NSW GOVERNMENT SUBMISSION

TO

JOINT SELECT COMMITTEE ON GAMBLING REFORM

INQUIRY INTO PRE-COMMITMENT SCHEMES

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NSW submission to the Joint Select Committee on Gambling Reform

Introduction

Gambling is a recreational pursuit enjoyed by many people in NSW. In 2008-09, 70 per cent of the adult population of NSW participated in some form of gambling activity. While most people who gamble do so in a responsible manner and enjoy gambling as entertainment, for some it is a cause of problems for themselves, their families and the community.

NSW continues to play a leading role in implementing measures to reduce the harm associated with gambling. The NSW Population Health Survey 2008/09 showed that only 0.4% of the NSW adult population could be considered problem gamblers. This is among the lowest in Australia.

NSW policies and legislation provide an integrated and wide-ranging approach to gambling harm minimisation. These include education, counselling services, research, venue and staff training, licence approval processes, and regulation. For example, in 2010 the NSW Government allocated close to $11 million through the Responsible Gambling Fund to problem gambling counselling and support services.

The NSW Government welcomes the opportunity to make a submission to the Joint Select Committee on Gambling Reform and to assist it in its task of making recommendations on gambling reform.

Gaming and Racing in NSW

Forms of gambling in NSW

A variety of forms of gambling are available in NSW. Briefly, they are:

- electronic gaming machines which are authorised for use in clubs and hotels in NSW and in the Star City Casino
- lottery products including Lotto (Monday and Wednesday), Lotto Strike, Oz Lotto, Saturday Lotto, Powerball, Soccer Pools, Draw Lottery Games and 'Scratchies'
- Keno which is offered in registered clubs, hotels and the casino
- casino gaming including table games such as blackjack, roulette, sic bo and baccarat
- wagering on thoroughbred horse racing, harness racing, greyhound racing and sporting events through on-course bookmakers and totalizators, and the TAB.

There are also several forms of 'non-commercial' gambling activities conducted throughout the State mainly for the benefit of not-for-profit organisations or for other charitable purposes (e.g. raffles, sweeps, art unions, charity houses). In addition, 'free-entry' trade competitions are sometimes conducted to promote particular business activities. These activities are regulated under the *Lotteries and Art Unions Act 1901* (NSW) and associated regulations and permit conditions.

Snapshot of the gaming and racing industry in NSW

The distribution of licensed gambling facilities as at 30 June 2010 is provided in Table A.

Table A – Distribution of licensed gambling facilities

Gaming machines in registered clubs and hotels
- 71,275 in 1,282 registered clubs
- 23,640 in 1,659 hotels

Sydney casino
- 1,500 gaming machines
- At least 200 gaming tables

Race and sports wagering
- 1,780 off-course totalizator outlets (hotels/clubs)
- 234 off-course totalizator outlets (TAB outlets)
- 198 on-course totalizators
- 255 racing bookmakers
- 6 full-time and 40 casual authorised sports wagering bookmakers (sports wagering also provided though TAB outlets)

Commercial lotteries
- Lotto, Lotteries and associated games available through 1,674 agencies
- Keno available through 1,016 registered clubs and 624 hotels

Gaming Machines in NSW

Under the *Gaming Machines Act 2001* the number of poker machine entitlements that can be issued to hotels and clubs in NSW is capped at 99,000. A poker machine entitlement trading scheme which operates under the Act is gradually reducing the number of entitlements available via the entitlement forfeiture requirements that apply under the scheme. Clubs can only trade entitlements between clubs (and each time they do, 1 entitlement is forfeited for every 2 or 3 transferred). Hotels can only trade entitlements between hotels and a similar forfeiture requirement applies regarding cancelled entitlements.

As Table A indicates, at 30 June 2010 there were 97,939 poker machine entitlements on the market. Of these, there were 94,915 authorised gaming machines operating in hotels and clubs in NSW. 71,275 were operating in clubs and 23,640 were operating in hotels.

The number of gaming machines at Star City casino is capped at 1,500 via a Ministerial directive issued under the *Casino Control Act 1992*. The casino is not part of the poker machine entitlement trading scheme.[1]

The distribution of authorised gaming machines amongst hotels and clubs (as at December 2010) was as follows:

<u>Hotels</u>

- Less than 10 authorised gaming machines – 528 hotels
- 10 to 19 authorised gaming machines – 696 hotels
- 20 to 30 authorised gaming machines – 418 hotels

[1] NSW has a one casino policy, supported by legislation and commercial arrangements in place with the current casino operator.

- (Cap of 30 authorised gaming machines at hotels)

Clubs

- Less than 10 authorised gaming machines – 162 clubs
- 10 to 49 authorised gaming machines – 696 clubs
- 50 to 99 authorised gaming machines – 206 clubs
- 100 to 199 authorised gaming machines – 110 clubs
- 200 or more authorised gaming machines – 74 clubs
- (No cap on authorised gaming machines at clubs)

Gaming machines are authorised by the Casino, Liquor and Gaming Control Authority. New gaming machines, and new games, must be approved by the Casino, Liquor and Gaming Control Authority before they can be operated as authorised gaming machines in NSW.

Contribution of registered clubs

Registered clubs in NSW provide lifestyle and community-focussed goods and services to their members and the community at large. Clubs receive favourable treatment from the NSW Government – for example, lower rates of taxation on gaming machine profits compared to hotels and higher numbers of gaming machines permitted per venue. This support is on the basis that clubs are not-for-profit organisations that support their local communities.

In June 2008, the NSW Independent Pricing and Regulatory Tribunal (IPART) published its *Review of the Registered Clubs Industry in NSW*.[2] IPART calculated that the value of clubs' contribution to social infrastructure in NSW in 2007 was $811 million.

One way clubs contribute to the local community is through the Community Development and Support Expenditure (CDSE) Scheme. The Scheme provides a gaming machine tax rebate of up to 1.5 per cent to clubs that make eligible community contributions in accordance with the Scheme's guidelines. In the year to August 2009-10 $58.7 million was expended on CDSE projects.

The IPART review noted that only 13% of registered clubs did not have gaming machines. With so many clubs having gaming machines and the possibility that some clubs will cease trading, it is therefore possible that the number and distribution of gaming machines in clubs (and thereby overall) in NSW will change in the coming years.

Gambling Participation and Prevalence of problem gambling

NSW has one of the lowest rates of problem gambling in Australia. The 2009 NSW Population Health Survey of 9,400 people included a component on gambling and found the State's problem gambling rate to be 0.4%, with a further 1.2% deemed at moderate risk. This compares to a problem gambling rate of 0.37% in Queensland in 2009 and 0.7% in Victoria in 2008.

The last dedicated problem gambling prevalence survey undertaken by ACNielsen in 2006 found 0.8% of the State's adult population were problem gamblers, with a further 1.6% at

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[2] A copy of IPART's report of its Review of the Registered Clubs Industry in NSW may be obtained from: http://www.ipart.nsw.gov.au/investigation_content.asp?industry=5&sector=current&inquiry=117

moderate risk. This survey of more than 5,000 people using the Canadian Problem Gambling Index also found that nearly two-thirds of the State's adult population (64.5%) were non-problem gamblers, while nearly one third (31%) didn't gamble at all.

NSW has commenced a comprehensive study of the prevalence of gambling and problem gambling in NSW, due to be completed at the end of 2011. The study will include interviews with at least 10,000 people, and will collect data on gambling prevalence, frequency, the kinds of gambling being undertaken, and demographic data. It will also examine the impact that technology such as on-line gambling and the easy access afforded by mobile phones, other hand-held devices and lap tops, has had on gambling participation.

NSW Programs

Since 2004, programs and regulations in NSW aimed at minimising the harm from problem gambling have aligned with the *National Framework on Problem Gambling 2004-2008.* The framework was developed by the Ministerial Council on Gambling in 2004.

The four key focus areas and objectives of the framework are as follows:

- Public awareness, education and training

  Objective: To promote a greater understanding of the nature of the gambling product, the potential for harm and the availability of help and support.

- Responsible gambling environments

  Objective: To minimise the likelihood of recreational gamblers developing problem gambling behaviours.

- Intervention, counselling and support services

  Objective: To enhance problem gambling support and treatment services that are effective, accessible and culturally appropriate.

- National research and data collection

  Objective: To inform the implementation and further development of the national framework and its strategies.

Programs and regulation currently in place in NSW to address potential harms from gambling are described briefly below.

1. Counselling and support programs

In 2010 the NSW Government allocated close to $11 million through the Responsible Gambling Fund (RGF) to problem gambling counselling and support services. The funding supports approximately 150,000 counselling hours, delivered by 49 counselling and support services that operate from more than 200 locations throughout the State. It includes the state-wide 24-hour Gambling Help, a one stop shop phone line and web site linking gamblers to self-help materials, an interactive directory of services, Government-funded gambling research, a community resources portal and a home-site for RGF-funded counsellors.

To complement those programs the Government also has strategies in place to educate people to identify the early signs of problem gambling and to encourage them to seek help before it becomes a serious problem.

2. Gambling Hangover campaign

A successful $2.5 million state-wide Gambling Hangover public awareness campaign was launched in 2008 to educate young men to identify the early signs of problem gambling and

encourage them to seek help. Following the success of that campaign, stage two was launched in August 2010, with a particular focus on online gambling.

The campaign was initiated in response to the 2006 NSW prevalence study which found that young males aged 18-24 years, employed on low to moderate incomes, were at particular risk of problem gambling. It used morning radio, newspapers and signage at railway stations and on buses to capture the target audience during the remorse phase of a gambling binge.

An evaluation conducted by the Office of Liquor, Gaming and Racing indicated that:

- There was a high awareness and approval of the campaign amongst young men
- Young men had a significantly better knowledge of gambling symptoms
- Calls to the gambling counselling line increased by 5%
- 4,000 visitors to the web site engaged in self-help activities such as ordering booklets or using the interactive tools.

3. Indigenous communities

In 2008 the Aboriginal Health and Medical Research Council of NSW published research, funded by the Responsible Gambling Fund, which investigated gambling issues in Aboriginal communities. The research found that Aboriginal people were reluctant to seek assistance for gambling problems because of a shortage of Aboriginal counsellors and support services, a lack of understanding of gambling issues amongst health and community services, and shame and stigma surrounding problem gambling. The NSW government has since developed a range of initiatives and these are currently being implemented. They include providing support for counselling services to engage and work better with Aboriginal communities, providing tailored training courses for counsellors, and initiatives to raise awareness of gambling related harm in Aboriginal communities.

4. Regulation of gambling in clubs and hotels

NSW Government legislation bans 24-hour gaming in pubs and clubs, advertising of gaming machines, and gaming venues offering or supplying free or discounted liquor as an inducement to gamble. In addition, the legislation requires that people working in gaming machine areas must be trained in the responsible conduct of gambling. All clubs and hotels with gaming machines must have a self-exclusion scheme available.

One of the objectives of the New South Wales gaming machine laws is the ongoing reduction in the number of gaming machines in hotels and registered clubs. Since 2006 just short of 3,000 gaming machines have been removed from venues across New South Wales. There are now approximately 4,000 fewer machines in hotels and clubs than required under the state-wide cap of 99,000.

5. Supporting NSW Clubs

In 2009 a number of amendments were made to the *Registered Clubs Act 1976* to allow them to diversify income streams away from gaming. A pilot project to facilitate amalgamations as an option for struggling clubs and identify barriers to amalgamation is also being undertaken by ClubsNSW with support from the NSW Government.

Evaluation and Research

NSW engages in continuous review and improvement of policies, regulation and programs. This is in line with the Productivity Commission's 2010 report 'Gambling' which emphasised the importance of an evidence based approach to the success of any gambling reform initiatives. It states:

> ‘Good policy relies on more than plausible rationales. It requires reasonable empirical or theoretical grounds that an intervention would have its desired impacts without excessive costs.’

The NSW Government, through the Responsible Gambling Fund, commissioned research into the effectiveness of the mandatory 6-hour shutdown period for gaming machines (2008) and the effectiveness of player information and gambling warning signs (2006). This research resulted in the 6-hour shutdown being retained and the player information and gambling warning signs being updated.

3. Key Issues

Gaming machine pre-commitment

The NSW Government would like to take this opportunity to bring to the Committee’s attention what it sees as the key issues associated with the design and implementation of a pre-commitment scheme for gaming machines.

NSW suggests that a practical and flexible approach to pre-commitment is needed, informed by relevant research and pilot programs. While this may affect implementation timeframes, it would ensure that measures are effective, properly targeted and that sufficient consultation is undertaken to gain stakeholder support. It is important to ensure that intentions to prevent harmful play do not unnecessarily deter gaming machine play by non-problem and occasional gamblers.

Consistent with the Productivity Commission’s recommendations, an optimal approach to the implementation of any full pre-commitment scheme should be predicated on a trial and evaluation to substantiate whether it has sufficient advantages over partial pre-commitment before proceeding. A detailed cost/benefit analysis will need to be undertaken, including detailed reference to the outcomes and learnings associated with trials of partial pre-commitment conducted in Queensland and South Australia, in order to determine the net benefit (if any) to be attained by shifting from a partial to a full system. Any comparison with overseas schemes will need to take into account the very different systems and policy/regulatory settings that provide the context for those schemes.

States and Territories should be fully consulted during the development of the cost-benefit analysis. The cost-benefit analysis should consider a range of options, including both mandatory and voluntary pre-commitment, (in addition to no pre-commitment) as well as the impacts of different design features on each of the pre-commitment schemes (for example, it would need to assess different consequences from pre-commitment and different methodologies for registering and identifying players).

Cost implications will need to be fully assessed, including technological changes, implementation costs (training, licensing, purchase and upgrade of machines), broader economic costs and social costs to recreational players. As noted, clubs are not for profit organisations that make important contributions to the community. Cost implications for clubs associated with system implementation and reduced gaming machine revenue are likely to resonate through the wider community.

The Productivity Commission has noted that the cost impacts for NSW industry are likely to be substantially higher than for many other States and Territories. All authorised gaming machines in NSW hotels and clubs are connected to a Centralised Monitoring System (CMS) for the purposes of calculating gaming machine duty payable by venues. Currently, the CMS cannot accommodate two-way communications with gaming machines in hotels or clubs, and therefore cannot support a pre-commitment system of the kind identified by the Commission. Estimates indicate that NSW would also have to replace approximately 50 per cent of its gaming machines, while 25 per cent would need significant hardware and software upgrade and the remaining 25 per cent would need minor upgrades.

Any cost-benefit analysis should also examine the potential for a full, mandatory, gaming machine pre-commitment system to have unintended consequences - such as driving players (both problem and non-problem gamblers) to other forms of gambling, particularly online gaming. Interactive gambling appears to be one of the fastest growing forms of gambling, both internationally and in Australia, and there is an increasing body of research which suggests that the potential for problem gambling is higher in relation to online gambling compared with land-based gambling. It is critical that any pre-commitment scheme does not result in a migration of players to the online gaming environment.

Other matters

The NSW Government would also like to bring to the Committee's attention some key issues associated with some of the other significant reform measures being examined by the Select Council on Gambling Reform. It is considered that many of these recommendations would benefit from further empirical research.

ATM withdrawal limit

There is little evidence available on the benefits of introducing ATM withdrawal limits over and above other measures in place in many jurisdictions, including NSW, such as credit card restrictions and the placement of machines away from gaming areas within venues. The current measures in place in NSW relating to the access and location of cash dispensing facilities in gaming venues are directed towards achieving the policy objective of minimising harm by limiting the opportunity for people to make impulsive withdrawals and providing gaming machine players with a "break in play" during which they may reassess their desire to continue gaming.

While the direct costs of implementing this reform are as yet unknown, there are likely to be broader economic and social costs associated with more restricted access to ATM's particularly in rural and regional areas. A withdrawal limit may affect non problem-gamblers, including patrons wanting to withdraw funds to spend on other activities at a venue including dining and entertainment. In this regard, it is worth noting the findings of a 2006 NSW prevalence study indicating that only 17 per cent of gamblers had withdrawn cash to play gaming machines. It also has the potential to affect non-Australian residents visiting tourist destinations in NSW who may require additional cash. In many regional and remote areas, ATMs in venues may offer the only secure place for members of the community to conduct their banking. The proposal has the potential to create safety concerns in these areas, as people may be forced to resort to less secure banking practices.

In addition, the NSW Government notes that the Productivity Commission stated that the need for a withdrawal limit on ATMs would be redundant if the Commission's proposed recommendations on pre-commitment were adopted (Productivity Commission, *Gambling*, Feb 2010, p13.37).

Additional research, followed by cost-benefit analysis of a number of options, will be required to determine whether this proposed reform would be effective and efficient. This would include detailed consideration of any consequences for non-problem gamblers and non-gamblers (such as lack of access to funds for other activities in a secure environment) and how to manage risks such as the use by problem gamblers of multiple bank accounts or cards.

Dynamic warning messages and cost-of-play displays on gaming machines

The technological capacity, cost and implementation issues in relation to centrally controlled dynamic warning messaging mirror those for pre-commitment. As with pre-commitment, those States and Territories that have a Centralised Monitoring System which does not accommodate two-way communication will have a substantial cost burden. As previously noted, around 50 per cent of gaming machines in NSW would need to be replaced, around 25 per cent would need significant hardware and software upgrade and around 25 per cent

would need minor upgrades to be able to provide dynamic messaging. This is a significant issue for NSW.

It is understood that the Commonwealth Government has undertaken to commission research into possible design features of a dynamic warning and cost of play system in order to assist jurisdictions in their policy considerations on this matter. This is strongly supported by NSW.

Online gaming

The NSW Government does not support liberalising online gaming and is pleased that the Commonwealth has endorsed that position by rejecting the Productivity Commission's recommendation for a partial relaxation of the current laws governing interactive gambling.

Internet gaming has the potential for exponential growth and to cause significant problems for society and problem gamblers. There is a growing number of ways in which gamblers are being introduced to online gambling providers, including social networking (e.g. Facebook), smart-phones, etc. These are mediums particularly favoured by young adults, which makes them as a group particularly vulnerable to online gambling problems. There is a large body of research (including international studies) indicating that internet gamblers are more likely to be younger adults, with relatively high rates of associated problem gambling.

The adequacy of the regulatory restrictions provided by the *Interactive Gambling Act 2001*, which apply to both domestic and overseas online gaming providers, has been called into question in recent times by researchers, industry representatives and the media, as well as State and Territory Governments. Therefore, while Australian-based online gaming sites that allow access to Australian residents are already banned, steps must also be taken to prevent access to overseas-based online sites by Australian residents. A leading researcher has estimated that despite the prohibitions in place by the *Interactive Gambling Act 2001*, 'Australians have convenient access to over 2,176 Internet gaming sites and …[were]…expected to spend over AUD$968 million in 2010 on illegal online casino, poker and bingo sites".[3] NSW is currently advocating through the COAG Select Council on Gambling Reform for more effective regulation of this area by the Commonwealth Government.

Wagering advertising during sporting commentary

A related issue of concern is the television broadcast of live betting odds as part of commentary on sporting events.

A common feature of sporting broadcasts in recent years, in particular broadcasts of National Rugby League, Australian Football League and International cricket matches, has been the quoting of live betting odds being offered at various stages of a game by a wagering operator, together with the operator's telephone contact details for person's wishing to place a bet. This form of advertising has attracted criticism from sections of the general public and some media outlets.

A major concern is that sporting broadcasts attract a wide audience of children and young people, and the provision of betting information by commentators during the coverage of an event could be seen to be promoting betting as a normal activity associated with the sport being televised. In fact, the promotion of betting in this manner may be seen by many, particularly children, to be part of the commentary rather than an advertisement.

[3] Gainsbury, S & Blaszcynski, A (2010), Submission to the Australian Senate Community Affairs Inquiry into the Prevalence of Interactive and Online Gambling in Australia.

Such advertising is distinct from other general advertisements for sports wagering operators, which are broadcast during breaks in regular programming and do not involve the provision of live betting odds on events underway. By way of clarification, this issue is not directed at the broadcast of horse, harness and greyhound racing events, which are specifically conducted as a platform for betting and have a different target audience.

While wagering advertising controls exist in each Australian jurisdiction, they primarily cover prohibited forms of conduct such as depictions of children gambling, or false or misleading representations.

This issue was raised by NSW at the first meeting of the Council of Australian Governments Select Council on Gambling Reform and recently examined by a national Wagering Advertising Working Party. Separately, the NSW Minister for Gaming and Racing has raised the issue with the Federal Minister for Broadband, Communications and the Digital Economy, seeking a national prohibition in relation to this type of conduct.