

Appendix 5 Productivity Commission - Report on *Australia's Gambling Industries*

TERMS OF REFERENCE

I, Peter Costello, Treasurer, under Parts 2 and 3 of the Productivity Commission Act 1998, hereby refer Australia's gambling industries for inquiry and the provision of an information report within twelve months of receiving this reference. The Commission is to hold hearings for the purpose of this inquiry.

Background

There is a need for better understanding of the performance of the gambling industries and their economic and social impacts across Australia, including their impact on the retail, tourism and entertainment industries and on the Commonwealth and State/Territory Budgets. Little is known about the social impacts of the rapid growth in gambling.

Scope of the Inquiry

In particular, the Commission should examine and report on:

- (a) the nature and definition of gambling and the range of activities incorporated within this definition;
- (b) the participation profile of gambling;
- (c) the economic impacts of the gambling industries, including industry size, growth, employment, organisation and interrelationships with other industries, such as tourism, leisure and other entertainment and retailing;
- (d) the social impacts of the gambling industries, the incidence of gambling abuse, the cost and nature of welfare support services of government and non-government organisations necessary to address it, the redistributive effects of gambling and the effects of gambling on community development and the provision of other services;
- (e) the effects of the regulatory structures – including licensing arrangements, entry and advertising restrictions, application of the mutuality principle and differing taxation arrangements – governing the gambling industries, including the implications of differing approaches for industry development and consumers;
- (f) the implications of new technologies (such as the internet), including the effect on traditional government controls on the gambling industries;
- (g) the impact of gambling on Commonwealth, State and Territory Budgets; and

(h) the adequacy of ABS statistics involving gambling.

4. The Commission should take account of any recent relevant studies undertaken or under way and have regard to the economic, social and regional development objectives of governments.

MAJOR FINDINGS IN RELATION TO ONLINE GAMBLING

- use of Internet and interactive gambling by Australians is expected to grow strongly;
- online gambling can offer significant potential benefits to some consumers and scope for commercial returns;
- online gambling poses significant new risks for problem gambling. It represents a quantum leap in accessibility to gambling, and is likely to involve new groups of people in gambling;
- risks to minors are potentially less significant where there are properly licensed sites – given screening requirements, ease of monitoring accounts and the inability to access any winnings;
- it is not clear that liberalising Internet gambling would involve significant tax losses;
- regardless of what regulatory approach is taken, there are strong grounds for governments to pursue palliative measures, such as: warning people about the hazards of offshore online gambling, providing information on the Internet about gambling help services and gambling sites which meet consumer protection criteria; and promoting software which provides consumers with greater control over their gambling;
- there are grounds for regulating Internet gambling along the lines of regulations applying to other forms of gambling;
- prohibition of online gambling would reduce gambling problems associated with the Internet, but would also eliminate any benefits of the technology;
- managed liberalisation – tight regulation of licensed sites to ensure integrity and consumer protection has the potential to meet most concerns, as long as it is a national approach; and
- given the uncertainty about the magnitude of the possible impacts of Internet and interactive gambling, a gradual implementation of liberalisation may be more appropriate, although this may not be feasible given the nature of the technology.¹

1 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, pp. 50-51, Vol. 2, p. 18.1.