

# Gambling Harm Prevention Policies

SA State Election 2018



**SACOSS**

*South Australian Council  
of Social Service*



## Gambling Harm Prevention

### Introduction

In 2015-16, South Australians bet somewhere in the vicinity of \$10bn on gaming, racing and sports betting, with total losses (ie. net expenditure) of over \$1bn.<sup>1</sup>

SACOSS recognises that gambling is a legal and legitimate pursuit in Australia, but it is also a dangerous consumer product which can result in large and unaffordable debt. This in turn can lead to stress and mental health problems, substance abuse, bankruptcy and/or homelessness. The Australian government (2016a) estimates that up to 500,000 people nationwide are problem gamblers or are at risk of becoming problem gamblers, while the recent report from the Victorian Responsible Gambling Foundation found that harm can occur well before diagnostic criteria of addiction or problem gambling are met. In fact, on aggregate, gambling harm to non-problem gamblers was considerably greater than the harm to problem gamblers (Browne et al, 2016).

There are also clear social dimensions, in part because some of the results of problem gambling like crime, relationship breakdown, and family violence issues mean that many of the victims of problem gambling are not the gamblers themselves. The Australian government (2016a) estimates that the actions of one problem gambler negatively impacts on 5-10 other people.

Despite a recent and spectacular rise of sports betting, poker machines remain by far the largest gambling expenditure in South Australia. They account for around half of net gambling expenditure and three-quarters of gambling taxes in South Australia (Qld Treasury, 2017, Govt of SA, 2017). This is important because poker machine addiction is driven not simply by individual choices or failures, but also by the well-resourced application of sophisticated psychological and marketing techniques by large corporations aimed precisely at encouraging such addictive over-expenditure. The Productivity Commission (2010, p 2) estimated that 40% of gaming machine revenue comes from problem gambling, so there is a clear need for government regulation to prevent or minimise harm from gambling.

SACOSS has long argued for a public health approach to gambling harm – seeing the issue as a social rather than an individual problem and not one limited to “problem gamblers”. This suggests that it needs to be tackled (as with smoking) through a combination of public

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<sup>1</sup> “Gaming” includes the casino, poker machines, lotteries, Keno and Pools. The figures here are order of magnitude only as the Australian Gambling Statistics are incomplete after 2013 due to TAB data being unavailable following changes to the *SA Authorised Betting Operations Act 2000* (Qld Treasury, 2017).

education, cost incentives and market limitations. Within this approach there are a range of issues that need to be addressed to limit gambling harm, including advertising restrictions (particularly in relation to sports betting), poker machine design and public education to de-stigmatised addiction and see gambling problems as a health issue rather than simply an individual choice.

With the rise of online gambling and international gambling corporations, many of these issues are now best addressed at the national level – either by the Federal government or through COAG agreements of all state and territory governments. However, poker machine regulation remains squarely in the domain of the state government and this election comes against a background of the re-entry into state politics of the original “no pokies” MP, Nick Xenophon. Equally spectacularly, the Tasmanian Labor Party has announced that, if elected in their March state election, they will phase out poker machines in clubs and hotels by 2023 (ABC, 2017).

However, poker machine taxes make up 6.1% of South Australian state taxes and 1.5% of total revenue in South Australia (Govt of SA, 2017) so there is a considerable disincentive for any future SA government to take the ultimate harm prevention measure of banning poker machines. Moreover, given that both major parties recently combined in the SA parliament to defeat a much smaller harm prevention measure (preventing the use of EFTPOS to provide cash to gamblers and by-pass ATM restrictions in gaming areas)(Parliament of SA, 2017), it is highly unlikely that either major party will follow the lead of the Tasmanian ALP in this election.

### **Policy Summary**

Given the above, in this election SACOSS is focusing on four key state-based gambling harm prevention issues:

- The introduction of \$1 per spin bet limits on poker machines
- Reducing the number of poker machines to the previous announced target of 12,000
- Removal of EFTPOS machines from gaming areas
- Funding for advocacy for consumer protection and gambling harm prevention measures.

## Policies

### \$1 per spin Bet Limits on Poker Machines

If, as noted above, poker machines are not be phased out completely in South Australia, there needs to be a significant step up in harm reduction measures. Australia has some of the highest intensity gaming machines in the world with multi-line and multi-credit betting available for each spin. This enables a greater turnover on each machine in a given amount of time and increases the possible losses per hour. With machines capable of taking \$10 bets per spin the Productivity Commission (2010) that it was possible to lose \$1500 or more in an hour and recommended reducing the bet limit as a way of minimising gambling harm.

The South Australian government has since moved to limit poker machines in SA to \$5 bet limits, but this is still well above the recommendation of the Productivity Commission to limit bets to \$1 per button push/spin.

SACOSS continues to see \$1 bet limits as an important and effective harm reduction measure which should be implemented in South Australia, and in this election calls on **all parties to commit to introducing \$1 per spin bet limits**. In making this call, SACOSS does not underestimate the transition challenges and we have previously canvassed the idea that the government could use the tax concession currently offered (only) to clubs in South Australia to provide an incentive for hotels to introduce \$1 bet limits. In effect, gambling venues whose machines were \$1 bet limited would pay the wagering tax at a lower rate than those with higher bet machines (SACOSS, 2016a). This would provide an incentive to adopt \$1 bet limits, but if such limits were mandated this tax proposal could provide a useful transition strategy.

That said, the impact on industry should not be exaggerated or used to block reform. In making its recommendation, the Productivity Commission cited research that most social gamblers bet well under a \$1 per spin and that the \$1 bet limit would impact most on problem or at risk gamblers (Productivity Commission, 2010, Table 11.3). Accordingly, if the gambling industry claims a significant revenue loss from such a cap they are effectively admitting that a significant part of their revenue stream is based on problem gambling – which clearly can't be a reason to block reform.

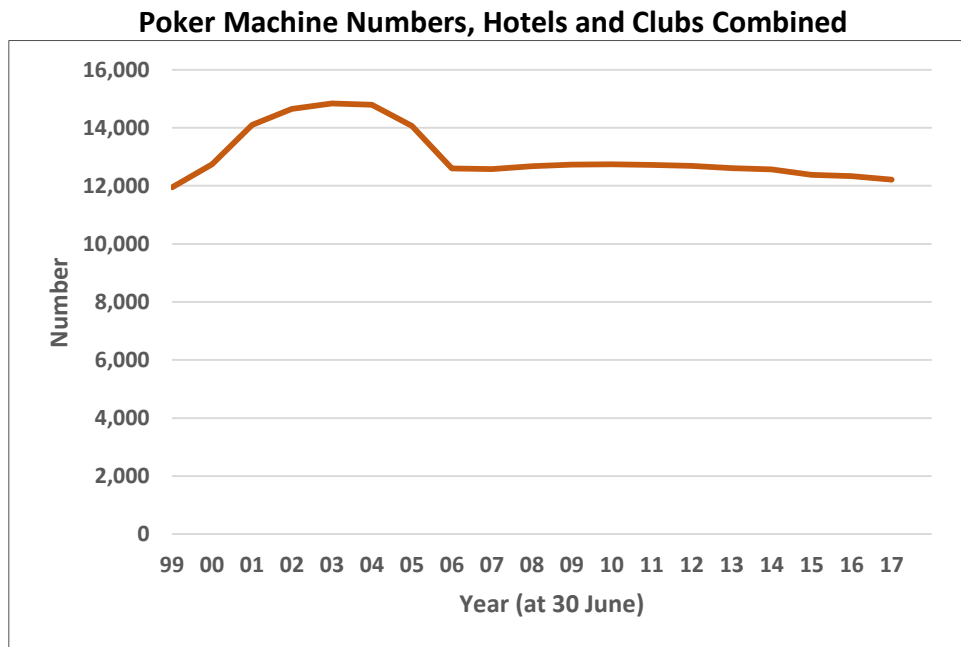
### Reducing the Number of Poker Machines

There are currently a large number of poker machines in South Australia and there is no doubt that this prevalence, and the ubiquitous presence in every suburb and town, contributes to gambling temptation, access and harm. In 2005, the SA Labor government committed to reducing poker machine numbers in clubs and hotels by 3,000 which would have brought the number in operation to 12,000. The mechanism to do this was via a trading scheme where one entitlement<sup>2</sup> was cancelled for every four traded in designated trading rounds.

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<sup>2</sup> Each machine requires a separate entitlement to own/operate it, so the number of entitlements equals the number of possible machines (noting that there are a minimal number of entitlements that are not used).

However, with trading at lower levels than anticipated, the targeted reduction has not been achieved. As at June 2017 there were 12,210 poker machines in hotels and clubs in South Australia (IGA, 2017), and as the following graph shows, most of the reduction was achieved in the first year and very little since.



Source: SACES (2017)

However, the issue is more (and more complicated) than just hotels and clubs. At the end of June 2017 there were in fact 13,793 poker machine entitlements in SA – 1,583 more than the number held in clubs and hotels. Most of this difference is the poker machines in the Adelaide casino, but these are crucial to the overall target.

In 2014 the casino was included in the trading scheme and the maximum number of machines they were allowed was increased from 995 to 1500. These extra entitlements were to be sourced, in the first instance, through the trading round (and if that was insufficient new entitlements would be created) (IGA, 2014). This means that if the numbers of poker machines in clubs and hotels did decrease to 12,000, this may not translate into 3,000 fewer machines overall (ie. the intent of the original target). While some entitlements would be cancelled in the trading round, some would just have been shifted from clubs and hotels to the casino. This may be a better outcome in terms of harm minimisation (with fewer venues), but it does shift the goalposts for what the overall target should be.

Both because the trading scheme has not delivered the targeted reduction in poker machine numbers in hotels and clubs, and because the inclusion of the casino in the trading rounds has effectively changed the target, we need to recalibrate the target and develop a new mechanism to get there. SACOSS therefore calls on all parties to **commit to mandating (by compulsory acquisition or some other deliverable method) the reduction of numbers of poker machines to 13,000 (including the casino) within the next term of parliament.** This is essentially the original 2005 target, but with the casino included and with a different mechanism. It would require the cancellation of about 790 entitlements.

## **Prohibiting the Provision of EFTPOS in Gaming Areas**

After citing a range of evidence that problem gamblers access cash facilities in gambling premises more often than recreational gamblers and self-reported that that access exacerbates gambling participation and harm, University of Adelaide academic Michael O'Neil (2010, p. 10) concluded that

“The last twenty five years of state, national and international experience and research into ‘at risk’ and problem gambling conclude that restricting access to cash is important to reduce the harms from gambling.”

Unsurprisingly then, the Productivity Commission's landmark report (2010) on gambling recommended that cash facilities (ATMs and EFTPOS) “should be a reasonable distance from the gaming floor, visible to the public and venue staff, yet not to gamblers from the gambling floor” (R13.2). This is to ensure that gamblers have to leave the lights and sounds of the gaming “zone” and be visible to staff when they access extra cash, but that the cash outlet does not entice the gambler to bet more.

South Australian legislation requires ATMs in hotels and clubs to be outside of the designated gaming area (and have daily withdrawal limits) in line with the Productivity Commission recommendations, but from 1 January 2016 South Australian hotels and clubs have been able to provide EFTPOS facilities inside the designated gaming areas. This increases the possible points of access to cash in gambling venues, and with no limit on the number of withdrawals effectively by-passes the limits imposed on ATMs and the requirements to leave the gambling zone. South Australia is the only Australian jurisdiction to allow such access to cash withdrawals in gaming areas and it runs counter to most other harm prevention regulations which seek to minimise gamblers' access to cash.

It was profoundly disappointing that the government and Liberal Party allowed the introduction of EFTPOS facilities in gaming areas in 2015, and since then have twice rejected proposals to reimpose the ban when they were moved by members of the cross-bench (Parliament of SA, 2017).

The main reason given by the government (and Liberal Party) for allowing EFTPOS access in gaming areas is that it requires human intervention and therefore allows properly trained staff to recognise problematic gambling behaviour and intervene where necessary. O'Neil (2016) cites evidence that this does not happen in fact, and argues that the expectation is unrealistic given the dynamics of the industry labour force (often young, casualised and inexperienced workers in shifts dealing with people much older than they are and not knowing the financial resources or personal situation of the gambler). SACOSS concurs with this analysis and believes that any potential benefit of such human interaction may be counter-balanced by the fact that the gambler remains among the lights and sounds of the gambling area.

**Accordingly, in this election SACOSS is calling for all parties to commit to legislating to remove access to EFTPOS within gaming machine areas in South Australian clubs and hotels.**

Finally, SACOSS notes that in the parliamentary debates on EFTPOS in gambling venues, much was made of alleged support from our sector for allowing access to EFTPOS (Parliament of SA, 2017). O’Neil (2016) has provided some of the background and critique of the story of that alleged support, but SACOSS’ policy here stands as a direct contradiction of the assertion of support.

This also highlights a fundamental problem with advocacy around gambling harm prevention measures in South Australia – one that is the subject of the next policy proposal.

### **Funding for Sector Advocacy for Consumer Protection and Gambling Harm Prevention Measures**

In 2011 and 2012 SACOSS proposed that the government should fund a SACOSS policy position to consult and advocate on gambling issues and harm prevention initiatives (SACOSS, 2011, 2012). This was based on our concern about gambling harm and the importance of getting regulation right – but noting that in public debate the deck was stacked against gamblers and community service organisations as they have very little capacity to engage in policy debate and formulation. At the time, the community sector in South Australia did not have one full time staff position dedicated to gambling policy analysis and consultation with our sector organisations who provide supports to those affected by gambling problems. It still doesn’t. Indeed, in 2012 in response to requests for public input into public consultations on gambling regulation by the Independent Gambling Authority, SACOSS put submissions in simply noting this lack of resources and our inability to respond to their requests (SACOSS, 2012). We have not participated in IGA or most other gambling regulation processes since.

By comparison, the gambling industry has enormous resources and with large amounts of revenue at stake, vastly more to devote to policy analysis and positioning. At the time of SACOSS’ original budget submission seeking funds for advocacy the gambling industry had just mobilised to defeat Federal Government proposals for mandatory pre-commitment for poker machine betting. In the current election we are seeing TV and other advertisements from the hotels industry to pre-empt the possibility of poker machine harm minimisation campaign.

The need to support consumer advocacy where there is such an asymmetry of advocacy resources is recognised in other areas, such as energy and water policy, and in 2013 SACOSS was pleased that the *Gaming Machines Act* was changed to mandate the establishment of a gambling advisory committee with two representatives of charitable or social welfare organisations, and also to fund a gambling advisory officer – with both functions to be funded from the Gambler’s Rehabilitation Fund (s73B). However, the government only reluctantly agreed to these initiatives (as part of a wider reforms of the Act) and little has happened since.

There has never been any consultation with SACOSS as the peak body about who should represent the sector on the advisory committee (and in any case the committee’s mandate is limited to the Gamblers Rehabilitation Fund), and there was similarly no consultation over who the gambling advisory officer should be or how that officer should relate to and engage with our sector. Sector organisations have struggled to find out who either the committee

or the advisory officer is, and SACOSS have never been consulted by either the Committee or an advocacy officer about gambling policy.

The importance of funding for advocacy was however proven when, arising out of funding for taxation research, SACOSS was able to put forward and promote the proposal for a point-of-consumption tax for online book-makers (SACOSS, 2016a, 2016b) – a proposal adopted by the government in the 2016-17 State Budget, and enacted into law by the parliament.

There is an ongoing need for a community voice in gambling regulation – both because there continues to be harm caused by gambling, and because there are significant changes on the horizon. Poker machine revenue has plateaued in recent years and this may lead to extra pressure to relax harm minimisation regulations, while digital technologies and the increase of sports-betting gives rise to even greater concerns about potentially riskier gambling products and behaviours (SACOSS, 2016a). There will be a clear need to re-look at advertising codes, online regulation, taxation and compliance issues around gambling in South Australia. This shouldn't be done without input from the social welfare sector, but such input can't happen without resources for sector consultation, policy development and advocacy. Even a modest amount of funding would make a difference, but at minimum it should be funding for a full-time advocate and sufficient administrative and advocacy resources – and obviously the position needs to be independent of government.



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