

**A submission to the**

**JOINT SELECT COMMITTEE ON GAMBLING REFORM**

**inquiry into a**

**NATIONAL PRE-COMMITMENT SCHEME FOR GAMING  
MACHINE PLAYERS**



**from the**

**TASMANIAN INTER-CHURCH GAMBLING TASKFORCE**

**January 2011**

## INTRODUCTION

The Tasmanian Inter-Church Gambling Taskforce was set up in 2001, with the support of 12 Christian denominations, in response to community concerns about the adverse effects that problem gambling, mainly attributable to the expansion of access to electronic gaming machines, was having on our society. These effects are specially harmful to those who are particularly susceptible to its enticements or financially ill-equipped to cope with the inevitable losses involved. The social welfare services of our churches, and individual members of them, often come into contact with gambling's victims and are called upon to assist them, so we are well acquainted with the harm it can cause.

The Taskforce recognises that these concerns are widely shared throughout our community, with only 10% of Tasmanians believing that Tasmania has benefited from the introduction of EGMs,<sup>1</sup> and has consistently lobbied for better regulation of gambling and better empowerment of gamblers to minimise these adverse effects. We also recognise that this is an issue that needs to be addressed on an Australia-wide basis.

We have welcomed the recent thorough and comprehensive Productivity Commission study into the effects of gambling<sup>2</sup> and have noted their findings that:

*Even under conservative assumptions, a sustained 10 per cent reduction in the costs associated with problem gambling is estimated to generate benefits to society of around \$450 million a year in 2008-09 prices, and longer-term benefits amounting to several billion dollars. This implies that even harm minimisation measures with modest efficacy may produce worthwhile net benefits so long as they do not also involve disproportionate costs.<sup>3</sup>*

We endorse their recommendation that:

*Each state and territory government should implement a jurisdictionally-based full pre-commitment system for gaming machines .....<sup>4</sup>*

We are therefore pleased that this inquiry has been set up and eager to take this opportunity to provide some input into its deliberations.

## THE SITUATION IN TASMANIA

The vast majority of gambling losses in Tasmania are due to electronic gaming machines (EGMs), either in casinos or in clubs and pubs. These account for about 75% of Tasmania's licensed gambling losses in total, a figure significantly higher than the national average.<sup>5</sup> Although Tasmania doesn't have any sporting clubs with EGM licences and therefore lacks the huge 'pokie palaces' seen at New South Wales rugby leagues clubs, for example, it nevertheless ranks near the top in participation rates<sup>6</sup> and is a mid-ranking state in terms of gambling losses per capita.<sup>7</sup>

Although the Tasmanian Government points to telephone survey data identifying only about one per cent of Tasmanians as 'at risk' or 'problem gamblers',<sup>8</sup> it must be acknowledged that,

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<sup>1</sup> South Australian Centre for Economic Studies, 2008. Social and Economic Impact Study into Gambling in Tasmania, Final Report, Executive Summary, p. xiii.

<sup>2</sup> Productivity Commission, 2010. Gambling: Inquiry Report.

<sup>3</sup> Productivity Commission, 2010. op. cit., Vol. 1, p. 49, Finding 6.4.

<sup>4</sup> Productivity Commission, 2010. op. cit., Vol. 1, p. 54, Recommendation 10.4.

<sup>5</sup> Tasmanian Gaming Commission, Annual Report 2009-10, p. 17.

<sup>6</sup> Productivity Commission, op. cit., Vol. 1, Table 2.2.

<sup>7</sup> Productivity Commission op. cit., Vol 1, Table 2.1.

<sup>8</sup> See: South Australian Centre for Economic Studies, op.cit., Executive Summary, p. xiv.

as the Productivity Commission has pointed out, such surveys inevitably underestimate the true figure for a number of reasons.<sup>9</sup> Furthermore, findings based on assessments of pathological addiction exclude many people who, if the following nationally accepted definition of problem gambling was taken at face value should rightfully be included:<sup>10</sup>

*Problem gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community.*<sup>11</sup>

The above definition is more consistent with the understanding of the person-in-the-street as to what constitutes problem gambling than the higher thresholds usually set with commonly used measures such as the South Oaks Gambling Screen and the Canadian Problem Gambling Index, whether modified or in its original form.

Social welfare organisations and service providers identify losses due to problem gambling on EGMs as a major source of financial hardship within families, as well as causes of other serious social problems ranging from mental health issues to broken families, criminal activity and, in extreme cases, suicide. The community also incurs major costs through lost work time, bankruptcy, fraud prompted by gambling losses, the costs of investigation, prosecution, and incarceration of offenders and the provision of support services for affected families.

There have recently been moves toward better gambling regulation in that the Tasmanian Government has required the Gaming Commission to draft a mandatory Code of Conduct to replace the previous, inadequate, industry-devised voluntary code. There is also a bill before parliament to place a \$1 'spin limit' on EGMs, as recommended by the Productivity Commission,<sup>12</sup> and this has been the subject of a parliamentary inquiry. The Inter-Church Gambling Taskforce has supported the passage of this bill as a means to limit the loss rates experienced by problem gamblers.

However, the best means of empowering problem gamblers to bring their problem under control would be a system of pre-commitment that allowed them to regulate their losses on EGMs to what they could tolerate, while still allowing recreational gamblers to gamble as they wished. We are therefore encouraged that the Australian Parliament has set up the present inquiry and pleased to lodge this submission in support of a national pre-commitment scheme.

## **THE BENEFITS OF A NATIONAL PRE-COMMITMENT SCHEME**

The Tasmanian Inter-Church Gambling Taskforce has for some years argued that Tasmania would be the ideal place to introduce a pre-commitment scheme such as may involve the use of a 'smart card' or similar device in all EGMs. Tasmania lends itself to this because it has only one licensed operator whose EGMs are controlled by a centralised computer system and, being an island state, it would be difficult for gamblers to sidestep the system by travelling across borders to gamble interstate. However we have always been presented with the argument that it would be too costly for such a small state to go it alone in introducing the necessary technology to adapt the systems and machines and too hard to make suitable provision for casual or visiting gamblers.

We have often felt this could more aptly be described as an excuse for inaction than a justification for it, and believed that had the proposal had the capacity to increase, rather than reduce, the return to gambling operators and government, ways would have been found to

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<sup>9</sup> See Productivity Commission, op. cit., Vol. 1, pp. 5.13-5.15.

<sup>10</sup> See Productivity Commission, op. cit., p. 5.3.

<sup>11</sup> See: .Problem Gambling and Harm: Towards a national definition., report commissioned by Gambling Research Australia (2005).

<sup>12</sup> See Productivity Commission, op. cit., p. 56, Recommendation 11.1

implement it years ago. We therefore welcome the proposed introduction of a national scheme that would negate any claims that the market is too small to justify the expense of making the proposed modifications and would also avoid the risk that differences between jurisdictions might tempt problem gamblers to travel interstate in the false hope that where there are less restraints they may be able to recoup previous losses. It would also make current exclusion schemes for problem gamblers more effective. It is therefore crucial that agreement is reached between all state and territory governments as well as the Australian Government on the introduction of such a scheme.

### **DESIRABLE FEATURES OF A NATIONAL PRE-COMMITMENT SCHEME**

The Taskforce doesn't claim expertise in the particular technology that may be employed in such a scheme, and in any case, technology tends to move so fast that we wouldn't want to dismiss the consideration of any new development on its merits. We will therefore provide some comment on the possible technologies and the desirable features for such a scheme and leave it to others to resolve the best means of incorporating those features.

The gambling industry promotes EGMs as a form of entertainment and we have no objections to people using them as such, so long as they make a deliberate and informed decision on how much they are prepared to spend on that entertainment. It is therefore appropriate that a measure to allow problem gamblers to take control of their gambling should not be unduly onerous for recreational gamblers.

One of the issues to be considered is the degree of compulsion involved in such a system. We note that the Productivity Commission has recommended that the system should eventually apply to all EGMs in all jurisdictions, that it should include the option for gamblers to set no limit on their spending as one of the system options, but with periodic checking that this remains their preference and that it should allow occasional gamblers to stake small amounts outside the system.<sup>13</sup> In general, we believe that these recommendations strike a reasonable balance between allowing regular gamblers who can afford to lose larger amounts to do so, providing for occasional gamblers to stake smaller amounts and safeguarding problem gamblers against losing more than they intend to.

The Productivity Commission draws a distinction between what it refers to as 'partial' and 'full' pre-commitment.<sup>14</sup> In each case people within the system can set their own limits but with 'partial' pre-commitment they are not obliged to be in the system and those who are can continue playing if they exceed their set limits, whereas with 'full' pre-commitment all players must join the system and their set limits are binding. While partial pre-commitment, as described, may have some benefits in that it would provide a signal to gamblers that their limits have been reached, a full pre-commitment system would be needed to be really effective in restraining problem gambling. The thing that characterises problem gamblers is their inability to make rational decisions during the heat of play. If reasonable limits they had deliberately set in advance could be disregarded during play that would largely defeat the purpose of pre-commitment. Hence it is also important that any upwards revision of those limits does not become effective until after an appropriate 'cooling off' period of perhaps twenty four hours since the revision was made.

Pre-commitment could require regular gamblers (those who consistently gamble more than, say, once a month) to obtain a device such as a smart card with a PIN number, a USB device with biometric capabilities or some other technology that would be plugged into any EGM to start play. The device would allow them to pre-set a limit (or no limit) on losses and/or duration of play within a set period such as a day, a week or a month, as well as specifying other matters such as intensity of play or messages to be received. When their limit was

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<sup>13</sup> Productivity Commission, 2010. op. cit., Vol. 1, p. 54, Recommendation 10.4.

<sup>14</sup> Productivity Commission, 2010. op. cit., Vol. 1, p. 10.19.

reached the EGMs would shut down. Ideally, a running tally or a periodic reminder of losses and/or hours played could be displayed either on the device or on the EGM screen, along with appropriate warnings if their pattern of play showed characteristics of problem gambling. Identification would have to be presented on obtaining the device to ensure that the player was not an excluded person.

Allowing occasional gamblers to operate 'outside the system' is somewhat more problematic. The simplest way would be to allow them to 'log on' without a device and the EGMs would be programmed to allow such users to play until their losses reached a fixed limit. Given that recreational gamblers generally only stake small amounts anyway, this limit could be quite low, probably no more than thirty dollars. The risk with such a method is that problem gamblers could be tempted to bypass the use of a device and repeatedly log on as an occasional gambler until they had lost unacceptably large amounts.

A preferable method would be to offer occasional gamblers a device loaded with a pre-purchased amount of credit to be used on the machines, with any surplus remaining at the end of the session to be refunded. If the same individuals kept returning to purchase more credit that could alert staff that they may have a gambling problem. A further refinement would be possible if biometric data were recorded each time anyone received such a device, without the need for them to reveal their actual identity. People who were found to have made use of the devices in this way more than, say three times a month, could be classified as regular gamblers and required to provide proof of identity and obtain their own device to operate within the pre-commitment system.

In summary, the features we would like to see incorporated into a pre-commitment scheme are as follows:

- it should apply to all EGMs in Australia,
- it should involve 'full' pre-commitment, but with provisions for low-expenditure occasional gamblers,
- regular gamblers should be able to set their own limits (including no limit) on duration of play and magnitude of losses within nominated periods and method of play,
- the limits should be capable of immediate revision downwards, but there should be at least a twenty-four hour 'cooling off' period before any upward revision takes effect,
- problem gamblers should not be able to circumvent the system by taking advantage of the 'occasional gambler' provisions,
- the system should allow the issuing of appropriate pre-determined warnings, provide a periodic or running tally of duration of play and losses and allow the players to program in tailor-made messages to themselves.

In general, the illustration provided by the Productivity Commission of how a pre-commitment system might operate<sup>15</sup> seems a good one.

Modern technology has made all of the above, and probably other options that we are not yet aware of, possible, if the will is there to employ it. Such a system could also be used to collect valuable (unidentifiable) research data on gambling patterns that could be used to help overcome problem gambling.

While some current EGM users may express reluctance to participate in such a pre-commitment system and be concerned about its privacy implications, we don't see these as insurmountable barriers. As with the use of car seat belts and the presentation of identification for various other purposes, we believe that users would come to accept it when they realised that it was for the greater good, it had little impact on those without a gambling problem and their data would be kept secure and confidential.

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<sup>15</sup> Productivity Commission, 2010. op. cit., Vol. 1, p. 10.35.

## **SOME COMMONLY RAISED OBJECTIONS TO REQUIRING PRE-COMMITMENT**

It should be noted that most of the objections raised to the implementation of a pre-commitment scheme have come from the gambling industry and EGM operators who have a vested interest in maximising the gambling take, rather than the general public, and certainly not from problem gamblers themselves. Nevertheless, we will briefly respond to some of the main objections raised.

### ***It wouldn't be effective***

We cannot be certain of the ultimate benefits of such a system until one has been in place long enough for a proper evaluation. It is important that such an evaluation is based on a 'full' pre-commitment scheme as the ability to opt out would undermine the significance of any resulting data. However, the currently available evidence on player behaviour indicates that pre-commitment would significantly restrain problem gambling as well as providing a tool for regular non-problem gamblers to better regulate their expenditure, without infringing the rights of either to make their own entertainment choices.

### ***It would be too costly***

The Productivity Commission has estimated the social cost of problem gambling as at least \$4.7 billion per year.<sup>16</sup> This cost is borne by the community, not the operators of EGMs. Social justice requires that if this burden can be eased then the gambling industry, which is responsible for the problem, should bear the cost of whatever measures are needed to ease it. With the periodic replacement and updating of equipment, the costs of implementing a pre-commitment system need not be prohibitive.

### ***It would reduce the income to pubs and clubs and put many out of business***

Extravagant claims have been made by the industry about the likely impact of pre-commitment on their revenue. But pre-commitment would not prevent people from spending money on EGMs – it would simply place the decision about how much they were prepared to spend for the entertainment provided squarely in the hands of patrons, where it rightly belongs. Any losses operators did incur as a consequence would constitute money that their patrons had involuntarily spent in excess of their intended outlays. The magnitude of these losses would be a measure of the extent to which operators have been profiting from other people's inability to control their gambling until now. The operators have no entitlement to continue such exploitation.

There is no evidence that sporting or other clubs would close due to a reduced take from EGMs. Indeed, a comparison of the number of bowling clubs and RSL branches between Queensland, which has EGMs in clubhouses, and the geographically similar Western Australia, which doesn't, shows that there are around 50% more bowling clubs per capita and slightly more RSL sub-branches per capita in WA than in Queensland.

### ***It would deprive the community of facilities and other benefits provided by clubs and pubs***

While clubs and pubs in WA, which do not have EGMs, are likely to occupy more modest premises, they are probably also more devoted to their core business of supplying a service to their members and patrons than those in Queensland. Furthermore, the Productivity Commission has found indications that an increase in gambling leads to broader cultural changes that undermine the socially desirable practice of volunteering.<sup>17</sup> Many clubs that do have EGMs appear to have lost sight of their original purpose, subsuming it to the maintenance of ostentatious palaces devoted to the pursuit of the gambling dollar.

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<sup>16</sup> Productivity Commission, 2010. op. cit., Vol. 1, p. 2.

<sup>17</sup> Productivity Commission, 2010. op. cit., Vol. 1, p. 6.15.

Despite attempts by the gambling industry to create unwarranted concern in the minds of their patrons, in the long run the community-at-large is unlikely to complain about any slight loss of benefits due to a reduction in the gambling take in clubs and pubs if they understand that this represents money that was involuntarily extracted from people unable to properly regulate their gambling.

*It wouldn't be fair to recreational gamblers*

There is no reason why a pre-commitment scheme should have a significant impact on the enjoyment of recreational gamblers, who would be able to continue to play in whatever manner they chose. For regular gamblers the process involved in obtaining a device could be quite straightforward and they would have the benefit of being able to receive a reminder if they were approaching their intended limit and/or having play suspended when it was reached – the choice would be theirs entirely.

For occasional gamblers, the process would be even simpler, requiring no more than the purchase of credit on a device and perhaps a procedure such as providing a thumbprint scan, without any requirement to present personal identification.

**ANOTHER CONCERN**

Although EGMs have been the preferred medium for problem gamblers to date, we are concerned at the possibility that they may ultimately be supplanted by internet gaming. Internet gaming may be even more insidious and dangerous in that it is more accessible and easier to conceal than attendance at a gaming venue. Furthermore, because there is no cash involved, it is easier for gamblers to lose track of the magnitude of their losses.

Although it is illegal for on-line casino operators to allow Australians to gamble with them, the internet abounds with offers to gamble in Australian dollars. Operators may attempt to dodge Australian law by including (in the small print that nobody reads) a stipulation that they will not accept clients from countries where such gambling is illegal, but we wonder about the diligence with which this is enforced. Many also offer as an enticement the opportunity to play their slot machines free before staking real money. We are unaware of the conditions imposed on such on-line operators by their offshore licensing authorities (whether, for example they would permit the free-play slot machines to produce a higher rate of return in order to entice people to stake real money) or how these would compare with Australian regulatory requirements.

While appreciating the difficulties involved in regulating internet gaming, we would draw these concerns to the Committee's attention as a matter warranting further serious consideration.

**CONCLUSION**

Externally imposed measures such as arbitrary restraints on money staked per spin have the capacity to reduce the harm experienced by problem gamblers, their families and the broader community, but no other measure has the same capacity to return to gamblers control over their own behaviour as does a full pre-commitment scheme as proposed. It would have the advantage of allowing each gambler to tailor its operation to their own specific needs and capacities. There should be no insurmountable technological or operational barriers to its introduction if the will is there to provide real help to problem gamblers.

The Tasmanian Inter-Church Gambling Taskforce therefore urges the Committee to strongly recommend that the Australian Government undertake urgent negotiations with all state and territory governments with a view to initiating such a nationwide scheme as soon as possible.

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