

Chapter 5

An overview of pre-commitment

5.1 This chapter outlines pre-commitment as a harm minimisation strategy for problem gambling on electronic gaming machines (EGMs) by looking at the evidence base around pre-commitment including the trials of pre-commitment that have been undertaken both in Australia and overseas. The chapter also presents an overview of the current status of pre-commitment initiatives and activities at both state and Commonwealth levels. The chapter concludes with a discussion around research issues, including research capacity.

What is pre-commitment?

5.2 Most people who gamble make some attempt to control their gambling, such as undertaking to limit their spending. However, some find it difficult to stick to these self-imposed limits, particularly when they are in the throes of the gambling experience. Put simply, pre-commitment is a tool to assist a gambler stick to their limits:

Pre-commitment refers to a system enabling a gambler to set limits on how much they will spend or how long they will play – *before they start gambling*.¹

5.3 The Productivity Commission noted that those who play high intensity EGMs find it particularly hard to limit their spending:

Around 70 per cent of EGM players report that they at least sometimes exceed their spending limits, with 12 per cent doing so often or always. Higher risk gamblers exceed limits more frequently and report greater harm from doing so. Players reported greater problems limiting expenditure on EGMs compared to other recreational activities, like consuming alcohol, spending on tobacco and entertainment/leisure activities.²

5.4 Pre-commitment systems have been trialled in a number of countries, including jurisdictions in Australia. Further details on these trials are provided below.

5.5 Mandatory or full pre-commitment simply refers to a system where a player is required to set limits and then cannot renege on these. Limits could not be changed simply because a player decided on a whim to change his or her mind. Once the player reached their pre-set limit, further play is disabled.³

1 Responsible Gambling Advocacy Centre, *Submission 48*, p. 3.

2 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 10.6.

3 Typically a mandatory shut down or cooling off period would apply.

Evidence from voluntary pre-commitment trials

5.6 A number of trials on voluntary pre-commitment have been undertaken in Australia in recent years. Overseas jurisdictions have also conducted trials, notably Nova Scotia in Canada. Pre-commitment trials for other modes of gambling have also occurred in Sweden (for online poker) and New Zealand (online lotteries). Although the trials in Australia have largely concluded, one trial remains ongoing in South Australia.

5.7 As noted the pre-commitment schemes that have been trialled have been voluntary schemes—players were not compulsorily required to set limits. The committee was advised by some in the industry to reject the evidence from these trials:

Advocates for pre-commitment point to the trials in South Australia, Queensland and Nova Scotia as evidence that pre-commitment can be implemented, and works. They also point to Norway as a country which has implemented mandatory pre-commitment successfully. Clubs Australia does not agree with these assertions.

- Australia's trials have been for voluntary, venue-based pre-commitment.
- Nova Scotia's extensive trials had a requirement for participants to have a card, but it was voluntary to use the pre-commitment features on the cards, such as spending or time limits, or enforced breaks in play. Nova Scotia's trials were explicitly not intended to redress problem gambling.
- Norway has had no reduction in problem gambling since implementing mandatory pre-commitment.⁴

5.8 Others regarded the level of evidence provided from these trials as being of value. The Responsible Gambling Advocacy Centre asserted for example:

The existing research, analysis and evidence all strongly point to the advantages given to regular gamblers through access to a pre-commitment system. Moreover, a mandatory system is the best way to maximise pre-commitment's harm minimisation benefits and the consequent positives that will flow to the general community from those benefits.⁵

5.9 The committee took the view that evidence from these trials provides valuable insights into the optimal design features that could be incorporated into a pre-commitment system. These trials also demonstrated to the committee that there is a genuine and ongoing interest amongst jurisdictions in improving their harm minimisation and consumer protection measures. As the South Australian Responsible Gambling Working Party noted:

4 Clubs Australia, *Submission 47*, p. 25.

5 Responsible Gambling Advocacy Centre, *Submission 48*, p. 7.

It is the Working Party's position that the more information a customer has regarding their EGM activity the more informed they are to make choices regarding their gambling. Enabling customers to set limits, be it money, time or bet size, will assist customers to play within their own preferences, circumstances, financial and social limits.⁶

5.10 Summaries of these trials and the main findings of their evaluations are presented below.

South Australian trials

Worldsmart Technology Pty Ltd (J-card) Trial

5.11 The Worldsmart Technology trial was conducted between August 2008 and February 2009 in six regional and metropolitan hotel venues across South Australia. The trial was evaluated by Schottler Consulting.⁷ Findings from the evaluation were also reported by the South Australian Responsible Gambling Working Party.⁸

5.12 The trial used a pre-existing club loyalty card (the J-card). The card held player information and recorded any pre-set limits players had nominated. Patrons could set spending limits (daily, weekly, fortnightly and monthly), time limits, breaks in play, personalised reminder messages when these limits were reached and several other options. These features were collectively known as Playsmart.

5.13 If a player exceeded any of their pre-set limits a low beeping noise notified the player. If play continued loyalty points ceased to accrue to their J-card. The cashier who was also notified if a pre-set limit was exceeded had to physically go to the machine to turn off the message and, often would speak to the player about their limit being reached.

5.14 The evaluation found that only a small number of patrons opted to use the limit setting features of Playsmart but a larger number elected to receive default messages at specific turnover points. The evaluation found that barriers to take-up of limit setting included a lack of knowledge around the features. For instance, only 68 per cent of surveyed users understood that monetary expenditure limits could be

6 Responsible Gambling Working Party, *Supporting customer commitment: fourth progress report*, South Australian Government, Adelaide, August 2010, p. 6, <http://www.treasury.sa.gov.au/public/download.jsp?id=3187> (accessed 15 March 2011)

7 Schottler Consulting, *Submission 2, Attachment, Major findings and implications: Player tracking and pre-commitment trial: A program and outcome evaluation of the PlaySmart pre-commitment Scheme*.

8 Responsible Gambling Working Party, *Supporting customer commitment: fourth progress report*, South Australian Government, Adelaide, August 2010, <http://www.treasury.sa.gov.au/public/download.jsp?id=3187> (accessed 15 March 2011).

set, only 45 per cent knew about the ability to personalise limit reminder messages and only 22 per cent were aware of the availability of breaks-in-play.⁹

5.15 Around 60 per cent of those who set limits set daily spending limits.¹⁰ The evaluation found that spending by patrons who set limits fell significantly. Of note, declines in expenditure were most marked amongst problem and moderate risk gamblers. On average problem gamblers experienced a 55.8 per cent decline in expenditure, while moderate risk gamblers experienced an average decline of 48.8 per cent.¹¹

ChangeTracker Card Trial

5.16 The ChangeTracker Card trial was a small three month trial of a manual pre-commitment system. The trial involved the patron using a card to manually record their cash to coin transactions at the cashier of the venue where they played EGMs. The card was marked when cash was exchanged for coin. The card could record a weekly budget, daily exchange amounts (up to 5 exchanges), and the total exchanged for the week. Patrons retained their card.

5.17 The very small sample size (just 20 patrons used the card) does not allow for any statistically valid conclusions to be drawn. However some useful insights into player attitudes to pre-commitment were gained. These included:

- active recruitment was more successful than passive recruitment
- the key driver of player participation was an interest in tracking money spent on gambling
- although viewed as user-friendly, the card was not considered useful in managing expenditure
- the main barrier to take-up was the perception the patron would be identified as a problem gambler,
- support for the concept of the card was greater than the use of the card.¹²

9 Schottler Consulting, *Submission 2*, Attachment, p. 9.

10 Schottler Consulting, *Submission 2*, Attachment, p. 7.

11 Responsible Gambling Working Party, *Supporting customer commitment: fourth progress report*, South Australian Government, Adelaide, August 2010, pp 40–41, <http://www.treasury.sa.gov.au/public/download.jsp?id=3187> (accessed 15 March 2011).

12 Responsible Gambling Working Party, *Supporting Customer Commitment: Fourth Progress Report*, August 2010, p. 40, <http://www.treasury.sa.gov.au/public/download.jsp?id=3187> (accessed 15 March 2011).

Global Gaming Industries Trial (Maxetag system)

5.18 The Global Gaming Industries (GGI) trial began on 1 March 2010 using another loyalty card system, the Maxetag loyalty system. The trial is currently ongoing across three venues in South Australia.

5.19 The system involves the use of a radio frequency (RF) tag which is swiped across a reader installed at the machine. The tag itself comprises a smart chip and an antenna. Patrons can set a daily spend limit either at the beginning of play or during play. The limit follows the patron across machines in the venue but not across venues. On breaching a limit, a flash and audible beep occurs at the patron's tag reader, as well as a message that they have exceeded their limit and the amount by which it has been exceeded.

5.20 Patrons can also access a session statement from a foyer terminal. The statement identifies the pre-set spend limit set, the actual spend, the difference between the two and the time spent playing.

5.21 The committee attended a site visit at one of the trial sites in Adelaide to view the technology in action. The trial is yet to be evaluated. Mr Earle Rowan, Systems Analyst, GGI, described the system to the committee as 'educational':

The system we have on trial in South Australia at the moment is a system whereby an individual can set a limit at the gaming machine for that session of play. We describe it as an educational system. It is an attempt to educate people to gamble responsibly rather than to force them.¹³

5.22 Mr Scott MacDougall, Managing Director, GGI described to the committee how the Maxetag system works:

What happens is that as you tag on, or put your card into the device, it says, 'Would you like to set a limit?' You physically have to say yes or no, so you are making a conscious decision before you move forward and you push yes or no. So you set your limit, but it does not stop the machine or lock the machine when you reach your limit. It will give an audio warning and a visual warning, and every time you insert money after that it will keep warning you. It is like a seatbelt alarm. Eventually you put your seatbelt on, you would like to think, in this case...¹⁴

5.23 Mr Earle Rowan, GGI, provided some insights into the current trial. One issue he identified was protecting privacy:

When you are getting people to say, 'I want to set my limit,' as Scott rightly pointed out, it may well be your next-door neighbour who is sitting behind the counter. So anonymity has become an issue that we find actually works. A person could do it themselves and could be given encouragement to do it

13 Mr Earle Rowan, *Committee Hansard*, 14 February 2011, p. 12.

14 Mr Scott MacDougall, *Committee Hansard*, 14 February 2011, p. 14.

themselves, which we are doing through various marketing methods. We have now just introduced some audio in the venues and we are running a trial to promote the system. We are starting to sell this and we are starting to see a movement towards taking this up. It is very early days at the moment, but it is encouraging.¹⁵

5.24 Mr Scott MacDougall, GGI, added:

...we have taken an approach whereby an individual can go to our foyer terminal, they can tag onto that with a device and it will print out a small sheet with no identification on it whatsoever that tells them how much they spent, how much they targeted to spend and how many hours they have been in the venue. They can do that at any time throughout the gambling cycle.¹⁶

5.25 The potential cost of the hardware or 'wedge' as it is sometimes called, was also discussed with the committee:

Mr Rowan—Again, there is no problem with putting a wedge in a machine; we do that in South Australia. We have put hundreds of them in four states.

Senator BACK—Is that the \$800 that they were talking about?

Mr Rowan—Yes. It has gone up a little bit since then.¹⁷

Queensland trials

5.26 Three trials using cashless or card based gaming have been undertaken in Queensland; the first being in 2005 at the Grandview Hotel, Cleveland. Lessons from this earlier trial subsequently informed two later trials—Maxgaming's Simplay trial at Redcliffe RSL and the Odyssey (eBet) trial at Sandgate RSL. Evaluations of these latter two trials on player behaviour were prepared by Schottler Consulting.¹⁸ The findings were also summarised by the Queensland Office of Regulatory Policy.¹⁹

15 Mr Earle Rowan, *Committee Hansard*, 14 February 2011, p. 13.

16 Mr Scott MacDougall, *Committee Hansard*, 14 February 2011, p. 14.

17 Mr Earle Rowan, Senator Chris Back, *Committee Hansard*, 14 February 2011, p. 22.

18 Schottler consulting, *Major findings of a trial of a card-based gaming product at the Redcliffe RSL*, and *Major findings of a trial of a card-based gaming product at the Sandgate RSL*, are both available from the Responsible Gambling website of the Queensland Department of Employment, Economic Development and Innovation, <http://www.olgr.qld.gov.au/responsibleGambling/policyStrategy/research/index.shtml> (accessed 15 March 2011).

19 Office of Regulatory Policy, *Report: Queensland Card-based Gaming Trials*, Queensland Government July 2009, p. 5, <http://www.olgr.qld.gov.au/resources/responsibleGamblingDocuments/summaryReportIntoCGBtrials.pdf> (accessed 15 March 2011).

Maxgaming Simplay trial (Redcliffe RSL)

5.27 In the Maxgaming Simplay trial conducted at the Redcliffe RSL around 340 people were recruited during the eight month trial period. Players used a 'kiosk' to set limits on their card and to obtain information statements. Participants opted into the system by swiping their existing club membership card at the 'kiosk' and then navigating through a series of screens, setting spending or other limits.

5.28 The Simplay card required players to enter a PIN at the commencement of a gaming session, although players could re-insert their card into other machines subsequently without the need to re-enter their PIN. The card was linked to a secure account, with the player transferring credits from the card to the machine at the commencement of play—hence the cashless gaming. Residual credits were transferred back to the card at the end of the session of play.

5.29 If a player exceeded their pre-set limit they were alerted that the card was 'disabled' for the remainder of the day. The patron could no longer play with his or her card in that or any other grouped venue for the day, though they could choose to play on by using cash only.

5.30 The evaluation found that only a minority (13 per cent) set limits but a majority of players (85 per cent) opted to use the cashless gaming feature. Of those who set limits, two thirds exceeded their limit at least once. The process for signing up to the system was perceived by players to be relatively simple, taking approximately 30 seconds. The efficient sign-up process was seen as an important feature to players.²⁰

5.31 The evaluation found that participants liked the convenience of cashless gaming. A small number of players saw the value of setting pre-commitment limits, but few players saw this as the major benefit of the product.²¹ In terms of reducing the harmful effects of problem gambling, the evaluation found that players who set limits were more likely to decrease their expenditure. Furthermore, problem gamblers and those at moderate risk were more likely than those at low or no risk to spend less overall.²²

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- 20 Office of Regulatory Policy, *Report: Queensland Card-based Gaming Trials*, Queensland Government July 2009, p. 12, <http://www.olgr.qld.gov.au/resources/responsibleGamblingDocuments/summaryReportIntoCGBtrials.pdf> (accessed 15 March 2011).
- 21 Office of Regulatory Policy, *Report: Queensland Card-based Gaming Trials*, Queensland Government July 2009, p. 14, <http://www.olgr.qld.gov.au/resources/responsibleGamblingDocuments/summaryReportIntoCGBtrials.pdf> (accessed 15 March 2011).
- 22 Office of Regulatory Policy, p. 16. See also Schottler Consulting, *Major findings of a trial of a card-based gaming product at the Redcliffe RSL*, p. 93, <http://www.olgr.qld.gov.au/responsibleGambling/policyStrategy/research/index.shtml> (accessed 15 March 2011).

Odyssey trial (eBet)

5.32 In 2008 a six month trial of pre-commitment using card-based gaming was conducted at the Sandgate RSL Club. The system provider was a partnership between Odyssey Gaming Technology (Odyssey), a Licensed Monitoring Operator (LMO) in Queensland, and eBet Ltd (eBet), a gaming systems developer. The card-based gaming system at Sandgate is colloquially referred to as 'eBet'. As with Redcliffe, the trial used a cashless gaming card, with optional pre-commitment features.

5.33 The number of participants for the Sandgate trial was 66. Once again the sign up process was seen by participants to be easy. Some 28 per cent of players opted to set a daily spend limit. When surveyed, a significant proportion of players (45 per cent) felt that the card had encouraged them to think about the affordability of their gambling expenditure.²³ Importantly, those who did set spending limits (including problem gamblers) decreased their expenditure more than those who didn't set limits. The net daily spend of players who set a limit decreased from \$64.02 to \$39.26 spend per player per day, while daily spend of players who did not set a limit (but used the card for cashless gambling) only decreased slightly.²⁴

5.34 Since these trials, both the eBet/Odyssey and Maxgaming Simplay systems have been approved for roll-out to gaming venues across Queensland. The committee had the opportunity to visit the Sandgate RSL to view e-Bet's pre-commitment tool operating in the venue and Club Pine Rivers to view the Maxgaming Simplay system.

5.35 The submission prepared by eBet highlighted their view on the need to protect player privacy:

The evidence shows that from an acceptance perspective the main concerns of players appear to centre on identification and privacy. These are in turn related to issues involving personal freedom, choice and individual responsibility. Such concerns are supported by studies of pre-commitment undertaken in Queensland (Sandgate RSL), South Australia and Federal Government commissioned research (Gambling Research Australia). In Queensland a trial of a venue based system/card gaming was conducted and

23 Office of Regulatory Policy, *Report: Queensland Card-based Gaming Trials*, Queensland Government July 2009, p. 13, <http://www.olgr.qld.gov.au/resources/responsibleGamblingDocuments/summaryReportIntoCGBtrials.pdf> (accessed 15 March 2011).

24 Office of Regulatory Policy, *Report: Queensland Card-based Gaming Trials*, Queensland Government July 2009, p. 17, <http://www.olgr.qld.gov.au/resources/responsibleGamblingDocuments/summaryReportIntoCGBtrials.pdf> (accessed 15 March 2011). See also Schottler Consulting, *Major findings of a trial of a card-based gaming product at the Sandgate RSL*, p. 8, <http://www.olgr.qld.gov.au/responsibleGambling/policyStrategy/research/index.shtml> (accessed 15 March 2011).

a report by Schottler Consulting clearly identifies intrusive identification procedures as a barrier to uptake by patrons.²⁵

5.36 Mr Tony Toohey, Chief Executive Officer, eBet, echoed this in his evidence to the committee:

What needs to happen is that that information needs to be ring-fenced so no authority can touch it. That leads to a level of trust. If people know nobody can get and they are assured of that, then they will be happy to participate.²⁶

International evidence

5.37 A number of witnesses referred to the trials of pre-commitment in Nova Scotia, Canada and the pre-commitment situation in Norway.

Norway

5.38 In 2007 concerns over problem gambling on video lottery terminals (similar to EGMs) led to the removal of all privately operated machines. In 2009, new state-operated VLTs were introduced with strict regulations including limits on where machines could be located, mandatory timeouts every hour, a ban on spinning wheel games and limits on maximum wins. Players are also required to use a player smart card, which has a play summary, limit setting options, self-exclusion options and allows players to transfer money from their bank account onto the card. Gambling on VLTs is entirely cashless.

5.39 Players must first insert their smart card, verify their player ID, and then remove the card before they can play. There is a mandatory spending limit on all cards of around \$AUD80 per day, but players can also set their own spending limits and timeouts. Prior to the implementation of the mandatory system, a pilot study was undertaken which found that only a small percentage of players opted to use the optional limit setting features.²⁷

5.40 Some witnesses referred to the evidence from Norway to argue that prevalence rates of problem gambling would drop under mandatory pre-commitment. Dr Mark Zirnsak Director, Justice and International Mission Unit, Uniting Church of Tasmania and Victoria pointed out that:

...pretty much on the month that the slot machines were removed, there was a dramatic drop in the number of people seeking assistance through problem-gambling help services. It will also show that for that year, even

25 Ebet Pty Ltd, *Submission 49*, p. 2.

26 Mr Tony Toohey, *Committee Hansard*, 14 February 2011, p. 46.

27 Responsible Gambling Council (Canada), *Insight 2009: Play Information & Management Systems*, 2009, p. 63, http://www.responsiblegambling.org/articles/INSIGHT_2009_Final_SinglePgs.pdf (accessed 15 March 2011).

though it was only half of the year that the slot machines had been removed, the number of calls to problem gambling help services dropped to about 1,100 compared to over 2,000 for the previous years. Further, there was a subsequent study by Lund²⁸ which appears in the *Journal of Gambling Studies*—it is quoted in a number of submissions to the Productivity Commission—which found that as a result of the removal of slot machines the prevalence of problem gambling dropped.²⁹

5.41 Economist and academic Dr Jamie Doughney also pointed to the Norwegian evidence:

How do we know that such an approach would be effective? The nearest possible empirical evidence that can be adduced here is the work from Norway, where they went from something to nothing, that the level of problem gambling declined considerably. The amount of use or of gambling products dropped as well.³⁰

5.42 Others disputed the evidence. Clubs Australia asserted that, 'Norway has had no reduction in problem gambling since implementing mandatory pre-commitment'.³¹ While the evidence from the study by Lund analysing the impact of the removal of EGMs in Norway showed declines in gambling participation and gambling frequency following the temporary removal of high intensity EGMs in 2007,³² it did not assess the prevalence of problem gambling following the re-introduction of modified EGMs in 2009. The Lund study established that high intensity EGMs are risky and that following their removal from the Norwegian market problem gambling prevalence rates dropped:

...the post-EGM prevalence of gambling problems was significantly lower than the problem prevalence under the EGM regime a result that in itself suggests that the EGM's reputation as a high risk game is well deserved.³³

5.43 Given that EGMs were only re-introduced into Norway in 2009 it is too soon to be drawing solid conclusions around the prevalence of problem gambling in this intervening short period. However, the committee notes that the Lund study confirmed that high-intensity EGMs are harmful and believes it is reasonable to conclude that

28 Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, pp 215–225.

29 Dr Mark Zirnsak, *Proof Committee Hansard*, 2 February 2011, p. 15.

30 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, p. 52.

31 Clubs Australia, *Submission 47*, p. 25.

32 Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, p. 223.

33 Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, p. 223.

reducing their impact, through mandatory pre-commitment, will result in lower rates of problem gambling in the community.

Nova Scotia

5.44 A mandatory pre-commitment system (known as My-Play) is currently being rolled out across video lottery terminals (similar to EGMs) in the Canadian province of Nova Scotia. During the first year, sign-up to the program is still voluntary. From April 2012, it will be mandatory for players to use the My-Play card in order to play on all video lottery terminals in the province.³⁴ The My-Play card enables players to monitor their play and set spending and other limits. The implementation of My-Play follows a series of pre-commitment trials that were conducted between 2004 and 2006. The trials showed a reduction in expenditure was achieved and this was mainly attributable to the use of spending limits and the provision of player information on expenditure.³⁵

5.45 A Fact Sheet on the trials showed that players at low or moderate risk of gambling harm benefited the most from pre-commitment, whilst those at higher risk benefited less.³⁶

5.46 Since the roll-out of My-Play commenced, spending on VLTs in Nova Scotia has declined by 2.8 per cent.³⁷ A recent benchmark survey measuring player's attitudes to My-Play showed that more than half of regular VLT players support the system, and 68 per cent of problem gamblers regarded it favourably. Some 29 per cent of regular players intended to sign-up to My-Play, with 47 per cent of problem gamblers indicating they would join. Most problem gamblers favoured limit setting features, tracking of losses and self-exclusion features.³⁸

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- 34 Government of Nova Scotia, 'New gaming strategy focused on research and prevention', media release, <http://www.gov.ns.ca/news/details.asp?id=20110325007> (accessed 4 April 2011). Further details are contained in the Nova Scotia, *Responsible Gambling Strategy 2011*, <http://www.gov.ns.ca/tch/pubs/ResponsibleGamingStrategy2011.pdf>, (accessed 4 April 2011).
- 35 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. C.15.
- 36 Nova Scotia Gaming Corporation, *Video Lottery Informed Player Choice system: Fact Sheet*, September 2009, <http://www.nsgc.ca/files/factsongambling/IPCS%20Fact%20Sheet%20-%20Sept%202009.pdf> (accessed 15 March 2011).
- 37 Alcohol and Gaming Division, *Nova Scotia Annual Gaming Report 2009–10*, p. 11, <http://www.gov.ns.ca/lwd/agd/docs/00.56AGR.2010.Final.pdf> (accessed 15 March 2011).
- 38 Focal Research Consultants, *Phase 1 Evaluation of the My-Play System: 2010 Regular VL Players Benchmark Survey: Highlight Report*, <http://www.nsgamingfoundation.org/newsAnnouncementsView.aspx/1127/NSGF%20Releases%20Groundbreaking%20Research> (accessed 15 March 2011).

Unintended consequences

5.47 A number of witnesses raised the issue of unintended consequences. These included migration to other forms of less regulated gambling, card swapping and fraud.

Migration to other forms of gambling

5.48 Some industry witnesses suggested that people who disliked the restrictions of pre-commitment would migrate to other forms of gambling. Mr Peter Newell, President, Clubs Australia, argued:

Question 2 is: will the proposals be effective in reducing problem gambling? Our answer to that is also no. Norway introduced mandatory precommitment and the result was that players moved to Internet gambling.³⁹

5.49 Mr David Curry, General Manager, Government and Corporate Relations, ALH Group also argued that players would migrate to online gambling when faced with mandatory pre-commitment, citing further evidence from Norway:

Firstly, the unintended consequence of mandatory precommitment will mean, I think, that a percentage of people, people who have a problem with their gambling, will migrate to all other forms of gambling in an unregulated environment, particularly online. The data I have from the senior adviser at the Norwegian department of church and culture was that 54 per cent of callers to the gamblers help line in Norway for the first quarter of 2009 were related to i-gaming.⁴⁰

5.50 He further elaborated:

The evidence that I have was from a senior adviser to the Norwegian government. In terms of iGaming 22 percent of calls through the national helpline were related to iGaming in 2006. In 2007 it was 41 per cent and 15 per cent sports betting on top of that. In 2008 it was 70 per cent of the calls and 23 percent of sports betting on top of that. In 2009 the first quarter was 54 per cent of calls and 17 per cent sports betting, remembering that from 1 July 2007 slot machines were banned in that jurisdiction.⁴¹

5.51 Dr Jamie Doughney, Victoria University, referred to the evidence from Norway to refute this view:

The Norwegian evidence is absolutely decisive on that point. People do not migrate. In fact, it would appear that because some gambling products are purchased in a complementary way, overall gambling losses decline. I think the Norwegian evidence is very strong in that respect, and you have had

39 Mr Peter Newell, *Committee Hansard*, 4 February 2011, p. 54.

40 Mr David Curry, *Committee Hansard*, 14 February, 2011, p. 73.

41 Mr David Curry, *Committee Hansard*, 14 February, 2011, p. 78.

that submission presented to [you] before, particularly the article by Lund that was published.⁴²

5.52 The Norwegian study by Lund, acknowledged there had been 'increased participation' in internet gambling following the removal of EGMs, but attributed this 'to a shift from traditional gambling channels, and part of a general tendency in contemporary gambling, rather than as a substitution effect'.⁴³ Moreover, WA's restriction of EGMs to the casino and relatively low state-wide incidence of problem gambling,⁴⁴ also suggest that gamblers denied EGMs will not migrate to other forms of gambling.

5.53 The proposition that migration would occur was not accepted by the Productivity Commission, as the following exchange shows:

Dr Lattimore—Only that there has been evidence in relation to at least a Norwegian experience in this area, where there have been a number of changes to machines, not just precommitment. They have then been able to examine the pattern of behaviour of the people as restrictions have been placed on the gaming machines. What you did not see—bingo aside, curiously; but bingo is a very safe form of gambling—

Mr Banks—You have not stood between my mother and a bingo prize.

Dr Lattimore—was a significant increase in participation in other forms of gambling when the measures were introduced. I am probably doing a great disservice to the pronunciation of the researcher, Jonny Engebo, who came from the Norwegian Gaming Authority. We can provide that information to you if you are not familiar with it. Similarly, Ingeborg Lund did a study again in Norway—a good place because of its natural experiments—and his conclusion was that there was no evidence that people switched to other forms of gambling. So you have to look at the evidence that is available, and from what we have seen so far there is no evidence that there is a significant displacement effect to other forms of gambling.⁴⁵

5.54 Academic Dr Charles Livingstone also disputed the industry view:

42 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, p. 52. The study is by Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, pp 215–225.

43 Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, p. 223.

44 The prevalence rate of problem gambling of 0.70 per cent of the population in WA is well below the national average of 2.07 percent. Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, Table 5.2.

45 Dr Ralph Lattimore, Dr Gary Banks, Productivity Commission, *Proof Committee Hansard*, 15 February 2011, p. 60.

I would like to make two brief further points. Firstly, some industry people in particular have suggested that successful reduction in the rate of problem gambling amongst poker machine gamblers would lead to an increase in the rate of utilisation of other modes of gambling, particularly the internet. There is no research evidence to support that and, in fact, there is considerable research evidence to suggest quite the opposite. A recent paper by Ingeborg Lund,⁴⁶ which I will provide to the committee subsequently if they are interested, deals with the Norwegian situation when poker machines were withdrawn from the market there in 2007 and so provided a natural experiment in the behaviour of gamblers. The results of that study, which was a very comprehensive study, were published in an international gambling journal of good repute and suggested that in fact the rate of gambling reduced even below that which poker machine players had participated in before. So there is absolutely no evidence to suggest that success in dealing with problem gambling in the poker machine business would lead to any switching of modes.⁴⁷

5.55 Mr Gary Banks, Chairman, Productivity Commission added:

...migration has not been seen to be a major issue. Poker machine players tend to be poker machine players and are not all that likely to suddenly become internet based gambling players or punters on the horse races. There is a different kind of mechanism there. Another dimension that distinguishes poker machine play from, say, internet gambling is to the credit of the venues, and that is that they provide a social setting for people to go and gamble. For example, we have seen that since the liberalisation of gaming machines women have been far more active gamblers and, unfortunately, have also been recruited into problem gambling to an extent far greater than in the past, because they did not find other forms of gambling as attractive. They did not want to go to the track and so on. But they find in going to the club, having a meal and a drink and then playing the machines that they feel safe and secure and in a social environment, without having to interact with people. Part of the benefit of gaming is that it does provide these sorts of benefits...⁴⁸

5.56 Mr Tom Cummings, a former problem gambler offered the following view:

There is a fundamental difference between a gambling addict and a poker machine addict. I believe the majority of poker machine problem gamblers are addicted to poker machines, not gambling in general. I know this was certainly the case for me. Poker machine addicts will, for the most part, not transfer their gambling behaviours to another form of gambling.

46 Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, pp 215–225.

47 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, pp 30–31.

48 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, pp 59–60.

Even if this were true, it is no reason not to implement mandatory pre-commitment. We are not talking about reforming a range of gambling industries; we are talking about poker machines. If people did transfer their gambling behaviours to other areas, then they would need to be assessed next.⁴⁹

Card swapping and fraud

5.57 Some witnesses were concerned that a mandatory scheme would encourage card swapping by players or even fraud. Mr Trevor Croker, Managing Director, Aristocrat, commented:

Even in Norway and other jurisdictions where we have seen card based solutions, people are still buying and trading cards. These are not necessarily complete solutions. I think finding a complete solution is going to be a very difficult outcome. It should not be something we should not aspire to but it would be very difficult. We have seen that card based or identification based solutions have caused problems in other markets with people trading and buying cards et cetera.⁵⁰

5.58 Associate Professor Paul Delfabbro, University of Adelaide, pointed to evidence of card swapping in one of the Nova Scotia trials. The evaluation by Omnifacts Bristol found 'significant rates of card-swapping: 20% of panellists had reported a card at least once and 30% said that they had lent a card and 37% had either borrowed or lent a card at least once'.⁵¹

5.59 That card-swapping could occur under pre-commitment was accepted by one of the state regulators. The Independent Gambling Authority, SA, commented about this issue in its report into smartcard technology in 2005:

The Authority accepts that there may be a level of identity fraud or card swapping whereby the most serious problem gamblers will avoid the operation of the loss limiting or exclusion program.⁵²

5.60 Some suggested that biometrics could overcome this problem. According to Responsible Gaming Networks:

The use of biometrics in pre-commitment systems has now been recommended to overcome this problem by leading international academic researchers in the prevention of problem gambling from the USA and Canada.⁵³

49 Mr Tom Cummings, *Submission 113*, p. 3.

50 Mr Trevor Croker, *Committee Hansard*, 4 February 2011, p. 14.

51 Associate Professor Paul Delfabbro, *Submission 9*, p. 6.

52 Independent Gambling Authority, *Submission 33*, Attachment, p. 39.

53 Responsible Gaming Networks, *Submission 39*, p. 3.

5.61 Identity fraud by players seeking to circumvent the system was also raised. The Independent Gambling Authority, SA, noted this could be an issue when it enquired into smartcard technology in 2005:

Identity fraud is a problem in the general community. It is true that some problem gamblers might seek to commit identity fraud in order to gamble. This raises an issue about the level of assistance that a smartcard system should be able to give to the general community, and the extent to which gamblers ultimately must take responsibility for their own activities.⁵⁴

5.62 The Victorian InterChurch Gambling Taskforce observed that the risk of identity fraud needs to be balanced against the option that a player would only need to wait 24 hours in order to re-set their limits. Any ID checking should not create player hostility toward pre-commitment:

Against this, a person who does not like the limit they have set themselves may only have to wait 24 hours to change their limit to avoid the need of having to try and beat an identity checking system or to avoid having to swap or purchase an access device from another gambler whose device is below the set limit. Also, consideration needs to be given to minimising the degree to which the identity checking measures create hostility or feelings of unreasonable intrusion from gamblers, creating a feeling of ill-will towards pre-commitment rather than a tool to empower gamblers in managing their spending.⁵⁵

Committee view

5.63 The evidence base from trials demonstrating the benefits of pre-commitment is limited mainly to trials of voluntary systems. While trials are only part of the total evidence base, these have demonstrated that pre-commitment features such as limit setting can lead to small reductions in gambling expenditure, including among problem gamblers and those at moderate risk. The evidence also shows that contrary to the view espoused by Clubs Australia, levels of problem gambling fell after the removal of EGMs in Norway and migration to other harmful forms of gambling did not occur. The trials have also shown that take-up of voluntary pre-commitment is relatively low, but that barriers to take-up include concerns over privacy of player information and lack of understanding and knowledge of pre-commitment features. A further trial of pre-commitment as recommended by the Productivity Commission would provide further useful information on the specific information requirements that players need in order to use the system wisely.

5.64 The committee notes the selective use of evidence among some in the industry. Industry representatives were quick to point out there had been no trials of mandatory pre-commitment, using this point to attack the credibility of any evidence for mandatory pre-commitment and ignore evidence from other sources. The industry

54 Independent Gambling Authority, *Submission 33*, Attachment, p. 39.

55 Victorian InterChurch Gambling Taskforce, *Submission 35*, p. 7.

has stated its preference for a voluntary pre-commitment scheme. Yet, when pressed by the chair to provide evidence that a voluntary scheme would be effective in reducing revenues from problem gamblers and reducing harms, industry was unable to do so.

5.65 The committee also recognises that with the introduction of a mandatory pre-commitment scheme there is potential for unintended consequences to arise. Recognising that not all systems are 'bullet proof', the committee considers that the best method for addressing unintended consequences is through a risk management approach that seeks to manage and minimise risk, balanced with an assessment of the potential costs of any strategies and ensures a consistent approach is taken by agencies. The proposed trial recommended in chapter six should also assist in helping identify appropriate strategies to address these.

Recommendation 8

5.66 The committee recommends a risk management framework be developed by the national regulatory authority (see recommendation 28). The framework should be made available to other bodies involved in implementation to draw upon.

Recommendation 9

5.67 The committee recommends that pre-commitment cards will need to demonstrate sufficient integrity and robustness in order to minimise identity fraud but not require onerous signing up processes or infringe upon individual's privacy.

Current pre-commitment arrangements

5.68 The committee was interested to obtain information on the full range of current pre-commitment activities being undertaken in Australian jurisdictions.

States and territories

5.69 The committee was disappointed that despite inviting all state and territory governments to make submissions to the committee only one, NSW, elected to provide a written submission.⁵⁶ Information on the current status of pre-commitment arrangements in the jurisdictions is largely drawn from other publicly available sources. The table below shows the current arrangements around voluntary pre-commitment in the states and territories, as the committee understands them to be:

56 Some jurisdictions have subsequently provided details of their regulatory arrangements and communication protocols, in response to a written request from the committee. The committee expresses its gratitude to those jurisdictions that were able to respond in time for this report. Where it has been possible to do so, the relevant information in the table has been checked against this regulatory information.

Table 5.1: Voluntary pre-commitment in states and territories

Jurisdiction	Status pre-commitment	Regulatory basis	Comment
Australian Capital Territory	N/A	N/A	No provisions for player pre-commitment.
New South Wales	Voluntary	Gaming Machine Regulations 2002	Card-based accounts can be made available to players. Player account holders can set weekly account limits on net expenditure (written notice is required). Decreases to any limit require no notice however any upward variation requires a period of 48 hours notice. Identification is an account requirement. The amount of money that can be held in a player account or stored on a Smartcard must not exceed \$200.00. A transaction record is required for each transaction upon the account and a Player Activity Statement must be provided on a monthly basis by the Hotel/Club.
Northern Territory	N/A	N/A	No provisions for player pre-commitment.
Queensland	Voluntary	N/A	Voluntary trials of two systems (Maxgaming's SIMPLAY System and Odyessy/eBet) have been conducted and both systems have been approved for implementation in gaming venues on a voluntary basis by the Qld Office of Liquor, Gaming and Racing as at May 2009.
South Australia	Voluntary	N/A	South Australian Codes of Practice prohibit loyalty schemes for EGM gamblers which do not have a pre-commitment capacity. Voluntary trials of a player pre-commitment system are currently underway. Worldsmart Technology is conducting a trial as part of its existing venue card system (J-Card). The system allows players to manage their gambling by deciding: <ul style="list-style-type: none"> • the period (nominated cycle) for which limits will be set (daily, weekly, fortnightly or monthly); • limit setting on expenditure (with creation of a daily expenditure budget if wished); • limit setting on time (the system allows creation of personalised reminders regarding limits and breaks in play); and • setting a cooling off period before increases to expenditure limits come into effect.
Tasmania	N/A	N/A	No provisions for player pre-commitment.
Victoria	Voluntary	Gambling Regulation (Pre-commitment) Interim Regulations 2010	In March of 2008 the Victorian Government announced the implementation of a pre-commitment system from 2010 that enabled players to set time and loss limits on "new generation" gaming machines deployed across the Victorian gaming network with a pre-commitment system operative across all machines and venues accessible on a voluntary basis by customers from 2015. Victoria's Crown Casino implemented a voluntary pre-commitment system from 1 July 2003. The 'Play Safe' program enables customers to set pre-determined limits on both dollar spend and/or the time spent on EGM gambling.

Source: Adapted from the Australasian Gaming Council⁵⁷

57 Adapted from Australasian Gaming Council, *A database on Australia's Gambling Industry 2009/10*. Available from: http://www.austgamingcouncil.org.au/images/pdf/2009_10_Database/db%202010%20web%20chp%209.pdf (accessed 15 March 2011); and the Australasian Gaming Council, *Submission 81*, pp 15–18.

Commonwealth and COAG activities

Problem Gambling Taskforce

5.70 Ms Liza Carroll, Deputy Secretary, Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) provided the committee with a summary of Commonwealth activity around pre-commitment and problem gambling.⁵⁸ She outlined the department's lead role, in close consultation with Treasury, in progressing gambling reforms.⁵⁹

5.71 Ms Carroll outlined the range of harm minimisation initiatives that have been developed over the last decade through the former Ministerial Council on Gambling.⁶⁰ She noted that the current reform proposals around pre-commitment, dynamic warnings, cost of play displays and limits on ATM withdrawals are currently being progressed through the Problem Gambling Taskforce located in the department. She also advised that Dr Jeff Harmer, Secretary, FaHCSIA, chairs an interdepartmental committee with senior representatives from other departments.⁶¹

COAG Select Council on Gambling Reform

5.72 Ms Carroll also outlined the work and role of the Council of Australian Governments Select Council on Gambling Reform, for which the taskforce provides secretariat support. The council is chaired by Minister Macklin with assistance from Minister Shorten and includes ministers from relevant departments of all state and territory governments. At its first meeting on 22 October 2010, the council agreed to establish Commonwealth-state working groups to look at progressing pre-commitment reforms, ATM withdrawal limits and dynamic warnings and cost of play displays. A forward work program focusing on online gambling and indigenous gambling was also agreed.⁶²

Ministerial Expert Advisory Group on Gambling

5.73 In addition to the COAG group, Ms Carroll described the work of the Ministerial Expert Advisory Group on Gambling that has been established to provide specialist and technical advice to the government. Chaired by Professor Peter Shergold, it reports to both Minister Macklin and Minister Shorten. The advisory

58 Ms Liza Carroll, *Proof Committee Hansard* 15 February 2011, pp 66–67.

59 Ms Liza Carroll, *Proof Committee Hansard* 15 February 2011, p. 66.

60 The Ministerial Council on Gambling ceased operations in March 2011, and its functions were transferred to the COAG Select Council on Gambling Reform. See *Problem Gambling* Department of Families, Housing, Community Services and Indigenous Affairs website: <http://www.fahcsia.gov.au/sa/gamblingdrugs/progserv/problemgambling/Pages/default.aspx#8> (accessed 15 March 2011)

61 Ms Liza Carroll, *Proof Committee Hansard* 15 February 2011, p. 67.

62 Ms Liza Carroll, *Proof Committee Hansard* 15 February 2011, p. 67.

group includes a wide range of expertise drawn from across the gambling sector, as well as academics, gambling counsellors and advocates and service providers.⁶³

5.74 The committee notes the work of these bodies at the national level, but was disappointed none chose to make a submission to the current inquiry.

Recommendation 10

5.75 The committee recommends that representatives of problem gamblers and consumer groups be invited to join the membership of the Ministerial Expert Advisory Group on Gambling.

5.76 The committee thanks the department for providing the legal advice that was commissioned by the Commonwealth on the Commonwealth's constitutional competence and prospects for legislating in the area of problem gambling. It notes this advice has now been publicly released.⁶⁴ The committee looks forward to the opportunity to review any legislation that may be subsequently introduced into the Commonwealth Parliament.

Research issues

5.77 During the inquiry a number of witnesses raised issues around research, including the need to improve the evidence base, fill knowledge and data gaps, improve coordination and develop the national research capacity.

Need to improve the evidence base

5.78 The need to improve research and build an evidence base was raised with the committee by a number of witnesses. Associate Professor Linda Hancock argued that current research efforts into gambling are deficient:

It is incredibly hard to put together a national picture. In Victoria, for example, we only got venue based revenue figures when the government put up the machines for sale.⁶⁵

5.79 Professor Alex Blaszczyński argued:

The difficulty is, of course, that the quality of research addressing many of these issues I think is lacking and as a consequence there is a lot of

63 Ms Liza Carroll, *Proof Committee Hansard* 15 February 2011, p. 67.

64 Jenny Macklin MP, Minister for Families, Housing, Community Services and Indigenous Affairs and Bill Shorten MP, Assistant Treasurer, 'Release of legal advice on gambling reform', media release, 1 February 2011, http://www.jennymacklin.fahcsia.gov.au/mediareleases/2011/pages/aus_gov_legal_advice_01022011.aspx (accessed 15 March 2011).

65 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 3.

speculation about what the impacts are of specific responsible-gambling measures.⁶⁶

5.80 Industry representatives also agreed that better research is needed, but that this needs coordination. Mr Anthony Ball, Clubs Australia observed:

There does need to be better research. Part of the reason we are sitting here and it is so adversarial is that there is very little good research out there about whether this proposal or any others are going to work. So there does need to be better coordinated research, absolutely.⁶⁷

5.81 Mr Trevor Croker, Aristocrat, also called for improvements to the evidence base:

It is critical that a robust evidence base be established and that any measures implemented in the interim be subject to review, evaluation and, if necessary, amendment to ensure gaming policy is constructed on the basis of firm evidence.⁶⁸

Knowledge gaps

5.82 It was pointed out to the committee that there are considerable gaps in current knowledge around how problem gambling emerges in individuals. Dr Charles Livingstone observed:

I think one of the lacunae—there are many lacunae—in academic research on gambling is that there are very few studies of any vigour or rigour on gambling careers: how people move into and out of gambling activities. Most people who have a gambling problem in Australia, we understand, have a gambling career of about five years, during which they lose significant sums of money and often their families and all the rest of it as well. The costs are very significant. But most people actually recover without intervention. We do not understand the pathways in, we do not understand terribly well the risk factors associated with the likelihood of developing a gambling problem and we certainly do not understand how people overcome gambling problems in any significant way.⁶⁹

5.83 He added that current research is often focused on treatment options but that it should encompass broader issues including causal factors:

A lot of research has focused on counselling, and that is important, but it has limitations. I think we need to have many more studies which are ecological/anthropological/social and which look at the causal factors and how we can address those. There are also some limited studies in

66 Professor Alex Blaszczynski, *Committee Hansard*, 4 February 2011, p. 37.

67 Mr Anthony Ball, *Committee Hansard*, 4 February 2011, p. 56.

68 Mr Trevor Croker, *Committee Hansard*, 4 February 2011, pp 2–3.

69 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 37.

Australia—and this is an emerging field—relating disadvantage to all sorts of health outcomes.⁷⁰

5.84 Links between poverty and gambling should be explored, for instance:

One of those, clearly—from the existing research and from research which we know is being undertaken currently—is about the relationship between poverty, disadvantage and inequality and the likelihood that one will have a gambling problem. Just as we know that those who are disadvantaged have worse health outcomes, we also know—but we have not yet really examined why—those people have a much greater likelihood of experiencing a gambling related problem. So I think that the whole field of social research into gambling—which is, I think, underdone very significantly in Australia—and the technical issues that Richard has raised are also very worthy of study and understanding.⁷¹

5.85 Gaps in data collection that limit research capacity and policy development were also identified by the Productivity Commission in its recent report into gambling:

One area in which useful gains could be made relates to gambling data. While much is collected, there is a shortage of data that are directly applicable to policy issues. Moreover, the usefulness and value of gambling data is diminished by differences in the way that some jurisdictions specify, measure, record and report the data...There would be clear benefits were jurisdictions to coordinate their collection of data to obtain more comprehensive coverage and greater consistency across jurisdictions.⁷²

5.86 In addition, the Commission pointed to inconsistencies across the gambling surveys conducted by the states and territories which particularly affect their scope and content:

While these [surveys] have proved invaluable, there are significant difficulties in getting a coherent picture of gambling in Australia due to differences in the content and implementation of those surveys. Differences relate to their frequency; scope (such as which gambling activities and expenditures are included); consistency in the questions used and in their ordering; the gambling screens applied; and in the definition of terms (such as what constitutes a 'frequent' or 'regular' gambler).⁷³

70 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 37

71 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, pp 37–38.

72 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 18.4.

73 Productivity Commission Inquiry, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, pp 18.4–18.5

Improving national research capacity

5.87 It was put to the committee that one way to improve gambling research capacity was to establish a national gambling research centre. Associate Professor Linda Hancock suggested that a national, independent gambling research institute could provide new information on gambling:

If you had a national monitoring system, if you had a national independent gambling research institute, you would have all sorts of new intelligence on gambling in Australia.⁷⁴

5.88 She argued gambling research needs dedicated funding because it is an area subject to criminal activity, such as money laundering. Research could be funded by a tax on the gambling industry:

Senator CROSSIN—You are suggesting that some dedicated money towards research in this area might integrate and pull together some of this.

Prof. Hancock—This very issue is why Michael O’Neil and I wrote this paper, which is: *Risky business: why the Commonwealth needs to take over gambling regulation*. In that we quote from the national inquiry into money laundering, which names gambling as a risk area. At the moment it is very easy to launder money. There is a need for an independent research based institute and that is why we suggested a supertax on the gambling industry as a way of funding it.⁷⁵

5.89 Mr Mathew Rowell, Relationships Australia, Tasmania, argued that a national, independent body was needed to hold national data:

There should be a regulatory body that is independent of the industry that provides some distance and some oversight and that is able to hold that data. In Tasmania, the gaming commission and the Department of Treasury and Finance hold a lot of the data that comes out of the research that we do here and engages with industry about getting access to that data. In the same way, a national scheme should be regulated by the Australian government.⁷⁶

5.90 Ms Cheryl Vardon, Chief Executive, Australasian Gaming Council, argued that any national body should include industry representation:

It has come up several times and at the outset we are happy to say that we also support a national gambling research entity which would include the industry as a member. Gambling research in Australia is also a relatively new area of industry. It is often repetitive, a bit directionless from our point of view and needs better coordination.⁷⁷

74 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 3.

75 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 4.

76 Mr Mathew Rowell, *Proof Committee Hansard*, 18 February 2011, p. 17.

77 Ms Cheryl Vardon, *Proof Committee Hansard*, 15 February 2011, p. 30.

5.91 She added that protocols to protect the commercial sensitivities of data collected from the industry would need to be developed:

Mr CHAMPION—If we had some sort of research body run by the government, would that allow commercial sensitivities to be protected? Has that been a barrier to research in the past?

Ms Vardon—The kind of organisation you are talking about is different from the national body which is presently in place, Gambling Research Australia. From the model of similar organisations overseas of course good protocols between industry and government and regulators have to be in place. There has been some effort over the years to begin work on those protocols.⁷⁸

5.92 Mr Ross Ferrar, Chief Executive Officer, Gaming Technologies Association, also supported a national research body:

Allow me to break your question down as I understand it. The first part was: does your association support a national research body? Emphatically, yes.⁷⁹

5.93 Mr John Whelan, Australian Hotels Association, pointed out that current state-based research initiatives lead to different priorities being developed and a more co-ordinated approach was needed:

A change in the way that research is conducted across Australia has been discussed. I think there is real merit in that. Because gambling has been regulated at a state level and there are different priorities in different states and territories, people have gone off and conducted their own research separately. I certainly think there is merit in exploring that and having government, industry and all stakeholders involved in the process.⁸⁰

5.94 Professor Malcolm Battersby warned that relying on government commissioned research is less than optimal:

The second conflict of interest is in the research. Governments are pretty well the only groups in Australia that commission research and most of that is targeted research, the research that they want to have done.⁸¹

5.95 He suggested there needs to be more independent, academic research:

The alternative is something like the NHMRC or the ARC and they have tended to fund very low levels of what I would call independent academic

78 Ms Cheryl Vardon, *Proof Committee Hansard*, 15 February 2011, pp 31–32.

79 Mr Ross Ferrar, *Committee Hansard*, 14 February 2011, p. 32.

80 Mr John Whelan, *Proof Committee Hansard*, 15 February, 2011, p. 12.

81 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 65.

research. Yes, I think there is a systematic bias, if you like, in terms of what research is done and even how the findings are disseminated.⁸²

5.96 The current national research body, Gambling Research Australia (GRA)—an initiative of COAG's former Ministerial Council on Gambling—was established in 2001 following the Productivity Commission's 1999 report into Australia's gambling industries. In its report at the time, the Commission proposed that 'a properly constituted national research facility' be established 'to facilitate national cooperation and coordination in data collection and research'.⁸³

5.97 The committee notes the Productivity Commission recently criticised the independence of the GRA, describing it as a 'satellite' of the Ministerial Council on Gambling.⁸⁴ The Commission also highlighted shortcomings with GRA arising from its current structure, in particular:

- GRA's lack of independence;
- lack of research capacity and limited capacity to assess research it commissions;
- failure to incorporate stakeholder input; and
- lack of transparency and accountability.⁸⁵

Committee view

5.98 The committee accepts that there are significant gaps in research and knowledge particularly around data collection and coordination and our understanding of problem gambling. These limit the usefulness and relevance of research efforts and their relevance to policy development. The committee agrees that the national research effort around gambling needs to be improved and better directed. The committee is also concerned that current funding arrangements whereby governments directly fund research while obtaining gambling revenues, raises issues around conflict of interest and bias. The committee also accepts the view that GRA, which is tasked with driving and coordinating national research, is hampered by current structural arrangements. While acknowledging the need to improve arrangements in this area the committee is concerned that any extra research capacity should not result in the unwarranted collection of personal information or intrude upon player privacy.

82 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 65.

83 Productivity Commission, *Australia's Gambling Industries*, vol. 2, Commonwealth of Australia, Canberra, 1999, p. 23.16

84 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 18.13.

85 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 18.13.

Recommendation 11

5.99 The committee recommends that a national, accountable and fully independent research institute on gambling be established to: drive and coordinate national research efforts, monitor the effectiveness of policies to reduce harms from problem gambling and build an evidence base sufficient to better inform future policy development. The committee recommends that annual funding for this new body be derived in part from a small levy on gambling taxes collected by state and territory governments and a commensurate contribution from the Commonwealth.