POKER MACHINE HARM REDUCTION TAX (ADMINISTRATION) BILL 2008

POKER MACHINE HARM MINIMISATION

BILL 2008

ATMs AND CASH FACILITIES IN LICENSED VENUES BILL 2008

MINORITY REPORT

SENATOR NICK XENOPHON AND THE AUSTRALIAN GREENS

1. Introduction

1.1 The Inquiry was established for the purpose of considering three bills – the *Poker Machine Harm Reduction Tax (Administration Bill 2008)*, the *Poker Machine Harm Minimisation Bill 2008* and the *ATMs and Cash Facilities in Licensed Venues Bill 2008*, each introduced into the Senate and referred to the Committee on the recommendation of the Selection of Bills Committee. The purpose of the bills is outlined in the majority report.

1.2 Given that up to 85 per cent of problem gamblers have a problem because of poker machines, the most effective way to immediately and dramatically reduce the harm caused by gambling in Australia would be by the total removal of poker machines.[1]

1.3 However, there are many useful measures, short of removing all machines that can be implemented to significantly reduce the level of gambling addiction and related harm. These measures can be mandated by Commonwealth legislation, given the scope of the Commonwealth's powers over corporations, taxation, banking and telecommunications.

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[1] Livingstone, C., Woolley, R., (2007) *"Risky Business: A Few Provocations on the Regulation of Electronic Gaming Machines,"* in International Gambling Studies, Vol. 7, No. 3, p. 361; Centre for Gambling Research (CGR), 2004, p.97;

Expenditure on Poker Machines $m

	NSW		Victoria		Queensland		South Australia		Tasmania		Australian Capital Territory		Northern Territory	
	Actual	Real (a)	Actual	Real (a)	Actual	Real (a)	Actual	Real (a)	Actual	Real (a)	Actual	Real (a)	Actual	Real (a)
1980-81	602.285	1,847.984	-	-	-	-	-	-	-	-	12.002	36.825	-	-
1981-82	642.200	1,784.510	-	-	-	-	-	-	-	-	13.842	38.463	-	-
1982-83	640.653	1,596.632	-	-	-	-	-	-	-	-	16.636	41.459	-	-
1983-84	672.148	1,567.570	-	-	-	-	-	-	-	-	21.104	49.219	-	-
1984-85	717.407	1,604.643	-	-	-	-	-	-	-	-	25.173	56.306	-	-
1985-86	756.889	1,561.663	-	-	-	-	-	-	-	-	27.696	57.145	-	-
1986-87	853.667	1,611.183	-	-	-	-	-	-	-	-	28.723	54.211	-	-
1987-88	955.057	1,679.239	-	-	-	-	-	-	-	-	38.661	67.977	-	-
1988-89	1,220.440	1,999.241	-	-	-	-	-	-	-	-	52.129	85.393	-	-
1989-90	1,336.790	2,027.242	-	-	-	-	-	-	-	-	61.107	92.669	-	-
1990-91	1,555.450	2,240.646	8.924	12.855	-	-	-	-	-	-	68.235	98.293	0.245	0.353
1991-92	1,647.621	2,329.171	32.463	45.891	27.981	39.556	-	-	-	-	74.894	105.874	3.163	4.471
1992-93	1,811.385	2,534.686	255.243	357.163	239.408	335.005	-	-	-	-	78.115	109.307	3.563	4.986
1993-94	1,950.045	2,679.876	679.663	934.037	338.720	465.491	-	-	-	-	99.710	137.028	3.494	4.802
1994-95	2,214.359	2,948.266	908.146	1,209.134	391.210	520.869	185.415	246.867	-	-	108.563	144.544	3.600	4.793
1995-96	2,397.475	3,062.346	1,246.309	1,591.937	450.529	575.470	319.229	407.758	-	-	117.518	150.108	6.384	8.155
1996-97	2,484.320	3,132.381	1,455.797	1,835.557	519.003	654.390	364.255	459.275	5.537	6.981	118.913	149.933	15.373	19.383
1997-98	2,989.084	3,769.602	1,711.290	2,158.147	602.295	759.568	394.629	497.676	23.666	29.846	127.163	160.368	19.731	24.883
1998-99	3,487.487	4,341.288	1,954.192	2,432.614	757.411	942.839	442.466	550.790	39.291	48.910	147.193	183.229	24.297	30.245
1999-00	3,882.199	4,720.268	2,170.560	2,639.129	871.303	1,059.395	485.987	590.899	60.773	73.892	156.835	190.692	26.474	32.189
2000-01	4,119.488	4,726.464	2,366.042	2,714.661	1,014.000	1,163.405	543.469	623.545	80.988	92.921	167.610	192.306	27.992	32.116
2001-02	4,306.997	4,804.385	2,562.876	2,858.846	1,129.402	1,259.829	606.814	676.891	98.821	110.233	174.402	194.543	36.870	41.128
2002-03	4,459.395	4,825.310	2,334.322	2,525.865	1,277.604	1,382.438	669.075	723.976	111.768	120.939	182.553	197.532	42.041	45.491
2003-04	4,673.437	4,940.584	2,290.934	2,421.890	1,498.979	1,584.665	723.604	764.967	123.664	130.733	191.712	202.671	45.000	47.572
2004-05	4,914.997	5,072.197	2,393.024	2,469.562	1,677.468	1,731.120	749.251	773.215	125.714	129.735	185.182	191.105	49.900	51.496
2005-06	5,023.552	5,023.552	2,472.454	2,472.454	1,775.561	1,775.561	751.032	751.032	109.367	109.367	191.963	191.963	56.834	56.834

(a) Adjusted for inflation using the CPI

Source: *Australian Gambling Statistics 1980-81 to 2005-06*, 24th edition 2007, Prepared by the Office of Economic and Statistical Research, Queensland Treasury

2. Counting the Costs of Gambling

2.1 The Productivity Commission Report of 1999[2] into Australia's gambling industries highlighted the extent of the problem using a comprehensive national household survey of some 10 600 respondents. It found:

- an estimated 2.1 per cent of the adult population or the equivalent of 293 000 people experienced significant problems associated with their gambling;
- problem gamblers comprise 15 per cent of regular gamblers and account for about $3.5 billion dollars, or one-third of the gambling industry's market in expenditure annually;
- problem gamblers lose around $12 000 each per year, compared with just under $650 for other gamblers;
- the incidence of problem gambling varies by mode. It is highest for poker machines and racing, and lowest for lotteries;
- 5 to 10 other people can be directly affected to varying degrees by the behaviour of a problem gambler;
- 4.7% of those who actually played a poker machine developed a gambling problem. [3]

2.2 Table 5.6 of the Productivity Commission Report provides data regarding the number and spending of problem gamblers as follows:[4]

[2] Productivity Commission, *Australia's Gambling Industries*, Report No. 10, 26 November 1999
[3] op. cit. Productivity Commission (26 November 1999) pp. 2, 21, 22, 23, 6.5.4
[4] op. cit. Productivity Commission (1999) p. 5.15

Table 5.6 **The number and spending of problem gamblers**[a]

		Moderate	*Severe*	*All problem gamblers*
Number	No.	163 388	129 348	292 736
Per cent of adults	%	1.2	0.9	2.1
Per cent of gambling expenditure	%	8.3	24.8	33.0
Per person spending	$	5 443	20 662	12 168

[a] The number of people involved, and the shares of expenditure are from the Commissions' 1999 *National Gambling Survey*. The dollar values of expenditure are based on annual gambling expenditure for 1997-98.

Source: PC *National Gambling Survey* and PC estimates.

2.3 Table 5.7 of the Productivity Commission Report also provides data on the share of spending or losses accounted for by problem gamblers by different gambling products as follows:[5]

Table 5.7 **Share of spending (loss) accounted for by problem gamblers by different gambling products, 1997-98**

	Annual spending ($ million)			*Share of spending (per cent)*		
	Australians (1997-98)[b]	*Moderate problem gamblers*	*Severe problem gamblers*	*Moderate problem gamblers*	*Severe problem gamblers*	*All problem gamblers*
	$m	$m	$m	%	%	%
Wagering	1 600	152	377	9.5	23.5	33.1
Lotteries	1 179	43	24	3.7	2.1	5.7
Scratchies	246	28	19	11.3	7.8	19.1
Gaming machines[a]	6 401	554	2 156	8.7	33.7	42.3
Casino games[b]	895	73	22	8.2	2.5	10.7
Other	449	38	74	8.5	16.5	25.0
All gambling[b]	**10 771**	**889**	**2 673**	**8.3**	**24.8**	**33.0**

[a] Includes gaming machine expenditure in casinos. [b] Excludes tourist expenditure.

Source: PC *National Gambling Survey* and appendix P.

3. How the Industry Works

3.1 A more recent report prepared by Drs Livingstone and Woolley entitled *"Risky Business: A Few Provocations on the Regulation of Electronic Gaming Machines"*,[6] suggests that problem or at-risk gamblers spent about 53 per cent (AU $1.3 billion) of the money expended on hotel and club electronic gaming machines (EGMs) in 2005-

[5] op. cit. Productivity Commission (1999) p. 5.15

[6] p.cit. Livingstone, C., Woolley, R., (2007) p. 361–376

2006, (as compared with 33.7 per cent and 8.7 per cent for severe and moderate problem gamblers reported by the Productivity Commission in 1999).[7]

3.2 Livingstone and Woolley also provided an analysis of other more recent data which also pointed to a number of interesting findings, including:

- the near-miss effect, related to the reel-symbol ratio of EGM devices has been found to be associated with the development of excessive gambling in experimental groups;
- studies that have manipulated 'spin speed' or length of game cycle have shown that faster speeds are associated with an increased risk of excessive gambling;
- speed of play has been found to predict problem gambler status;
- lowering the bet size would reduce the level of harm associated with gambling;
- by comparing play on modified machines it was found that modified EGMs reduced time spent gambling, the number of bets and losses;
- more than three times as many problem gamblers (7.5%) as recreational players (2.3%) placed maximum bets in excess of AU$1.00 and the preference for relatively large bets was a predictor of gambling problems and severity;
- the availability of banknote acceptors (BNAs) and multiple line betting significantly increased gambling turnover;
- 22% of problem gamblers used high-denomination BNAs compared to 10% of non-problem gamblers;
- Current configurations of EGM technology provide an unsafe mode of rapid and expensive consumption;
- 75 per cent of gamblers failed to notice modifications to spin rates, BNAs and maximum bet sizes;

[7] op. cit. Livingstone, C., Woolley, R., (2007) p. 365

- whilst reducing maximum bet limits produced a positive harm minimisation effect, this did not appear to reduce amenity for gamblers;
- problem gamblers played more quickly than non-problem gamblers;
- slower game cycles had a small negative impact on enjoyment but this did not reduce intentions to continue gambling;
- limiting the rate at which gambling losses occur can reduce the potential for excessive gambling;
- with the added benefit that if BNA parameters and maximum bet sizes are coordinated, no reduction in amenity for non-problem gamblers is expected.[8]

3.3 In their report, Livingstone and Woolley argue that the proliferation of EGMs in Australian club and hotel venues is *"generating revenues of billions of dollars annually and account[s] for the majority of gambling expenditure"*; that these revenues *"rely on unsafe consumption practices, generating considerable harm"*; and that *"clear evidence is available describing unsafe levels of EGM consumption by regular EGM consumers in hotels and clubs, and indicating modifications to the EGM technology and systems to minimize harm"*.[9]

3.4 However they say, there is a 'comfortable orthodoxy', the discourse of 'business as usual' that perpetuates current arrangements, focussing on the 'problem' gambler as an 'individualized flawed consumer'[10] - a classic example of blaming the person and not the product.

3.5 As Livingstone and Woolley argue, *"the marketing and distribution of EGMs is neither accidental nor something for which the individual is responsible, and neither is the safeguarding of oneself from the harm produced by goods licensed by Government"*.[11]

[8] op. cit. Livingstone, C., Woolley, R., (2007) p 367-369
[9] op. cit. Livingstone, C., Woolley, R., (2007) p. 361
[10] ibid
[11] ibid

3.6 They say the *"pursuit of a goal of safe consumption for all EGM gamblers requires disruption of the discourse of 'business as usual'"*.[12]

3.7 Senator Xenophon and the Australian Greens agree with Livingstone and Woolley that the *"appropriate balance has not been found between liberalisation and regulation in EGM gambling in hotels and clubs"*.[13] We share their concern that "*current configurations of EGM technology and the EGM commercial system produce unacceptable levels of harm"*[14] and agree that *"this imbalance cannot be corrected by post harm-production interventions, yet feasible supply-side harm reduction measures are ignored. Instead, the responsibility and cost of EGM-related harm are sheeted home to individual gamblers."*[15]

3.8 Taken together, these arrangements represent a 'comfortable orthodoxy' that *"supports the maintenance of current EGM arrangements in Australia, masking a level of harm production that would not be acceptable in other consumer markets"*.[16]

3.9 The current regulatory approach within Australia can be summarised as one in which:

1. Only a small proportion of gamblers suffer harmful consequences from EGM gambling;
2. Current EGM arrangements are safe: gamblers are the problem;
3. Current EGM arrangements should not be altered as this would reduce the enjoyment of those who are not troubled;
4. The worlds of EGM gamblers are well understood, and their voices are heard in the framing of policy and regulation.[17]

3.10 This 'comfortable orthodoxy' has two main themes. First, it takes gambling, an acknowledged *"risky diversion to the usual standards of consumer safety. Second, it represents individuals as freely choosing, well informed of this risk"*.[18]

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[12] ibid
[13] ibid
[14] ibid
[15] ibid
[16] ibid
[17] op. cit. Livingstone, C., Woolley, R., (2007) p. 362
[18] ibid

3.11 Livingstone and Woolley conclude this 'comfortable orthodoxy' doesn't "deny problem gambling but it does exclude upstream issues of harm causation from discourse while privileging down-stream treatment based responses." That's why they call this 'comfortable orthodoxy', 'business as usual'.

3.12 Another, less academic way of looking at it can be found in the old adage 'it's much better to have a fence at the top of a cliff, rather than the best equipped ambulance at its base', or to put it even more simply, 'prevention is better (and cheaper) than cure'. There are compelling arguments that for too long the legislative, regulatory and policy framework has been less about building fences and more about acquiring increasing numbers of ambulances. This view was also supported during evidence by Mr Mark Longmuir, Manager of Anglicare Victoria, Community Services, when he said, *"we need to be building a fence at the cliff edge, rather than adopting the current approach of funding lots of ambulances at the base of the cliff to deal with the issue."*[19]

3.13 Part of the 'business as usual' approach stems from the industry's argument (which is seemingly subsumed in the regulatory framework), that transfers responsibility for the harm caused by poker machines to individual players/consumers, as a matter of 'individual choice'. This argument is commonly evoked with the phrase 'no-one is forced to use poker machines'[20] – that somehow the devastation caused to hundreds of thousands of Australians (through family break-up, crime, bankruptcy, depression and most tragically of all, suicide) are an inevitable but acceptable cost of doing business.[21]

3.14 Another assertion raised by the gambling industry is that problem gambling levels have decreased.[22] This claim is fundamentally misleading for two reasons. Firstly, the 'screen' to measure problem gambling has changed from the South Oaks Gambling Screen (SOGS) to the Canadian Problem Gambling Index (CPGI). CPGI is considered by many experts as a more superior test to SOGS. However, the two cannot be compared in a direct sense, which appears to be what the industry is attempting to do.

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[19] *Committee Hansard,* Thursday 11 September 2008, p. 20

[20] op. cit. Livingstone, C., Woolley, R., (2007) p. 363

[21] ibid

3.15 Secondly, under the SOGS test, a score of 5 or more indicates a gambling problem. Under the CPGI screen, a score of 3 or more is accepted as reaching a problem gambling threshold.

3.16 A recent discussion paper of the Independent Gambling Authority of South Australia (IGA)[23] states:

> *In conducting their work[24]the researchers applied the national definition of problem gambling[25], and have classified as problem gamblers identify persons scoring 3+ on Canadian Problem Gambling Index (consistent with the most recent South Australian population survey).[26]*

3.17 However, in a report commissioned by the New South Wales Office of Liquor, Gaming and Racing entitled, *"Prevalence of Gambling and Problem Gambling in NSW – A Community Survey 2006"* [27] - which the industry has relied on heavily when making assertions regarding the levels of problem gambling, problem gambling is only defined as a score of 8 or more on the CPGI. A score of 3 - 7 is defined as 'moderate risk' gambling rather than problem gambling.[28]

3.18 The gambling industry argument fails to take into account that even a gambler at 'moderate risk' under the CPGI screen is still an at risk problem gambler. This view was supported by the evidence of Mr Phillip Ryan, Chief Executive Officer of Responsible Gambling Networks, when he stated:

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[22] See for instance, Australian Gaming Council, *Submission 26*, p.4; Tabcorp, *Submission 6*, p.4; evidence of Clubs Australia, *Committee Hansard*, Friday, 12 September 2008, p.14; evidence of Australian Hotels Association, *Committee Hansard*, Friday, 12 September 2008, p.2.

[23] Game Approval Guidelines Consultation, Guide for Participation, 20 February 2008

available at: http://www.iga.sa.gov.au/pubcons/gagc/2008-GAG-website.pdf

[24] This is a reference to the *"The Relevance and Role of Gaming Machine Games and Game Features on the Play of Problem Gamblers"* report, prepared for the Independent Gambling Authority of South Australia by the Australian Institute for Primary Care (AIPC) La Trobe University, 2008.

[25] As adopted by the Ministerial Council on Gambling —"Problem Gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others or for the community."

[26] op. cit. Independent Gambling Authority of South Australia (20 February 2008) p. 3

[27] Nielsen, AC., New South Wales, 27 March 2007

[28] op. cit. Nielson, AC. (27 March 2007) p. 19

The argument that problem gambling impacts only 2 per cent of the population is fallacious…it does not reflect the high volume of turnover on the machines by problem gamblers or highly at-risk gamblers; nor does it reflect the true lifetime rate of problem gambling, which is usually five times the level of the instantaneous rate as measured in a survey at any one point in time and that the lifetime rate is typically 10 per cent if the instantaneous rate is 2 per cent; nor does it acknowledge the significant number of people impacted upon by problem gamblers.[29]

3.19 Statistics reveal that gambling losses, including poker machines, have continued to increase.[30] The only exception to this followed the introduction of smoking bans introduced in various states, starting with Victoria in 2002. Based on the evidence available, smoking bans has been the only measure that has resulted in any decrease in losses from gambling.

3.20 There is now an overwhelming body of evidence of the harm caused by poker machines. Senator Xenophon and the Australian Greens believe this places onto all legislators an obligation to take urgent action to reduce the harm caused. A number of measures could be implemented now as an interim harm reduction strategy pending the outcome of the Productivity Commission Inquiry (which is due to report by the end of next year).

3.21 It is clear from this information that the industry could take significant steps to minimise the harm experienced by problem gamblers without impacting on the amenity and enjoyment of other users.

4. Poker Machine Design & Disclosure of Information by the Industry

4.1 The Committee heard evidence about the addictive nature of poker machines. For instance, Sue Pinkerton, President of Duty of Care, talked about the *"purposeful design*

[29] *Committee Hansard,* Thursday, 11 September 2008, p. 42

[30] See Appendix 1, Source: *Australian Gambling Statistics 1980-81 to 2005-06*, 24th edition 2007, Prepared by the Office of Economic and Statistical Research. See also Duty of Care *Submission* 13 , June 2008, p. 4, where President, Sue Pinkerton, states: "*In most states and countries that have introduced a smoking ban, annual gambling machine profits for all but the 2 years following the implementation of the smoking ban, grow by approximately 10% per year."*

of gambling machines" [31] and the promotion of an *"unsafe product as a safe, fun-filled form of entertainment"*.[32]

4.2 The issue of poker machine design and the disclosure or lack thereof of information by the industry was also canvassed by Livingstone & Woolley in a report prepared for the Independent Gambling Authority of South Australia in 2008.[33]

4.3 They stated that a major gap in publicly available research is the effect of particular configurations of reinforcement schedules, which constitute the core technology of EGMs.[34] In that report, Livingstone and Woolley highlighted the need for detailed information relating to the relationships between reinforcement schedules, machine volatility, particular pay tables and prize allocations, actual gambler behaviour and the development of gambling problems.[35]

4.4 Representatives from Gaming Technologies Association (GTA, formerly AGMMA) gave evidence that reinforcement schedules did not exist. Mr Gibson described as a 'nonsense' the notion that that the poker machine industry utilises *"a schedule that predetermines the rate of a machine granting small wins during play that is designed to keep the player hooked on the machine"*.[36] He stated that reinforcement schedules do not exist and claimed that they were a *"figment of Dr Livingstone's imagination."* [37]

4.5 This evidence is in stark contrast to that subsequently provided by Dr Livingstone who, in his second submission[38] to the Committee, refers to a report[39] commissioned by the AGGMA (now TGA) refuting the conclusions drawn in the IGA Report as prepared by Drs Livingstone & Woolley.

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[31] Duty of Care *Submission* 13, June 2008, p.8

[32] ibid

[33] Livingstone, C., Woolley, R., Zazryn, T., Bakacs, L & Shami, R., *The Relevance and Role of Gaming Machine Games and Game Features on the Play of Problem Gamblers*, Independent Gambling Authority South Australia, Adelaide, 2008.

[34] op. cit. Livingstone, C., Woolley, R., Zazryn, T., Bakacs, L & Shami, R. (2008) p. 8

[35] op. cit. Livingstone, C., Woolley, R., Zazryn, T., Bakacs, L & Shami, R. (2008) p. 8-9

[36] *Committee Hansard*, Friday, 12 September 2008, p. 57

[37] *Committee Hansard*, Friday, 12 September 2008, p.58

[38] Livingstone, C. *Submission 18*

[39] Blaszczynski, A., Nower, L., Final Report, 2008

4.6 In that report, Drs Blaszycyncski and Nower's state that:

> *EGMs are popular, in part, because they contain certain basic core technology that is attractive to players: a machine containing mechanical or video display reels that spin on the push of a handle or button, whose outcome is determined randomly resulting in a random ratio schedule of reinforcement.*[40]

4.7 In a letter to Dr Livingstone dated 3 October 2008, Mr Robert Chappell, Director of the IGA also stated that both Mr Gibson and the GTA should understand the concept (of reinforcement schedules) better, given that on 29 April 2008, a similar submission was made by the AGMMA's Queen's Counsel before the Authority.[41] At that hearing, Mr Chappell indicated as follows:

> *…for sake of clarification, I suggested there was disingenuousness about AGMMA saying that there was no such thing as a reinforcement schedule, and that there did not need to be a piece of paper headed "reinforcement schedule" if such a schedule could be derived from the game mathematics.*[42]

4.8 The GTA has now indicated in its evidence a willingness to provide further information from its members.[43] Should such information requested by Drs Livingstone and Woolley be provided to them their analysis and conclusions as to the relationship between specific aspects of machine design and any links with problem gambling ought to be revisited by this Committee.

5. Volatility of Machines

5.1 It is a requirement in all States and Territories that poker machines provide a minimum 'return to player' percentage of the amount bet on a poker machine.[44] This requirement is inherently misleading and deceptive to gamblers. The fact that the return to player percentage can vary in jurisdictions up to 15 per cent, and that the percentage is generally based on either the life of the machine, the type of game, or even an average

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[40] op. cit. Blaszczynski, A., Nower, L. (2008) p.9

[41] Livingstone, C. *Submission 18,* p.8

[42] Livingstone, C. *Submission 1,* p. 8

[43] *Committee Hansard,* Friday, 12 September 2008, p. 60-61

[44] See for instance, schedule 1, *Gaming Machines Act 1992 (SA);* section 11, *Gaming Machines Act 1991 (QLD);* section 7.5.1, *Gaming Regulation Act 2003 (VIC)*

of machines at a particular venue, provides an illusion to players that somehow, sooner rather than later, they will get most of their money back.

5.2 The high volatility of machines has been identified by Livingstone and Woolley as an integral part of the core elements that can lead to, or exacerbate, problem gambling.[45]

6. Access to cash through ATMs

6.1 As previously mentioned, the Productivity Commission last reported on the issue of gambling in 1999. In its *National Gambling Survey*, the Productivity Commission found that problem gamblers were significantly more likely than non-problem players to withdraw money from an ATM at a venue whilst playing poker machines.[46]

6.2 In assessing the degree to which problem gamblers use ATMs relative to recreational gamblers, the Productivity Commission found that the large bulk of recreational players never used an ATM at a venue when playing the poker machines, while the large bulk of problem gamblers did use an ATM, with one in five problem gamblers always doing so.[47] At table 16.7 of the Report, the questions was asked, *"How often do you withdraw money from an ATM at a venue when you play the poker machines?"*. In response, 78.2% of non-problem players said 'never', 11.8% said 'rarely' and 5% said 'sometimes'. Only 1.4% said 'often', 3.2% said 'always' and 0.4% could not say. For problem gamblers with a SOG score of 5 and above, which is the threshold for problem gambling, 34.6% said 'never', 12.4% said 'rarely', 15.1% said 'sometimes', 16.5 % said 'often' and 21.3% said 'always'. In relation to problem gamblers with a SOGS score of 10-plus, 18.2% said 'never', 7% said 'rarely', 16.1% said sometimes, 34.8% said 'often, and 23.9% said 'always'.[48]

[45] op.cit. Livingstone, C., Woolley, R., (2007) pp. 361-376

[46] op. cit. Productivity Commission (1999) p. 44

[47] op. cit. Productivity Commission (1999) p.16.61.

[48] ibid. The South Oaks Gambling Screen (SOGS) is a particular set of questions that is used to determine whether a person is a problem gambler. A score of 5 or more suggests a person is a problem gambler and a score of 10 or more suggests a person is a severe problem gambler.)

Table 16.7 **How often do you withdraw money from an ATM at a venue when you play the poker machines?**

	Never	*Rarely*	*Some-times*	*Often*	*Always*	*Can't say*	*Total*
	%	%	%	%	%	%	%
Non-problem players	78.2	11.8	5.0	1.4	3.2	0.4	100.0
Problem gamblers (SOG 5+)	34.6	12.4	15.1	16.5	21.3	0.0	100.0
Problem gamblers (SOGS 10+)	18.2	7.0	16.1	34.8	23.9	0.0	100.0

Source: PC National Gambling Survey.

6.3 Overall, problem gamblers surveyed by the Commission ranked 'ATM location' as one of the most important issues for effective harm minimisation with 37.8% of problem gamblers (SOG 5+) and 58.7% of problem gamblers (SOGS 10+) reporting that they often or always withdrew money from an ATM at a venue when playing poker machines compared to 4.6% of non-problem players.[49]

6.4 The more recent report "*The Use of ATMS in ACT Gaming Venues: An Empirical Study*",[50] commissioned by the ACT Gambling and Racing Commission and published in September 2004, found that regular and problem gamblers access ATMs at gaming venues more frequently than recreational and non-gamblers.[51]

6.5 It also showed that a significant 60% of self-identified problem gamblers usually access ATMs at clubs. This is compared with only 25% of regular gamblers, 12.7% of recreational gamblers and 5.2% of non-gamblers who reported accessing an ATM at a club. Sixty per cent of those self-identified problem gamblers also reported withdrawing more than $100 as compared with ATM withdrawals of less than $100 for all other gambler groups.[52]

6.6 The Tasmanian experience also highlights the benefits of removing ATMs from licensed venues. Unlike other States and Territories, Tasmania doesn't have ATMs in its pubs and clubs and their losses per capita are significantly less than the rest of the

[49] op. cit. Productivity Commission (1999) p. 44-45

[50] McMillen, J., Marshall, D., Murphy, L., *The Use of ATMs in ACT Gambling Venues: An Empirical Study*, Australian National University Centre for Gambling Research, September 2004

[51] op. cit. McMillen, J., Marshall, D., Murphy, L. (2004) p. 11

[52] ibid

country. For instance, figures from the 24th edition of *Australian Gambling Statistics*[53] show that for 2005-2006, the turnover per machine in Tasmania was $397 095 compared with $582 549 for South Australia, $573 759 for New South Wales and $900 293 for Victoria. The turnover for gaming machines per capita for Tasmania was $2575 compared with $6100 for South Australia, $6 274 for Victorian and $10 848 for New South Wales.[54] While there are other influences that may have had an impact on these figures, the absence of ATMs must be a significant factor.

6.7 Throughout the Inquiry, access to cash through ATMs was also highlighted as a key issue for problem gamblers using poker machines. In addition to evidence received from welfare organisations, gambling counsellors and researchers, Mr Chappell of the Independent Gambling Authority in South Australia indicated that access to cash was a critical factor in people controlling their behaviour, stating that:

> *It is quite clear that access to cash it is a clear and burning issue and, in the absence of any other way of giving people the means of controlling their behaviour in-venue, access to cash is an excellent proxy for giving people the ability to commit to expenditure*.[55]

6.8 Dr Livingstone also stated that:

> *…almost all problem gamblers to whom I have spoken say that they always try to limit their expenditure, but they cannot because of the ready availability of access to cash through ATMs and so on. There is no doubt that removing ATMs would have a big impact on the expenditure of people like that. It seems pretty clear that limiting access to cash facilities would have a big impact. Would they turn to an alternative form of gambling? The evidence does not support that. Eighty-five per cent of the gambling problems in Australia are clearly attributable to poker machines. That has been validated endlessly in every prevalence study that has been undertaken over the past 10 years and longer.*[56]

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[53] The Office of Economic and Statistical Research (OESR) 2007, Queensland Treasury

[54] op.cit. The Office of Economic and Statistical Research (OESR) (2007)

[55] *Committee Hansard,* Thursday, 16 October 2008, p. 2

[56] *Committee Hansard,* Thursday, 11 September 2008, p. 3

6.9 He considered this approach as *"almost a classic harm minimisation strategy* to *make it harder for people to get access to their cash"*,[57] and that *"for a large proportion of problem gamblers it would have an immediate and beneficial impact."* [58]

6.10 Professor Hancock reiterated the same views when she said that limiting access to cash is fundamental to protecting players.[59]

6.11 It is acknowledged that the removal of ATMs from gambling venues alone will not eliminate problem gambling. However, at the very least, by limiting access to cash inside a venue, gamblers will, in many instances, have time to reflect on their actions and think twice about withdrawing money from an ATM at another location to continue gambling. This view is supported by problem gamblers who often describe being in a trance like state when playing poker machines. For instance, at a hearing of the Select Committee on Gaming Licensing in Victoria,[60] Ms Gabriela Byrne, a former problem gambler stated that, *"that is why I think taking ATMs out – by the time you walk somewhere to draw out money, you have a chance to come back to your senses, if that makes sense."*[61]

6.12 Simply limiting the amount of money that can be withdrawn from ATMs does not go far enough, as this does not prevent problem gamblers from accessing cash through separate transactions or through the use of multiple cards.

6.13 As highlighted by Ms Sue Pinkerton, President of Duty of Care:

> *Most people who develop an addiction to 'pokies', access to cash is tantamount. I did not just go once with the money that I could afford to spend; I would keep on going back. When I was gambling in South Australia they already had in force the $200 per transaction rule. I would make anything up to five or six visits to the ATM in a session to get another $200.*[62]

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[57] *Committee Hansard,* Thursday, 11 September 2008, p. 11
[58] *Committee Hansard,* Thursday, 11 September 2008, p. 11
[59] *Committee Hansard,* Thursday, 11 September 2008, p. 3
[60] *See Committee Hansard,* Melbourne, Victoria, Tuesday, 12 February 2008
[61] Committee Hansard, Melbourne, Victoria, Tuesday, 12 February 2008, p. 7
[62] *Committee Hansard,* Thursday, 11 September 2008, p. 57

6.14 On this basis, Senator Xenophon and the Australian Greens recommend that legislation should be enacted to require that ATMs are removed from gambling venues.

7. Smart Card Technology

7.1 The Committee received submissions and heard evidence on the issue of Smart Card technology and, in particular, player pre-commitment.

7.2 During evidence, Mr Phillip Ryan, Chief Executive Officer of Responsible Gambling Networks, talked in some length about the benefits of player pre-commitment, which he described as the *"combined seatbelt and airbag to protect all player-machine players from a potential financial crash"*.[63] He stated that:

> *Player pre-commitment, is the only rational means by which players can protect themselves from all the collective aggressive marketing of venues, the exploitative behaviours of operators, and the razzamatazz of new poker machines, once they enter a venue. The grate advantage of player pre-commitment as a public policy solution is that once it is implemented, it does not matter what the operators, the venues, the banks or the machine manufacturers subsequently attempt to do to entice more money from you, they cannot make you change your mind about purchasing behaviour once you enter their gambling venue.*[64]

7.3 While Mr Ryan supported the movement towards player pre-commitment, he also highlighted some of the concerns raised over smart card technology, such as, "*problem gamblers are highly intelligent. They will find a way to get two or three smart cards. Problem gamblers learn how to fool people. They are highly intelligent in shuffling accounts.*"[65]

7.4 Player pre-commitment has the potential to form a useful part of a harm minimisation strategy, provided that the issues of privacy and security can be resolved. A biometric technology may provide a means of ensuring that problem gamblers cannot use

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[63] *Committee Hansard,* Thursday, 11 September 2008, p. 40

[64] *Committee Hansard,* Thursday, 11 September 2008, p. 40

[65] See *Committee Hansard,* Thursday, 11 September 2008, p. 41, where Mr Ryan refers to comments made by Mr Anthony Sobb, CEO of Fairfield RSL Club, on the introduction of smart cards, as published in The *Fairfield Advance* newspaper on 19 February 2008.

multiple cards or devices to get around the system. We believe that the privacy safeguards and the relative efficacy of biometric smart cards, USB player protection keys and other similar technologies should be evaluated as a matter of urgency.

8. Conclusion

8.1 The majority report concludes that in view of the anticipated Productivity Commission Inquiry into Australia's gambling industries, the three bills introduced into the Senate by Senators Fielding and Xenophon not be passed at this time.

8.2 The Committee has heard about the impact of problem gambling and the harm caused by poker machines and it is abundantly clear on the strength of this evidence that the Productivity Commission will find that significant harm is being caused by poker machines. There are a number of measures which could be implemented immediately as interim harm reduction steps pending the outcome of the Productivity Commission Inquiry (which is due to report by the end of next year).

- The first is the removal of ATMs from gambling venues.
- The second is the complete banning of banknote acceptors on poker machines. There is no valid reason why poker machines in some State and Territories ought to have banknote acceptors.
- Further consideration should also be given to an appropriate form of pre-commitment technology such as biometric pre-commitment solution provided that privacy concerns are effectively addressed.
- Measures should also be implemented to slow down the rate of play and limit the maximum bets per spin on poker machines, as well as limits on jackpots.

8.3 These are all measures that have the potential to reduce the level of problem gambling, and the rates of losses of existing problem gamblers, without materially affecting the amenity of the majority of players. Senator Xenophon and the Australian Greens do not accept that the Committee should wait for the Productivity Commission to report on its findings before recommending these sorts of measures. The harm caused by poker machines is well established. Senator Xenophon and the Australian Greens believe that

there is no reason to delay acting on these issues, and recommend that immediate action is taken as suggested to minimise the harm experienced by problem gamblers.

8.4 There has been little action to combat the effects of problem gambling by State Governments who rely so heavily on gambling revenue and seem incapable of overcoming their own addiction to it – despite the high level of cost problem gambling imposes upon the community. The exception of Western Australia (which does not have poker machines in its hotels and clubs), provides sufficient evidence that poker machines are not a 'necessary evil'. Senator Xenophon and the Australian Greens recommend that immediate action should be taken by the Commonwealth to address this issue.

Senator Nick Xenophon
Independent
South Australia

Senator Rachel Siewert
Australian Greens
Western Australia