- Anecdotal evidence or prima facie cases are insufficient to support the introduction of policy measures;
- A regulatory impact statement approach would examine policy objectives, alternative ways to achieve those objectives, and evaluate the social costs and benefits of proposed policy measures;
- The impact of problem gambling policies on recreational (responsible players) has largely been ignored in policy making - measures should only be implemented where the expected social benefits outweigh the social costs.

ALH believes that proposed policy measures to combat problem gambling should be supported by robust scientifically-based evidence and research.

Pre-commitment

ALH supports the adoption of an appropriately designed voluntary pre-commitment model as a way of minimising the level of problem gambling associated with gaming machines. Pre-commitment mechanisms are likely to assist those who could have negative gambling behaviours but not at the expense of reducing the utility of recreational players.

ALH is deeply concerned that the introduction of full pre-commitment scheme with no relevant evidence based research to hand, will seriously impact the utility of the recreational gambler. The requirement of players to register before playing a legal product is not warranted and also raises a significant number of issues relating to The Privacy Act.

Again it is important to stress the impact of a full pre-commitment scheme will be on the recreational gambler, and the venue operator who will incur implementation costs, higher wage costs to manage the system and, in addition, will have to factor in reduced EGM usage by a significant proportion of the population who don't have an issue with gaming but now have this additional requirement prior to playing.

The problem gambler will continue to find a way to gamble unimpeded either on EGM's or other forms of gambling particularly on-line.

In the future there is a significant risk of over regulation and pushing players to less regulated gambling products on-line, particularly wagering and sports betting. Global on-line gambling Est. Gross \$ in 2009 was \$26 billion.¹

¹ (GBGC dataset Jan10) IBus submission to the Productivity Commission, Australian Gambling Statistics

Migration to less regulated gambling channels can undermine policy objectives, e.g. Norway experience; A study by Scandinavian research group SINTEF found there was no change in the proportion of people with gambling problems in Norway in 2008, compared with 2007, even though all slot machines were removed from the market. The problem simply shifted. A large proportion of problem gamblers "reported that internet gambling was their most important form of gambling," the researchers found. In 2008 new gaming terminals were introduced into Norway. These terminals require mandatory pre-commitment along with many other play restrictions. In the first qtr of 2009 the percentage of callers through to the National helpline whose gambling problem related to I gaming was 54%

The regulators in Nova Scotia which has introduced pre-commitment technology have stated that the aim of pre-commitment is not about reducing problem gambling rather "informed choice" and "keeping responsible players responsible"

The most recent submissions to The Productivity Commission estimates that between 0.5% and 1% of adult Australians are problem gamblers about half the 1999 PC estimate yet the Federal Government seems determined to continue to make untested regulatory changes.

Obviously, any reduction in revenue will also have significant implications for employment, reinvestment in assets and taxation receipts.

ALH and pre-commitment

- ALH is the largest single gaming machine operator in Australia operating just over 12,000 EGMs.
- ALH supported pre-commitment in its submission to the Productivity Commission
- ALH is represented on both the Federal Ministerial Expert Advisory Group on Gambling and the Victorian Pre-commitment Ministerial Advisory Group
- ALH has extensive knowledge of pre-commitment offered in other jurisdictions having visited Nova Scotia, Canada and Norway to view both the system and met with key government officials.
- ALH currently offer voluntary card based pre-commitment "Simplay" (in conjunction with Maxgaming) at the Oxford 152 Hotel in Queensland and have hosted the South Australian RG Working Group, Federal Minister Jenny Macklin and Queensland Minister Peter Lawlor to enable them to understand how this system works

Voluntary pre-commitment

- The costs of implementing the pre-commitment are dependant on what the retail price increase of an EGM is that has the additional required software and hardware upgrades needed to make it compliant with legislation. Any additional EGM box costs must be transparent to prevent price gouging by the manufacturers that would make implementation cost prohibitive to venue operators.
- Unreasonable or inflated monitoring fees or equipment rental on hardware may be applied to installed pre-commitment mechanisms by a Licensed Machine Operator (LMO). Further the LMO should not be the sole provider of pre-commitment hardware or software as it would be anti-competitive with inflated cost to industry a real possibility.
- Future changes should not force venue operators to purchase next generation or new boxes which would make progression pre-commitment cost prohibitive rather retrofit options; such as pop up screen functionality or card based sandwich boards should be available on existing machines.
- An achievable time period should be allowed for implementation of venue-wide pre-commitment. ALH believe that 2016 would be a realistic target date for voluntary pre-commitment to be available on EGMs

- Implementation of Pre-commitment must apply to the current Gambling Machine National Standards and not any new standards approved post this i.e. current legacy games should be retained.

ALH also note that the Federal Government has committed to introduce;

- poker machine dynamic warning and 'cost of play' displays;
- a \$250 daily ATM withdrawal limit in venues with poker machines, except casinos.

Both these additional measures particularly the restrictions proposed to ATM withdrawal limits we expect to significantly impact all hotel patrons not just those who wish to play EGM's.

Summary

A well-designed voluntary pre-commitment model could effectively and efficiently assist those who have negative gambling behaviours.

A full pre-commitment system is unlikely to be effective or efficient in addressing negative gambling behaviours. In terms of effectiveness, there is no evidence to suggest that this type of one-size-fits-all, blunt policy measure is likely to reduce the level of problem gambling. The impact will be largely on reducing the utility of responsible gamblers while having very little impact on the target minority, so representing inefficient and costly policy response. Even if such a policy measure could be demonstrated to have some level of impact on reducing the level of problem gambling, the benefit would be unlikely to be outweighed by the substantial detriment to recreational players and the industry overall – thus imposing a net social cost.

We urge the Committee to re-consider the adoption of full pre-commitment in favour of a voluntary scheme which is more likely to yield a higher level of efficacy in reducing problem gambling but also deliver higher efficiency through preserving the utility of responsible players.

I would welcome the opportunity to discuss this submission further

Yours sincerely,

David Curry
General Manager
Government and Corporate Relations