An Action Plan for National Gambling Governance: why the Commonwealth needs to Re-regulate Gambling in Australia

Linda Hancock & Michael O’Neil
(Deakin University) (Adelaide University)

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The ‘official’ sector
$19 billion

‘Pokies’ in clubs & hotels
$10.5b
55%

Wagering
$2.8b
15%

Casino gaming
$3.5b
18%

Lotteries pools
$2.3b
12%

Racing
$2.6b
14%

Sportsbetting
$0.2b
1%

The ‘unofficial’ sector

Online poker
$249m

Online casinos
$541m
Example of a hotel: The Sphinx
Club in Melbourne beachfront suburb
Hotel in Melbourne-sharing a carpark with hardware supply warehouse and liquor store
Hotel in Geelong (regional city)
New style ‘club’ on the urban fringe-Melbourne
Recap on the Australian Gaming industry

• Mix of community accessible and casino (CBD) gambling
• 13 casinos - 78% reliant on gambling revenue
• 198,300 gaming machines
• 5,700 hotels and clubs with EGMs
  – Hotels 28% reliant on gambling revenue
  – Clubs 61% reliant on gambling revenue
• 4,500 TABs
• 4,700 lottery terminals

• Changes in industry structure:
  – Gaming machines and casinos from 40% to 75% over 20 years (next slide).
What's the Problem 1? Machine gambling

- Concerns about intensity of EGMs, frequency and duration of play
- Local accessibility
- Hours of opening

• Highest per capita density of EGM (1:110), highest per capita losses and high state government dependency on tax revenue;
• EGMs contribute two-thirds of NGR from all gambling;
• Each machine “creates” 2 problem gamblers (severe/moderate);
• Association between SEIFA, NGR, disadvantage, low income and number of EGMs;
• Highly regressive tax, 43% of revenue from problem gamblers
What’s the Problem (2)?

• Real expenditure continues to grow;
• Weekly players the problem
• No evidence - no reduction in PG rates among regular gamblers;
• Associated with suicide, depression, bankruptcy, crime, job loss, productivity lower ⇒ “a recreational product”?
• $4.7b is estimate of harm;
• HDI now 3.1% increased in real terms $1,750 (1999) to $3,100 in 2008 (Victoria);

• Community holds belief EGMs “do more harm than good”, oppose expansion of industry, identify broad social costs.
Australia: The policy context 1

- PC inquiry landmark 1999 report- flagged problems
- 10 years on PC report on Gambling 2010
  - Brings together the data and the evidence on harms/EGMs as the problem
  - Major reforms to ‘slow down the machines’ ($1 per button push and max. $20 note acceptors)
  - PC Recommends internet liberalisation but govt rejects
  - Confirms the ineffectiveness of State/territory RG reforms
  - argues for a consumer protection/public health model

(Next 4 slides – What needs to be addressed nationally?)

→ Machine Design, Game Features, Venues & PG

→ Governance Structures

→ Government Funded Research

→ Policy Model to underpin Re-regulating gambling
Machine Design, Game Features, Venues & PG

- PG is a consequence of industry/venue/product as it is of lack of self-responsibility

- EGMs high intensity play, high cost per hour, spin rates

- EGM’s configured for “lines of play” and credit amount

- Access to ATMs and multiple withdrawals;
- Linked jackpots encourage consistent play;
- Venues face incentives to maximise profits.
Governance Structures

- Government as supplier, taxation beneficiary, regulator – has conflict of interest
- State own-tax revenue between 10-13 per cent (WA = 4%)
- Subject to political and industry lobbyists (“intensity beats numbers”)
- Harm minimisation measures are often ineffective
- Decisions, research and evidence lack transparency
- Ministerial Council (COAG: 2000) not transparent
- Gambling Research Australia (GRA).
Government Funded Research

- Poorly directed, not policy relevant (re ↓ harm);
- Not transparent, controlled by government officials;
- Slow to produce research, lacks independence;
- Policy evaluation, review of gambling programs inadequate;
- Public access to gambling data is poor;
- GRA lacks independence, no stakeholder input, not publicly accountable and no transparent processes.
Government Regulator/Regulations

- “... Need for independent regulators, locate gambling policy in departments for health, consumer or justice; outcomes rather than industry development or revenue” (PC, p. 38)

- Weak focus on consumer outcomes/harm minimisation and measures with little bite/effectiveness (e.g., clocks, lighting, shut down times, regional caps);

- Regulators need to be fully independent, open, transparent;

- Regulators often located in Treasury portfolio (3/8), where portfolio is not responsible for harm minimisation.
Need for a National Response

- Jurisdictional variations hard to justify, lack of transparency in decision making, non-dissemination of research/information, weak focus on consumer outcomes, conflict of interest, etc;

→ HENCE ←

- Need for Australian Government to take a greater leadership role”, potentially use corporations powers and activate other national competencies.
Underpinning Policy Model of a New National Action Plan

- *Public health + consumer focus* cf medical (addictions) model;
- First two provide the broadest insights into policies that promote public goods:
  - Reduce detriment/harm to consumers
  - Empower consumers (e.g., pre-commitment, feedback)
  - More accountable, transparent government decision making
  - Better institutional arrangements for policy making and regulation
- Public good and good policy extends to all consumers (as in motor vehicle safety and alcohol consumption);
- Balance self-responsibility with social/public responsibility (e.g., technology, games features, accessibility, conduct of venues contribute to harm).
Public Health/Consumer Protection

- Productivity Commission accepts “self-responsibility” but has moved from an individual medical/pathology model to a broader public health/consumer protection model;

- The gambling environment – technology, venues, accessibility, machine features, personal risk factors can lead to harmful outcomes (alcohol consumption → alcoholism);

- A public health model reinforces the need to reduce accessibility and environmental exposure to products that are designed to entrap the vulnerable. It reinforces the responsibility of governments to intervene to protect consumers, citizens and communities;
Need A National Model

• To address consumer protection and product safety etc
• The industry is under-taxed;
• Vested interest/conflict of interest of states;
• 10 years of inaction

PROPOSED MODEL

Need: Whole of system public health approach, based on a risk and prevention strategy.
Essential elements:
  o Product safety/regulation, venue responsibility,
  o Industry obligations,
  o Regulatory oversight,
  o Independent research, evidenced based policy, independent audit/monitoring.
Action Plan Recommendations

1. New national consumer protection and product safety standards

2. New product safety standards

1. ‘License to operate’ reforms
   1. duty of care to customers and employees,
   2. venue obligation to ascertain probity of funds

2. The ban on interactive (internet) gambling should be maintained, and ATMs and other sources of finance be banned from gambling venues;
RECOMMENDATIONS (continued)

5. A new Independent National Gambling Research and Probity Commission, financed by the National gambling Fund – WITH a national player tracking system to monitor abnormal playing patterns;

5. Establish an MOU between the Australian Crime Commission and the INGRPC re using the player tracking database to detect money laundering and other criminal activity.
The politics of Re-Regulation

How To Fund a National Reform Agenda?
- Establishment of a National Gambling Fund financed by 2% industry levy
  (Increasing public acceptance of a ‘super-profits’ tax eg. Mining; years of tax concessions to gambling industry)

- A new national lottery (one of the least harmful forms of gambling);
- Modification of Commonwealth Grants Commission funding formula to provide state governments an incentive to reduce their reliance on revenue from gambling;
Policy context 2

• 2010 national Australian election
• Policy ‘window’
• Independent (Wilke) brokers deal for Commonwealth govt. to address gambling
• Senate Greens (from July 2011) and independents supportive of reform agenda
The National Action Plan for the Commonwealth to Re-regulate Gambling

Essential elements:
- Product safety/regulation, venue responsibility,
- Industry obligations,
- Regulatory oversight,
- Independent research, evidenced based policy, independent audit/monitoring.
Challenges of regulating ‘social harms’

- global products and corporate interests
- huge vested interests-industry self-maximisers
- harms, product safety, consumer protection
- asymmetries of knowledge (industry spends $$ on research on how to increase consumption and what machine features work)
- ineffective regulation for harm avoidance eg host responsibility- RG, RSA
- ineffective harm prevention eg gambling revenue increases despite RG and ‘harm minimisation measures’
Elements of responsible regulation-for social harm prevention?

- **Effectiveness** in achieving objectives (enabling legislation)
- **Independence**- from vested and own interests
- **Evidence base**- monitoring trends to establish and measure risk
- **Benchmarking**-against international best practice
- **P-H precautionary principle**-prevent harms
- **Good governance principles**- transparency and accountability
- **Community engagement**
- **Level playing field**-industry wants this and so do citizens
- **TEETH**- the will and capacity to enforce regulation without favour