

Family First
Dissenting Report
Inquiry into Poker Machine Harm Reduction Tax
(Administration) Bill 2008;
Poker Machine Harm Minimisation Bill 2008;
ATMs and Cash Facilities in Licensed Venues Bill 2008

Governments in Australia must love poker machines. They are addicted to the money they rake in from pokies and it is obvious governments are not going to do anything that would cut the billions of dollars of revenue they take each year. Somewhere between a third and a half of that pokies cash comes from problem gamblers.

State governments in Australia have ignored problem gamblers and that is why Family First introduced the *Poker Machine Harm Minimisation Bill 2008* and the *Poker Machine Harm Reduction Tax (Administration) Bill 2008*.

Family First is astounded that the Committee has decided to shelve extensive and detailed evidence presented to the Committee in favour of much the same evidence to be produced by the Productivity Commission.

The Productivity Commission report will provide very important and useful information, but it should not be used as an excuse for a lack of action now. One of the reasons some groups have lobbied for a Productivity Commission report is to delay a decision on what to do about poker machines, in the hope that their revenue will be protected.

Dealing with the problem of poker machines has not been high in the priorities of the federal, state and territory governments, with the Ministerial Council on Gambling's meeting on 25 July 2008 being the first meeting since October 2006.¹

Last year soon-to-be Prime Minister Kevin Rudd said "I hate poker machines and I know something of their impact on families".² But there are very strong and entrenched interests which favour the status quo, including the industry and state governments.

1 Mr Lewis, Committee Hansard, 25 September 2008, page 1

2 Rudd attacks states over pokies, *The Australian*, 11 September 2007.

Those who deal with the despair of problem gamblers felt there was some hope in the Prime Minister's comment that he hates poker machines, but no action has been taken. Now the Committee has ducked making any recommendations for action on poker machines. Until the government decides to do something, expressions of concern are just words.

The poker machine industry has supported a Productivity Commission inquiry into gambling, in the hope that the passage of time will mean their revenue is safe. Both the Australian Hotels Association³ and Clubs Australia⁴ supported the new Productivity Commission inquiry, yet both also dispute the validity of figures produced by the 1999 Productivity Commission inquiry into gambling.⁵ Why would anyone expect them to agree with the outcome of the new inquiry, especially if their business is threatened?

The chairperson of the Gambling Impact Society in NSW commented on the lack of action resulting from the 1999 Productivity Commission report:

It has always rather astonished me that we have such good models in place around drugs, alcohol and tobacco and yet, for some reason, problem gambling has not come under that banner ... I think there are a whole range of other things that need to be happening. We do not as yet have that comprehensive framework. Ironically, it was very clearly recommended in the 1999 Productivity Commission ...⁶

In reaction to Family First's laws the Australian Hotel Association⁷ and Clubs Australia⁸ have recently recommended harm reduction measures, which begs the question as to why they did not move to introduce these measures earlier.

Poker machines are addictive for players, but they are also addictive for state and territory governments. State government revenue from poker machines and Keno in 2006-07 was almost \$3 billion.⁹ Gambling addicted state governments are incapable of weaning themselves off poker machine taxes.

The Committee could easily have made recommendations on automatic teller machines (ATMs) and whether cash withdrawals should be limited or the machines removed from premises that have poker machines. Two of the bills dealt with ATMs

3 COAG decision on problem gambling a sensible way forward, media release from the Australian Hotels Association, 4 July 2008.

4 ATM ban as Victoria leads gaming battle, *The Age*, 14 March 2008; Mr Peter Newell OAM, president of Clubs Australia, address to the National Press Club, 22 October 2008.

5 Mr Healey, Committee Hansard, 12 September 2008, page 5, 6; Mr Costello, Committee Hansard, 12 September 2008, page 19.

6 Ms Roberts, Committee Hansard, 12 September 2008, page 49

7 Mr Whelan, Committee Hansard, 12 September 2008, pages 10-11.

8 Mr Peter Newell OAM, president of Clubs Australia, address to the National Press Club, 22 October 2008.

9 *Australian Gambling Statistics 1980–81 to 2005–06*, 24th edition 2007, prepared by the Office of Economic and Statistical Research, Queensland Treasury.

and there was extensive evidence provided to the Committee. In the end the Committee put the issue in the too hard basket.

Unless there is federal intervention the policy paralysis at the state level will continue. The states have shown they are incapable of kicking their addiction to pokies. That is why federal intervention is necessary.

Family First's plan

Family First introduced the *Poker Machine Harm Minimisation Bill 2008* and the *Poker Machine Harm Reduction Tax (Administration) Bill 2008*, as part of a plan to address problem gambling.

Family First's *Poker Machine Harm Minimisation Bill* sets out a number of harm minimisation measures.

It will limit the amount of money gamblers can lose and slow down the addictive nature of poker machines, sometimes known as electronic gaming machines (EGMs), by:

- banning multiple line betting and free spins;
- mandating a 5 second delay between spins;
- limiting ATM withdrawals in gambling venues to \$100 a day; and,
- limiting bank note acceptors to denominations of not more than \$20, to a maximum total of \$100.

For cash bets on poker machines:

- bets will be limited to \$1 a spin; and,
- payout prizes will be limited to a maximum of \$1,000.

For those poker machine players who wish to play higher risk poker machines, they can use machines which accept a pre-commitment smart card with a maximum fortnightly monetary credit of \$1,000, which allow:

- Bets over \$1 and up to \$5 a spin; and,
- Payout prizes limited to a maximum of \$2,000.

The legislation uses the powers available to the Federal Government. It uses the corporations power to force poker machine manufacturers and suppliers to modify their machines. It also uses the banking power to deal with automatic teller machines.

Family First's *Poker Machine Harm Reduction Tax (Administration) Bill 2008* deals with the problem of the accessibility of poker machines. It would over time see pokies

out of pubs and clubs and have them restricted to casinos and racetracks, which are dedicated gambling venues.

Problem gambling

Problem gambling is a important issue, with the Productivity Commission estimating that 293,000 people have a significant gambling problem in Australia.¹⁰ The poker machine industry claims there has been a substantial decline¹¹ or a halving¹² in the incidence of problem gambling since the Commission's report.

But evidence presented to the Committee by Dr Livingstone explained that:

If you look at the data from the most recent New South Wales prevalence study and compare it to Productivity Commission data from 1999 you see that statistically there is no significant difference between the two. There is certainly no reduction in the rate of problem gambling in New South Wales.¹³

Evidence presented to the Committee estimated problem or at-risk gamblers account for between a third¹⁴ and more than 50 per cent¹⁵ of expenditure on poker machines.

The most recent *Australian Gambling Review* reports that "problem gamblers are estimated to lose \$12,000 per year or a rate of \$250 per week."¹⁶

A paper published this year in *International Gambling Studies* stated that more than 50 per cent of regular poker machine users are problem gamblers or at risk of becoming problem gamblers. The close link between poker machines and problem gambling is shown by the fact that about 85 per cent of problem gamblers use poker machines.¹⁷

Counselling group Anglicare testified that:

... approximately 80 per cent of clients presenting to our services with chronic gambling-related behaviours use EGMs as their preferred method of gambling. ... The case studies in our submission have a common theme. An individual develops gambling-related behaviour, which is often fed by easy access to credit, particularly credit cards. They cannot possibly afford

10 Productivity Commission, *Australia's Gambling Industries: Final Report*, 26 November 1999, page 5.14.

11 Mr Healey, Committee Hansard, 12 September 2008, page 3

12 Mr Costello, Committee Hansard, 12 September 2008, page 14.

13 Dr Livingstone, Committee Hansard, 11 September 2008, page 4.

14 Independent Gambling Authority, submission 33, attachment 1.

15 Dr Charles Livingstone and Dr Richard Woolley, submission 23

16 Independent Gambling Authority, submission 33, attachment 1.

17 Livingstone, C. and Woolley, R. (2007), 'Risky Business: A Few Provocations on the Regulation of Electronic Gaming Machines', *International Gambling Studies*, 7(3): pages 361-376.

this level of credit. They have to declare bankruptcy and also face the double whammy of potential criminalisation as it is an offence to become bankrupt as a result of problem gambling.¹⁸

... we have people coming in every day who sit in front of you and tell you how they have gambled away the farm, the family home, their marriage, their relationships and their children's future. That is a devastating situation to be in and it is very hard to come back from. Again, I reinforce the need for a preventive approach rather than trying to pick up the pieces all the time.¹⁹

The difficulties that face problem gamblers extend well beyond financial difficulties, with indications that "... between 60–80% of problem gamblers experience significant depression, anxiety, and suicide ideation."²⁰

How poker machines contribute to problem gambling

Poker machines are harmful and can lead to problem gambling because they are designed to extract money from the pockets of players:

The products have had 10 to 15 years of intensive research and millions of dollars have been spent on them in an attempt to try to refine the way they pull money out of players.²¹

One witness argued that it is a normal reaction to poker machines for players to lose control, because that's the way the machines are designed:

... at the moment we have a focus on individuals supposedly able to make responsible gambling decisions, yet the studies that have actually looked at that experience in action for people would suggest that it is normal for people to lose control. This is not necessarily someone who has a major problem, but it is a normal experience that when you are in action with an electronic gaming machine the interaction of that technology with your psychology basically means that it is very hard to make what we would consider an informed decision.²²

University of Adelaide psychologist, Dr Paul Delfabbro, states that:

EGM players appear to be sensitive to variations in machine events and structural variations in machines. Modern machines, based upon a random ratio schedule of reinforcement, appear to be more effective in maintaining behaviour compared with older models. The classical conditioning explanation relates to the development of associations between gambling

18 Mr Longmuir, Anglicare, Committee Hansard, 11 September 2008, page 20.

19 Mr Longmuir, Anglicare, Committee Hansard, 11 September 2008, page 22.

20 Independent Gambling Authority, submission 33, attachment 1.

21 Professor Hancock, Committee Hansard, 11 September 2008, page 3.

22 Ms Roberts, Committee Hansard, 12 September 2008, page 50

stimuli (e.g., sounds) and specific physiological responses (e.g., anxiety and arousal), and how these drive people's urge to gamble.²³

Mr Tim Falkiner said "... the machines destroy many people because they mislead the players into thinking that the odds are better than they are, and that a big win is coming."²⁴

Mrs Pinkerton from Duty of Care points out that attempts to influence gamblers go much wider than just the poker machines themselves:

Venue layout and design were precisely and carefully assessed by comparing changes in profits generated. Gaming rooms became places where players were equally stimulated and comfortable. Seat design ensured gamblers remained comfortable for hours at a time. In comparison, McDonald's have seats that you sit on for just 20 minutes and then start to get sore because they want fast turnover of their customers. Baby powder scented cleaning products were found to ensure that women perceived venues as safe and relaxing, nonthreatening. Oxygen piped into the air ensured that gamblers yawned less, stayed longer, and, therefore, spent more money. Machine placement within a venue has become a precise science that ensures each machine generates maximum profits for its owner.²⁵

Clearly there is a well thought out plan of attack to wring money from unsuspecting poker machine players.

Cost to the community

The value of poker machines to owners or operators of the machines is easily calculated, but the cost of poker machines to the community is a more elusive number.

One witness pointed out:

... the costs are externalised, borne by members of the community, and they are not aggregated into any sort of calculus that can show what is the cost. The benefits are all accrued to government, to industry and to shareholders, who can count them quite happily.²⁶

One of the costs is to the people and organisations who no longer receive the money which instead goes into poker machines:

Within the first 12 months after poker machines were introduced to the states other than New South Wales, community concerns began being heard. Small businesses in South Australia suffered a 15 per cent downturn in profit in the first year. We now have 17 times more money going into poker machines. How much must that be affecting small business profits? Donations to charities and sporting groups dropped significantly. Charity

23 Independent Gambling Authority, submission 33, attachment 1.

24 Mr Falkiner, Committee Hansard, 11 September 2008, page 14.

25 Mrs Pinkerton, Committee Hansard, 11 September 2008, page 52

26 Dr Livingstone, Committee Hansard, 11 September 2008, page 8.

organisations struggled under an ever-increasing number of individuals and families needing help.²⁷

Crime is another concern that results from problem gambling, that is so closely linked with poker machines:

Some studies in New South Wales have shown that perhaps a quarter of the white collar crime in that state can be attributed to gambling. Some studies demonstrated a very high rate of problem gambling for those who are in prison. It is now thought that a high degree of the problems that people have that land them in prison are associated one way or another with gambling issues.²⁸

Problem gambling shows up clearly in the people who have been gaoled:

Problem gambling prevalence rates tend to be 10–20 times higher amongst those in correctional institutions than in the general community. Approximately 30% of people with severe gambling problems have committed crimes to support their gambling.²⁹

Addressing the problem gambling associated with poker machine use could have a significant impact on crime and the number of people in gaol.

Access to poker machines

Family First's *Poker Machine Harm Reduction Tax (Administration) Bill 2008* would over time see pokies out of pubs and clubs and have them restricted to casinos and racetracks. That's because access to poker machines is such an important factor in poker machine harm.

Professor Hancock from Deakin University stated "there is now a substantial evidence base to establish ... localised access is an issue and harm is exacerbated by the 'suburbanisation' of EGMs in local clubs and hotels."³⁰

Dr Zirnsak from the Victorian InterChurch Gambling Taskforce argued that:

... the majority of people would travel relatively short distances, so geographical accessibility is certainly a key factor in the decision to gamble and, from our point of view, also in terms of harm. That is part of what attracts us to a notion of moving to a more destinational gambling model where people are making deliberate choices to travel, rather than through the convenience of a venue simply being on their daily route and people gambling as a result of impulse gambling.³¹

Rev Reynolds from the Social Responsibilities Committee stated that:

27 Mrs Pinkerton, Committee Hansard, 11 September 2008, page 52

28 Dr Livingstone, Committee Hansard, 11 September 2008, page 4.

29 Independent Gambling Authority, submission 33, attachment 1.

30 Associate Professor Linda Hancock, submission 24

31 Dr Zirnsak, Committee Hansard, 11 September 2008, page 37

... when a venue is next to the supermarket, opportunistic gambling takes place, especially by those with a problem or a developing problem. However, with destinational gambling it has been shown that when a person has to make a conscious decision to travel to a venue, there is a marked reduction in problem gambling. Whilst the Poker Machine Harm Reduction Tax (Administration) Bill might be an odd way to achieve destinational gambling, it seems to be the only way, while state governments continue to support the gambling industry in its present form and fail to recognise and acknowledge the severe harm the present system does to many people, especially those at the lower socioeconomic levels.³²

Professors Peter Howat and Bruce Maycock contrast the situation with that in Western Australia, saying "evidence from South Australia, NSW and Queensland indicates that as EGMs have become more available there has been an escalation of problem gambling."³³

Western Australia

Western Australia offers a useful opportunity to test the danger of allowing poker machines into suburban clubs and pubs, because in WA poker machines are confined to the Burswood Casino.

The Australian Hotels Association agreed that hotels in WA are financially viable, even though they do not have poker machines.³⁴

South Australia's Independent Gambling Authority commented that:

... clearly there is less problem gambling in Western Australia because slot machines are confined to the Burswood ... casino and all of the material that I have ever seen suggests that there is a strong relationship between the widespread availability of slot machines in hotels and clubs and problem gambling.³⁵

The comparison between problem gambling rates in Western Australia and other states is stark:

The prevalence of problem gambling is around 2% of the adult population. This rate is over twice the rate observed in New Zealand (0.6%). Problem gambling rates tend to be relatively similar across jurisdictions, although the most recent South Australian figure is lower than in other jurisdictions. The lowest prevalence rates have been observed in WA where there are no EGMs in clubs and hotels.³⁶

Professor Hancock pointed out that:

32 Rev Reynolds, Committee Hansard, 11 September 2008, page 19.

33 Professors Peter Howat and Bruce Maycock, submission 19.

34 Mr Healey, Committee Hansard, 12 September 2008, page 4

35 Mr Chappell, Committee Hansard, 16 October 2008, page 3.

36 Independent Gambling Authority, submission 33, attachment 1.

... Victorian GPs are four times more likely to identify patients who present with issues associated with problem gambling than their counterparts in Western Australia ...³⁷

Clearly Western Australia offers an important insight to the rest of Australia on what problem gambling rates could be like, if poker machines were restricted to dedicated gambling venues, like casinos and racetracks.

Harm minimisation

Family First's *Poker Machine Harm Minimisation Bill* sets out a number of harm minimisation measures based on solid evidence,³⁸ and evidence presented to the inquiry supports the measures in the bill such as pre-commitment smart cards and limiting bets to \$1 a spin.

For example, the Victorian InterChurch Gambling Taskforce pointed out that one industry group:

... selectively quotes from Professor Alex Blaszczynski's 2001 report commissioned by the Gaming Industry Operators Group to deter the New South Wales government from introducing certain harm minimisation measures. In his report, Professor Blaszczynski recommended that a \$1 bet limit be introduced as a harm minimisation measure—a step which the industry has yet to introduce and which is not mentioned at all in the use of that research in their submission. Further, the AGMMA submission fails to acknowledge the research that has been conducted in Queensland suggesting that limiting note acceptors to \$20 notes, with a maximum credit of \$100, curbed problem gambling behaviour shortly after it was introduced.³⁹

Mr Ryan from Responsible Gaming Networks argued that a pre-commitment system is the way to go:

At the end of the day, what we have is a dangerous product in a dangerous industry with dangerous devices, and we need to let players take control of their spending behaviours. We know that there are some people who will exploit the system, so we need identity devices so that people will not trade their identity. The best academics in the world looking at the best research from Las Vegas say that we need a biometrics system. Fingerprints have been around since the 1930s. The advantage of this device is that you produce your identity to 100 points, you are given this device for free, you scan your fingerprint into the device, and that fingerprint is burnt into the device. It is not stored in any central computer. It is not stored by us, by the

37 Associate Professor Linda Hancock, submission 24

38 including, for example, Livingstone, C and Woolley, R, *The Relevance and Role of Gaming Machine Games and Game Features on the Play of Problem Gamblers*. Prepared for the Independent Gambling Authority, South Australia under the auspices of Australian Institute for Primary Care (AIPC), La Trobe University, January 2008.

39 Dr Zirnsak, Committee Hansard, 11 September 2008, page 28

government or anyone else. You carry the device with you. You carry your own identity with you.⁴⁰

Automatic teller machines

Family First's *Poker Machine Harm Minimisation Bill* would also limit ATM withdrawals in gambling venues to \$100 a day and another bill would ban ATMs from gambling venues.

The ATM Industry Reference Group told the Committee it was technically possible to "... establish daily withdrawal limits at each venue ..." and withdrawal limits will be established to meet new Victorian Government requirements.⁴¹

Dr Livingstone told the Committee:

... there is certainly enough evidence to indicate that access to ATMs fuels excess expenditure on the part of problem gamblers in particular. The problem gamblers to whom we have spoken in our studies for South Australia and Victoria have demonstrated that, for the most part, the reason they stop playing machines in a session of play is that they run out of available funds, or they can no longer access any more money from their ATM account, having run to the edge of it.⁴²

A counsellor from the Central Coast Problem Gambling Service said that:

Most problem gamblers whom I see report regularly going back and forth to the ATM machine in the gaming venue. For a lot of them the symptoms whilst they are gambling are very similar to those of alcoholism: they go into blackouts, they lose time and they cannot remember their actions, but then when they go and check their ATM withdrawals or their bank account the next day they can see numerous withdrawals from ATM machines that were at the venue.⁴³

Putting a daily limit on withdrawals would help stop problem gamblers emptying their account. Obliging gamblers to leave a gambling venue to go to an ATM can also help break the cycle and assist a problem gambler to avoid emptying their account.

Conclusion

Family First is astounded that the Committee has decided to shelve extensive and detailed evidence presented to the Committee in favour of future evidence to be produced by the Productivity Commission.

40 Mr Ryan, Committee Hansard, 11 September 2008, page 43-44

41 Mr Glen, Committee Hansard, 12 September 2008, page 30, 31.

42 Dr Livingstone, Committee Hansard, 11 September 2008, page 2.

43 Mr Poole, Committee Hansard, 12 September 2008, page 42

State governments in Australia have ignored problem gamblers for too long, which is why Family First introduced the *Poker Machine Harm Minimisation Bill 2008* and the *Poker Machine Harm Reduction Tax (Administration) Bill 2008*.

Governments are addicted to poker machine revenue. The lure of the money far outweighs concerns for problem gamblers. Government say they hate pokies, but when it comes to the crunch they would much rather have the money. That's not what Australians expect of their governments. To turn their back on the despair this brings to families is shameful.

Unless there is federal intervention the policy paralysis at the state level will continue. The states have shown they are incapable of kicking their addiction to pokies revenue. That is why federal intervention has to happen and must not be delayed.

Senator Steve Fielding
Family First Leader

