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Submission to the Gambling Inquiry

Australian Productivity Commission

Introduction

We would like to express our gratitude for offering us the opportunity to respond to this Inquiry and congratulate the Commission on addressing this important cluster of issues related to gambling and its impacts for the second time in just over a decade. The Borderlands Cooperative has – since its inception about eleven years ago – been deeply involved in gambling issues - especially such issues as related to EGMs – investigating more particularly their impact on communities, individuals, economic and recreational amenities, domestic violence, to name a few. Our submission, hence, focuses more specifically on EGMs which we consider to be a particular problem in local communities, with special attention to the situation in Victoria. Nevertheless, the issues and recommendations we raise below can be easily applied to other and newly emerging forms of gambling that are continuous and accessible and that utilise latest technologies to accelerate gambling activity, whilst deeply penetrating into the spheres of player's private everyday lives.

Our headings follow the Productivity Commission's Terms of Reference for this Inquiry

1. Nature and Definition of 'Problem Gambling'

Definitions of problem or pathological gambling usually focus on the excessive gambling *behaviour* (and assumed 'drivers/drives' behind such behaviour) of *individuals* even when they include negative consequences for families, relationships, workplaces and/or communities. This forms part of a dominant discourse wherein problematic gambling is seen to be an individual illness or weakness that people must be 'counselled' or 'educated out of' (see Borrell, 2008, ch.1 for elaboration). Our alternative proposition is that 'problem gambling' or 'pathological gambling' must be placed in the social/global system as a whole if we are to have any understanding of it, specifically in the *systemic collusion between governments and industries that share an interest in optimising the revenue stream from gambling, either for profit making or for taxation purposes*.

We would also argue against the fallacious dichotomy of '*problem gamblers*' and '*recreational gamblers*' as often used in policy discussions. Problematic gambling exists on a continuum, as noted by the Productivity Commission in its 1999 gambling inquiry report. While at any one time there will be people who may be characterised as either having a gambling problem of participating for recreation while maintaining control, there is certainly a large grey area in between (which will include many scoring under 5 on the South Oaks Gambling Screen – see Lesieur and Bloom, 1993). There are also many who move from 'recreational gambling' to 'problem/pathological gambling' especially those playing EGMs *just as they are designed to be played*. Others may also have the occasional overspend or 'binge' causing hardship for themselves and/or dependants. To speak of 'problem gamblers' and 'recreational gamblers' as two distinct groups is really an artifice that is unhelpful for designing gambling policies; it is not really possible to cater for 'recreational gamblers' while helping 'problem gamblers' as these are not two distinct groups of people in 'real' everyday life. Gambling-related harm for problem gamblers may also impinge on 'recreational gamblers' at another time or place.

Moreover, to speak of problem- and recreational-gamblers creates a distortion wherein the degree of problem is seen to emanate from individual gamblers. As EGMs have been found to present a particularly problematic form of gambling (discussed below), very often for people who have never had a gambling problem before, it would make much more sense to talk about '*problem EGMs*' and '*recreational EGMs*', pointing at their design and the design of the environments in which they are located. More broadly, we might speak of *problem forms and contexts of gambling and recreational forms and contexts of gambling*.

The idea of gambling 'co-morbidities' also flows from the notion of problem gambling as an individual pathology. Some have used the putative co-occurrence of other pathologies as evidence that there is an underlying syndrome to 'pathological gambling,' however the fallacious nature of such reasoning seems obvious. The idea that a presenting problem is underpinned by individual pathology cannot be *proven* by its coincidence with other (conceptually atomised) presenting problems that are also assumed to have an underlying pathology. In most cases this would present a circular form of reasoning. We would instead argue that the *social/cultural/systemic spaces between presenting phenomena need to be integrated into any meaningful understanding of problematic gambling phenomena*.

2 Profile of 'Problem Gamblers' and Those at Risk

There is now a substantial body of research, including that by the Productivity Commission in 1999, demonstrating unequivocally that EGMs present a particularly problematic form of gambling. EGM revenue is drawn disproportionately from people with gambling problems and from those who are on a low income or socially disadvantaged in some other way. Moreover it is very well established that revenue comes predominantly from people with gambling problems and those who are socially marginalised and from people who are on low incomes. Greater elaboration of these points is given below.

Low income & social marginalisation as customer base

The people who provide EGM revenue to governments and industries are predominantly people on the *lowest incomes* and in the *lower range of socio-economic status* – largely (but not exclusively) people who are economically and socially marginalised and/or people who live in communities with the lowest socio-economic status (Smith, 1998). It has been well-established that EGMs are concentrated in the less affluent areas of both metropolitan Melbourne and the whole of Victoria and that EGM-losses per adult are much greater in lower SES areas (Doughney, 2006; Livingstone, Woolley, Borrell, Bakacs & Jordan 2006, pp. 86-89), indicating that those who 'market' the gambling opportunities are aware of this market 'profile.' It is well-established that EGM gambling in Victoria is very much a *local* activity and that consumption levels reflect the density of the machines in local areas. Livingstone et al. (2006, pp. 90,113) found that EGMs were concentrated in lower-SES suburbs even at the point of their initial rollout in 1992, pointing to industry use of market 'intelligence' that EGM gambling in Victoria would be a largely 'working class' preoccupation. This impression has, on occasion, been substantiated by industry figures, for example to the Australian Productivity Commission's inquiry into Australia's gambling industries in 1999. As noted by Livingstone et al, the subsequent 'harvesting' of gambling revenue from the economic lower end of society is greatly assisted by the efficiency of new digital gambling technology and the Central Monitoring Systems through which customer data are collected to fine-tune ever more efficient product design, supply and marketing techniques (2006).

More broadly, *problem gambling has been irrefutably associated with many indicators of social disadvantage and marginalisation* ('vulnerability factors'), most notably low socio-economic status, low income, unemployment, recent retrenchment, sole parenthood, substance abuse, being a migrant with a language other than English (particularly newly arrived), being a financially dependent woman and having an intellectual or psychiatric disability (e.g. Brown, Johnson, Jackson, Fook, Wynn & Rooke, 2000; Arthur Anderson, 1997; Melbourne Institute of Applied Economic & Social Research - The University of Melbourne et al., 1997; Ayres-Wearne & Farnsworth

1999; Dempsey, Borrell, Boulet & Hartley, 2002). In addition, EGM gambling has been found to be associated with family violence in a variety of ways (Borrell & Boulet, 2007).

Problem gamblers as customer base and revenue source

EGM-revenue appears to derive disproportionately from people who have a problem in controlling their gambling behaviour, largely due to the nature of the product itself and its location. Various (mainly government-commissioned) studies have demonstrated that a high proportion of regular EGM gamblers have problems with their gambling – between 16 and 48 per cent of 'players', depending on the type of venue studied (club or hotel), jurisdiction and research methodology (in Australia – Productivity Commission, 1999, pp. 6.1, 6.54; Blazczynski, Sharpe & Walker, 2001, p. 55; in Canada – Schellinck & Schrans, 1998, pp. 3, 15)[1]. The Productivity Commission comprehensively found that around one in five weekly EGM gamblers have significant problems (1999, p. 6.1). More recently, in a Victorian Government study, only 31.1 per cent (130) of 418 EGM users were found to be '*non*-problem gamblers', with 27 per cent (113) being 'problem gamblers', 25.4 per cent (106) 'moderate-risk gamblers' and 16.5 per cent (69) 'low-risk gamblers' (Rodda & Cowie, 2005, p. 81). According to Dickerson, Haw & Shepherd (2003), loss of control *is not inherent in some players* but is a '*common and expected outcome of the regular interaction between human beings and contemporary forms of gambling*' (p. 22).

It is, therefore, quite legitimate to say that a very high proportion of EGM profits and taxation revenue is derived from people with gambling problems; the Productivity Commission found that 42.3 per cent of EGM profits derive from problem gambling (1999, pp. 7.45, 7.46). While alarmingly high, this figure inevitably underestimates the proportion of revenue derived from problematic gambling, as problem gamblers are defined as measuring 5+ on the South Oaks Gambling Screen and *those measuring lower than 5 are also known to have gambling problems* and this scale was never intended to signal otherwise (Lesieur & Blume, 1993). Overseas research on EGM revenue drawn from problematic gambling has yielded similarly unacceptable results (Williams & Wood, 2004, p. 6).

[1] While problem/pathological gambling survey data are not unproblematic and rely on contestable definitions and arbitrary delineations of an individual disorder, a real (individual) disorder is only implied by reference to prevalence figures when they are 'reified' and used in isolation. In contrast we recommend a considered approach drawing on many types of research to assist in forming a more coherent picture of problematic gambling. In the spirit of triangulation, different types of research are then referred to for different types of information, with the various strengths and weakness of different approaches providing integrative complementarities and the basis for a broader and more meaningful analysis.

3 Implications of New Technologies

As would be suggested by the above, EGMs and their software are designed and supplied to extract optimal revenue from gamblers – with the *facilitation* of excessive and/or prolonged spending being at the heart of what we call problem (or pathological) gambling. According to well-respected UK researchers, Parke and Griffiths, EGM gambling is one of the world's major gambling problems, as it '*comprises more gambling-inducing structural characteristics than all other forms of gambling*' (2007, p. 220).

A Victorian study by Livingstone et al (2006) confirmed abundantly that gaming technology was implicated in the aetiology of problematic gambling, in particular Bank Note Acceptors (BNAs) as well as 'free spin' or 'free game' features and access to cash through Automatic Teller Machines (ATMs) (pp. viii, xiv). Features also worthy of attention in examining technological aspects of 'problem gambling' aetiology were presentation of the 'near miss' effect, inducements to increase bet size and the facility for multi-line betting. The authors emphasised the dynamic nature of the EGM industry, able through digital monitoring capacities to receive and commercially respond to 'real time' data on customer gambling consumption patterns and product 'uptake':

> *The EGM gambling industry is highly dynamic, which itself presents regulatory risks. The EGM system in Victoria is constantly being upgraded and refined, making the system more attractive to consumers and allowing for more effective marketing via utilisation of the high quality information derived from the operators' central monitoring and control systems.* (Livingstone et al, 2006, p. xii)

In a later study on the relationship between EGM games and game features and the 'play' of 'problem gamblers', Livingstone and Woolley concluded that gambling-related harm largely derives from expenditure of excessive amounts of money and time, with different weightings for 'money' or 'time' as a factor depending on the machine. Importantly EGMs are designed to facilitate both. Specifically, EGMs which generate high average bet levels, particularly high average bet levels proportional to credit value, were said to provide a capacity for losses and harm to escalate rapidly: '*The opportunity for open-ended or excessive gambling is thus the fundamental configuration of EGM gambling consumption, built into the design and structural characteristics of EGM technology*' (2008, p. 18).

Three specific structural characteristics identified in this research as *inducements to increase gambling stake and coverage* and to thus increase the risk associated with EGM gambling consumption were: (i) high credit value games (which produce high average bet levels), (ii) multiple or maximum line betting on small credit value games (which leads to increased average bet sizes), and (iii) reel betting extending the options on small credit value machines (which leads to increased average bet sizes) (Livingstone & Woolley, 2008, p. 18). A range of other structural characteristics operate as inducements to

increase stake and coverage, for example the facility for 'insuring' against apparent near misses, anticipation of free spin features and opportunities to gamble reels as well as lines (noted above) (Livingstone & Woolley, 2008, p. 18). Importantly, harm is said to be imbedded in the EGM technology and to be clearly exploitative, with high-yield machines encouraging prolonged play and/or higher average stakes (2008, pp. 18, 19):

> *The production of harm is manifested in the toll on gamblers who transition from non-problem gambler status to high risk segments. This process takes time, but the capacity for harm pre-exists, embedded in the tendency of EGM technology to push toward extended gambling sessions and increased expenditures and the setting of parameter values at levels that may exacerbate harm*. (2008, p. 19)

Nevertheless, we do not recommend 'just' changing or modifying specific characteristics of EGMs in order to prevent harm; i.e. such measures may be classified as '*necessary but not sufficient*'. Greater fundamental change is required. Specifically, we need a regulatory structure that eliminates the current incentives for optimising EGM consumer spending to the point of generating gambling problems in individuals and communities. In other words, *the current nexus between profit making and harm generation must be broken within a new regulatory framework*. This is elaborated in the conclusion to this submission.

4 Social and Economic Impacts

Harm that EGM gambling causes for individuals, families, communities and workplaces has been well documented in a wide range of studies, including that carried out by the Productivity Commission in 1999 and numerous projects carried out by the Borderlands Cooperative from 1999 to the present. Some of these studies are referred to in literature reviews for local governments in Victoria carried out by Borderlands Cooperative (e.g. see Borrell, Hartley, Haldun & Boulet, 2003; Dempsey, Borrell, Boulet & Hartley, 2002). The relationship between family violence and EGM gambling is also explored in a study for Community West (Borrell & Boulet, 2007). Briefly, *EGM gambling has been found to be a regressive tax on people and communities and to lead to stress and anxiety, family breakdown, divorce, child neglect and abuse, domestic violence, crime, financial ruin, the entrenchment of disadvantage and suicide*. It is a tragic list that can only really skim over the surface of the suffering caused to tens of thousands of Australians by EGM gambling - many more if one includes families and networks of those directly afflicted.

Not surprisingly, many research projects, very often government commissioned, have provided evidence of a high level of concern in the population about the harm caused by EGM gambling to individuals, families and communities. Specifically, Victorian government and other research has repeatedly shown that people *are* concerned about the harmful 'fall-out' of the EGMs in their communities; they think the machines are too

accessible and that regulation should be tightened (McMillen, Masterman-Smith & Tremayne, 2001; Productivity Commission, 1999, p. 3; Roy Morgan Research, 2000, p. iv; Marketing Science Centre, University of South Australia, 2000, p. ii; KPMG Consulting, 2000, p. 2; Cultural Partners Australia and Thomas & Associates, 2000; Arthur Anderson, 1997, p. i; Ayres-Wearne and Farnsworth, 1999, p. 2; New Focus Research Pty Ltd, 2003, p. 13).

Across many consultations carried out by Borderlands Cooperative for local governments and community organisations, people lamented the adverse impacts EGMs and the venues have on community spaces – either on a broad scale in terms of their proliferation, visibility and (implicitly) dominance over local landscapes and life activities, but also in terms of what occurs *within* venues. Some criticised the replacement of live music with EGMs, others lamenting the visual impact of the lines of machines, their incessant noise and the rows of gamblers looking variously numb, hypnotised and unhappy, but never (many noted) sociable. One participant in the *Boroondara Gambling Impact Study* complained with some bitterness that the amenity of his local hotel had been adversely affected by the introduction of EGMs, finishing with: *I am fed up with the machines. What used to be a pleasant area is not a place you can enjoy anymore* … (Borrell, Boulet & McKenna, 1999, p. 72). Similarly, traders in the City of Whitehorse thought that EGMs have a negative effect on surrounding businesses and that they present '*less scope for live music and the entrenchment of essentially anti-social behaviour when people are focused for hours on interaction with a machine*' (Borrell, Hartley, Haldun & Boulet, 2003, p. 99).

5 Effects of Regulatory Structures Governing Gambling Industries

(including impacts of government budget needs on regulation)

Given that EGM revenue for both private profit and government coffers is drawn largely from people with gambling problems and those who are socially and economically marginalised, governments evidently have a conflict of interest; i.e. their interest in maximising returns via taxation revenue and in regulating the industry in the public interest.

As noted above, the evidence that the EGM-product itself generates harm and that the revenue from EGM gambling is primarily drawn from people with gambling problems and from those who can least afford it is formidable (Smith, 1998). In addition, EGM gambling leaches precious resources from the most disadvantaged communities (Smith, 1998). As gambling problems are largely generated or facilitated by the gambling product itself, this points to a culpability on the part of corporations that design, supply and market the EGM product, in conjunction with governments that offer favourable conditions and lend their official imprimatur and legitimacy. It clearly illustrates the conflict of interest for governments, responsible for upholding and protecting public

interest and health while concomitantly providing regulatory support for industries that disperse harmful effects amongst the citizenry.

Briefly responding to another heading in the response framework offered by the Commission on '*the contribution of gambling revenue on community development activity and employment*,' - a *regressive tax* largely dependent on the generation of problematic gambling and community harm is *not* an appropriate source of revenue to build community infrastructure and projects that support the health and well-being of citizens. Furthermore, gambling provides an unstable tax base that governments *should not become dependent on for core services* (Smith, 1998, 2000) - especially as they will be impelled to prop-up such businesses if and when they struggle. Such a scenario highlights government's conflict of interest in promoting a private business that generates harm (e.g. as with the EGM industry) while being required to serve the public interest.

As illustrated in the following points, *EGM regulation and EGM technology need to be analysed in association with each other*, with special attention given to *what is driving current design, placement and marketing of the EGM product*.

1. *The current EGM industry in Victoria is supply driven* rather than *demand* driven. It was not introduced because of popular demand (which was non-existent), but was contextualised by governmental fiscal problems coinciding with long-term lobbying efforts by gambling industry representatives.[2]
2. *Revenues from EGM gambling have been substantial and the government has become highly dependent on EGM taxation* since the rollout of machines in 1992, locking it into ongoing protection of this revenue source.
3. *The government and EGM industries* (primarily the duopoly operators, Tabcorp Holdings Ltd and Tattersall's Ltd in Victoria) *share a common interest in revenue optimisation* and the former is, for this reason, compromised in its primary function of representing the public interest within the regulatory frameworks that it instigates and presides over.
4. The government and gambling industries promulgate an *individual blame/individual pathology* discourse, providing ideological justification for the current, enabling/expansionary regulatory framework, even while government-commissioned research reveals that regular EGM gambling is highly likely to induce gambling problems.
5. '*Real time*' computerised data is used by the EGM industry to optimise profit-yielding business decisions regarding product choice, design and placement as well as marketing and promotion. Not all such data are referred to or accessible to government regulators for the purpose of harm prevention or 'harm minimisation', which is the publicly and formally favoured policy approach (Borrell, 2008, Chapter 5.1).

[2] Spending on these machines cannot be treated as evidence or quantification of consumer benefit within econometric models (specifically as 'Consumer Surplus' as in the PC's 1999 gambling inquiry) as such spending often results from industry manipulation and a loss of normal control by consumers. Moreover government studies have shown that many EGM gamblers do not enjoy their EGM gambling (e.g. Deakin Human Services Australia, Deakin University and the Melbourne Institute of Applied Economic and Social Research, University of Melbourne, 1997, p. 64).

Technology and Victorian regulation

As highlighted by Livingstone et al, the EGM industry is able to manipulate the technical system (as in the provision of Bank Note Acceptors) to increase the profitability of machines to 'intensify' machine 'play', inevitably at the expense of greater gambler losses (the 'flip side' of company profits) (2006, p. 68). Such manipulation has been greatly enhanced in Victoria by the industry structure, the duopoly of Tattersall's Ltd. and Tabcorp Holdings Ltd. operating and owning all 30,000 machines across Victoria in a 50-50 split and controlling decisions about strategic machine placement and movement, with substantially less decisional and operational power held by the venues that house the machines (Costello & Millar, 2000, pp. 94, 95). Through contractual arrangements with clubs and hotels (excluding the 2,500 machines at Crown Casino in Melbourne's CBD), the two companies have been able to control venue design and modifications to optimise customer spending on EGMs, in effect, creating a type of *franchise arrangement*, due to their market power and the contractual requirements imposed on venues, including internal layout, various parameters of product provision and the content and style of public communications.

While the Victorian EGM operator licenses held by TABCORP and Tattersall's are set to expire in 2012 and gaming venues will thereafter own and operate the machines directly, there are already corporations who own large chains of hotel gaming venues ready to step into the breach. While, ostensibly their market power will be limited to a third of hotel venues, there is no cap on the number of EGM operations in clubs that they may manage. Unfortunately the new EGM licenses will be auctioned to the highest bidder in an obvious revenue grab, rather than to venues that show genuine commitment to limiting revenue from people with gambling problems. As noted by Mark Zirnsak:

> *The Government's proposed process for granting pokie licences after 2012 will reward those pokie venues that plan to do least to reduce the harm from pokies, as such venues are likely to have the highest revenues by being the venues most ready to cash in on problem gambling. This will mean such venues will have more money to bid in the auction* (Retrieved 24 March, 2009 from: http://www.melbourne.anglican.com.au/main.php?pg=news&news_id=19680&s=157).

In addition, those paying high prices for machines will inevitably want to recoup their costs, perhaps placing an ongoing upward pressure on the cost of gambling on EGMs.

Thus, within the new regulatory structure in Victoria, not much is likely to change in terms of the high level of harm wreaked by the machines as they induce excessive gambling as per their designs and programs and the intentions of those who reap revenue from them. While the main industry players may change, there is still likely to be market dominance by a few and these industries will still be informed by an imperative to derive as much revenue as possible from the EGMs. What will remain constant is the government's interest in sharing in this revenue as a substantial part of its taxation base. Also constant will be the intricate tie between the level of industry profit/government revenue and the level of revenue manipulated from gamblers through the EGM gambling

process such that when the first goes up, the second does as well. *Unfortunately, what is absent in this structure is any incentive to truly address and reduce problematic gambling*.

6 Impacts of Harm Minimisation Measures Introduced Since 1999

If harm minimisation measures were really working in the main, we would be seeing revenue drop from somewhere between 30% and 60%. This, of course, is not happening. Nevertheless, evidence of success in gambling-related harm minimisation measures is usually presented by governments, industry and industry-advocates in the form of a 'shopping list' of policies in place and measures that have been carried out. As anyone familiar with evaluation theory would know, this can only be a partial and incomplete account. What is also required is information about the degree to which these policies and measures have culminated in positive outcomes or impacts – in this case less EGM-related harm for individuals, families, communities and local economies. In fact the evidence from a wide range of consecutive research projects, much of it government commissioned, is to the contrary. It is clear that EGMs continue to induce and draw revenue from a high level of problematic gambling and that this results in havoc and despair for individuals, families and communities.

We argue that we need to leave behind the long list of 'window dressing' policies, most of which place primary responsibility for control on individual gamblers and so will tend to fail in the long run i.e. because they are not 'hitting the mark', *which is that EGMs are a highly hazardous product*. The onus needs to be placed on industries to demonstrate safety before release of a product and on governments to properly regulate to keep hazardous products out of the market place. In fact 'responsible gambling' messages are largely deceptive and therefore dangerous in that they convey the impression that the product is safe and that a responsible person will remain in control of their gambling in normal interaction with it. An honest prevention message would tell the public that the machines are inherently unsafe and that people should avoid contact with them; certainly they should not 'play' them on a regular basis. We would add that there is hypocrisy in regulatory frameworks that prescribe education of gamblers while permitting unsafe products in the market that lead to cognitive distortions, disassociation and loss of control within normal gambling activity. In other words, the EGM product is designed to 'educate' people to spend more and/or for longer periods of time while in interaction with the machines. As researchers and (former) academics, it strikes us as odd that commercial enterprises like the gambling industries are allowed to 'experiment' on citizens *ad libidum*, in public places and without *any* ethics approval process, as they try to figure out where the 'weak' spots are in their socio-psychological awareness and overall constitution and circumstances, their defence mechanisms and strengths, so as to maximise profits…

As a final point, *voluntary codes* within gambling regulatory frameworks have been found to be ineffective for preventing harm, though they may have fared better as public relations vehicles for industries. This may be inevitable as an effective code of conduct (which would act as some sort of ethics committee) will drastically reduce industry profits from EGMs as such a large proportion of revenue comes from problem gambling. To put it briefly: less harm will mean less revenue. Within the current regime, a gambling industry or venue wishing to do the right thing and decrease fiscal dependence on excessive gambling would place itself at a great competitive disadvantage in the market place. On the other hand, a compulsory code of conduct would not only reduce harm from EGM gambling, it would create a level playing field for the viability of ethical businesses.

Whilst we believe that Smart Cards could be a helpful device to limit problem gambling on EGMS, we would classify them as '*necessary but not sufficient*,' as their harm-minimising potentialities will inevitably be circumvented if the nexus between generating revenue and creating hardship is not broken. At the same time, they could be a great tool and we recommend them as part of best practice standards for gambling provision (as referred to below in our conclusion). Smart cards could do lots of things (including collect market intelligence) but they might usefully: (i) enable gamblers to pre-set limits (while acknowledging that if someone is already 'hooked' they may not be so effective); (ii) facilitate the effectiveness of self-exclusion (as patrons would not be able to venue-hop or slip past staff detection), (iii) identify patterns of problematic gambling to identify 'problem machines' and 'problem venues', (iv) identify patterns of problematic gambling in individuals to inform interventions (e.g. as implemented by Holland Casino).

7 Conclusion and Recommendations

Certainly, the evidence is overwhelming that EGMs and their games as currently designed and supplied are highly dangerous and exploitive products that should not be permitted in our communities *at all*.

EGM-related problems or pathologies are most accurately placed within the whole system for analysis – specifically in the systemic collusion between governments and industries. (This is elaborated in Borrell, 2008). The EGM industry is a particularly noxious one, whereby governments and industries do not just draw revenue from harm in the citizenry – but the harm is directly induced by the design, supply and promotion of a harmful product. Governments have played a central role in Victoria and elsewhere in providing state legitimacy and regulatory frameworks that favour industry profitability and the maintenance of a secure taxation income stream.

Breaking the nexus between harm and profit

As proposed above, we need to break the nexus between the generation of EGM-related harm and the generation of profit within our regulatory structures. In this way, governments may reclaim their rightful role in representing the public interest. Specifically we need to put the onus on industries to ensure that EGMs and their games are safe before they are released into our communities. (See Borrell, 2007 for elaboration). Furthermore EGM standards need to be improved so that adequate attention is given to their safety, i.e. in terms of low propensity to induce problematic gambling.

In a way, EGMs may act as a demonstration product of what can happen if other forms of gambling that are continuous and accessible are not regulated properly and in the public interest. Thus we believe that recommendations made here in relation to the EGM industry would equally apply to other gambling modalities, *not least that safety must be established before widespread placement of new products – or at least have limited deployment while tests are carried out and have dangerous characteristics incorporated into Australian standards of machine and software design*.

To date, what we have had is regulatory failure as the shape of the EGM industry, including the design, placement and marketing of products, has been primarily determined by the imperative to derive optimal revenue. With the nexus broken between profit and harm, we would see an end to the incentives to maximise consumer spending on machines, which is what centrally characterises excessive or problematic gambling.

Leadership by the Federal Government

As most state governments in Australia, including Victoria, are hopelessly reliant on the revenue from gambling and EGMs in particular *we strongly recommend that the Federal Government steps into the regulatory vacuum*. As the lucrative revenue stream from gambling revenue appears to be the main factor preventing state governments from introducing truly effective regulation, we recommend that the Federal Government provides substantial fiscal incentives through Commonwealth State funding arrangements so that states can wean themselves off dependence on this harmful activity. (As a start, the Commonwealth Government needs to discontinue the practice of rewarding states for drawing revenue from gambling within Commonwealth State Funding Agreements).

Financial incentives may be provided to reduce dependence on gambling revenue and/or for the delivery of ‘best practice’ in gambling regulation. Such ‘best practice’ would need to include stringent safety standards for the EGM product, with evidence that they do not generate harm before they are released into the community (or at least deployment might be limited as part of the testing regime, something akin to an ‘ethics approval’ process as practiced in medical and other academic research ‘on’ human beings). As pointed out by Livingstone et al (2006, p.x), current practice for the development of technical standards

and approval of gaming equipment is largely non-transparent and is neglectful of harm minimisation principles in contrast to probity and revenue concerns. Certainly, 'best practice' regulation would require that equal attention is given to safety and harm prevention in standards for EGMs before they are released into the market place. More specifically and at a minimum, innovations in EGM game and platform design should not be fully approved and deployed until they have been subjected to harm minimisation scrutiny via limited initial deployment and the use of actual EGM data and a risk management profile (Livingstone et al, 2006, p. ix).

Finally, the principles of maintaining a 'commercial in confidence' stance by governments should *never* be allowed to override governments' duty-of-care vis-à-vis its most vulnerable citizens. Being assured of safety against harm is a human right, even as those gambling industry representatives who hope to exploit human frailty for the maximisation of their own benefit, misconstrue this as an expression of the 'nanny-state' imposing on 'freely choosing citizens'. In fact, contemporary EGMs are so lucrative just because they manipulate people out of their normal 'free choice'.

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