AUSTRALIAN HOTELS ASSOCIATION

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Committee Secretary
Joint Select Committee on Gambling Reform
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Via Email: gamblingreform@aph.gov.au

The Australian hotel industry

The Australian Hotels Association (AHA) represents the interests of hotels throughout Australia. AHA members include small country pubs, urban hotels, four and five-star accommodation hotels and resorts.

According to the 2009 PricewaterhouseCoopers report into the industry, hotels make a significant contribution to the Australian economy and Australian society.

Key findings of the report are:

- Hotels in Australia employ 188,862 people
- Hotels support the community to the extent of $75 million each year
- Hotels spend $72 million each year training staff
- In the absence of the hotel sector, Australian household consumption would contract by an estimated $3.5 billion

In terms of responsible gambling, the Australian hotel industry has grown considerably. Over the past decade many improvements have been made & we now operate in a highly regulated environment with an emphasis on harm minimisation.

During this period the rate of problem gambling across Australia has tracked in only one direction – down.

In the 6 follow up surveys conducted by State & Territory Governments across Australia since 2003/04 the rate of problem gambling has fallen in every survey.

State	Problem Gambling Rate	Survey Size	Year
NSW	0.40%	10,000	2010
Queensland	0.37%	15,000	2008
South Australia	0.40%	17,000	2005
Tasmania	0.54%	4,051	2007
Northern Territory	0.64%	1,873	2005
Victoria	0.70%	15,000	2008

Note: Canadian Problem Gambling Index used - scores of 8+ indicate problem gamblers

Problem Gambling Rates

State	Year	Rate
NSW	2006	0.80%
NSW	2010	0.40%
Qld	2001	0.83%
Qld	2003/04	0.55%
Qld	2006/07	0.47%
Qld	2008/09	0.37%
Tasmania	2005	0.73%
Tasmania	2007	0.54%
Victoria	2003	0.97%
Victoria	2008	0.70%

Australia's gaming industry is now mature. Recent gaming freezes and forfeiture schemes have led to a reduction in the total number of machines.

The most recent Australian Gambling Statistics, published by Queensland Treasury show consistent falls in gambling expenditure, including falls in:

- Real gaming machine expenditure
- Real per capita gaming machine expenditure
- Gaming machine expenditure as a % of household disposable income

However there is still more work to be done.

A significant concern for Australian society is the rapid growth in popularity of internet gambling. An increasing number of Australians are now gambling online at home, when they are alone and using their credit cards to place bets. Research has found the prevalence of problem gamblers is 3 to 4 times higher in internet gamblers.

The internet and online gambling are genuine Commonwealth responsibilities and should be the focus of this Commonwealth Committee.

Good policy needs to be supported by evidence.

There is no clear evidence pre commitment technology will be effective as a harm minimisation measure in Australia. It is not appropriate to rush through this new technology without extensive research and trialling, particularly when implementation cost estimates range from $2.5 billion to $4 billion.

It also must be recognised the introduction of a full, mandatory Pre-Commitment system will lead to the immediate loss of many thousands of jobs and millions of dollars in community support.

The AHA supports an evidenced based, thoroughly tested, cost effective, voluntary Pre-Commitment scheme that protects the privacy of players. Such a scheme would represent a significant a new nationwide restriction on Australian gaming machines.

Restrictions on ATMs or the introduction of dynamic warnings are policy measures not supported by evidence.

These initiatives will however inconvenience the overwhelming majority of hotel patrons who are not problem gamblers, have a devastating financial impact on hotel food and beverage sales, unfairly harm many small, rural and regional hotels and create safety issues for patrons who will be forced to withdraw cash from ATMs located on the street.

Mandatory Pre-Commitment

<u>The Wilkie approach is not the Productivity Commission way forward</u>
It is important to recognise the Wilkie – Gillard agreement does not follow the timeframe recommended by the Productivity Commission.

The Productivity Commission recommended a Pre-Commitment system that commences in 2016, with exemptions for small hotels until 2018 – the Productivity Commission did not recommend Mr Wilkie's 2014 starting date.

It is also important to note the Productivity Commission's recommended start date was subject to a significant amount of further work, including

1. initial development
2. Trialling, and
3. compatible monitoring systems

The Productivity Commission recognised that in terms of Pre-Commitment we are not even at the initial development stage.

<u>Lack of research and evidence</u>
The common theme of Australian and international research into technology based pre commitment mechanisms is that there is still no clear evidence it is an effective harm minimisation measure.

In 2004, the NSW IPART noted:

"In summary, there is no specific evidence on the effectiveness of pre-commitment cards"[1]

In 2008 the Gambling Commission, Great Britain funded a study into cashless & card-based technologies. This comprehensive study searched eleven electronic databases and eleven specialist online libraries. They also received information from 49 jurisdictions throughout the world. The study found:

"Empirical evidence regarding the use and impact of card-based and cashless technology in gambling is limited."[2]

"A number of jurisdictions also highlighted that there is a lack of solid evidence on which to base recommendations for policy and regulation"[3]

"across all forms of technology there was limited consensus among stakeholders regarding its impact on problem gambling."[4]

Small Hotel & regional impact

It is extremely concerning Mr Wilkie & the Prime Minister have agreed to a form of mandatory pre-commitment without knowing the cost of such a policy or undertaking any form of cost - benefit analysis.

In a December 2010 presentation to the Ministerial Expert Advisory Group, industry expert John Duffy advised to that meet the Prime Minister's commitment to Mr Wilkie, 100,000 older gaming machines (predominantly located in country & regional areas) will need to be replaced at a cost of around $25,000 per machine – or $2.5 billion across Australia.

Mr Duffy added that the remaining 100,000 EGMs will require some degree of expensive modification.

In arriving at his policy position, it does not appear Mr Wilkie has taken into consideration the relatively small turnover of EGMs in the hotel industry and the implications his policy will have on many country & regional hotels.

According to the Productivity Commission in 2009 there are 69,929 gaming machines operating in Australia's hotels[5].

In 2008 there were 3,448[6] hotels operating gaming machines, meaning that each hotel operated an average of only 20 EGMs.

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[1] IPART NSW (2004): Gambling – Promoting a culture of responsibility, p 100

[2] Gambling Commission, Great Britain (2008): Cashless and card-based technologies in gambling: A review of the literature p9

[3] Gambling Commission, Great Britain (2008): Cashless and card-based technologies in gambling: A review of the literature p6

[4] Gambling Commission, Great Britain (2008): Cashless and card-based technologies in gambling: A review of the literature p8

[5] Productivity Commission Draft Report: Gambling October 2009 p 2.24

[6] Australasian Gaming Council (2008). The Productivity Commission did not provide a figure for the number of hotels operating gaming machines.

Of course, there are many hotels operating far less than 20 gaming machines.

In South Australia, 48% of hotels operate no more than 20 EGMs, with 27% of all South Australian hotels operating no more than 10 gaming machines.[7]

In NSW, two thirds (1,119 hotels) of all NSW hotels operate no more than 15 gaming machines[8], while the overwhelming majority of NSW hotels operating gaming machines are located outside Sydney[9].

In fact, 32% of all Australian hotels with gaming machines are located in country & regional NSW.[10]

These smaller country hotels operate throughout Australia and are generally not in a position financially to adapt to any major regulatory change, such as mandatory pre-commitment.

Figures compiled by the NSW OLGR reveal only 5% of NSW hotel gaming machines are replaced each year.

	NSW Hotel Gaming Machine devices installed		
12 months to 31 Dec	New devices installed in year	Total EGMs @ 31 Dec	% new EGM installed pa
2008	978	23,792	4.1%
2007	1,386	23,884	5.8%
Source: NSW OLGR			

This low hotel gaming machine turnover is due to the fact these small country & regional hotels operate only a small number of gaming machines and do not have the financial capacity to regularly update their stock.

Many country hotels operate gaming machines close to, or past retirement. With only a handful of gaming machines, these hotels do not have the financial strength or economies of scale to implement substantial gaming related regulatory change without threatening the ongoing operation of their businesses, the thousands of staff they employ throughout Australia and the communities they support.

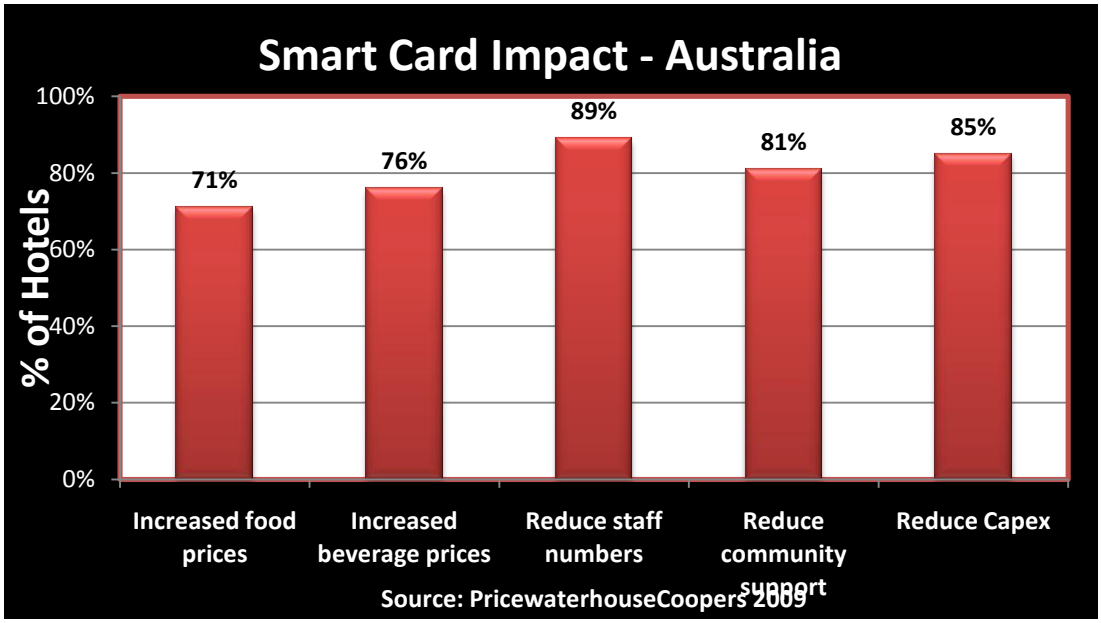
Unfortunately it is evident the impact on these smaller, country & regional based hotels has been ignored by Mr Wilkie.

In 2009 PricewaterhouseCoopers examined the impact the introduction of mandatory pre-commitment technology would have on Australian hotels.

The summary chart below shows hotels will be forced to undertake many cutbacks and increase

[7] 2008/09 SA Office of the Liquor and Gambling Commissioner
[8] NSW OLGR gaming data 2008
[9] Note: Sydney includes the outer Sydney LGAs of Camden, Campbelltown and Hawkesbury.
[10] NSW OLGR gaming data & Australasian Gaming Council (2008)

prices[11].



Privacy

The possible introduction of an 'Australia Card' style personally identified smart card also raises many significant privacy issues.

Gamblers will be extremely reluctant to reveal all their personal information just to have an occasional flutter on the pokies. They certainly won't want all their activity collected & tracked by a third party.

Further, if player information ends up in the wrong hands, it could be used to track gambling patterns and allow unscrupulous operators to target people who are most vulnerable.

Smart cards could also be on-sold or used by friends and there is a real risk a second hand smart card market will develop where cards are sold to problem gamblers

History has shown that when specific gambling restrictions are too severe it only drives gambling underground, into an unregulated environment or to other forms of legal gambling, such as online casinos.

Online Gambling

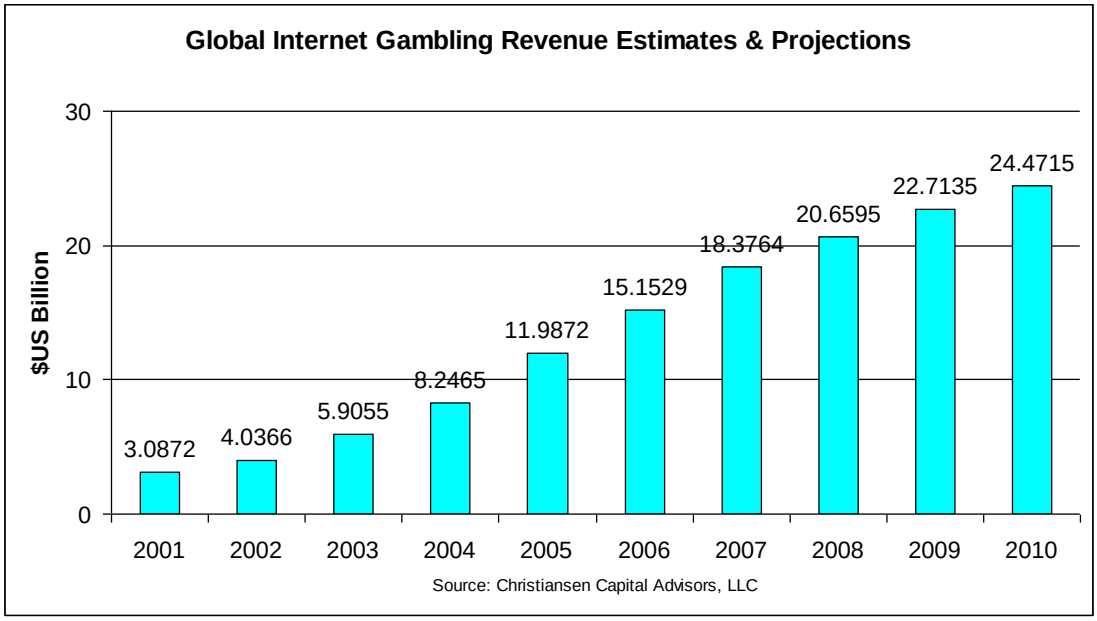
Unlike most other forms of legal gambling, the regulation of online gambling is a Commonwealth responsibility.

For many years it has been legal for Australians to engage in risky gambling activity with offshore online casinos.

Online gambling in Australia is regulated by the *Interactive Gambling Act (2001).* Under this legislation it is offence to provide an interactive gambling service to a customer physically present in Australia, but bizarrely it is not an offence for Australian residents to play casino games online.

[11] PricewaterhouseCoopers: An overview of the Australian Hotel Industry, April 2009.

Over the past decade there has been an explosion in the number of internet gambling sites and the volume of money bet through them. In 2009 it has been estimated gamblers lost US $22.7 billion online. Five years ago this figure was US $8.3 billion[12].



Australians are already accounting for a significant portion of this expenditure with a recent study by Wood & Williams for the Ontario Problem Gambling Research Centre, Guelph, Canada finding Australian & New Zealand mean monthly internet gambling expenditure was the second highest in the world.[13]

Net Mean Monthly Gambling Expenditure ($US)		
Rank	**Region**	**Internet Gamblers**
1	Africa	$881.35
2	**Australia & NZ**	**$300.32**
3	South America	$281.40
4	USA	$237.68
5	Europe	$169.04
6	Canada	$166.55
7	Other	$124.17
8	Caribbean	$124.17

[12] Christiansen Capital Advisors, LLC, (2009) - http://www.cca-i.com/
[13] Wood, R. Williams, R. (2009): Prevalence, Patterns, Problems and Policy Options, p67

9	Asia	$88.69
10	United Kingdom	$64.64

Online Problem Gambling

> *"...the prevalence of problem gambling is 3 to 4 times higher in internet gamblers compared to non-internet gamblers."*[14]

Internet gambling possesses certain features that can increase the risk of problem gambling, including[15]:

- Solitary play – increased potential to dissociate and lose track of time / money gambled
- Play under the influence of Drugs & Alcohol – Responsible Service of Alcohol laws do not apply in the home
- Accessibility & Convenience – no time travel required, may lead to greater frequency of play
- Anonymity – may reduce social anxiety and inhibitions; problem gamblers may gamble in secret and in private
- Electronic payments – may have a lower psychological value than cash, resulting in greater amounts wagered
- Credit Card gambling – accounts are funded by credit card deposits; gamblers bet with money they don't have

It is therefore not surprising independent research has found internet gamblers are more likely to be problem gamblers than those who don't gamble online.

> *"Levels of problem gambling appear to be substantially higher amongst Internet gamblers compared to non-internet gamblers."*[16]

Further, a 2003/04 online survey of 1,920 internet gamblers found that 20.1% were classified as problem gamblers using the Canadian Problem Gambling Index.[17]

This research was supported by the 2006 California Problem Gambling Prevalence Survey of 7,121 adults which found that 19.2% of internet gamblers were problems gamblers.[18]

Inducement to gamble - Free Bets

It has become increasingly common for gambling operators, particularly internet casinos and corporate bookmakers to offer free bets as a strategy to recruit new customers.

Appropriately, hotels throughout Australia are not permitted to offer free bets to attract customers to their gaming machines.

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[14] Wood, R. Williams, R. (2009): Prevalence, Patterns, Problems and Policy Options, p10
[15] Monaghan, S. (2009) A Critical Review of the Impact of Internet Gambling, p 8
[16] Monaghan, S. (2009) A Critical Review of the Impact of Internet Gambling, p 3
[17] Wood, R. Williams, R. Lawson, p (2007). Why do internet gamblers prefer online versus land based venues: some preliminary findings and implications. Journal of Gambling Issues, 20. p240
[18] Volberg, R. Nysse-Carris, K. & Gerstein, D (2006) 2006 California problem gambling prevalence survey, p63

The AHA believes this is a serious responsible gambling issue. The offering of free bets by any gambling operator should not be permitted as it is a blatant attempt to encourage a person to gamble who otherwise would not have gambled.

It is now time for the Commonwealth Government to accept legislative responsibility and act swiftly to regulate online gambling in Australia.

Personal freedom

The agreement between the Prime Minister & Mr Wilkie also creates concerns over the personal freedoms of Australians.

Restricting the way Australians spend their own money represents an extreme 'nanny state' policy – especially when it is recognised over 99% of the population are not considered to be problem gamblers.

It is also difficult to understand the logic of restricting access to one form gambling while still allowing gamblers to bet unlimited amounts on a horse, at a casino or online.

There is no safe play for problem gamblers

Finally, the AHA does not want to restrict the way a problem gambler plays gaming machines with pre commitment technology.

The AHA does not want problem gamblers to play gaming machines at all.

The Government's focus should be on education, information and prevention – rather than a mechanism that will still allow problem gamblers to play gaming machines.

ATM restrictions

No evidence

The AHA is not aware of any substantive research to support a recommendation to reduce the ATM withdrawal limit to $250.

This is recognised by the Productivity Commission

> *"There appears to be only very limited evidence on the behavioural responses of gamblers to existing withdrawal limits in venues."*[19]

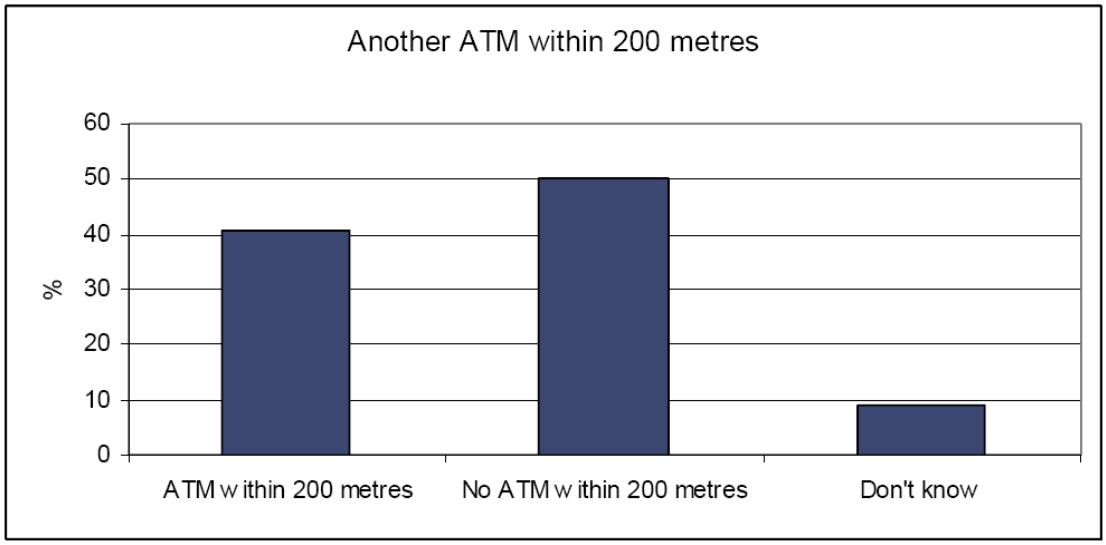
The Productivity Commission even recognised that "there is little clear relationship" between ATM withdrawals & gambling revenue[20], but still decided to recommend a $250 withdrawal limit.

A ban on ATMs in hotels will not be effective in preventing problem gamblers accessing cash.

The PricewaterhouseCoopers report revealed that almost half of all Australia hotels have an ATM within easy walking distance.

[19] Productivity Commission Draft Report: Gambling October 2009 p 9.23

[20] Productivity Commission Draft Report: Gambling October 2009 p G.7



NSW IPART recognised that patrons who want to access cash to gamble will find a way to gamble:

> *"Problem gamblers could be expected to avoid lower cash limits at gaming venues by using multiple cards or withdrawing more money from ATMs located outside of venues."*[21]

Problem gamblers have also commented that any ban on ATMs in Clubs & Hotels will simply encourage them to withdraw twice as much from the nearest ATM and return to gamble.[22]

Of course, ATMs located outside licensed venues allow credit card withdrawals and do not display problem gambling information such as the gambling help line phone number.

Not the Government's preferred way forward

As recognised by Minister Macklin, if governments move towards pre-commitment, other restrictions such as ATM withdrawal limits may not be required

> *"we also note that in the Productivity Commission's report that they see pre-commitment as a very important way forward that may in fact mean that we do not need to look at other regulatory approaches that they've suggested"*[23]

Impact on food & beverage

The most significant impact of limiting ATM withdrawals will be on food and beverage sales. The ABS found 70% of hotel income generated is from food and beverage sales, with gambling accounting for 28% of total income.

This was noted by the NSW government:

> *"The 2006 study into the prevalence of problem gambling in the community indicated that the majority of users of ATMs in venues used them as a generally convenient way to access cash, and for purposes unrelated to gambling in venues."*[24]

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[21] IPART NSW (2004): Gambling – Promoting a culture of responsibility, p 107

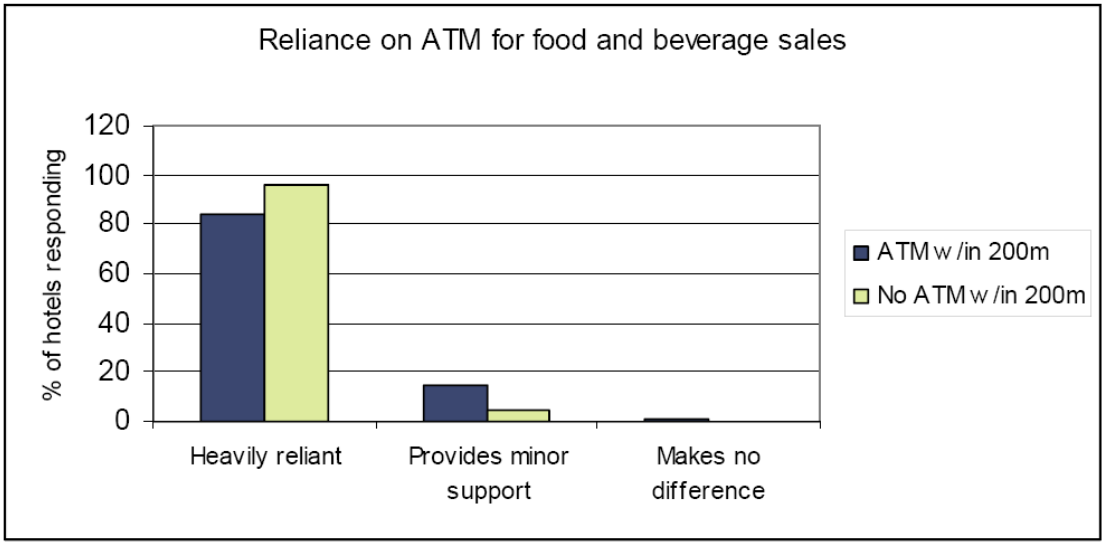
[22] SBS Television 'Insight' 'Playing the Pokies'(2008). Problem Gambler 'Mike'

[23] Minister Jenny Macklin – media conference 23 June 2010

It was also confirmed in the 2008 survey by UMR who found people who use pub & club ATMs withdraw money for:

- food (76 per cent)
- drinks (70 per cent)
- spending money outside the club (70 per cent)
- gambling (35 per cent)
- cigarettes (17 per cent)

The recent PricewaterhouseCoopers survey of Australian hotels also found venues are heavily reliant on ATMs to generate food and beverage sales.[25]



Devastating impact on small & country hotels

It is also important to recognise many Australian hotels only operate a very small number of gaming machines.

Restrictions on ATMs will unfairly harm over a thousand small, rural and regional hotels.

For example, there are currently 1,690 hotels in NSW with gaming machines.[26]

- 1,119 of these hotels (66%) have 15 or less EGMs
- 632 hotels (37%) have 10 or less EGMs
- 284 hotels (17%) have 5 or less EGMs.

These venues clearly do not rely on gaming for the majority of their income. They do however rely on ATMs to strongly support food and beverage sales.

Any restriction on ATMs will unfairly penalise these small, predominantly rural and regional businesses and place their financial viability at severe risk.

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[24] NSW Government 2007. Report on the five-year Statutory Review of the Gaming Machines Act pg 27

[25] PricewaterhouseCoopers Report (2009), Australian Hotels: More than just a drink and a flutter. An overview of the Australian hotel industry

[26] NSW Office of Liquor, Gaming & Racing. Gaming Data

Consideration of the Hotel Industries "ATM self-exclusion' proposal
Finally the Committee should note that the Productivity Commission saw merit in the hotel industry's 'ATM self-exclusion' proposal and suggested governments could "consider exempting venues with self-regulatory mechanisms that restrict ATM access"[27].

Under this scheme, problem gamblers could restrict the amount they are able to withdraw from an ATM in a venue with gaming machines. Under such a scheme other patrons would not be unfairly penalised.

Unfortunately this proposal has not been recognised in the Wilkie – Gillard agreement.

Conclusion

The Australian Hotels Association supports a well designed, effective and evidenced based form of voluntary pre-commitment that protects the privacy of players.

It is important to note the form of pre-commitment agreed between the Prime Minister and Mr Wilkie is not supported by the Productivity Commission.

Specifically the Productivity Commission recognised that in terms of Pre-Commitment there is still much research, initial development and trialling to be done

> *"Realistically, most state & territory governments could not quickly implement a genuinely binding Pre-Commitment system."*[28]
> *"...technical and other obstacles to immediate changes to gaming machines already mean the reform process must be gradual"*[29]

The mandatory form of Pre-Commitment being considered is unproven, will continue to allow problem gamblers to play poker machines, will cause gamblers to shift to other forms of less regulated gambling and have a devastating impact on the hotel industry, particularly in country & regional Australia.

The hotel industry would like to work with Government to develop a sensible, evidenced based way forward - that will continue to minimise harm from gambling, but will not close our businesses, slash our workforce and reduce our community support.

Yours Sincerely

Des Crowe
National Chief Executive Officer

[27] Productivity Commission, Inquiry Report, Gambling, February 2010, p13.36
[28] Productivity Commission, Inquiry Report, Gambling, February 2010, p28
[29] Productivity Commission, Inquiry Report, Gambling, February 2010, p29