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9 November 2012

The Committee Secretary
Joint Select Committee on Gambling Reform
Parliament House
Canberra ACT 2600

Dear Committee Secretary

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

The Australasian Casino Association (ACA) welcomes the opportunity to provide this submission regarding the Poker Machine Harm Reduction (\$1 Bets and Other Measures) Bill 2012 (the Bill).

The ACA represents all casinos in Australia and New Zealand. Members include Echo Entertainment Group, Crown Limited, SKYCITY Entertainment Group Limited, Federal Group, Casinos Austria International Limited, Lasseters Holdings Limited, Christchurch Casino and Dunedin Casino. This submission is provided on behalf of the ACA's Australian members.

The ACA is also a member of The Australasian Gaming Council (AGC) and the ACA fully supports and endorses the AGC's submission to the Joint Select Committee, which should be read in conjunction with this submission.

Australia's casinos are a key provider of tourism infrastructure, including hotels, restaurants and conference facilities that raise Australia's profile as a tourism destination. The majority of Australia's casinos are integrated resorts providing not just world class gaming facilities, but also fine dining, live music and shows, and bars and nightclubs.

Due to the large range of facilities available at many of Australia's casinos, the integrated resorts are seen as the hub of an extensive tourism network which links international and domestic tourism. The entertainment infrastructure provided by casinos attracts many international tourists to Australia. These tourists would not have visited Australia, or would not have spent as much money during their visit, were it not for the fact the integrated resorts include casino gaming.

To maintain international competitiveness, particularly in the face of increasing competition for the Asian tourist dollar, many casinos are actively investing in new infrastructure and redeveloping and upgrading existing properties. Over the period 2008 to 2015 this investment is likely to exceed AU\$4.4 billion. The Allen Consulting Group, in its report commissioned by the ACA for the Productivity Commission Report on Gambling made this point:

"The on-going provision of world-class non-gaming facilities is highly capital intensive while having a relatively low return on investment. Thus, casinos require their gaming operations to generate

sufficient returns to meet the costs of providing both gaming and non-gaming services and facilities.... Changes to the regulatory or taxation environment may make previously sound Australian investments no longer attractive, with funds instead invested overseas. Hence, ongoing investment in Australian casinos infrastructure is dependent upon Australia maintaining an attractive operating and regulatory environment.”¹

This Bill seeks to implement a regime that will:

- Restrict bets to a maximum \$1;
- Restrict prizes to a maximum \$500; and
- Allow a maximum \$20 load up of a machine.

The ACA does not and can not support this Bill. The changes proposed will have a severe impact on the capacity of the casino industry to continue to provide the services and facilities that casinos currently provide and do so to a world class standard.

The ACA has provided a detailed response to the Bill in the Attachment following. It can be summarised as follows:

- There is a clear lack of evidence or research to support the intent of the Bill to reduce problem gambling.
- In the ACA’s view the likely end result will be that there will be little to no reduction in expenditure on the part of problem gamblers but there will be significant reductions in expenditure on the part of recreational gamblers. This will have significant implications for the casino industry.
- No other gaming jurisdiction anywhere in the world has imposed such restrictions on casinos. The consequent reduction in poker machine revenue will have a resultant flow-on reduction in employment, investment and State Government tax revenues.
- The imposition of a \$1 maximum bet, a \$500 maximum prize limit and a \$20 maximum load up will have a disproportionate negative impact on casino revenues, employment and investment, in comparison to the impact on hotels and clubs.
- The ACA has determined that the cost to replace or change poker machines in casinos² that have poker machines to accommodate the changes outlined in the Bill will be between \$220 million to \$250 million. The casino industry operates 6% of the total number of poker machines in Australia.

The attached submission outlines the ACA’s main concerns with the Bill.

Australasian Casino Association

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¹ The Allen Consulting Group, *Casinos and The Australian Economy*, April 2009, p.46

² Casino Canberra is not permitted to operate poker machines.

ATTACHMENT - SUBMISSION

1. THE BILL

The Explanatory Memorandum that was tabled with the Bill sets out the purpose of the Bill. It is to “put in place measures to regulate the operation of poker machines in Australia, in particular to limit the rate of loss to the users of such machines.”

The ACA does not and can not support this Bill. The changes proposed will have a severe impact on the capacity of the Australian casino industry to continue to provide the services and facilities that casinos currently provide and to do so at a world class standard.

This Bill seeks to put in place a regime that will implement recommendations that were made by the Joint Select Committee for so-called ‘low intensity machines’ (with lower bet limits, lower denominations and lower prizes). These machines will:

- Restrict bets to a maximum \$1;
- Restrict prizes to a maximum \$500; and
- Allow a maximum \$20 load up of a machine.

These recommendations are not based on any clear evidence or research that supports the proposition that such policies would in fact lead to reduction in problem gambling – being the Bill’s stated intent.

The ACA makes the following points with regard to ‘low intensity machines’:

1. The player appeal of low intensity machines is untested and unknown but in the ACA’s view will undoubtedly restrict the offer so as to be uncompetitive with casinos’ international competitors and be less popular with customers than existing machines.
2. Contrary to the assertion of its proponents, there is no evidence that casual and recreational players will play these so-called ‘low intensity machines’ to the same extent as they currently play existing machines. There has been no empirical research into maximum jackpots and little research into maximum bets, and none of it conducted in casinos.
3. Likewise there is no evidence that those regular players of existing machines who are not problem gamblers and spend within their means, will play these new machines to the same extent as they currently play.
4. More research needs to be undertaken before measures as outlined in the Bill are even considered. It should be noted:
 - “It is not clear whether there is any evidence that maximum bets work in practice, or whether problem gamblers would alter their behaviour in the face of such modifications.”³
 - “Proposals to increase or reduce bet limits are not supported at this stage, particularly in the absence of any significant research on bet and prize limits and problem gambling.”⁴
 - “...found no evidence supporting the contention that (\$20 maximum cash inputs) would

³ Dr Paul Delfabbro – Australian Gambling Review June 2007 – prepared for the IGA of South Australia, p. 154

⁴ NSW Government Report (2007) on the five year statutory review of the Gaming Machines Acts 2001, p. 33

effectively reduce problem gambling”⁵

- “It is argued that policy makers should commission an independent expert research team to conduct a thorough literature and environmental review to map out the max bet and prize sizes and rates of problem gambling across international jurisdictions taking into account competing forms of gambling to electronic gaming machines....Until such time as we understand the typical betting profile of problem and recreational gambling, policies related to the proposed bill will remain in the domain of opinion-based decisions.”⁶
5. Implementation of \$1 maximum bet limits will require, at the very least, a software and /or hardware upgrade for newer machines and replacement of older machines. If older machines are to be replaced then there will be a requirement for a “start from scratch” design, development, production and regulatory approval of an entire range of new games to comply with the proposed restrictions.
 6. The Productivity Commission in its Report⁷ acknowledged that immediate implementation of the \$1 maximum bet limit would not be feasible due to the cost of the required changes in reconfiguring/upgrading existing poker machines, creating new games and seeking regulatory approval.
 7. Australia’s integrated resorts are international standard tourist attractions and they must remain able to compete effectively with their international counterparts. Part of what a customer expects to find when visiting is a standard and variety of gaming product that is free from limitations not experienced elsewhere.

The Productivity Commission did not recommend a maximum jackpot limit and stated that further research was required and therefore it had not reached a definitive conclusion on the impacts of jackpots.

2. IMPACTS

A. Implementation Costs

The implementation of ‘low intensity machines’ across all casinos will have significant cost implications for the casino industry. The introduction of ‘low intensity machines’ will be costly and it will take many years to develop and install these new machines to replace existing machines across Australia.

According to the Gaming Technologies Association the average cost of changing poker machine software is currently around \$5,000 per machine where the machine is less than three years old. The cost rises to around \$9,000 where the machine is older than 3 years and where the machine is older than 5 years the machine will most likely need to be replaced at a cost of around \$25,000 or more.

⁵ A Blaszczynski et al, “The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gamblers”, University of Sydney, 2001, p. 9

⁶ Blaszczynski, Brown and Gainsbury, Submission to the Joint Select Committee on Gambling Reform – Inquiry into the Poker Machine Harm Reduction (\$1 bets and Other Measures) Bill 2012, p. 8

⁷ Productivity Commission, Gambling, Commonwealth of Australia, Canberra, 2010

Changing maximum win limits will require a reprogramming of a machine's game software. This will mean that 25,000 existing games would need to be re-certified. Currently, in a year the maximum capacity to certify games is 2,000 nationally.

Based on these numbers, the ACA has determined that the cost to replace or change poker machines in casinos⁸ to accommodate the changes outlined in the proposed bill will be between \$220 million to \$250 million. The casino industry operates 6% of the total number of poker machines in Australia.

B. Adverse Impact on Revenue

The introduction of 'low intensity machines' and reducing the maximum prize that a player can win will have a major negative impact on the appeal of gaming machines. This will have a greater impact on the casino industry as casino customers tend to be from a different demographic, have a higher discretionary spend and have different attitudes to gambling. Also casinos are regarded as destination gaming venues for local visitors, and as such are 'a style of gaming venue that encourages pre-determined decisions to gamble.'⁹

By way of illustration, the ACA commissioned Roy Morgan Research to undertake a study of casino customers – both table game and poker machine players. The report makes it clear that casino customers tend to be from a different demographic, have a higher discretionary spend and have different attitudes to gambling.

In addition the ACA has conducted a brief survey of its members on the impact of the imposition of a \$1 maximum bet limit on existing machines.

The main outcomes of that survey are as follows:

- Approximately 60% of poker machine revenue in casinos is derived from poker machines where the average bet is greater than \$1. In 2009/10 this equated to \$780 million across all casinos.
- With regard to estimating the negative impact on revenue, it is anticipated that total revenue loss of imposing a \$1 maximum bet on existing machines will be in the 35-45% range.

The ACA believes there needs to be a thorough cost benefit analysis undertaken before any decisions are made in relation to the introduction of these measures.

C. Adverse Impact on Jobs

The casino industry employs approximately 24,000 people in Australia. Based on information received from industry members, the magnitude of revenue loss referred to above would lead to job losses in the order of 20% of this workforce. This does not take into account the flow on effects to suppliers and contractors who will also be impacted by such revenue losses. This is particularly the case in regional centres where the local casino is a large employer and generator of business for other businesses.

D. Adverse Impact on Investment

Investment in casino/hotel complexes will be curtailed. Over the period 2008 to 2015, the casino industry has been and is continuing to invest approximately \$4.4 billion in major tourism

⁸ Casino Canberra is not permitted to operate poker machines.

⁹ 'Taking Action on Problem Gambling, A Strategy for combating problem gambling in Victoria', State of Victoria, Department of Justice, 2006, p.31

infrastructure. Where work has been planned to commence on refurbishments and new developments, it is likely that such plans will be put on hold, or even cancelled, with investment dollars being diverted to other more viable opportunities. The consequential flow on impacts will be felt in other industries such as the construction industry.

3. CONCLUSION

The ACA views with concern any move that threatens the viability of the Australian casino industry.

In its report the Productivity Commission clearly acknowledged that research evidence was not wholly conclusive and it was not research based on casinos. 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.

The Productivity Commission also acknowledged that revenue reductions of some significance and that it would have an adverse impact on reduced facilities and services if a \$1 maximum bet was to be introduced.

Immediate implementation was not considered to be feasible by the Productivity Commission due to the cost the required changes in reconfiguring/upgrading existing poker machines, creating new games and seeking regulatory approval.

The implementation of such measures will lead many of our members to reconsider their investment in the redevelopment, and upgrading of existing facilities, not to mention new tourism infrastructure.

The casino industry as already outlined is spending \$4.4 billion in new and upgraded tourism infrastructure. Given that the casino industry is the only sector in the tourism industry making this scale of capital investment, it is an investment that Australia's tourism industry can ill afford to lose in the current climate.

November 2012