



# AUSTRALIAN HOTELS ASSOCIATION

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The Secretary  
Senate Community Affairs Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

8<sup>th</sup> August, 2008

By email: [community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)

Dear Mr Humphery

## **Poker Machine Harm Minimisation Bill 2008**

Please find attached a response from the Australian Hotels Association in relation to the above Bill.

### Introduction

The AHA is comprised of close to 5000 members across Australia. It is a Federally Registered Industrial Organisation of Employers and has a National Office and Branch Offices in each State and Territory.

Our membership base is made up of both general licensed premises as well as accommodation members. State and Territory branches within the AHA operate autonomously and manage their own finances. A number of hotels linked to casinos are also AHA members.

AHA members operate in a highly regulated environment and are subject to significant penalties if they are found to breach these obligations.

Hotels have traditionally been an integral part of their local community and are often the main social gathering place, particularly in regional areas. Hotels generate revenue a number of ways including:

- the sale alcohol and other beverages both on and off premise,
- food sales in bistros restaurants and functions,
- entertainment
- accommodation
- meetings and conventions
- gambling through keno, wagering and gaming machines.

General hotels compete for customers with a range of other hospitality providers such as clubs, restaurants, casinos, bars and nightclubs, as well as a variety of accommodation and entertainment providers.

The laws relating to Electronic Gaming Machines (EGMs) vary in each jurisdiction. Hotels generally have access to machines in NSW (Max 30); SA (Max 40); Qld (Max 40); NT (Max 12). Arrangements in Victoria and Tasmania limit the number of venues that have access to EGMs. Hotels in WA and the ACT do not have access to EGMs. In recent years the respective State Governments have capped machine numbers.

Since the 1970s the hotel sector has undergone significant change as a result of a reduction in the per capita consumption of alcohol. There has also been a shift away from drinking in a licensed premise to drinking at home or in other venues. This change has been promoted by intense competition from liquor stores and supermarkets for the alcohol dollar.

By 1990 many hotels were under significant financial stress and only survived when State Governments allowed EGMs in hotels. This decision followed recognition of the strong consumer demand for EGMs as an attractive means of entertainment.

The 1990s saw a dramatic escalation of gambling options in most Australian States. The Productivity Commission review of 1999, which remains the definitive source of information on problem gambling for the anti EGMs lobby was undertaken at the peak of this growth.

### The Proposed Bill

On 25 June 2008 the Senate, on the recommendation of the Selection of Bills Committee, referred the Poker Machine Harm Minimisation Bill 2008 to the Community Affairs Committee. The inquiry into this Bill has been combined with the previously referred Poker Machine Harm Reduction Tax (Administration) Bill 2008, with a joint reporting date which is now 10 November 2008.

Reasons provided for the Bill's referral and the principal issues for consideration are:

Research into gambling shows that targeted changes can cut rates of excessive gambling and that cutting rates of excessive gambling is a very important part of addressing problem gambling and allowing people to play the pokies with reduced harm.

Family First's Bill sets out a number of harm minimisation measures such as limiting cash bets on poker machines to \$1 a spin, payout prizes to a maximum of \$1,000, limiting ATM withdrawals at gambling venues to \$100 a day and introducing smart cards with a \$1000 fortnightly limit for those who want to play more powerful machines up to \$5 a spin.

These assertions are based on selected references to the 1999 Productivity Commission Inquiry into Gambling and it appears Senator Fielding has failed to take account of any of the changes in the use of EGMs that have occurred since that time.

The AHA is opposed to these Bills and is strongly of the view that existing harm minimisation measures are working, with problem gambling rates falling throughout Australia since the 1999 Productivity Commission Report.

Problem Gambling - Australian States		
State	Problem Gambling Rate	Year
NSW	0.80%	2006
Queensland	0.47%	2007
South Australia	0.40%	2005
Tasmania	0.73%	2005
Victoria	0.97%	2003

Importantly, as the measures proposed in these Bills are not based on evidence, they are unlikely to deliver a further reduction in problem gambling.

### Evidenced Based Policy Making

The AHA is aware that Council of Australian Governments has requested the Productivity Commission to review the findings of its 1999 Inquiry into Gambling.

The new Government is committed to establishing a culture of evidence based policy development within the Australian Public Service. We note that the Prime Minister has stated that before the Commonwealth would consider intervention into this state area of responsibility there needs to be research to

- (i) establish if there is a significant problem with gambling linked EGMs
- (ii) identify the best way to address any identified problem and what this will cost.

We are also aware that the Federal Opposition has indicated that it would require a new review by a respected body such as the Productivity Commission before considering any specific Federal intervention to address perceived community concerns with EGMs.

### Is there a major community problem with EGMs

The proposed Bill is based on a false premise that there is a major problem with the level of problem gaming associated with EGMs.

Recent studies indicate that the majority of EGM players use machines responsibly with less than 1% of the population identified as problem gamblers. This situation has stabilised since the Productivity Commission review and the improved figures reflect a more mature market as well as the positive impact of harm minimisation strategies and self exclusion and counselling support services. Reference to other indicators such as the number of bankruptcies and marriage breakups attributed to gambling suggest that there is less of a problem than is portrayed in the Senator's second reading speech.

Despite this improvement, the AHA is committed to working with Government and the broader community to implement strategies to further minimise the level of problem gambling in the community.

It is clear that there remains a need for more focussed and co-ordinated approach to research to establish the actual extent of problem gambling and identify strategies to successfully minimise the impact.

The AHA has indicated to the Federal Government that it supports the establishment of a Commonwealth Gambling Advisory Committee. This Committee would involve industry, government and community representatives. It would provide advice on gambling related research and intervention strategies. It would inform and review the work of Gambling Research Australia and be based on arrangements currently in place in several states.

This Committee would be a key contributor to evidence based decision making by the Commonwealth and States on the most appropriate way to deal with the social consequences associated with problem gambling.

The AHA's specific comments in relation to the Bill are:

**Section 9** - Maximum denomination of notes accepted by bank note acceptors

Currently each State & Territory regulates the operation of gaming machine note acceptors. Some limit the value of the notes accepted, others have no limit, while other jurisdictions do not allow notes to be inserted into gaming machines. To date there is no clear evidence that restricting the denomination of notes accepted by gaming machines will be an effective problem gambling initiative.

In fact, recent data indicates that restrictions on note acceptors have no impact on per capita gaming machine expenditure. In 2005-06 per capita gaming expenditure for Victoria was \$634 while Queensland was \$585. In South Australia, a State where there are no note acceptors the figure was \$624, or broadly in line with the Victorian and Queensland figure and the national average of \$663.<sup>1</sup>

**Section 10** - Limit on credits entered through bank note acceptors

The AHA is not aware of any research undertaken in relation to limits on credits entered through bank note acceptors. This does not appear to be an effective harm minimisation initiative as problem gamblers could simply insert note after note into the gaming machine.

**Section 11** - Limits on credits entered through gaming machine ticket readers

The AHA's comments in relation to Section 10 also apply to this proposal. There appears to be no evidence that this measure will prevent problem gamblers inserting cash or credits via a ticket into a gaming machine.

**Sections 12, 17 & 18** - Prohibition on multiple line betting, free spins and spin rates

Again the AHA is unaware of clear evidence that restricting a gaming machine to one payline will have a positive impact on problem gambling.

In relation to game features such as multiple line betting, it is important to recognise that player preference and demand has shaped the way gaming machines operate today. It is also

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<sup>1</sup> Australian Gambling Statistics 2005-06. Table E

important to note the first key finding of the 1999 Productivity Commission Report, that "Gambling provides enjoyment to most Australians."

After considering available research on modifications to gaming machines, including limiting the number of lines, maximum bets and slowing play speed (spin rates) Dr Paul Delfabbro in the June 2007 Australasian Gambling Review concluded "it is not clear whether there is any evidence that they work in practice, or whether problem gamblers would alter their behaviour in the face of such modifications."<sup>2</sup>

### **Sections 13 & 14 - Maximum bet per spin / Maximum bets per spin with smart cards.**

As noted above there is no clear evidence that this proposal will have a positive impact on problem gambling.

Each Australian jurisdiction has established a maximum bet limit for their jurisdiction. It is also worth noting the impact of inflation on these maximum bet limits, many of which have not been adjusted for a number of years.

The AHA opposes the creation of a system that discriminates between card and non card players. The cost involved in implementing such a scheme is also expected to be prohibitive.

Such a severe restriction will also encourage gaming machine players to shift their attention to other forms of gambling such as horse racing, casino games or internet gambling where very large bets can still be placed. Those with a problem will still be able to gamble significant dollar amounts.

### **Section 15 and 16 - Limit on jackpots and linked-jackpot arrangements / smart cards**

The AHA is unaware of clear evidence to suggest these initiatives will have a positive impact on problem gambling.

The Productivity Commission found that while a number of problem gamblers specifically seek out machines with jackpots, "This does not, however, necessarily mean that in the absence of jackpot machines, visits or money spent by problem gamblers would be any less."<sup>3</sup>

### **Section 20 - Withdrawals from Cash facilities**

The Australian Hotels Association welcomes the recognition by Senator Stephen Fielding that ATMs should remain in hospitality venues that provide gambling services. This is consistent with the views of the majority of State Governments.

The AHA is opposed to the other measure that Senator Fielding has proposed in his Bill and the proposed ATM withdrawal limit. Evidence shows that these will do little to help the small percentage of Electronic Gaming Machine players who are problem gamblers.

Over the last decade, the number of ATMs in Australia has increased from 9,253 in March.

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<sup>2</sup> Dr Paul Delfabbro - Australasian Gambling Review June 2007 – a report prepared for the Independent Gambling Authority of South Australia. p154

<sup>3</sup> Productivity Commission: Australia's Gambling Industries 1999 p16.82

1998 to 26,200 in March 2008.<sup>4</sup>

Largely, the growth in ATMs has been driven by placement into convenience locations where there is a consumer demand for cash, away from bank branches.

For business owners, the ATM delivers a number of key benefits;

- 1 Recycle cash takings back into the community
- 2 Reduced congestion at counter areas (with cash out facilities being provided elsewhere within the premise)
- 3 Provided opportunities to attract and retain customers, driving sales. Previously, a competitor may have had a bank ATM on premise or within the immediate vicinity placing another business at a competitive disadvantage.
- 4 Reduced the theft risk by securing large cash floats within the ATM rather than being accessible in the till for EFTPOS cash out.

For consumers, the increased numbers of ATMs offer greater convenience, personal comfort, privacy and security. Use of the larger numbers of ATMs is driven by customer fees so ultimately the growth of ATMs is driven by the consumer's choice to continue to use the facility.

Importantly, the growth in the number of ATMs has not come at the expense of other payments channels such as EFTPOS. As the number of ATMs has risen, so too has the number of EFTPOS terminals (217,272 terminals in 1998 to 645,154 terminals in March 2008).<sup>5</sup>

The combined monthly value of ATM and EFTPOS payments has risen by nearly \$12.8 Billion per month over the last decade with ATM withdrawals accounting for nearly \$7 Billion of that increase.<sup>6</sup>

It should be noted that ATMs have grown significantly in number within a range of industries; petrol, convenience, supermarket and hospitality – gaming and non gaming.

The recent NSW Government 5 year Review of the Gaming Machines Act 2007 concluded that "The 2006 study into the prevalence of problem gambling in the community indicated that the majority of users of ATMs in venues used them as a generally convenient way to access cash, and for purposes unrelated to gambling in venues."<sup>7</sup>

In 2004, a study commissioned by the Australian National University about ATM usage in ACT gaming venues found that 65% of gaming venue patrons access an ATM away from the premise.

The 2006 NSW Prevalence Study found that 84% of poker machine players rarely or never withdrew cash from an ATM to play.<sup>8</sup>

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<sup>4</sup> [http://www.apca.com.au/Public/apca01\\_live.nsf/WebPageDisplay/Stats\\_Terminals](http://www.apca.com.au/Public/apca01_live.nsf/WebPageDisplay/Stats_Terminals)

<sup>5</sup> [http://www.apca.com.au/Public/apca01\\_live.nsf/WebPageDisplay/Stats\\_Terminals](http://www.apca.com.au/Public/apca01_live.nsf/WebPageDisplay/Stats_Terminals)

<sup>6</sup> [http://www.apca.com.au/Public/apca01\\_live.nsf/WebPageDisplay/Stats\\_CardValue](http://www.apca.com.au/Public/apca01_live.nsf/WebPageDisplay/Stats_CardValue)

<sup>7</sup> NSW Government Review of the Gaming Machines Act – 2007 p27

<sup>8</sup> AC Nielsen – Prevalence of Problem Gambling in NSW September 2006 p86

While these studies provide a snapshot of a specific section of ATM use, to date there is yet to be any conclusive study into ATM usage and spending patterns within hospitality venues.

Without such research, there is no way of quantifying the impact to the broader business activities within the hospitality venue (e.g. food and beverage) nor the likely impact of removing ATMs as an effective harm minimisation measure.

In a report commissioned by the former Gambling Research Panel, venue managers overwhelmingly responded that removing ATMs from gaming venues would not be an effective harm minimisation measure.

The inconclusive findings of the Productivity Commission report (and others) have been used to hijack objective debate and decision making on the impact of ATMs to problem gambling.

Removing ATMs from gaming venues does not address the issue of problem gambling. Studies like the ACT study found that problem gamblers do currently bring gambling funds into a venue. There is nothing to suggest that removing the venue based ATM will curtail this practice.

Furthermore the scope of the existing studies do not consider the benefit of security and convenience to casual venue patrons nor to the security benefits to the venue from securing a large cash float (which would otherwise be available via multiple till systems for EFTPOS cash out).

It is worth noting the 1999 Productivity Commission recognised that ATM restrictions “may also have adverse security impacts of customers if they are forced to use an ATM on the street rather than inside the venue.”<sup>9</sup>

The Productivity Commission also raised concerns surrounding loan sharks operating in gambling venues. “Problem gamblers may resort to borrowing money from ‘loan sharks’ when possibilities for borrowing from mainstream avenues such as banks, credit unions, and financial institutions are exhausted....Loan sharks use gambling venues to find new clients.”<sup>10</sup>

The AHA is concerned by the lack of informed debate and evidence based discussion surrounding the issue of ATMs and their use. ATMs are used over 72 million times each month in Australia so presumably could be blamed for any excessive consumer spending.

The AHA supports current harm minimization strategies and will work with governments to ensure that, where necessary and based on substantial evidence, other strategies should be implemented.

Current harm minimization measures for problem gamblers include, removing credit access, and ATM placement restrictions in the venue

The issue for the AHA and others is that in seeking to be effective in combating problem gambling, certain politicians have targeted the ATM without consideration of fact or counter argument. It would appear more a political stunt rather than a substantial harm minimisation measure that does not cause inconvenience to the wider community.

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<sup>9</sup> Productivity Commission Report: Australia’s Gambling Industries p16.62

<sup>10</sup> Productivity Commission Report: Australia’s Gambling Industries p7.65

Some data provided by Customers ATM, reviews the withdrawal transactions on various ATMs within the network and can provide the following preliminary analysis:

Gaming venue : 322,281 withdrawals (264,786 unique cards), 50 venues sampled  
 Non gaming venue: 293,628 withdrawals (275,934 unique cards) , 50 venues sampled

	Gaming	Non Gaming
Average withdrawal amount per transaction	\$95.72	\$112.75
Average daily usage frequency per unique card identifier	1.22	1.06
Average daily withdrawal amount per card (total withdrawn per day)	\$116.51	\$119.98

The average withdrawal amount and the total amount withdrawn per day is significantly lower than the industry average of \$170.36.<sup>11</sup>

The AHA is hopeful that the Victorian State Government will reconsider its position to remove ATMs from gaming venues (excluding the casino) by 2012. Prior to making policy on ATMs, the AHA is also hopeful that more extensive research is considered including the benefit ATMs offer to sales, security, privacy and convenience.

**Section 22 – Maximum redemption amount from cash-back terminals**

The AHA is not aware of evidence that restrictions on cash-back terminals will prevent problem gambling.

Hotels and the Economy

Hotels are important contributors to the Australian economy. They have grown and developed over the last 15 years on the presumption that their income will include a contribution from gambling. Hotels throughout the nation provide employment for up to 300,000 Australians.

The removal of machines from hotel venues would significantly reduce their financial viability placing jobs, bank loans and community amenity at risk.

After modest growth over the first half of the decade many Hotels are currently experiencing difficult trading conditions, resulting from rising interest rates and petrol prices which have reduced household disposable income and hence spending in hotels. This has been exacerbated by the introduction of smoking bans in enclosed areas which has led to an average drop in revenue of around 10%. The sale price of hotels has increased significantly

<sup>11</sup> [http://www.apca.com.au/Public/apca01\\_live.nsf/WebPageDisplay/Stats\\_CardVolume](http://www.apca.com.au/Public/apca01_live.nsf/WebPageDisplay/Stats_CardVolume)



over recent years and many businesses are heavily geared and hence impacted by rising interest rates.

## Conclusions

The AHA believes the level of problem gambling in the community has reduced since the Productivity Commission Inquiry in 1999 and this will be confirmed when the Productivity Commission reviews its findings at the request of COAG.

Evidence suggest that the best way to deal with problem gambling is through education and harm minimisation initiatives that reduce the potential for individuals to become problem gamblers and provide long term self exclusions, counselling and support services when a person develops a problem. We have suggested to the Government that the effectiveness of these initiatives should be reviewed as part of the Productivity Commission Inquiry.

Gambling has become a significant and important revenue source for the industry. Hotels have made substantial investment decisions based on the presumption that EGM entitlements provided by state and territory governments will be available over the long term.

It is reasonable to expect that any amendments to existing entitlement would be based on objective, up to date evidence that is supported by a robust cost/benefit analysis.

The initiatives proposed under the current Bill would have devastating consequences for the financial viability of hotels, particularly those in regional communities and flow to employment, suppliers and State revenues. It will also significantly reduce the enjoyment of the overwhelming majority of EGMs players who are not problem gamblers.

If you would like to discuss any of the issues raised within this paper, I encourage you to contact me on my mobile telephone on 0419 627 693.

Yours sincerely

Bill Healey  
Chief Executive Officer