



SENATE COMMUNITY AFFAIRS COMMITTEE
POKER MACHINE HARM MINIMISATION BILL 2008
8 August 2008

INTRODUCTION

The Poker Machine Harm Minimisation Bill adds to already proposed initiatives contained in the Poker Machine Harm Reduction Tax Bill and about which ClubsAustralia has provided comment¹. The submissions should be read in conjunction.

The Club Movement is fundamentally opposed to these Bills and re-states its belief that the premise on which the Bills are based is flawed. The Bills, in their quest to reduce poker machine gambling in total, do not represent a targeted approach to problem gambling and would have severe negative impacts on the Australian Club Movement and the viability of clubs. The aim of the Bills must be questioned as existing harm minimisation measures are proven to be working. This is reflected in the reducing problem gambling prevalence rates across the country (as detailed in ClubsAustralia's previous submission).

This submission addresses each proposal in the Harm Minimisation Bill, section by section. Many of the proposals have previously been addressed by the States and Territories. Gambling technology and statistics have changed dramatically in the last decade, so it is essential to gather the facts before considering introducing legislation.

ClubsAustralia welcomes the announcement of an inquiry by the Productivity Commission, to update the findings of the 1999 review of Australia's Gambling Industries.

¹ Clubs Australia submission to the Senate Community Affairs Committee on the Poker Machine Harm Reduction Tax (Administration) Bill 2008 – May 2008

The Poker Machine Harm Minimisation Bill 2008

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

Section 9 proposes to limit poker machines from accepting bank notes of value greater than \$20. State and Territory based legislation or technical guidelines currently address the issue of note acceptors/validators and their use with poker machines. There are some differences between jurisdictions - some allow all denominations, while others do not allow notes at all.

The evidence about the effectiveness of this measure is inconclusive. While the Productivity Commission in 1999 made comment on note acceptors this was based on limited anecdotal evidence from problem gamblers rather than scientific research. Considering the high cost of replacing machines or making changes to software and hardware to implement such a change, ClubsAustralia believes the evidence should be conclusive before policy is adopted in this area.

Five years after the Productivity Commission's analysis, the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) considered the issue of note acceptors, taking into consideration more wide ranging evidence. It found "*The research in relation to limiting note acceptors to low denomination notes is contradictory*" and recommended further research².

ClubsAustralia notes that the annual per capita gaming machine expenditure in 2005/6 for Victoria was \$634, Queensland \$585, while in South Australia with no note acceptors it was \$624³. In 1999 the Productivity Commission measured the incidence of problem gambling in New South Wales, a jurisdiction with a strong presence of high value note acceptors, as 2.55% and South Australia as 2.45%. The statistics therefore show no relationship between the prevalence of problem gambling, or the per capita spend on gaming machines, with note acceptors.

ClubsAustralia suggests that there is still no evidence to indicate that abolishing or placing restrictions on note acceptors will achieve any effective change in the

² IPART – "Gambling: Promoting a Culture of Responsibility – June 2004", p102.

³ Australian Gambling Statistics 2005-6, Summary Table D.

behaviour of problem gamblers but will result in considerable negative operational, security and economic effects for clubs in jurisdictions which use them.

This argument is all the more relevant today when gamblers can readily find other avenues for gambling such as the internet, that does not have the same regulatory safeguards and safety net provisions as those found in clubs.

[Section 10] - Limit on credits entered through bank note acceptors

Section 10 proposes to limit a player inserting more than \$100 into a machine. State and Territory based legislation or technical guidelines already address the issue of limits on the amount of playing credit that can be registered on a poker machine by inserting cash. Cash insertion can take place by means of notes and coins at the gaming machine or other mechanisms such as those involving payment of cash to a cashier who then transfers the money electronically to the selected poker machine (predominantly available in hotels).

ClubsAustralia is not aware of any research conducted into this aspect of poker machine operation. The proposed restriction has potential to detract from the enjoyment of recreational gamblers while having no apparent value in modifying the behaviour of problem gamblers other than possibly causing more time to be spent gambling in the gambling session. That is, reducing the limit to \$100 as proposed will simply require the problem gambler to perform more cash insertions. This is highly unlikely to provide any barrier to problem gamblers modifying their behaviour.

[Section 11] - Limits on credits entered through poker machine ticket readers

Section 11 proposes to limit the value of a ticket than can be entered into a machine to \$100. Again, ClubsAustralia is not aware of relevant research into the effectiveness of this proposal and reasserts there should be sound evidence as to its efficacy especially considering the high cost of machine replacement or retro-fitting.

By way of background Ticket In Ticket Out (TITO) technology has been available overseas, particularly the United States, for many years. In Australia, until very recently, only the ticket out component of the technology has been implemented.

The ticket out function allows players to terminate a playing session quickly and efficiently by pressing a button on the gaming machine and immediately receiving a ticket with a value that corresponds to the amount of playing credit that was on the gaming machine. The ticket has a unique identification code (bar code) with a number of other identifiers such as issuing machine, date/time and venue name which are printed on the ticket and stored in the ticketing system. Tickets can be redeemed for cash at a manned cashier station or at automated redemption stations (“cash back terminals”). The automated redemption stations have a limit on the value of tickets that can be redeemed and tickets above the limit must be redeemed at a cashier station.

Until ticket out became available players had to collect their winnings either by coins dispensed from the machine or by waiting for an attendant to come and manually payout the winning amount.

Ticket in is the complementary function of TITO and allows tickets to be re-inserted into a poker machine in order to obtain playing credits. It is not yet widely available in clubs. In NSW the Government has considered and placed a limit on the value of ticket in operation, that is, the value of tickets that can be accepted by a poker machine. The limit is \$2,000 and is consistent with the maximum amount of a prize that can be redeemed as cash. Wins or pay-outs over \$2000 must be paid by cheque. So there are already limits on the value of tickets that can be inserted into a poker machine.

While there has not been formal research into TITO, there is anecdotal evidence from those clubs that have experience with its operation that player behaviour generally adapts to the technology available. In the case of clubs where only ticket out is available (note: poker machines with ticket out usually will not dispense cash) players will collect their winnings in the form of a ticket and if they wish to continue playing another machine insert cash. At the conclusion of their playing session the tickets, of which there may be a considerable number, could be redeemed for cash at a cashier station or cash back terminal. In summary, players will simply adopt other methods to satisfy their desire for this form of entertainment. Placing this sort of limit will impose a barrier which forces players to carry greater amounts of cash in order to play machines. Alternatively players may lose their tickets and effectively lose more than if they had continued playing.

ClubsAustralia suggests there is no evidence to support a law of this nature.

[Sections 12 and 17] - Prohibition on multiple line betting and Prohibition on free spins and free games

Poker machines are a legitimate, popular form of recreation and entertainment that have evolved in response to consumer demand over decades. Without innovation the machines will lose their appeal. Multiple lines and free spins are examples of innovation in game design. An approach that targets these game design features is based on the assumption that a game can be intrinsically addictive. This assumption is not accepted by ClubsAustralia.

A 2008 report, prepared by Livingstone and Woolley, on behalf of the Australian Institute for Primary Care (AIPC) for the Independent Gambling Authority (IGA) South Australia, sought to determine the relevance and role of electronic gaming machines and game features on the play of problem gamblers. Although qualified in parts the research suggested that there are particular features that are associated more commonly in the play of problem gamblers as compared to recreational gamblers.

Livingstone and Woolley's work was subjected to critical peer review by Lia Nower and Professor Alex Blaszczynski, both eminent scientists in the area of problem gambling, who concluded that: *"... none of the data presented substantiates a supposition that problem gamblers display stable patterns of preference for specific machines because of machine features."*

ClubsAustralia suggests that Livingstone and Woolley's research did not prove that game features cause or exacerbate problem gambling behaviour. It is therefore concerning if this research is used by Governments to adopt an approach where these features are prohibited. If adopted, and there is some evidence that this has already occurred in part⁴, such a policy approach has extremely severe consequences for manufacturers of gaming products and their users because it effectively stifles innovation and creation of new ideas which add to the entertainment value of gaming.

⁴ The Liquor Administration Board of NSW limited the number of free games to 25 under a rationale that free games were considered to be a gambling harm minimisation issue.

Similarly, it is sometimes argued that machine features such as sound and lighting can cause addiction akin to illicit drug use. Such arguments are not only completely without evidential foundation, but they ignore other areas of human activity that people engage in for the purpose of enjoyment: computer games, chocolate, fatty foods, work, movies or exercise. Each area of human activity can be said to have those who partake to excess, to their own detriment. It is not that the activity itself is addictive, rather that the participant's response to the activity can be detrimental.

ClubsAustralia therefore believes the issue of problem gambling is most appropriately addressed through measures directed at the problem gambler and at, as much as possible, 'at risk' gamblers. Problem gamblers represent a very small proportion of the population and typically have other issues, behavioural, psychological or emotional that are likely to be the cause of their problem gambling behaviour. The principle of any policy to address problem and 'at risk' gambling should be through a gambling environment that provides for counselling, appropriate safety net provisions as well as education, rather than prohibiting the "bells and whistles" associated with gaming machines. It is the lights and sounds which add to the interest and enjoyment of millions of poker machine players, who do not have a problem with gambling.

[Sections 13 and 14] - Maximum bet per spin and maximum bet per spin smart card machines

The issue of maximum bet level has been widely considered by State and Territory Governments. In response to the unique considerations in each jurisdiction Governments have adjusted the level of maximum bet.

ClubsAustralia does not believe a "one size fits all" national approach is appropriate as it does not reflect the widely varying factors that can influence suitable bet levels.

In the case of New South Wales poker machines have been a feature of clubs for over fifty years and a maximum bet level on standalone gaming machines of \$10 per play has applied since 1988. It can be argued that relative to 1988, a value of \$10 has been devalued to less than \$6 today as a result of CPI changes in today's terms.

By comparison, there is no limit on a bet with a bookmaker. There are often stories about people placing individual bets on sport or horse races worth hundreds of thousands of dollars. Poker machines in clubs are available in a variety of different levels of value per spin, from one cent machines where one cent is all that is required to play, to one dollar machines which allow up to \$10 per spin. This variety takes account of differing appetites for a bet and differing financial circumstances. ClubsAustralia believes this variety of options is appropriate.

The proposed legislation introduces the concept of discrimination between playing methods. Poker machine players who elect to use physical currency are limited to a maximum bet of \$1 while players who elect to use smartcards can bet a maximum of \$2 per play. Although not stated it is assumed smart card play would involve a scheme where players register with full personal identification and detailed player tracking/recording of their activities.

This proposal requires the adoption of “smart-card” technology in poker machines which would be cost prohibitive for clubs. At over \$20,000 each, it is very expensive to replace poker machines. The life cycle of a poker machines is approximately ten years. The last time a major poker machine software update was required by revised technical standards to be altered was in 1993 when the “X series” standards were released in NSW. All existing “non X series” gaming machines had to be converted or replaced to “X series” over a period of approximately 7 years. In addition, “non X” linked jackpot equipment had to be replaced by “X” compliant equipment.

At the time the “X” standards were introduced there were around 70,000 gaming machines in NSW clubs and hotels. The cost of replacing each gaming machine with an “X” compliant machine was around \$12,000 at the time. ClubsAustralia estimates that between 1993 and 2000, around \$800 million was spent replacing gaming machines. If the cost of linked controller replacement and upgrades to systems (in order to interface with the new machines) are included it is estimated that around \$1 billion was spent in the mandatory replacement program.

ClubsAustralia estimates that the cost of switching over Australia’s 200,000 machines to incorporate the type of card based system required to give effect to this proposal would be between \$2,000 and \$5,000 per machine dependent on the type of machine and systems required with the additional issue of whether a poker

machine's software could be updated. It is likely a hardware update component would be required as well, but it is uncertain whether that could be retro-fitted.

The cost would therefore be around \$1 billion, only eight years after the last mandatory change to poker machines that cost the industry a similar amount. For small clubs, changing their machines over or updating them to meet pre-commitment would be unacceptably prohibitive.

No other form of gambling in Australia requires the gambler to play via a smart card after registration, a requirement that will deter a significant number of casual and recreational gamblers who will rightly argue they can engage in other forms of gambling without such impositions.

It is not known how problem gamblers might react, though ClubsAustralia believes they are likely to be driven away from strictly regulated land based gaming venues, such as clubs, to unregulated or relatively loosely regulated forms of gambling including internet gambling sites. This would not only fail to deliver a safer gaming environment but creates unnecessary cost and expense for clubs and additional impediments to recreational gamblers.

ClubsAustralia suggests that there is no case for a reduction of the current bet levels on standalone machines in clubs and there is no basis for legislation to be passed that discriminates between persons who wish to use cash or card as a means to play gaming machines.

[Section 15 and 16] - Limit on jackpots and linked-jackpot arrangements—smart card poker machines

It is proposed to limit the maximum jackpot to \$1,000 on non-smartcard linked jackpot machines and \$2,000 on smartcard machines.

This is impractical given the way in which linked jackpots function and the cost, technology and policy considerations that underpin their operation in clubs. From technical and economic viability perspectives the introduction of a two tiered form of gaming such as this is subject to a multitude of issues and will ultimately prove to be unworkable.

As an example NSW has granted an exclusive licence to Tattersalls (Maxgaming) to conduct a statewide inter-club linked jackpot system. The attraction for some poker machine players is the potential to win large jackpots. Reducing the maximum prize would make the jackpot system unattractive to these players and have serious implications for clubs whose members enjoy that option.

The proposition underpinning the proposal to reduce jackpot payouts is that problem gambling will be reduced if the linked jackpot prize levels are reduced. The evidence in relation to the cause of problem gambling, so far as winning is concerned, is far from clear.

For example Livingstone and Woolley ⁵ suggest that a constant stream of rewards, consisting of frequent small prizes, facilitated by fast play is responsible for inducing problem gambling behaviour. It is noted that these researchers acknowledge the scarcity of reliable evidence and their conclusions regarding the role of game features is regarded as seriously flawed by other researchers⁶.

At the other end of the spectrum, that is infrequent large prizes, there are lotteries which may also have some bearing upon problem gambling behaviour. The important characteristic of lotteries is that they normally rely on large infrequent prizes to generate interest. If large infrequent prizes were the cause of problem gambling, lotteries would be responsible for the majority of problem gamblers because they have the largest payouts in pure dollar terms.

In the case of linked jackpot systems players are aware that the systems are connected across tens and possibly hundreds of machines (in the case of a state wide linked-jackpot system). Any one of these machines can generate the winning event independently, which in the case of the large prizes occurs relatively infrequently, e.g. weekly or at greater intervals.

ClubsAustralia suggests that the proposed reduction in linked jackpot prize levels is not based on evidence. It would negatively impact clubs without providing any certainty about a correspondingly positive impact upon problem gambling rates.

⁵ The Relevance and Role of Gaming Machine Games and Game Features on the Play of Problem Gamblers – Report to Independent Gambling Authority South Australia – January 2008, pp25,26

⁶ see Nower, Blaszczyński review comment on p4 of this submission.

[Section 18] - Spin rate

Spin rate refers to the rate at which games can be played which is determined by the minimum period of time it takes to complete the spin cycle and allow another game to commence. The issue of spin rate was the subject of extensive consultation and research in New South Wales by the Liquor Administration Board, IPART and Sydney University. The research concluded reducing the spin rate “would not be an effective harm minimisation strategy” would be “unlikely to reduce problems associated with electronic gaming machines” and “may result in an increase in indirect social/family harm associated with problem gambling for a small proportion of problem gamblers⁷.” The indirect harms were perceived to arise from players sitting at machines for longer in order to gamble their allotted budget.

Following further consideration and consultation, IPART in its 2004 report recommended that proposed slowing of reel speeds should not be introduced in New South Wales. Slowing spin rates would adversely impact on the entertainment value of poker machines and make it appear dull by comparison with other forms of entertainment. For recreational gamblers the disincentive to play a slowed machine would be significant, particularly in light of alternative, more rapid and high stakes gambling.

[Section 20] - Limiting withdrawals and advances from cash facilities

The issue of Automatic Teller Machines (ATMs) is currently receiving active consideration by a number of State and Territory Governments. This is an area where regulators should rely on research before adopting interventionist measures which will not only have significant revenue implications for clubs but will dramatically impact on the amenity enjoyed by club patrons for use of this in house facility.

Government reports have found there is no tangible benefit to reducing problem gambling by removing ATMs from gaming venues.

⁷ Blaszczyński, Sharpe, & Walker (2001) – “The Assessment of the Impact of the configuration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling”, p9.

The Federal Department of Family and Community Services commissioned KPMG to do a study in 2002 into the link between problem gambling and ATM / EFTPOS facilities following the 1999 Productivity Commission inquiry⁸. The study recommended:

That the agreed approach shift emphasis away from the control of problem gambling through device focussed strategies towards a broader focus on the individual's access to accounts for the means of securing cash and/or credit... (and) That the Commonwealth government, in conjunction with the states and territories, negotiate with the financial services sector to develop a strategy that supports self-help strategies for banking consumers who require assistance in managing finances as a result of gaming issues⁹.

In other words, in considering the link between problem gambling and access to cash in gaming venues, the study found it not to be useful or conclusive. Instead the study directed the Government towards the banking sector to ensure broader account settings and self-help strategies are available and implemented.

This view is supported by the recent 2008 Socio-Economic Impact Study of Gambling in Tasmania (where ATMs are not allowed in clubs) which found:

Only 22 per cent of Tasmanian EGM (Electronic Gaming Machine) players withdraw money from their bank accounts when they are at venues (only EFTPOS in hotels/clubs, ATM at casino) and only 4.5 per cent do so on a regular basis. The distribution of responses were almost identical to those obtained in the recent South Australian survey... A second more general question asked respondents whether they generally withdrew money before gambling on EGMs (irrespective of the source). The results showed that 70 per cent of the respondents never withdrew money, although the proportion who reported doing this regularly (often or always) was higher: 12.5 per cent. Once again, these figures were similar to those obtained in the South Australian survey... These findings are odd in that ATMs are not available in hotels or clubs in Tasmania, so it appears that people may be using ATMs very close to venues before they begin gambling¹⁰.

⁸ *Problem Gambling: ATM / EFTPOS Functions and Capabilities*, KPMG Consulting, September 2002

⁹ *Ibid*, recommendations 3 and 11

¹⁰ *Social and Economic Impact Study into Gambling in Tasmania, The Prevalence Study for Department of Treasury and Finance by the South Australian Centre for Economic Studies*, page 43

In other words, removing ATMs from gaming venues does not prevent problem gamblers getting access to money. If removing the ATM from the venue does not work, it is not clear how reducing the maximum withdrawal in the venue can work. Problem gamblers will access money before arriving at the venue. The only people who will be affected by this measure are recreational gamblers and non-gamblers.

The ACT Government commissioned Professor Jan McMillen of the ANU Centre for Gambling Research to do a study into the benefit of removing ATMs from gaming venues in 2004. That study found there was no tangible benefit for problem gamblers but there would be a significant level of inconvenience to other club patrons¹¹.

ClubsAustralia is aware that patrons often enter a club solely for using the ATM facility. Clubs in this instance are providing a 'banking' facility because of either a scarceness of such facilities in that area or other reason such as personal security and safety.

The most commonly mentioned **reason for using gaming venue facilities** to withdraw money is **access** – 22% of gaming venue ATM users and 29% of venue EFTPOS users say there are no other facilities in their local area. For other gaming venue ATM and EFTPOS users it is an issue of security, with 19% of venue ATM users and 14% of venue EFTPOS users concerned about travelling with money in their wallet¹².

Options already exist to reduce the maximum daily withdrawal from ATMs for individual accounts. Banks currently allow account holders to reduce their maximum daily withdrawal by visiting any branch or upon request over the phone. This approach is more effective than removing ATMs from gaming venues or reducing the maximum withdrawal because it would be effective for all ATMs in the country. The problem gambler would be unable to access the full daily withdrawal limit (usually \$1,000) from an ATM prior to attending the venue.

¹¹ McMillan, Marshall and Murphy, *The Use of ATMs in ACT Gambling Venues: An Empirical Study*, Australian National University Centre for Gambling Research, September 2004

¹² *The Use of ATMs in ACT Gambling Venues: An Empirical Study*, Australian National University Centre for Gambling Research, September 2004 (emphasis not added)

Clubs are cash businesses. Patrons need cash to access food and beverage as well as gaming. ATMs are already banned from gaming areas in all jurisdictions. Limiting ATMs in gaming venues would be unfair for patrons and venues without banking facilities nearby, especially those in remote or regional locations, while having little to no impact on the level of problem gambling.

[Section 22] - Maximum redemption amount for cash back terminals

Cash back terminals is a term used to describe automated ticket redemption centres.

There is a lack of evidence that associates cash back terminals with problem gambling behaviour. The operation of ticket out technology and cash back terminals has been described in this submission¹³ and its benefit in allowing a player to quickly and efficiently terminate a playing session is seen by many as a desirable feature.

Once a session is terminated there remains the issue of redeeming the value of the ticket. Cash back terminals allow this to be realised quickly and effectively. Importantly for venues, a cash back terminal does not need to be staffed as it is electronic. This reduces staff costs, OH&S concerns about staff handling significant quantities of cash and reduces the threat posed by access to cash in a robbery.

In New South Wales the amount of cash that can be redeemed from a cash back terminal is set by legislation at a maximum of \$500. Tickets with a value higher than \$500 must be redeemed at a manned cashier station where details identifying the player are recorded.

ClubsAustralia argues that cash back terminals actually assist a player who has made a conscious decision to terminate play, particularly because it allows a convenient and effective way to exit the playing session which includes collecting any winnings.

Jurisdictional considerations

ClubsAustralia notes the Bill addresses matters which are, and have always been, the domain of the States and Territories. The gaming environment in each

¹³ See [Section 11]

jurisdiction is vastly different, in regard to levels of taxation, harm minimisation measures, history of machine usage and accessibility of machines. Over many years each jurisdiction has developed expertise and chosen what is right for it. For example, NSW has had poker machines legally operating in clubs since 1956. NSW is a far more mature market than Western Australia, which only allows gaming in the Burswood casino.

What is right for the over 98,000 gaming machines in NSW will probably not be right for Western Australia, with 1,500 machines. In the same way, ClubsAustralia believes policy should differentiate between gaming in not-for-profit clubs and gaming in for-profit hotels and casinos. In regard to gambling policy in Australia, one size does not fit all.

CONCLUSION

ClubsAustralia's comments are made against a background of steadily declining prevalence of problem gambling. Every State and Territory has experienced a fall in problem gambling since 1999, with some States having conducted a number of surveys, each showing a lower result than previously. To put the issue of problem gambling into perspective, independent studies show current measures are working, with prevalence rates falling and problem gamblers being treated effectively. Indeed, poker machine play in clubs is safer now than it has ever been and ClubsAustralia is working to make it safer still.

A gambler on a racetrack or at a TAB can bet many thousands of dollars on a single race. Limiting the amount that can be placed in a poker machine or won from it will not reduce problem gambling, but may cause recreational gamblers to turn to less restricted activities. ClubsAustralia does not believe it is responsible to introduce legislation which leads to gambling substitution, where highly regulated forms of gambling such as poker machines are rejected by patrons in favour of less regulated forms such as the internet, lotteries or racetrack.

ClubsAustralia believes the experience of Western Australia, which does not have poker machines in clubs or hotels yet has a prevalence of problem gambling equivalent to other jurisdictions, is instructive in that there will always be a percentage of the community who are classed as problem gamblers. ClubsAustralia advocates policies which target and assist those people, rather than policies which

deny a legitimate form of traditional entertainment to millions of Australians and cripple Australia's unique, not-for-profit Club Movement.

Detailed and considered analysis of how to handle these issues is in hand. The Ministerial Council on Gambling is committed to work plans which, in tandem with the Productivity Commission's updated statistics and findings on gambling in Australia will provide the way forward on problem gambling.

ClubsAustralia would be pleased to assist the Committee in any further analysis of this issue or in addressing broader concerns relating to problem gambling.

Please contact Mr Anthony Ball, Executive Manager - Policy & Government on (02) 9268 3008 or aball@clubsnsw.com.au for more information.