

Australian Hotels Association



Australian Hotels Association Response to the Productivity Commission Draft Report Into Australia's Gambling Industries

27 September 1999

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i. Attachments

Attachment 1

Australian Taxation Office Determination: Income tax: does the principle of mutuality apply to income derived by a registered/licensed club under an arrangement entered into with an external party to conduct gaming or other activities on the club's premises?

Attachment 2

The Changing Shape of Retail Trade. The future of Retail Sales in South Australia, Barry Burgan, 1 October 1997.

Attachment 3

Letter from Brian Frost, Chairman, AGMAA on the number of gaming machines in Australia compared to the rest of the world.

Attachment 4

AGMAA publication, Gaming Machines – do you know the whole story?

Attachment 5

South Australian Hotel and Club Industry Gaming Machine Advertising and Promotion Voluntary Code of Practice.

Attachment 6

Assorted ABS statistics.

ii. EXECUTIVE SUMMARY

The AHA congratulates the Commission on the quantity of data collected for the report into Australia's Gambling Industries.

There is a plethora of different issues raised by the Commission and a number of calls for further information on different topics. This report highlights a number of key points that the AHA both agrees with and supports and also raises a number of issues and factors where the industry believes further work and consideration is necessary.

The AHA recognises that the Commission has not, in its draft report, over emphasised the total electronic gaming machine numbers in Australia compared to the rest of the world. The AHA contends, however, that it is necessary to revisit the definition of gaming machines and in doing so, the factual basis of the statement that 'Australia has over 20 per cent of the worlds gaming machines' and adjust if necessary due to the high political sensitivity to this figure. Correspondence received from the Australian Gaming Machine Manufacturers Association as attached suggests a significantly lower figure. The figures published by the Commission would vary significantly depending on the definition of gaming machines used by the Commission and whether machines such as those existing in Japan are included in the calculations.

ABS statistics clearly demonstrate that hotels must now provide a broad range of services including food, beverage, entertainment and gaming facilities to remain competitive and maintain return on capital. This is shown by a marked improvement in food turnover in hotels offering gaming facilities and a significant decline in food sales for those hotels not offering this service.

The AHA submits that the increased prevalence of gaming machines in lower income areas is a phenomenon derived from global statewide caps and pressures for gaming operators to place machines where there is highest demand. States such as Queensland and South Australia, both relatively new entrants to the gaming market, have not experienced any bias towards lower income areas. There is also no evidence to suggest that increasing gaming machine numbers result in an increased incidence of problem gambling.

Econtech's report clearly shows that the number of divorces attributed to gambling in the Commission's survey are not justified. The overall cost to society, therefore, is significantly less than estimated by the Commission and is, according to Econtech, in the order of between \$0.6 billion and \$2.3 billion. The benefits to society, however, are between \$5.4 billion and \$6.3 billion. The AHA submits that the benefits of the gambling industry far outweigh the negative.

The AHA urges the Commission to take into account the fact that (based on the Commission's statistics) approximately 98% of gamblers gamble for entertainment while experiencing no serious socially adverse outcomes and the vast majority of the population participate in gambling activities.

In relation to responsible service of gambling the AHA submits that the Commission should form its findings in a way that deals with all forms of gambling equitably consistent with the Commission's findings that all forms of gambling are utilised by problem gamblers.

The AHA also appeals to the Commission after considering the evidence presented in relation to the mutuality principle as well as state taxation arrangements, to recommend the differentials that currently exist between clubs and hotels be extinguished and brought into line with each other.

The AHA urges the Commission to form strong recommendations for action in relation to this matter and the AHA believes that there has been sufficient evidence submitted to the Commission.

There is no evidence to suggest that the operation of exclusive licences result in a reduced incidence of problem gambling and more responsible gambling

services. The AHA urges the Commission to take this evidence into consideration in its final report when drawing conclusions regarding the long term operation of exclusive licences.

The AHA contends that the risk associated with gambling and the relatively small prevalence of problem gamblers does not justify further limitation/phasing out of gambling services within Australia. Additionally, there should be no legislative limitations acting as a barrier to the growth of the sector.

The AHA submits that there is limited evidence to suggest that the purpose of gambling and alcohol in the same establishments plays a significant role in a marked increase in irresponsible gambling practices.

The AHA believes that it is necessary for the Commission to recommend that the same initiatives that have been implemented in hotels should also be applied to the racing sector and adapted for all other gambling forms.

The AHA submits that should payout ratios be required to be displayed by gaming providers the regulation should be applicable to all forms of gambling.

An advertising and complaints management system owned and run by industry is the ideal way forward compared to more onerous legislated requirements. The AHA submits that a similar system to that which is being applied in South Australia and Victoria, each with a fully functional complaints mechanism, would be an ideal proactive way forward in ensuring the responsible promotion of gambling is maintained throughout Australia.

Recent media exposure has made the issue of ATM location and services a major public debate (particularly in Tasmania where the Gaming Commission recently attempted to implement knee-jerk regulations banning ATMs without considering the effects). The AHA submits that ATMs and Eftpos should be allowed in hotels in areas not designated for specifically gaming.

Additionally, the continued ability for hotels, particularly in regional areas, to continue to cash cheques is also essential for thousands of Australians that do not have access to bank facilities.

The AHA does not support the hypothecation of taxes and believes that the overall taxation collected through the gambling industry is sufficient to fund gambling support and research initiatives.

The AHA submits that the entrenching of extensive public consultation and information-gathering processes into legislation would be counterproductive. A better alternative is to allow a process similar to that of applying for liquor licences where the public are given the opportunity to put forward their views.

The AHA supports the establishment of an independent body in States where no such body exists to oversee the control function of the gambling industry with input and representation from industry. There is no requirement for a national body given the current operation of independent body's in a number of States.

The AHA also supports the formation of a national research facility to provide a central focus for research and data collection.

iii. BACKGROUND

The Australian Hotels Association (AHA) welcomes the opportunity to respond to the Commission's draft report into Australia's Gambling Industries.

The AHA submitted a response to the announced inquiry and gave evidence before the Commission in Hobart at the first round of hearings late last year. Since this time, some additional information has been collated in response to the Commission's draft report and the subsequent public interest.

This submission directly addresses issues raised by the Commission and is in the same format as the draft report for ease of reference. Italicised quotes are taken directly from the Commission's report unless otherwise specified.

This submission represents the collective policy of the entire Australian Hotels Association and directly addresses relevant State/Territory specific issues.

While there is a number of complex issues associated with problem gambling the AHA would like to emphasise that the vast majority of gamblers participate in this form of entertainment in a responsible manner. Although this submission focuses on issues associated with access and problem gambling, the percentage of problem gamblers should be considered in the overall context of the industry.

The AHA would welcome the opportunity to discuss any matters addressed in this paper that the Commission wishes to explore further.

PART B

Chapter 2 – An Overview Of Australia's Gambling Industries

There has been considerable media focus in relation to the number of gaming machines in Australia compared to overseas as highlighted in the Commission's key finding of Chapter 2:

Key finding box 2.1 – 'Australia has over 20 per cent of the world's gaming machines.'

This finding, however, has failed to take into consideration a number of factors and would largely be associated with the definition of a gaming machine used by the Commission. The Australian Gaming Machine Manufacturers Association provided the AHA with additional figures highlighting a number of factors that were not taken into consideration by the Commission. Japan alone has 4.6 million electronic gaming machines and there are in excess of 2 million electronic gaming machines including mechanical reel spinning machines, draw poker, video lottery terminals, bingo, and keno in the rest of the world. While the style of machine is slightly different the AHA submits that they effectively cater for different consumer demands but work on the same principle.

It should also be pointed out that there are currently hundreds of thousands of gaming machines operating in unregulated markets internationally.

When including Japan's gaming machines alone, Australia has less than 4% of the world's gaming machines. Based on information available about world gaming machine numbers, however, Australia is likely to have around 2.5% of the world's electronic gaming machines.¹

2.2 Employment is significant

As stated on Page 2.12 of the Commission's report, the AHA welcomes the recognition of the hotel industry's capacity to employ thousands of people, particularly youth and those with a limited skill base.

¹ AGMMA statistics

2.12 'In addition, about 120,000 people were employed in clubs, pubs, taverns and bars with gambling facilities in 1997-98. As gambling is a secondary activity in these businesses, it is difficult to estimate how much of this employment was generated by the provision of gambling services. Indeed, the main occupations in clubs, pubs, taverns and bars are bar managers, attendants, waiters and waitresses. In 1997-98, on average, clubs and hotels with gambling facilities employed 23 people, compared with an average of 9 people employed in clubs and hotels without gambling facilities. This suggests that more than 70,000 people are employed in clubs, pubs and taverns as a result of gambling.

The ability for hotels to create additional employment, based on the statistics presented above, is heavily reliant upon the ongoing provision of gambling services.

Chapter 3 – Consumption of Gambling

3.1 How much do Australians spend on gambling?

'The \$11 billion that Australians spent on gambling in 1997-98 equates to about 3 per cent of household disposable income.'

The AHA submits that the overall expenditure on gambling should be put into context by comparing other spending and social pursuits such as those compared by the Commission:

'Its significance is demonstrated by a comparison with annual household expenditure of \$6 billion on energy, \$9 billion on household appliances and \$13 billion on alcohol.'

When put into context, the overall spend on gambling, although significant is not as extreme as that being depicted by some anti-gambling lobbyists.

The AHA welcomes the inclusion of figures comparing expenditure on other goods and services that place gambling expenditure in perspective. The above figures confirm that gambling is a major entertainment source and that, while there is significant expenditure on this form of entertainment, there are other types of entertainment and recreational spending that are just as significant.

3.2 Expenditure Versus Turnover Data

As identified by the Commission, many anti-gambling lobbyists release figures on Australia's Gambling Industries based on turnover rather than expenditure, the latter of which is the accurate figure to quote.

Box 3.2 'To understand the distinction between expenditure and turnover assume that poker machine player wagers \$20 on a machine and receives back \$17 in winnings, which is again wagered and \$15 returned. At this stage the gambler has spent \$5 but turnover or amount wagered is \$37. On average, when a poker machine player has spent \$20 about \$150 has been turned over or wagered (assuming a return of 87 per cent) 'It is thus more meaningful to cite the \$11 billion expenditure figure as a measure of real gambling activity.'

There is a significant problem with a number of major media outlets forming an editorial policy against gambling. These media outlets, particularly those controlled by News Limited, while often not reporting both sides of the argument, persist in using the unrealistic and highly inaccurate turnover figures in their calculations.

The AHA would welcome reinforcement by the commission that the actual expenditure figure associated with gambling should preferably be used to avoid knee-jerk and often ill-advised political responses by regulators and legislators to seemingly mammoth gambling figures based on turnover.

3.3 Why do people gamble?

As stated in our previous submission to the Commission, the AHA believes that the vast majority of people participating in gambling do so safely and responsibly.

The AHA welcomes the Commissions finding that:

Pg 3.10 'The average recreational gambler gambles for entertainment – as a way of spending leisure time. For some consumers, gambling is a means of social interaction – gambling venues provide a social setting to meet people.

and

Pg 3.12 The experiences associated with the venue

Many consumers combine gambling with other social activities such as dining out, drinking with friends or watching live entertainment. As such the demand for venue based forms of gambling, can be influenced by other services provided by the venue. Indeed, many venues offer cheap meals and drinks, subsidised by gambling revenue. Moreover a recent survey (Roy Morgan Research 1999) found that the majority of gaming machine gamblers combine gambling with other social activities.

The hotel sector combines the provision of gambling and other services to offer a complete entertainment package. In a highly competitive environment, hotels must continue to offer complete packages or risk losing patronage to other forms of entertainment.

Customer satisfaction and the overall success of a venue is heavily reliant upon the provision of gambling services being incorporated into a complete entertainment package. This is highlighted by the recent release of ABS statistics that show that hotels offering gambling facilities are experiencing significant growth in food sales.

The ABS statistics show that food sales in hotels offering gambling facilities increased from \$352.7 million in 1994-95 to \$510.0 million in 1997-98, an increase of 44.8%. Interestingly, those hotels not offering gambling facilities recorded a decline from \$217.5 million in 1994-95 to \$172.3 million in 1997-98, representing a decline of 20.69%.²

These figures clearly highlight the fact that customers now expect and demand multiple facilities or they will frequent other venues that offer these services.

Hotels in Victoria, the Australian Capital Territory and Western Australia that do not have access to gaming machines are continually finding it more difficult to compete with those establishments that offer gaming facilities and a more diverse entertainment facility.

Pg 3.15 Findings from the commission's survey

The Commission's National Gambling Survey suggests that 82 per cent of Australian adults participated in at least one gambling activity in the last 12 months.

The Commission's findings support the notion that the vast majority of the population utilise gambling services. While an increasing number of hotels offer gambling facilities as an additional service to patrons, they are doing so in response to market demands.

Hotels throughout Australia must remain competitive against other forms of entertainment such as cinemas, sporting games, interactive home entertainment, larger clubs and a range of other options available to the public designed to capture the disposable dollar.

² ABS, Clubs, Pubs, Taverns and Bars, 1997-98

The provision of gambling services not only helps hotels maintain their viability but also encourages patrons to frequent the premises by offering a complete entertainment package.

With 82 per cent of Australians gambling in the past twelve months the Australian hotel industry must continue to respond to market demand, and in doing so, continue to offer gambling services in a responsible manner.

It is unfortunate, however, that hotels unable to offer gaming services are often unable to afford the constant upgrade of facilities necessary to maintain market share. Hotels that do offer gaming are often more readily able to upgrade facilities and provide a more comfortable environment for its patrons.

Pg 3.16 The commission's survey found that the socio-demographic profile of gamblers generally reflects that of the general population. For example, females are just as likely as males to participate in gambling and the participation of gamblers in varying age groups is similar to their representation in the population. However, the socio-demographic profile of gamblers can vary by gambling mode – although biases are generally small.

The AHA welcomes the Commission's findings and supports the notion that the socio-demographic profile of gamblers generally reflects that of the general population.

The survey found:

- *gaming machine players have no gender bias but are slightly biased towards middle income earners (\$25 000 to \$35 000) and those aged between 18 to 24.*
- *Racing punters are slightly biased towards males, middle income earners and those aged between 18 and 34.*
- *The profile of lottery gamblers reflects that of the general population with a small bias towards people aged between 50 and 64 and people with incomes over \$35000*
- 5. *Keno players are strongly biased towards people aged between 18 and 24 and middle income earners.*
- *Gamblers on casino table games have one of the most distinct profiles – there is a strong bias towards males, singles, students and those aged between 18 and 24.*
- *Bingo gamblers are biased towards females, pensioners, students, people aged between 18 and 24 and people with incomes less than \$10,000*
- *widowers, people aged over 65 and those with CAE or university qualifications have relatively low participation rates in gambling (on any product)*

The AHA submits that the findings of the Commission's survey are most useful in formulating an understanding of those that are most likely to gamble using each different available mode.

Interestingly, the survey served to highlight the fact that media perceptions are not always an accurate depiction of who is likely to participate in any given activity. For example, claims in the media by anti-gambling activists, suggest that widowers, and those with lower incomes, are likely to be the ones at the most risk of developing significant gambling problems. The survey, however, clearly showed that widowers and those over the age of 65 had relatively low participation rates. This finding refutes suggestions that widowers are whittling their life savings away through using gaming machines.

Also, of particular interest is the Commission's finding that Bingo is biased towards pensioners, students, and people with incomes less than \$10,000. The Commission's Report Part 6.9 highlights the fact that the prevalence of those registering high SOGS scores are just as likely to occur in Bingo (and is more likely) than other gambling forms.

The finding that a number of the gambling modes, particularly gaming machines, are biased towards the middle-income earners is also a conclusion that would go against reported public perceptions that gaming machines appeal to lower income-earners.

PART B – IMPACTS

Chapter 4 – Impacts of Gambling – A Framework for Assessment

4.1 For many consumers liberalisation of gambling industries has widened entertainment and recreational opportunities.

The AHA welcomes the Commission's finding that the liberalisation of gambling industries in Australia has widened entertainment and recreational opportunities. The Australian Hotel industry strives to provide a complete entertainment package for the consumer incorporating food, beverage, gambling and other entertainment such as live music.

There continues, however, to be a large number of hotels throughout Australia that wish to but are unable to access gaming machines. These properties are being unfairly discriminated against and many are facing severe financial difficulty as a direct result of the continuing disparities that currently exist.

The AHA submits that while gambling is considered a form of entertainment it should be available to all hotel establishments that wish to operate such an operation.

4.2 – What makes gambling different?

Adverse impacts on other businesses

Pg 4.9 People who increase their expenditure on gambling appear likely to spend less than otherwise on cafes and restaurants, theatres and general retailing.

The Commission's observation that those who gamble are less likely to increase expenditure on cafes and restaurants appears to be unfounded given the figures released by ABS as discussed in the AHA's response to Chapter 3. These figures highlighted an increase of 44.8% on food sales in establishments offering gambling facilities.

The ABS statistics suggest a marked increase in expenditure on food from those who are participating in gambling.

In addition to an increase in food sales at those venues offering gambling facilities, there has been a marked expansion in the motion picture exhibition industry that has resulted in a 22 per cent increase in patronage and a 42 per cent increase in capacity from 1993-94 to 1996-97.³ The substantial expansion of the gambling and theatre industry suggests that people are more interested in spending their disposable income on a range of different forms of entertainment.

Adverse distributional effects?

Pg 4.11 For the majority of lower income gamblers, it is plausible to see them making rational choices amongst competing expenditures. The implicit view of those who see these expenditures as wasteful for this group is a value judgement about gambling itself, rather than an objective analysis about the welfare of lower income people.

Gambling, like smoking and alcohol consumption is, as stated by the Commission, an industry on which some wish to make value judgements. The AHA submits that gambling is a legitimate entertainment pursuit and the majority of those with lower incomes are capable of making decisions on how they will spend their disposable income. It is the industry's responsibility to provide gambling services in a way that minimises harm while allowing those who gamble responsibly and within their means to have sufficient access to facilities with minimal barriers.

4.3 – Assessing the Benefits

An inherent feature of the hospitality industry is to offer services. These services are often intangible in nature. Similarly, those hotels offering gambling facilities offer an often intangible experience and those that participate in gambling pursuits are purchasing intangible products.

The AHA supports the Commission's statement that:

Pg 4.13 Gambling, like other entertainment industries, provide their consumer benefits as experiences rather than as tangible goods.

³ ABS Yearbook 1999, Motion Picture Exhibition Industry Pg 532

Economic Benefits

The AHA commissioned the services of Chris Murphy from Econtech to review the Commission's findings in relation to the economic impacts of gambling and directly addresses issues raised in Chapters four and five of the Commission's draft report. His report follows:

AUSTRALIAN GAMBLING INDUSTRIES: BENEFITS AND COSTS

**This report of 28 September by Econtech was commissioned by the Australian
Hotels Association.**

This report reviews the work on the benefits and costs of gambling contained in the *Draft Report* by the Productivity Commission (PC) on *Australia's Gambling Industries*. Section 1 of this report endorses the PC work on the benefits of gambling. Section 2 finds that the PC has over-estimated the costs of gambling. Section 3 briefly draws some policy implications.

Econtech has prepared an earlier report commissioned by the current PC inquiry titled 'Taxation and Regulation of the Australian Gambling Industries'. The reader is referred to the earlier report for more detailed and technical discussions on some of the issues covered in this report.

1. Benefits

The PC states that claims of job gains from the gambling industry are illusory, but that consumers gain through their enjoyment of gambling as a recreational activity. They estimate that the annual benefit to consumers from gambling is between \$5.4 billion and \$6.3 billion, some of which is recycled to government through high gambling taxes. Econtech endorses these conclusions on the benefits of gambling.

1.1 Job Effects

In the long-term, the unemployment rate depends on labour market policy rather than industry policy. That is, in the long-term, industry policy affects the industry pattern of employment, not the total level. Thus the PC is correct in arguing that the gambling industry, like any other industry, does not affect the unemployment rate in the long-term.

Equally, industry policy does have important short-term effects on unemployment. For example, restrictions on gambling could cause painful short-term adjustments as displaced gambling workers seek alternative employment. This issue has been examined by the PC in relation to other industries, particularly in its inquiry into the Textiles, Clothing and Footwear industry. Thus the issue of labour market adjustment in the

gambling industry could be given more consideration than it has received in the Draft Report.

1.2 Gambling Elasticities

To estimate the consumer benefit from gambling, assumptions need to be made about the sensitivity of the demand for gambling services to the share of wagers retained by the gambling operator (“price elasticity”) and to personal income (“income elasticity”).

In a 'low' elasticity scenario, the PC has assumed that the price elasticity is -0.5 for problem gamblers and -0.8 for non-problem gamblers. Using the PC estimate that problem gamblers account for about one-third of net expenditure on gambling, this implies a weighted average 'low' elasticity of -0.7.

In a 'high' elasticity scenario, the PC has assumed that the price elasticity is -1.0 for problem gamblers and -1.3 for non-problem gamblers, implying a weighted average 'high' elasticity of -1.1.

Thus the PC assumes that the overall price elasticity for gambling is between -0.7 and -1.1. Econtech's estimate of -0.9 (for each type of gambling) that is reported in its work for the PC is at the midpoint of this range. This is close to a unitary elasticity of -1. A unitary elasticity implies that if gambling operators double the share of wagers that they retain, making odds more unfavourable, gambling volumes half, so that gamblers continue to lose the same amount of money.

For the income elasticity, the PC has explicitly adopted Econtech's estimate of 0.7. It implies that net expenditure on gambling rises with income, but less than proportionately.

Econtech endorses the gambling elasticities used by the PC.

1.3 Consumer Benefit

The consumer benefit from gambling depends mainly on the assumed price elasticity.

The 'low' elasticity scenario assumes that gambling activity is relatively insensitive to the gambling operators take. This implies that consumers view gambling as relatively essential activity, adding greatly to consumer welfare. Under this 'low' elasticity scenario, the PC estimates that the annual consumer benefit from gambling is \$6.3 billion.

The 'high' elasticity scenario implies that gambling activity is more sensitive to the gambling operators take. That is, if the odds become more unfavourable than at present, more people would severely curtail their gambling, spending their money elsewhere. In that case, consumers view gambling as a more optional activity that can be more readily replaced with, for example, other forms of entertainment and recreation, so gambling makes a smaller contribution to consumer welfare. Under this 'high' elasticity scenario, the PC estimates that the annual consumer benefit from gambling is \$5.4 billion.

As indicated above, Econtech estimates that the price elasticity of demand for each type of gambling is -0.9, midway between the 'low' and 'high' elasticity scenarios. Thus Econtech endorses an estimate of the annual consumer benefit from gambling that is also midway between the PC estimates at \$5.7 billion.

Richard Blandy and Anne Hawke have obtained a lower estimate of the consumer benefit from gambling by assuming that the price elasticity is far lower for problem gamblers than for non-problem gamblers. However, their argument for this is only heuristic. Empirical support would be needed before the unusual assumptions advocated by Blandy and Hawke could be widely accepted.

2. Costs of Problem Gambling

To an extent, the estimated annual consumer benefit from gambling of \$5.7 billion needs to be weighed against the undoubted social costs of gambling.

The PC attempts to estimate the social costs of gambling using the results of two PC gambling surveys - a National Gambling Survey and a Survey of Clients of Counselling Agencies. The PC is to be commended for arranging these surveys.

Using the survey results, the PC estimates that the annual social cost of gambling is between \$1.1 billion and \$5.2 billion. However, these estimates are based on inferences from the survey results that do not stand up to scrutiny. While only rough estimates of the social costs of gambling can be made from the information available, a better estimate of the annual social cost of gambling is that it is between \$0.6 billion and \$2.3 billion.

The following table summarises the PC calculation of its estimate of the annual social cost of gambling.

Annual Social Cost of Gambling (\$ billion)

	Low	High
divorce	0.5	2.9
depression	0.2	1.5
suicide	0.2	0.6
other	0.1	0.3
total	1.1	5.2

Source: Draft Report of PC

Econtech reviewed these estimates, beginning with the main contributor to the PC estimate of the social cost of gambling, namely divorce.

2.1 Divorce and separation

Using results from its National Gambling Survey, the PC estimates that gambling results in about 29,000 divorces and separation each year. It acknowledges that 'while the number includes separations as well as divorces, this estimate seems high when compared to a total of 51,000 divorces each year from all causes. The Commission will seek additional information preparing the final report to verify the reliability of this estimate.'

Econtech has consulted Australia's leading divorce researchers, the Australian Institute of Family Studies (AIFS). In June 1999 the AIFS published a working paper on this subject titled 'Towards understanding the reasons for divorce'. This working paper, which is authored by Ilene Wolcott and Jody Hughes, is available on the AIFS website (www.aifs.org.au). The main findings of the working paper, which are based on a random sample of 650 divorced people, are summarised in the following table.

Main Reason for Marriage Breakdown

(per cent)

Communication problems	27
Incompatibility	21
Affair	20
Alcohol/drug abuse	7
Physical violence	6
Financial problems	5
Physical/mental health	5
Work issues and work and family time	3
Emotional/verbal abuse	2
Other	4
Total	100

Gambling is not listed as a factor. Econtech questioned Jody Hughes on this issue. She checked the survey responses for Econtech and found that only 1 out of the 650 participants mentioned gambling as a factor in her divorce, and it was not the main factor. This was consistent with the literature on causes of divorce.

If research on causes of divorce shows that gambling is at most a minor factor, how is it that the PC has found that it is a very major factor? The explanation probably lies, at least in part, in the wording of the questions on divorce in the PC National Gambling Survey.

A series of three questions asked, in essence, whether gambling had led to a person's divorce or separation. There are two problems with this type of question.

First, some people will be confused by the double-barrelled nature of the question and may respond 'yes' if only part of the question is true. For example, some people may respond 'yes' if they have been divorced, even if gambling was not the main cause.

Second, the question is suggestive because it suggests gambling as a cause of divorce without putting forward other possible causes.

If a purpose of the survey was to estimate the proportion of divorces and separations that are due mainly to gambling, this should have been approached as follows. In one question, respondents should have been asked whether that had been divorced or separated in the last 12 months. Respondents who answered 'yes' to this should then have been asked a second question that gave a list of possible causes of that divorce or separation, including gambling, and asked to select the main cause in their case from that list.

This is the type of procedure that was followed in the AIFS survey and we know from the results of that survey that it results in a finding that gambling is at most a minor factor in divorce.

The problems in asking leading questions in this area can be illustrated with another example. As shown in the above table, in the AIFS survey emotional/verbal abuse was given as the major cause of divorce by only 2 per cent of respondents when there were presented with a wide range of alternative causes. However, another survey mentioned in the working paper asked divorced people whether they had been subject to emotional abuse in their past marriage, and this produced affirmative responses from 84 per cent of women and 75 per cent of men. Clearly the answers to leading questions can be very misleading in understanding the main reasons for divorce in Australia.

2.2 Depression and Suicide

The PC estimates about the social costs of depression and suicide are also based on questions that are both double-barrelled and suggestive.

‘In the last 12 months have you suffered from depression because of your gambling?’

‘Have you ever seriously thought about suicide because of your gambling?’

Again, the better procedure would have been to first establish whether the person had suffered depression (thought about suicide) and then to have asked people with affirmative responses to choose the main reason from a wide list of alternatives.

It seems likely that the leading nature of the PC questions about depression and suicide is likely to have led to an overstatement by the PC of the role of gambling in these social problems, just as it has in the case of divorce. In the limited time available, Econtech has not been able to check the PC estimates against the findings of the leading research on the causes of depression and suicide in Australia. However, the PC needs to make these checks itself if people are to have confidence in its estimates.

2.3 Estimating the Social Costs of Problem Gambling

It can be concluded that the social cost of divorces due to gambling is only a small fraction of the PC estimate because the PC has greatly over-stated the importance of gambling in divorce. It also seems likely the use of leading questions has also led it to overstate the importance of gambling in depression and suicide.

To correct for these problems in a rough way, the PC estimates of the social costs of gambling can be re-estimated after excluding the divorce costs. On the one hand, this may understate the social costs of gambling, because gambling may lead to some divorces, although only a small fraction of the number estimated by the PC. On the other hand, it may overstate the social costs of gambling because the PC has probably over-stated the importance of gambling in depression and suicide.

After the adjustment to exclude divorce costs, the 'low' estimate of the annual social cost of gambling falls to \$0.6 billion, while the 'high' estimate falls to \$2.3 billion.

These costs are substantial. They are of major concern and should have an important influence on gambling policies. At the same time, they fall well short of the estimated annual consumer benefit from gambling of \$5.7 billion.

3. Gambling Policies

For gambling policies, the key issue is how to weigh up the estimated annual benefit from gambling of \$5.7 billion against the estimated annual social cost of between \$0.6 billion and \$2.3 billion.

In an ideal situation, policies would be developed to restrict problem gambling while not affecting recreational gambling. This would allow the social costs of gambling to be reduced, without sacrificing any of the consumer benefits.

Policies to improve the quality of information about gambling may help reduce problem gambling. Gambling operators could be obliged to prominently display information on payout ratios so that gamblers have a clearer idea of their likely losses. Advertising standards for gambling could be reviewed to ensure that advertising is not misleading about payouts.

Increased counselling and support services for problem gamblers may also help reduce the incidence of problem gambling as well as ameliorate its social costs.

Such policies are worthwhile but will not be totally successful. The estimated annual benefit from gambling of \$5.7 billion will always carry with it some social cost, although hopefully lower than the present level of between \$0.6 billion and \$2.3 billion.

This provides a reason for restricting the level of gambling activity to a degree. However, gambling activity is already restricted through extensive regulations and heavy taxation. While the Draft Report suggests that Australia has over 20 per cent of the world's electronic gambling machines, industry estimates suggest that the correct figure may be less than 3 per cent. It has not been established that there would be any net benefit from further restricting gambling.

At the same time, the existing taxation and regulation regime could undoubtedly be improved. For example, at present gambling taxation is uneven between different forms of gambling and between clubs and hotels.

Econtech report concludes.

Chapter 5 – The benefits

5.2 – What benefits do consumers gain from gambling?

Gambling for the vast majority is a form of entertainment as stated by the Commission:

Pg 5.2 Gambling is best characterised as a form of entertainment, albeit one where a major element of that entertainment is the chance of winning some money.

The AHA urges the Commission and those regulators that are involved in regulating the gambling industry to consider the characterisation of gambling when making regulatory recommendations/decisions.

As the Commission correctly points out, the motivation to gamble involves a range of attributes:

Pg 5.3 The motivation to gamble involves a range of attributes associated with a venue, the social setting, and the game itself.

The fundamental principle of providing gambling services is to offer entertainment. The entertainment level depends considerably on those issues identified by the Commission such as venue, social setting, and the game itself.

One positive aspect associated with the introduction of gaming in hotels has been the desire for hoteliers to make their gambling venues more attractive and comfortable in the aim of making it a more welcoming and successful business. Gaming within hotels has been largely responsible for the significant improvements in facilities and services and has, in doing so, played a large part raising the standard of the tourism and hospitality industry within Australia, making it more internationally competitive.

Problem Gamblers

Pg 5.10 Problem gamblers are estimated to represent only some 2.3% of the adult population. They are estimated to represent 15% of regular gamblers and to account for around 35% of the money spent on gambling.

There is no doubt that a small percentage of problem gamblers exist and that there are some members of society that are unable to control the amount that they wager.

Given the evidence and a limited time-frame to independently commission studies, the AHA is not in a position to question the reliability of the statement that 2.3% of the population are problem gamblers. The industry recognises that there is significant hardship generated by those unfortunate enough to develop a problem and will continue to work with regulators and other industry participants in an attempt to reduce and minimise the potential harm associated with participating in this entertainment activity.

The AHA does, however, submit that additional work should be conducted in this area and that the methods used to determine problem gamblers should be continually reviewed and adjusted.

On Page 5.10 the Commission highlights the prevalence of problem gamblers that participate in gambling compared to that of regular gamblers. The finding of this study clearly shows that there are a range of gambling modes that are likely to be frequented by problem gamblers.

The findings of the Commission's survey highlight a major policy issue that needs to be addressed by regulators. The 'other' category which includes gambling modes such as Bingo which is relatively unregulated recorded a high proportion of problem gamblers as well a high percentage of share of spend accounted for by problem gamblers. The AHA believes, based on this evidence, that more attention should be focused towards possible responses to dealing with these identified issues.

Of particular note is the racing industry and the share of spend accounted for by problem gamblers. The racing industry, in the AHA's view, does not contribute enough or actively promote the provision of responsible gambling. The AHA believes that the racing industry should become more proactive in realising its responsibility to minimise harm through assorted initiatives.

The findings of overall spend attributed to problem gamblers in relation to poker machines is a major concern and it clearly shows that there is further scope for improving the services offered by the industry to minimise harm.

5.5 – What other benefits are there for the Australian Economy?

Pg 5.16 The deregulation of gambling has provided new or better tourist packages which generates additional tourist spending which is to benefit the economy as a whole. At the same time, the provision of gambling locally is likely to reduce the number of local residents travelling overseas to gamble, although the extent is unknown. The modeling conducted indicate the net benefits are small.

As previously stated, there has been a considerable improvement in the services offered by hotels that offer gambling facilities. The AHA recognises the Commission's acknowledgement of the increased appeal to tourists generated by the provision of gambling services.

Although the numbers of Australians that are likely to travel overseas specifically for gambling purposes are small their potential spend is quite substantial. The potential loss of monies to international markets if quality gambling venues were not available from the economy would be quite substantial.

Additionally, if gambling services were not in operation in Australia the Australian economy would need to create an additional 70,000 jobs for those that are currently employed in the industry representing almost one tenth of the total number of people unemployed in Australia. There would also be a large proportion of the total state taxation revenue sliced immediately from consolidated revenue resulting in major budget shortfalls.

The legalisation of the gambling industry has not only made it a valuable revenue earner for state governments but has largely eliminated illegal gambling houses that, in countries where gambling has been illegal, have been rife and a source of major community concern. Illegal gambling establishments have historically been a major problem in jurisdictions such as New South Wales. It was common for starting price bookmakers and other illegal gambling providers to offer gambling services with no accountability on returns provided to participants. The

introduction of TAB services and the legitimisation of this industry destroyed overnight the prevalence of starting point bookmakers. These previously significant illegal industry has been effectively disbanded through the legalisation and effective regulation of gambling establishments.

Conclusions

The AHA commends the Commission's finding that:

Pg 5.24 The gambling industries generate a significant net benefit to consumers, even when discounted for the expected shortfall in value received by problem gamblers.

As discussed in other chapters of the report a broad range of complex issues exist within the gambling industry. The industry does, however, provide significant employment for young and lesser skilled workers as well as providing a significant medium of entertainment.

Chapter 6 – What is Problem Gambling?

Pg 6.13 The Commission conducted three surveys to look at Problem Gambling: PC National Gambling Survey, the PC Survey of Clients of Counseling Agencies and the PC Survey of Counseling Services. The National Survey was conducted nationwide with 10,500 telephone interviews. The clients' survey was based on 278 returns.

The AHA wishes to express its concern associated with the sample size of the clients' survey (only 278) and urges the Commission to exercise caution when drawing conclusions using this material.

The sample size of 10,500 for the National Survey, however, is considerable and it is the AHA's view that it should represent a relatively accurate depiction of the general population.

Of interest, however, is the Commission's Table B.1 of the Appendices in the draft report that 12% of the ACT adult population participated in playing poker machines at a hotel/pub. Furthermore, 25% of the ACT adult population participated in playing poker machines at a casino. Of surprise is the fact that only 12% played poker machines at a club. Given the fact that hotels and the casino in the ACT have limited (and in the casino's case no) access to gaming the respondents would have to travel interstate to participate in these activities representing a significant proportion of the ACT population.

6.8 – The prevalence of problem gambling

On page 6.40 the Commission wrote:

Pg 6.40 2.3% of the adult population (330 000) have significant problems associated with gambling.

and

Pg 6.40 1.7% experience significant adverse outcomes as a result of their gambling.

The AHA accepts that a small percentage of those in the general community have problems associated with gambling. The hotel industry is committed to working towards minimising those negatively affected by this industry.

The hotel industry has been proactive in its response to problem gambling and has implemented self-exclusion programs, codes of practice, g-line counselling/help services, staff training in responsible service of gaming and extensive education initiatives in the venues.

6.9 – Who are problem gamblers?

Pg 6.48 An analysis was undertaken comparing problem gambling prevalence and harm incidence rates by gambling mode and frequency of playing

	SOGS 5+ %	SOGS 10+ %
<u>Gamblers</u>		
<i>Gaming Machines</i>	5.15	0.76
<i>Keno</i>	6.40	1.16
<i>Table Games</i>	7.43	1.14
<i>Bingo</i>	9.49	0.75
<i>Private Games</i>	9.63	0.88
<i>Racing</i>	5.12	0.85
<i>Sportsbetting</i>	9.58	1.06
<u>Weekly Gamblers</u>		
<i>Gaming Machines</i>	21.56	3.59
<i>Keno</i>	21.81	3.59
<i>Table Games</i>	37.81	7.52

The Commission's findings in relation to gamblers and their corresponding SOGS score is of major interest to the hotel sector. The data presented allays significant community misconceptions about the prevalence of problem gambling in all gambling sectors.

According to the results above, the prevalence of those registering a SOGS score of 5+ among gamblers is more likely in Keno, Table Games, Bingo, Private Games and Sports Betting than gaming machines. Additionally, those gamblers that registered a SOGS score of 10+ were most likely to be Sportsbetting, Table Games or Keno. Interestingly, gaming machines registered a relatively low prevalence of SOGS10+ gamblers when compared to other modes.

When moving to Weekly Gamblers and the prevalence of high SOGS scores the statistics clearly show that gaming machines are no more likely to attract problem gamblers than Keno and Table Games.

Based on these findings, the AHA submits that all forms of gambling should be involved in responsible service provisions and the focus should not just be based on the electronic gaming machine and casino industry.

Another interesting finding by the Commission was stated on page 6-48:

Few differences exist between problem gamblers and all gamblers on the basis of education

and

It does not seem to affect risk if a person was born in Australia or not

There is a common misconception in the community that those with limited english speaking ability are more likely to develop problems with their gambling habits. The AHA welcomes the Commission dismissing these common misconceptions while basing comments on facts and survey findings rather than anecdotal evidence.

Of great interest is the finding that:

Pg 6.49 Persons who are separated, divorced, unemployed, living in single-person households are more highly represented amongst problem gamblers.

Those members of the community that fall under the category of separated, divorced, unemployed and living in single households have a number of additional factors that may result in increased chances of developing gambling problems.

All those mentioned in the category above are likely to have a considerable amount of spare time at their disposal and are often lonely. This time could easily be utilised by spending extended periods in social environments such as venues offering gambling facilities.

Of major importance, however, is the finding by the Commission that the biggest single risk factor associated with the potential development of problem gambling is age:

Pg 6.51 The most important single risk factor is age.

With this major risk factor in mind, perhaps strategies and policies should be directed towards a more targeted age range rather than cultural subgroups and socio-economic sections of the community.

Additionally, the Commission stated:

Pg 6.51 There are few clear individual risk factors. Certain playing modes – particularly regular gambling on continuous forms appears to be a greater determinant of the risk of developing problems.

The potential for developing problems is studied in detail in Chapter 6 of the Commission's Report. The AHA submits that it is inaccurate to assume that those forms of gambling that offer continuous plays such as electronic gaming machines are overall more likely to result in people developing gambling problems.

According to the Commission's own data the prevalence of gamblers registering a SOGS5+ or SOGS10+ is, in fact, less likely to occur with gaming machines when compared to all other forms of gambling (other than racing which is 0.03% less likely for people to develop gambling habits that score SOGS5+).

Chapter 8 – The link between accessibility and problems

8.4 – Variations in the use of help services

Pg 8.15 There would be benefits in having an Australia-wide database developed as a better way of gauging the magnitude of the connection between accessibility and problem gambling. It should include problem gambling client numbers by region and time, matched by data on variations in the nature of gambling by area.

Whilst it may be useful for the community to have access to a detailed database as a means of gauging the magnitude of problem gambling it could be argued that the same could be said for credit cards and other entertainment provisions. The practicability of such a database is questionable.

8.8 – Summing Up

Pg 8.24 The potential link between accessibility and problem gambling is a key policy issue, since it determines whether constraints on access are likely to have any impact on problem gambling.....While causation is hard to prove beyond all doubt, the Commission considers that there is sufficient evidence from many different sources to confirm a significant connection between greater accessibility – particularly to gaming machines – and the greater prevalence of problem gambling.

The AHA submits that there is limited evidence to suggest that limiting the number of gaming machines in a state will have any effect on total gambling expenditure.

In the Commission's summary on page XXXVII Figure 8 highlights a small difference between the spend per head in Victoria and New South Wales. As stated in the AHA's original submission the total number of gaming machines in Victoria in 1998 was 27,266 and in New South Wales was 94,282. Interestingly, the turnover of Victorian machines is much larger than in New South Wales. These observations lead to the conclusion that the availability of machines is not strongly linked with the prevalence of problem gamblers.

These figures suggest that there is a limited correlation between the availability of gaming machines and the effect on overall gambling revenue making it less likely that limiting access of gaming to venues would achieve a significant reduction in the prevalence of problem gambling.

Chapter 9 – Broader community impacts

9.3 – Impacts on the nature and feel of community life

On Page 9.17 of the draft report the Commission wrote:

Pg 9.17 There is evidence that the placement of gaming machines in certain venues has enticed a wider range of people, including otherwise housebound people, to travel to, utilise and enjoy the facilities and the social interaction.

The Australian Hotels Association supports the Commission's findings and wishes to emphasise the fact that hotel establishments strive to provide an entertainment service that the public wish to visit for a range of purposes including social interaction.

Pg 9.22 While the Commission recognises that gambling may indeed generate social costs through its effects on people's norms, ethics and preferences, it is unable at this stage to determine just how significant or pervasive these impacts may be. The Commission seeks further information on these matters.

The hotel sector exists as a direct result of consumer demand. Hotel establishments do not necessarily impact on people's norms, ethics and preferences. If a potential customer does not agree or like a service provided by the hotel then they will simply not frequent that venue.

9.4 – Sectoral impacts of the growth in gambling

Pg 9.25 Much of the evidence of adverse effects of gambling liberalisation on other retailing activity is anecdotal. Given the recent visibility and profile of gambling in the community, it would not be surprising if some retailers were to attribute difficulties they are facing to the introduction of gambling, even if other factors were responsible. There has been a much longer trend in the decline in expenditure on retailing.

Pg 9.25 Retailing has lost 7% points of market share while entertainment/recreation increased its market share by only 1.6% points, therefore, the decline in retail is mainly due to factors other than the expansion in gambling.

The AHA welcomes the Commission's findings that the gambling sector has a limited effect on retail spending. A report by the Senior Lecturer in the Department of Commerce in the University of Adelaide, Mr Barry Burgan, found in a comprehensive study he conducted in October 1997 that 'in short, claims of a significant impact of poker machines on retail sales [in South Australia] does not seem to be supported by the aggregate data'.⁴ This finding clearly shows that gaming machines has had a negligible effect on retail spending. A copy of this report can be found in Attachment 2.

Additionally, the Victorian Casino and Gaming Authority's report in 1997 on *The Impact of the Expansion in Gaming on the Victorian Retail Sector* also clearly showed that retail spending was not significantly affected by the increase in gambling activity within the State.

Pg 9.29 There would be a case for examining government policies if such changes are the result partly or wholly of discriminatory policies that favour the expanding industry at the expense of others. The Retailers raised the issue of trading hours.

Retail trading hours should not be linked to trading hours in hotels as they offer completely different services and cater for different markets. The AHA submits, however, that if retailers wish to operate at similar times to hotels then they should be able to cater for what the market demands.

Additionally, the Commission's finding that retail spending is not significantly effected by gambling adds further weight to the argument that trading times of that of hotels and the retail sector has a negligible effect on trade for both sectors.

The AHA also supports the notion of the Commission's:

Pg 9.33 The Commission sees structural change within the gambling sector as a normal part of the business environment. Of itself, it does not constitute a reason for government policy action.

⁴ Mr Barry Burgan, *The Changing Shape of Retail Trade – The Future of Retail Sales in South Australia*, 1997

9.5 – Local and regional impacts of the growth in gambling

Pg 9.37 The Commission's analysis confirm that, in Victoria, there is a strong inverse relationship between the average income of people and the number of gaming machines in particular areas. For QLD, the Commission found very little relationship between average incomes in a region and the number of machines. Concluded it would be unwise to draw conclusions from the NSW figures at this stage.

The overriding decision of gaming machine placement in Victoria is determined by the two licensed gaming operators based on consumer demand. In other States such as South Australia, however, there is more freedom as to where gaming machines may be placed. As stated in the AHA's response to Chapter 15, where gaming machine operation is the responsibility of the individual licensee, the placement of machines is largely determined by the traditional locations of such facilities.

The AHA submits that the best model for gaming machine placement is to leave the placement up to each individual licensee.

PART C

Chapter 11 - Overview of the policy environment

In relation to the exclusivity arrangements that currently exist for gambling the Commission wrote:

11.8 For example, the persistence of monopoly (or 'exclusivity') arrangements in the gambling industries appears to be mainly driven by revenue considerations. Revenue collection, by itself, provides an unconvincing rationale for creating such exclusive rights. If it were accepted that Governments should raise significant revenue from gambling industries, then explicit taxes, through their greater transparency, accountability and flexibility, are preferred measures for collection.

The AHA supports the Commission's comments in relation to the justification of maintaining exclusivity arrangements purely for revenue considerations.

The AHA supports the Commission's statement and reinforces the industry's view that the current exclusivity arrangements are highly discriminatory:

11.10 In many jurisdictions, governments explicitly provide special advantages to clubs in the way they allocate gaming machine licences (Chapter 12). Clubs also benefit to some extent from arrangements in jurisdictions such as Victoria and South Australia, where they are permitted the same maximum number of gaming machines as hotels, but where the greater demand is for hotel gambling. Clubs also benefit from advantageous taxation arrangements, partly as a matter of policy and partly in view of their mutual status (chapters 18 and 20).

On Page 11.10 of the Commission's draft report it was written:

This begs the questions of why gaming, among all other possible services, should be chosen as the medium for the favourable treatment of clubs. Clubs would also improve their financial position from favourable treatment in providing cinemas, alcohol, theatres and other recreational and entertainment services, but most people would not see this as a proper basis for selective regulation.

The AHA supports the notion that there is no rationale behind the favourable taxation treatment of clubs in relation to state gaming taxes and appeals to the Commission to recommend the differentials that currently exist to be brought into line with that of hotel taxation rates.

Additionally:

Pg 11.11 Uncertainty justifies a cautious approach to liberalisation, but it does not justify protecting the interests of entrenched gambling providers (for example by long-term exclusivity arrangements – chap 12 and 13).

There is no evidence to suggest that the operation of exclusive licences result in a reduced incidence of problem gambling and more responsible gambling services. The AHA urges the Commission to take this evidence into consideration in its final report when drawing conclusions regarding the long term operation of exclusive licences.

On a national policy level, those exclusive arrangements that currently exist in the Australian Capital Territory, Victoria, Tasmania and Western Australia in relation to gaming access have resulted in no advantage to government but considerable disadvantage for individual hotel operators.

iii. The policy goal: maximising the net benefits of gambling

Pg 11.17 One, unambitious, stance of government could be to take everything about the gambling environment as given (such as the design of gambling technologies, accessibility and monopoly provisions), except the quantity of gambling allowed. Government would then simply aim to maximise the social benefits of gambling by relaxing or tightening the quantity constraint.

However, such a stance ignores all of the other possible policies and instruments discussed in the preceding sections. By re-designing these policies, it may be possible to achieve higher net benefits by reducing social harms – and this in turn, may allow the safer liberalisation of gambling. An analogy is motor vehicles. If cars were very unsafe it might be reasonable for governments to limit their number. However, in the presence of the accident prevention and harm minimisation standards present today, there is no need to control vehicle numbers.

The AHA submits that the risk associated with the gambling industry does not justify stringent limitation of gambling accessibility. A good analogy, as used by the Commission, is the motor car industry. A number of people are injured in car accidents every day but the benefits for the majority outweigh the costs for the minority. Therefore the industry is allowed to grow according to consumer demand. The gambling sector is similar to the car industry in that the benefits for the majority far outweigh the negatives for the small minority.

In saying this, the AHA advocates the liberalisation of gaming access in jurisdictions where gaming machine access is limited such as in the ACT.

Chapter 12 – Regulatory arrangements for major forms of gambling

12.2 Electronic Gaming Machines

All jurisdictions place restrictions on the type of venue in which gaming machines may be placed (generally limited to licensed clubs, hotels or casinos, with different rules for each). This is generally defended on the grounds of limiting accessibility by underage persons, although it is criticised by others because of the effects of alcohol on gambling behaviour (chapter 13).

The AHA submits that there is limited evidence to suggest that the provision of gambling and alcohol in the same establishment plays a significant role in a marked increase in irresponsible gambling practices and further research on these topics should be conducted before drawing policy recommendations.

In New South Wales, where clubs have 74 per cent of the State's gaming machines, a small number of 'super clubs' have developed. For example, the Penrith Pathers club has nearly 1200 gaming machines (compared to 1500 at Star City) and the top 200 clubs hold over half of all gaming machines in New South Wales. For some clubs, gaming machine revenue accounts for over three-quarters of total revenue.

The development of super clubs and the phenomenal growth rate of these facilities highlights the urgent need for reform of the current taxation arrangements. The large differential in access and taxation rates between clubs and hotels should be brought into line immediately to ensure a more equitable and competitive business environment.

Mutual Recognition

The current arrangements for hoteliers wishing to operate gambling operations in various jurisdictions are unnecessarily restrictive through different state legislation, regulation and the exemption of gaming to mutual recognition.

The Intergovernmental Agreement on Mutual Recognition's exemption of gaming machines results in significant business costs and is generally restrictive.

The AHA supports the notion of the removal of the exemption for gaming machines in the Mutual Recognition Act 1992 and a national regime put in place to ensure trade between state boundaries less prohibitive.

Pg 12.34 (Racing)

In relation to the racing industry the Commission wrote:

'The availability of information on assistance for problem gamblers appears to be less readily available, at least in some venues, than for gambling in casinos or clubs and hotels (Chapter 15).

The AHA submits that it is necessary for the Commission to recommend that the same initiatives that have been implemented in hotels should also be applied to the racing sector. The PC Gambling Survey clearly showed that problem gamblers were likely to utilise racing services and a coordinated approach to problem gambling is the most effective means of ensuring the problem is minimised.

The Commission stated on Page 12.43 that:

Pg 12.43 'Lotto accounts for 78 per cent of WA Lottery Commission revenues. (for the whole of Australia, it averages 70 per cent of total lottery spending)

Western Australia, which has no poker machines, has the highest per capita sales of Lotto in the world.

Western Australia's Lottery services are also the worst value for money adding weight to the argument that monopolies result in the gambling provider selling their product at an increased cost.

For example, the total prize pool for lotteries in Western Australia is 56.4% as opposed to 61.3% in NSW and 60% in Victoria.

These figures suggest that those participating in lotteries in Western Australia are paying an inflated price for services that are available at a cheaper rate interstate.

Chapter 13 – Are constraints on competition justified

The gambling sector, particularly the gaming sector within hotels, is highly price sensitive. In the case of hotels, there is continuous competition between venues and the potential for monopoly rent to occur is minimal. This, however, is not necessarily the case in other gambling modes such as lotteries:

Pg 13.5 But the restriction on direct competition can allow license holders to provide their services at higher prices than in a more competitive market. This generates what economists call 'monopoly rent' (or super profit).

Monopoly licences held by many lotteries results in super profits and a service that is more highly priced than it possibly would be with more competition as discussed in Chapter 12.

Gaming machines, however, are often set at payout ratios that are above the statutory minimum. State Governments specifically set the minimum return to player rates to ensure that there is some control over super profit. With this being the case there is little argument along the lines that the provision of gaming services in hotels is currently more expensive than it would be in a more competitive market.

In a number of States there is significant industry disquiet over the duopoly/monopoly gaming licence arrangements:

In Victoria, the duopoly's exclusive rights to own and operate gaming machines in clubs and hotels bring no obvious advantages with respect to access and problem gambling.

The AHA supports the Commission's finding and submits that there is absolutely no net advantage to instigating or maintaining monopoly/duopoly type arrangements in any jurisdiction. Perhaps a better approach to that of granting exclusive rights is to allow licencees to purchase machines outright such as the case in South Australia and New South Wales. These arrangements go a long way towards dispelling the industry disquiet in certain states over access issues as it would allow hotels to operate on level playing fields with its direct competitors.

In response to policing of self regulation the Commission wrote:

Pg 13.18 In sum, exclusivity arrangements have not reduced the accessibility of drivers of problem gambling, other than for casino table games.

The Commission's finding that exclusivity arrangements are not justified under the basis that it reduces accessibility for problem gamblers is welcomed by the hotel sector.

The Victorian duopoly has the advantage that the two operators may be able to police a self-regulation approach more effectively than under more dispersed ownership of gaming machines. But it is questionable whether self-regulation is the best approach to dealing with problem gambling (chapter 15).

The AHA submits that there is no evidence to suggest that duopoly's/monopoly's have any greater ability to self-regulate and act in a more responsible manner than any other State arrangement.

The South Australian model of self regulation and entirely voluntary collective response has resulted in a well developed and controlled industry that is very sensitive to the provision of responsible gaming.

Self exclusion may be easier to enforce for people with problems stemming from table games through casino exclusivity. But it has no such advantages with respect to problem gaming machine gamblers (other than in Western Australia).

Self exclusion can be arranged for individuals in multiple venues. In both Victoria and Tasmania multiple venue self exclusion has been quite successful in ensuring that a range of gambling venues work together to minimise the risk of problem gamblers partaking in the services they provide.

Multiple venue self-exclusion can provide an effective means of ensuring that problem gamblers do not have access to gambling facilities in high risk destinations such as close to their homes or workplaces. This initiative acts as a major disincentive by significantly increasing travel time while acting to reduce accessibility.

Pg 13.19 The Western Australian Government said that there were a number of checking and monitoring benefits with its restriction on gaming machines;

- 7. by restricting the conduct of gaming machines to licensed casinos, it is less costly and more feasible to maintain the integrity of this particular gaming product. Inspection, audit and surveillance can be conducted more effectively.*
- 8. The cost of the government monitoring of gaming machines is lower because of the smaller number of venues operating gaming machines.*

But these economies have to be set against inefficiencies which arise from having a single exclusive license. As discussed earlier, these include reduced choice and convenience to players and the price effects of having an exclusive license. It is the balance of such costs and benefits which is important. Governments do not argue economies which would be involved in prudential checking or tax auditing – the offsetting benefits in such areas as price, choice and savings in time are indisputable.

The legislation that addresses electronic gaming machines in Western Australia are the *Casino Control Act 1984*, the *Gaming Commission Act 1987* and the *Casino (Burswood Island) Agreement 1985*. Both the *Casino Control Act 1984* and the *Gaming Commission Act 1987* ban the playing of poker machines in Western Australia.

Interestingly the *Casino (Burswood Island) Agreement 1985* states the following:

- 16 Burswood Casino has an exclusive casino licence until 24 December 2000.*
- 17 After 24 December 2000 an additional casino may be established within 100km of Burswood, provided it is of similar size, with similar amenities.*
- 18 After 24 December 2000 games played in the casino are not permitted to be played outside the casino or casinos.*

The above clauses mean that even if legislation were introduced to legalise poker machines, Burswood Casino would still have exclusivity beyond 24 December 2000 because poker machines are commonly played in Australian casinos.

The effect of this monopoly arrangement is to stifle competition outside the casino both during and after the period of exclusivity.

The AHA submits that the exclusive licence granted to Burswood Casino and the subsequent protection enshrined in legislation is anti-competitive and the Commission should recommend the liberalisation of gaming access in the State.

Gambling and liquor licences

The Commission explores the issue of linking gaming licences with liquor licences:

Pg 13.25 But there are some apparent anomalies. For one thing, other gambling venues are not so licensed: why exclude gaming machines from TAB agencies? And some liquor-licensed establishments cannot have gaming machines (for example, restaurants or grocery stores with liquor licences).

The hotel sector exists to provide the public with an entertainment environment that provides a range of facilities. Grocery stores cater for a takeaway sector whereas hotels also offer and focus on the provision of entertainment facilities on premise.

Additionally, restaurants and other retail outlets with liquor licences offer different entertainment experiences. A consumer purchases a meal from a restaurant and expects certain attributes in the establishment and expects a particular type of dining experience. Similarly, consumers expect hotels to offer a different set of entertainment options, including gambling services.

The linking of liquor licences and gaming licences is supported by the hotel industry for a range of reasons.

Establishments that provide liquor are only available to the adult population and the restriction of gambling services to hotels is an ideal way of limiting access to minors.

Additionally, the hotel sector is well versed to effectively deal with the sensitive issues associated with both gambling and alcohol consumption.

The industry has been involved in these activities throughout history and has a wealth of knowledge in dealing with issues that can arise with the provision of these services.

The hotel sector also provides an environment that is highly controlled through a need for businesses to have extensive management systems in place, extensive staff training in the provision of responsible service and an open and transparent environment.

Another issue raised by the Commission is the consumption of alcohol and how it relates to an individual's gambling behaviour. There is large scope for debate as to at what stage someone's judgement is impaired negatively affecting their rational behaviour.

The AHA submits that alcohol consumption and its effect on the gambler is not a major issue as the majority of gamblers, in the hotel industry's experience, generally consume alcohol in small quantities or prefer non-alcoholic beverages.

In relation to the availability of alcohol and gambling in the one venue the Commission wrote:

Given the evidence as to the high risks for some in the community from gambling, and that such risks can be exacerbated by alcohol, the provision of gambling in venues which serve alcohol might be thought problematic. While there are advantages to problem gamblers in reducing accessibility (chapter 8), it seems odd to limit such opportunities only to venues where drink is available.

The limitation of accessibility to those establishments that provide liquor is a sensible initiative designed to minimise minor access. Gambling is a form of entertainment designed for adults and the AHA submits that the best way of limiting minors access to gambling is to introduce gambling facilities in venues restricted to those over the age of 18 years. Additionally, those working in the hospitality industry are trained to act in a responsible manner and are well positioned to ensure minor participation is minimised.

The AHA submits that there is not sufficient evidence to support the notion that problem gambling is more likely to occur if alcohol is available. The Commission,

in its report, refers to a Nova Scotia study to support the notion of linking the duration of gambling with the consumption of alcohol. The AHA submits that studies should be based in Australia and that there are significant differences throughout the world in public behaviour due to different cultures and environmental factors.

Interestingly, in the Appendices of the Draft Report (Page E.4) the Commission highlights an isolated study of gambling in the Yarrabah community and it states that the introduction of TAB resulted in 'a reduction in apparent alcohol consumption and alcohol-related community violence'.

The hotel sector, as stated previously, provides a range of entertainment services and offers gaming as an additional activity that the patron may wish to undertake. As society becomes more demanding in its expectations of entertainment the hotel sector should continue to evolve and offer gambling services and any other form of entertainment designed to maintain customer interest while encouraging patrons to utilise the provided facilities.

In relation to gaming licensing the Commission wrote:

In principle, applications for gaming licences ought to be judged against criteria based on assessment of the risk of harm, without direct reference to licensing for consumption of alcohol. This might, for example, cover such matters as venue location and layout, training and staff, harm minimisation programs and the like (some of which are already picked up in current licensing arrangements). In this way, both venues with alcohol licences and those without may be considered for gaming licences.

The AHA submits that while there is a strong argument to link gaming licences with criteria based on assessment of the risk of harm there remains a need to ensure that minors do not have access to these facilities. This is best achieved through the linking of liquor licensing and gaming licensing.

There is little evidence that clubs provide a less risky environment for gamblers than hotels with respect to harm minimisation. However, progress has been made in making some clubs and hotels safer. In the Commission's view, there are likely to be benefits in strengthening harm minimisation programs.

The AHA supports the Commission's finding that the club sector does not provide a less risky environment for gamblers than hotels with respect to harm minimisation. The hotel sector, in many jurisdictions, has led the way in implementing responsible gaming initiatives. The industry recognises, however, that there is a need to continually review and strengthen harm minimisation programs. The State branches of the AHA are continually in discussions with relevant stakeholders to ensure that harm minimisation measures remain up-to-date and relevant.

Victoria and South Australia, for example, have just completed amending its code of practice to incorporate other initiatives designed to minimise the occurrence of problem gambling.

Chapter 14 – Regulating access

14.1 – Introduction

The inherent trait of the hospitality industry is that it caters for people wishing to meet in a social environment in both their business and leisure time. The facilities operating hours are dictated by the market demand for that establishment (and the type of licence that is held by the proprietor).

Interestingly the Commission wrote:

Pg 14.2 The Commission noted that retailers of many services face stringent shopping hour regulations while opening hours for gambling venues, such as clubs and casinos, are typically unrestricted, despite their hazards.

The AHA submits that if the retail sector is wishing to open out of the traditional business hours of operation then it is an issue that the sector should take up with the appropriate regulators. Some States already allow retail trade 24 hours a day. A good example are 711/convenience stores and supermarkets. The hotel sector has no qualms with retailers opening for longer periods and, if there is market demand for this, then they should be encouraged to do so.

There is no link between the hours of operation of the retail sector and the hours of operation for a hotel. Hotels are the social meeting place for the community and it is improper for the retail or any other sector to suggest a reduction in hours of operation on equity grounds when they are catering for entirely different markets.

14.2 – What are the impacts of statewide poker machine caps?

Interestingly, the Commission's survey found:

Pg 14.4 According to a Commission survey, Australians were generally most concerned to reduce EGMS in hotels, followed by clubs and lastly casinos. Even in NSW, where clubs are the dominant venue for EGMS (and are uncapped), more people wanted to cut back machine numbers in hotels than in clubs.

As highlighted previously, public perceptions should not be considered an accurate depiction of the status of the industry.

The draft report found that clubs were no more likely or better equipped to provide a higher level of security nor greater problem gambling services.

There are no sound grounds for regulators to reduce gaming machine numbers in hotels alone and the industry would be vehemently opposed to any such suggestion.

The AHA also wishes to draw attention to the Commission's finding in table 14.1 that specifies that 23.3% of respondents in the PC Gambling Survey in Western Australia wanted a reduction in poker machines in hotels. This result is of questionable value given that there are currently no gaming machines in hotels within WA.

The AHA believes that every hotel establishment should have the opportunity, if they so wish, to introduce gaming in their establishments. An ideal alternative to that of statewide venue caps is open access of machines with numbers dictated by consumer demand.

Pg 14.13 Machine caps combined with price caps, would be likely to reduce expenditure by current problem gamblers and by rationing use among others may also reduce the future incidence of problem gambling. Against this, such caps would reduce the pleasure of playing for recreational gamblers.

In Tasmania a price cap was initially in place for 18 months and was met with little support by both consumers and the industry. Price capping serves to significantly inconvenience the majority of gaming customers while having limited effects on the overall numbers of problem gamblers.

Pg 14.4 Combined price and quantity caps almost certainly produce better outcomes with respect to problem gambling than caps on machines with freely adjustable prices. But no statewide caps may be better still.

The AHA welcomes the Commission's statement that no statewide caps may be a better alternative to both price and quantity caps. The number of machines in any jurisdictions should be dictated by consumer demand.

14.3 – What are the impacts of caps on poker machines per venue?

The AHA endorses the Commission's finding:

Pg 14.18 Venue caps have adverse impacts on recreational gamblers and on the efficiency of venues.

Those states where low numbers of machines are allowed in hotels such as Tasmania find that queuing and general customer dissatisfaction is apparent when gaming machines are in high demand. The AHA stresses the need for a reasonable number of EGMs to be allowed in venues wishing to offer gambling services. The vast majority of those who use gambling services do so responsibly and they should not be severely disadvantaged by the few who develop gambling problems.

Staff Intervention

In relation to the ability of staff to intervene the Commission stated:

Pg 14.19 A venue with a small number of machines is more likely to know the regulars and may in principle better able to identify problem gamblers. However, the extent to which staff at small venues acts on this information is not clear. No venue or organisation representing venues suggested that their staff would approach suspected problem gamblers in order to help them, so unless this were to change, a better ability to identify problem gamblers is superfluous and staff in venues with a large number of machines receive considerable training to make them better able to assist a problem gambler who asks for help.

The issue of staff intervention and exactly when a staff member should intervene is a complex one. It is discriminatory and often incorrect to approach people who appear less wealthy about their gambling habits. The exact determination of at exactly what point someone becomes a problem or high risk gambler is also open to interpretation.

The effectiveness of identifying problem gamblers is, however, an issue that can only be addressed through continued staff training and is at best limited. The hotel sector is open to suggestions on how to implement more effective means of identifying problem gamblers without causing embarrassment and encroaching on customer privacy in a unnecessary way.

The Commission's comments that staff in larger venues receive additional training is incorrect. In some states such as Tasmania and Victoria it is mandatory that every licensed gaming employee must complete a responsible service of gambling course. The Commission's statement should be limited to those jurisdictions where evidence (if any) of need for additional training for staff in larger venues exists.

Prices in Smaller Venues

The Commission stated in relation to the prices of small establishments:

Pg 14.22 Prices tend to be higher in small venues, however, there is evidence that player losses are lower in areas where a fixed number of machines are distributed among many smaller venues rather than concentrated in a few bigger ones.

The AHA believes that the Commission's statement is too generic in relation to the pricing differences between small and large venues. The overall prices may vary between clubs and hotels but not necessarily between different hotels. We are not aware of larger hotel venues offering consistently lower prices to that of the smaller establishments, particularly in relation to the overall payout ratio.

14.4 – Other access approaches

Pg 14.27 In Victoria regional rationing has been implemented to increase access by non-metro people to EGMS.

Pg 14.28 While local rationing might have some beneficial impact on problem gambling, it would also impose costs on recreational gamblers through congestion or greater time and costs to venues.

The notion of regional rationing has played a particularly big part in the public debate, particularly in Victoria.

The AHA, however, does not support the notion of regional rationing and believes that consumer demand and commercial judgement should dictate where machines are to be located. The prevalence of gaming machines in different areas varies considerably in each jurisdiction.

In South Australia, the largest concentration of gaming machines is in areas where income on average is among the highest.

Evidence provided by the Treasury Department of the South Australian Government to Parliament's Social Development Committee in 1997 showed that Kensington and Norwood Council areas and Glenelg Council areas, both some of the richest areas in the State in terms of income and housing prices, had 41.9 and 22.4 machines per 1,000 adults respectively. The spend per head in these areas was \$95 and \$75 respectively.

In Salisbury and Noarlunga, where income is among the lowest in the State, there are only 6.3 and 6.7 machines per 1,000 adults. The spend per head in these areas was \$31 and \$28 respectively. Interestingly, in South Australia, the concentration of machines is determined by the historical location of hotels.

14.5 – Would other measures perform better?

The industry believes that the path of self regulation and implementation of industry codes of conduct is the most effective way of achieving best practice in relation to the provision of gambling services.

Page 14.30 of the Commission's report stated:

Pg 14.30 The uncertainties about the way caps may affect problem gambling combined with community attitudes, suggest that any moves to lift or tighten the restrictions should proceed gradually, so that their social and economic impacts can be gauged.

There is a periodic need for a review of regulations, particularly in relation to issues of great social importance such as gambling. A coordinated and gradual adjustment in regulation of this industry is the ideal way to proceed so that it allows sufficient time for the social and economic impacts to be gauged.

Traditionally, regulators have tended to move quickly in response to community pressure and often in a knee jerk fashion. Overnight and major policy changes should be avoided so as to ensure that those businesses and members of the general public that are affected can adjust to the changes over a period of time reducing the immediate burden/adjustment required.

Chapter 15 – Consumer protection

15.2 – A ban on Gambling?

In its draft report the Commission commented on a number of possible regulatory options available to governments to address the issue of problem gambling.

A blanket ban?

An extreme suggestion for the treatment of gambling was:

Pg 15.7 Complete prohibition of all forms of gambling would be costly for those who enjoy gambling, while only having benefits for those gambling forms, which have large social consequences.

Pg 15.7 The Commission does not consider that the option of a blanket ban on gambling is a viable or desirable one.

The AHA welcomes the Commission's finding and reinforces that the community wish to participate in gambling services and it should not be banned for the majority to assist the small minority who have problems associated with this form of entertainment. Additionally, a blanket ban may not achieve the desired effect of stopping problem gamblers from gambling when there are other forms of both legal and illegal gambling available to the consumer.

A selective ban?

The hotel industry submits that a selective ban on gambling would not be beneficial to the Australian community:

Pg 15.9 While, in theory, a ban on a given form of gambling might sometimes be warranted, the Commission does not consider that there is enough evidence to warrant banning any existing gambling form though there may be gains from reducing the scale of some gambling forms. Instead, a better policy course is to pursue a range of strategies to reduce the social risks associated with legalised gambling.

A range of strategies such as the responsible service of gaming, gambling help support services, education campaigns and industry codes of practice are the most effective means of reducing the social risks associated with gambling.

The industry supports these measures and will continue to commit extensive resources to the improvement of these services.

15.3 – Basic consumer information

Poker Machines

EGMs have been at the brunt of major public and political debate recently, particularly in relation to consumer protection.

One of the major points often raised in these debates is whether or not there is adequate disclosure of player returns.

Pg 15.13 Disclosure of the player returns in % form is probably not an adequate representation of the prices, however, some indicator of the price should be made available to the consumer. For example, represent the price and the % discount on the maximum price or a simple value for money rating system based on icons could be used.

Pg 15.13 Price information should allow consumers to seek out cheaper machines and may provide competitive pressure for some venues to lower prices on some of their machines. The Commission seeks view on how to best communicate gaming machine prices to consumers.

The industry is not opposed to displaying player returns whether it be in the form of a percentage or sign. The AHA submits, however, that all modes of gambling should be treated equitably and should player return be required to be displayed on gaming machines it should be equally visible in all gambling modes.

Pg 15.16 The Commission favours, in principle, the availability of better information about the price of playing poker machines, including

- *A simple system of informing consumers about loss rates on machines. But notification of machine returns is a misleading indicator of the machine price and should not be implemented.*
- *The expected duration of playing associated with any given player style.*

- *An indication of the likelihood of any given payout on the payout tables displayed on the machines.*

The industry supports the notion of transparent operations, however, some of the Commission's suggestions regarding the possible supply of player information is very difficult to implement.

It is not feasible to provide information on the expected duration of play for each playing style and would be technically very difficult to implement. The time taken to spend any given amount of money on EGMs varies considerably. The return to player is averaged out over an extended period of time and it would be misleading to assume or promote a certain amount of play time for a given amount of money given that it is impossible to take into account all possible permutations.

Pg 15.19 The Commission considers that there are grounds for statutory minimum payout ratios. However, there are fewer obvious grounds for statutory maximums.

Each gaming operator in Australia currently has to comply with a legislated minimum payout ratio. The industry supports the notion of legislated minimum payout ratios but believes that the maximum payout ratio should be determined by public demand and left to the discretion of the provider.

Gambling Education

The AHA supports the notion that the gambling industry could be covered to some extent in the school curriculum, perhaps being incorporated into social studies/life skills programs:

Pg 15.21 Information about how games work and the most frequent misunderstandings about them could feature in school curriculums and also in easy to read information made available to patrons or gambling venues.

It would, however, be more effective if information about each specific gambling mode were readily available at the venues they provide the services.

Theoretically, school students should not have access to, or participate in, gaming products within hotels until they are eighteen years of age. This suggests that the most effective means of targeting the education of gamblers would be at the venue itself.

It has also been the hotels experience that consumers wish to be educated through a simple, quick and easily read program. There is a real risk of being ineffective in educating the public about the industry if the educational material is too specific/technical or complex.

Periodic Record of Spend

Pg 15.23 The Commission considers that where loyalty cards are used, consumers should be provided with a periodic record of their spending. Such records should also be provided to TAB phone betting account holders.

The AHA is of the understanding that in a number of cases those establishments that offer loyalty card programs have access to detailed spend record data. A number of properties already provide a detailed history of total spend upon request.

While this information is available should it be requested, it is cost prohibitive to provide this service to every person participating in these programs.

In relation to the Commission's views on Government's role in public education:

Pg 15.25 The Commission considers that there is a need for governments to provide clear information to the public about:

- *What is problem gambling*
- *The fact that all gamblers are potentially vulnerable*
- *Its signs and self assessment*
- *Some of the risk factors*
- *Its consequence*
- *Advice on where help may be obtained*

The AHA supports in principle the Commission's views on the matter of Government education. Some of the information suggested to be supplied to the consumer is already in place.

We do not, however, support the notion of publicly advertising that all gamblers are potentially vulnerable to becoming problem gamblers. The vast majority of gamblers never develop or even have the potential to develop gambling problems. The government provided information should be based on fact and not hearsay.

15.4 – Advertising and promotion of gambling products

Pg 15.32 One of the major roles of advertising currently is to increase demand for gambling and to alter people's preferences so they see gambling as an exciting activity.

The aim of advertising any product is to make the potential consumer wish to purchase that specific product. The industry, while supporting the notion of responsible advertising, does not have any qualms with the promotion of gambling as an entertainment product.

In saying this, a strict advertising code should be followed when advertising these services:

Pg 15.33 The Commission considers that there are grounds for tighter controls on gambling advertising, where it is felt that the information provided by a gambling supplier would have effect of reinforcing inherently false beliefs about the odds winning or about the way gambling technologies work.

Pg 15.33 The Commission is of the view that, notwithstanding existing general consumer protection measures, there are grounds for legislatively based codes specific to gambling.

The hotel industry supports the notion of self regulation, however, there may be scope to introduce an independent regulatory body to oversee gambling and advertising in those states where one does not already exist.

South Australia, for example, has implemented a *Gaming Machine Advertising and Promotion Voluntary Code of Practice* and has been an effective mechanism to ensure that advertising for gambling is done so in a responsible and tasteful manner. The details of the South Australian *Gaming Machine Advertising and Promotion Voluntary Code of Practice* are found in attachment 5.

15.6 – Can a duty of care create the right incentive for harm reduction?

The hotel sector has worked tirelessly with government and regulators to establish detailed initiatives designed to ensure the provision of professional and responsible gambling services.

The Commission stated:

Pg 15.41 It appears that there is a case for more prescriptive and mandatory regulations rather than voluntary codes of practices.

Pg 15.41 The Commission seeks views about the value of specifying a gambling venue duty of care and the extent to which it should include some prescriptive arrangements for that care.

The Australian hotel sector still believes that self regulation and industry ownership through industry driven codes of practice is the most effective means of ensuring that venues operate responsibly.

The hotel sector is proud of the initiatives that it has implemented and believes that it would be a major burden on both the hotelier and government to significantly alter the self regulatory models that are currently in place.

In saying this, the industry recognises that there is need to constantly review and strengthen existing codes of practice and other industry driven initiatives. A number of states (eg South Australia) are currently going through a review process of their industry owned and industry driven gaming codes of practice.

This process should ensure that the industry code and self regulatory model remains up-to-date and relevant.

A possible addition to the initiatives that are currently in place is the possible formation of an investigation panel such as those that exist in the South Australian and Victorian models to consider breaches of self regulatory codes of conduct as discussed earlier in the chapter.

This investigation panel would be industry owned and driven as is the case with alcohol and would follow the same complaints/breach procedures.

15.7 – Controlling Accessibility

Pg 15.41 Restrictions on opening times would have few significant positive social effects unless made draconian by current standards.

Hotels cater for all sectors of the adult community. They operate at times where there is sufficient public demand.

Given the changing social patterns of society and the more common occurrence of non-traditional working times the hotel sector must be able to remain open and serve as a social centre for all sub-groups. There has been a large expansion of service sectors designed to cater for the general population. This has resulted in more shiftworkers and has reinforced the need for hotels to remain open to provide an essential social environment catering for those who work in shifts. In recent years, there has been a large expansion in the hours of operation for the retail sector.

Restricting hours of operation, as stated by the Commission, would serve to significantly inconvenience the vast majority who wish to utilise hotel facilities as both a form of entertainment and social contact.

In relation to the changing nature of mature gambling products the Commission wrote:

Pg 15.42 The changing nature of mature products, eg racing and lotteries, suggests that governments and communities should use a common framework across gambling modes for assessing and reducing the social risks of gambling of which quantity restrictions are just one possible tool.

A common framework and approach towards the issue of problem gambling in all gambling modes would be heavily supported by industry.

Hoteliers throughout Australia believe that there is an inconsistent approach taken in relation to the coordination of responsible gambling initiatives. Hotels throughout Australia are at the forefront of responsible gambling initiatives and there is a growing disquiet over the minimal contributions to responsible gambling efforts in other gambling modes.

The AHA submits that a more coordinated and equitable approach throughout all gambling modes is required if minimising the occurrence of problem gambling is to be high on the agenda.

A coordinated approach to problem gambling would also serve as a more effective means of reducing the incidence of problem gambling as opposed to quantity restrictions which will have limited effectiveness.

On Page 15.44 the Commission called for views:

Pg 15.44 The Commission seeks views on whether there are any measures, which might be effective in significantly reducing the risks for problem gambling of wagering.

Wagering is a very accessible form of gambling. The introduction of pay TV in people's homes has meant that wagering is more visible and easily accessed. Additionally, a continuous service is offered through wagering networks throughout both Australia and internationally.

An option available to the wagering industry would be to incorporate some of the initiatives undertaken by the hotel industry in respect to gaming.

Responsible gambling brochures, self exclusion information and promotion of gambling help lines displayed and promoted in both physical wagering outlets and through the TV and radio (specific wagering channels) medium may be a way of ensuring a greater awareness among wagering problem gamblers of the services available.

Additionally, given the occurrence of problem gamblers participating in wagering the need for this industry to contribute to the funding of gambling services as is the case with gaming operators is paramount.

The findings of the Commission show that wagering should be, like gaming machines and other forms of gambling, actively working to minimise the potential harm created through problem gambling.

15.8 – Controlling the venue environment – Access to credit and ATMs

Pg 15.49 A critical issue is the extent to which ATMs are used by problem gamblers relative to others, how much money is withdrawn and the number of repeated transactions by a given customer. The Commission is unaware of the two latter issues and seeks feedback on this.

The AHA is not aware of exact figures on the use of credit and ATM facilities by problem gamblers and submits that this behavioural study should be included in some of the gambling research that is conducted throughout Australia.

In the Commission's draft report (Pg 15.50) a number of actions are suggested in relation to the availability of credit facilities, EFTPOS and the cashing of cheques in hotels.

- *Restrictions on the nature of ATMs in gambling venues. For example, lower daily withdrawals, exclude credit, and allow only one withdrawal per day per customer and warnings. The Commission is uncertain of the technical feasibility of this measure and invites comment on its practicality and cost.*

The AHA agrees that limiting credit withdrawals in gaming establishments would be a method that could have some positive effects on restricting access to funds for problem gamblers. Other facilities in the hotel establishment should, however, continue to offer the ability to pay by credit card.

For example, a hotel offering accommodation, a bottleshop, restaurant, front bar and gaming area should still be able to offer customers credit facilities for the services that are offered that do not relate to gaming.

Additionally, limiting daily withdrawals and amounts would only serve to inconvenience the majority and would act as a major disincentive for people to continue to utilise hotel services as funds access becomes more difficult.

The Commission also stated as a possible action:

- *An outright ban*
- *The Commission considers that cheques should not be cashed in gambling venues, even when purportedly done for non-gambling purposes, with the exception for high rollers where the facility has been pre-arranged.*

Hotels often provide a financial service to people particularly in regional and rural areas wishing to access cash and credit facilities after hours. In some regional areas hotels cash thousands of cheques a year because there are no financial institutions in the area.

The removal of cheque cashing facilities or ATM and EFTPOS machines from hotels would have devastating effects on regional communities. For many people living and working on isolated properties, hotels serve as their local bank.

The Commission has recommended that cheques should not be cashed in gambling venues yet does not specify whether it means in gaming rooms only or in any part of a hotel with gaming machines. If the latter is the case, thousands of people living in remote areas would be severely penalised by this measure. In addition, the removal of EFTPOS or ATM facilities would also have serious repercussions.

A few examples of those hotels that act as community financial centres follow:

Westland Hotel, in Whyalla, cashes on average at least 200 cheques a week. It is accepted practice in the region for farmers to pay their workers by cheque and very few pay workers by electronically transferring wages into bank accounts. Most farmers also work with cheques and many have never used ATMs. People living and working on stations from more than 150km away come to the Westland to do their banking as they are rarely in town during bank opening times.

Hotel Licensee, Mr Jim Hewiston, says that some of these people do not even have bank accounts and he estimates the hotel has only lost \$200 in bad cheques in the past seven years! In addition, the hotel records about 600 to 700 EFTPOS transactions a week. Guests staying at the Westland's 91 motel also widely use the hotel's EFTPOS facilities.

Minnipa Hotel, in the remote mid north west part of the State, cashes on average about 30 cheques a week and records more than 10 EFTPOS transactions a day. There is no bank in Minnipa and farmers who live on surrounding properties do all their banking at the hotel. The nearest bank, a Bank of South Australia, is in Wudinna, nearly 40km away. The next nearest bank, an ANZ Bank, is 140km away. From Ceduna to Cummins, a distance of 200km, there is one bank and from Ceduna to Streaky Bay, another 200km, there is another bank.

Renmark Hotel, in the Riverland, cashes about 70 cheques on Friday nights and weekends. The vast majority of the cheques are from people working on fruit growing plantations who are unable to visit town during bank opening hours. It is accepted practice in the Riverland for fruit growers to pay their workers by cheque and very few pay workers by electronically transferring wages into bank accounts. In addition, the hotel records about 20 EFTPOS transactions a day. Hotel Manager, Mr Geoffrey Tiller, said most people cashed their cheques and went straight to the supermarket or walked into the hotel, withdrew a small amount of money (\$20) from an EFTPOS machine, and walked out again. EFTPOS facilities were also widely used by house guests at the hotel.

This is the experience of three regional hotels in South Australia but the story is mirrored by the vast majority of hotels in country areas. Mr Peter Johnson, Manager of the Streaky Bay Community Hotel, even recalled that three blank cheque books from three different banks were kept behind the bar of a hotel he worked at in the early 1970s. Farmers visited the town and requested a cheque. "Nothing much has changed - except these days people bring their cheques with them," Mr Johnson said.

In recent years, the role of hotels in local communities has increased as many branches of banks have closed or had opening hours curtailed as part of cost cutting measures. Work constraints prevent many people in regional areas visiting towns during bank opening hours while other towns have no branches whatsoever.

The AHA(SA) branch has played a proactive role in the development of responsible gaming initiatives and has recently reviewed its existing code of practice. The new code incorporates:

1. Access to cash through ATM and EFTPOS machines being restricted to savings and cheque accounts only.
2. Cheques will not be cashed in gaming rooms.

The first measure would prevent access to cash from credit accounts through ATM and EFTPOS machines while the second measure would still allow cashing of cheques but within an area separate from gaming areas. It is clear that these measures will help problem gamblers without severely penalising the thousands of people living in regional communities who rely on their local hotels to do all their banking.

Additionally, the world continues to move towards a cashless society with consumer spending patterns relying more heavily on cards and credit than has previously been the case in the past. The overall banning of these facilities in hotels would only serve to inconvenience the vast majority of the general public.

In relation to a possible regulated requirement for withdrawing persons from participating in gambling the Commission stated:

Pg 15.53 The Commission considers that there may be scope for the development of a regulated requirement for withdrawing gambling from a person whose behaviour suggests excessive gambling.

While in an ideal world the Commission's suggestion of withdrawing excessive gamblers is ideal, in practice, it is impossible to determine consistently whether someone is gambling within their economic means.

It is impossible for a hotel to determine the exact financial position of a customer while they are playing a gaming machine, even over an extended timeframe. It is both impractical and a major encroachment on people's privacy if they were required to disclose their financial status before participating in what the majority of the population consider a fun type of entertainment.

Self Exclusion

Pg 15.54 The Commission considers that self exclusion should take the form of a simple contract written by the problem gambler with the gambling provider, with the gambler, not the venue, being liable for violation of the contract.

The AHA supports the Commission's position that the liability of the violation of a self exclusion order would be on the gambler and not the venue. Hotel establishments, while doing everything that is reasonably possible to ensure that problem gamblers are identified, should not be held liable for the irresponsible practices of gamblers after they have taken reasonable precautions.

Pg 15.54 The Commission considers that there are grounds for mandatory signs in any gambling venue that indicate that any patron may self exclude and accompanying pamphlets that explain how self exclusion works.

Hotels throughout Australia have already developed self exclusion programs and have implemented them successfully. Information regarding the operation of self exclusion programs is already in existence and has a large visibility throughout the majority of hotel establishments offering gaming.

Each jurisdiction has or is in the process of developing a self regulatory code of conduct. The industry believes that it would be advisable to incorporate the adequate display of gambling help services such as self exclusion within these industry driven codes without making it a mandatory requirement.

Certain hotels throughout Australia currently incorporate both extensive advertising of gambling help services and incorporated into this information is the self exclusion options available.

The AHA submits that it would require minimal adjustment to current practices to ensure that self exclusion programs are given additional exposure to patrons in hotels.

15.9 – Controlling game features and design

Pg 15.58 The Commission strongly endorses the idea that machine design should aim to maximise such informed consent. Changes include notification of the dollar value of bets rather than credits; where it is possible to identify the player – an on-going notification of the amount lost in a gambling session at a venue; notification to the consumer of the expected duration of play associated with any particular choice of lines and credits.

Converting gaming machines to display dollars instead of credits is an unnecessary waste of time that will cost industry a large sum of money while doing nothing to help problem gamblers. The vast majority of the people who play gaming machines put a set amount of money in a machine and are fully capable of working out within seconds what they have won or lost. Therefore, such a conversion would have no impact on the recreational gambler.

Pg 15.60 The Commission seeks views on the effectiveness and practicability of financial pre-commitment strategies. That is, having greater bank control over discretionary funds.

The AHA submits that it would be impractical and highly intrusive to implement financial pre-commitment strategies. It would not be possible to easily implement these strategies and it is questionable as to whether this activity would result in a reduction in the prevalence of problem gambling.

Pg 15.62 In respect to bill acceptors it was found that machines with acceptors tend to have higher levels of turnover than those which do not. The PC Survey suggested that problem gamblers are much more likely to use bill acceptors with 65% saying they use this feature often.

Bill acceptors are currently illegal in South Australia. The AHA submits that the banning of bill acceptors in gaming machines would have a limited (if any) effect on problem gambling. In South Australia machines that convert notes into coins are found in many gaming rooms and are often placed next to machines. The effect, therefore, of banning bill acceptors in South Australia is minimal.

The AHA takes issue with the Commission's finding in relation to bill acceptors:

Pg 15.62 The Commission finds good reason for bill acceptors not being included in the design of poker machines with any cash dispensers being located outside the gaming area. However, where current machines have bill acceptors they should not be modified but replaced over time.

The Commission's statement that bill acceptors should not be included in gaming machine design is of concern to a number of jurisdictions throughout Australia. The results of the PC National Gambling Survey clearly show that 68.3% of non-problem gamblers use bill acceptors. The phasing out of bill acceptors in Australia would most likely only serve to act as a major inconvenience for the non-problem gambler and gambling service provider while having a limited effect on the small percentage of the population who are problem gamblers.

The bill acceptor is a convenient means of ensuring that the hotel's requirement to carry large amounts of change is slightly reduced.

It is agreed, however, that ATMs should not necessarily be allowed in gaming areas. This initiative is, the industry believes, an effective way of minimising credit access to those within the actual designated gaming areas.

Pg 15.64 There are a number of ways of reducing high intensity playing

- *Restrictions on the maximum number of lines and credits per line*
- *Restrictions on the maximum amount that can be bet with a single button push.*

The AHA does not support the notion of restricting bet limits and is of the view that gaming machines should be freely able to cater for customer demand. The limiting of maximum bets and line plays may lengthen the time spent gambling by problem gamblers and would serve to significantly inconvenience the vast majority.

Pg 15.67 The Commission seeks view on whether linked jackpot machines and accelerators should be banned and if so whether the ban would involve significant implementation costs for existing machines.

The hotel industry is not convinced that there is persuasive evidence to suggest the removal of linked jackpots would result in any change in problem gambling behaviour.

Pg 15.69 The Commission does not consider that there is strong evidence in favour of changing button push duration.

The AHA supports the Commission's finding that there is little evidence suggesting that the tampering of button push duration would have a significantly positive or negative effect on problem gambling. The AHA believes that the product should be designed to ensure maximum enjoyment for the general public that wish to partake in this activity.

Additionally, the AHA believes that if the button push duration were lengthened substantially then this would result in customers (particularly problem gamblers) playing two or more machines at one time.

In relation to the debate on the lighting and sounds of a gaming machine the Commission wrote:

Pg 15.69 The Commission is not aware of persuasive evidence, which suggest lighting and sounds seriously enhance the ability of the machine to condition player behaviour but seeks any further scientific information on the issue.

Many anti-gaming lobbyists argue that the lighting and sound aspects of a gaming machine has an impact on a gambler's behaviour. The AHA submits that sound and lighting does not significantly effect or condition behaviour to the extent of the gambler losing his or her ability to think cognitively and welcomes the Commission's findings in this regard.

15.10 – Probity

The issue of probity, as identified by the Commission, is one that Governments have approached with great caution.

Consistent with the notion of a national framework for increased efficiency in the industry:

Pg 15.76 There is a basis for a common set of probity requirements at least within a jurisdiction for gambling venues providing the same type of gambling services.

Pg 15.77 There should be a mechanism, which allows a business to meet just one requirement in order to provide services in other jurisdictions.

A national probity framework that is transferable to all jurisdictions throughout Australia would be an ideal way to ensure that the costs associated with performing probity checks in each individual state is minimised. Some members have indicated that probity can sometimes take up to 6 months, resulting in considerable inconvenience for hotel operators. A national probity framework would reduce the possible lengthy time delays currently being experienced by some members.

The AHA supports the Commission's suggestion that it should be possible to reach interjurisdictional agreements on some of the common aspects of probity, such as employee licences.

Chapter 16 – Help for people affected by problem gambling

16.7 – Aspects of help services delivery

Pg 16.42 Funding for problem gambling services differ amongst jurisdictions

NSW – Sydney Casino only

VIC – Gaming Machine Hotels only

QLD – Gaming machine & keno revenue

SA – voluntary contributions from hotels & clubs

TAS – gaming machine hotels & clubs

NT – Gaming machine hotels only

WA – casino, TAB and lotteries

Pg 16.44 The Commission is of the view that the funding arrangements for problem gambling counseling and support services as well as research and public education programs, should include compulsory contributions from all gambling codes. This should not negate government responsibilities in broader health areas.

The AHA submits that the need for gambling support services is essential. The funding of these support services should be taken from the general revenue collected through taxation.

The Australian hotel industry does not support the hypothecation of taxes and believes that funding determined by the Government should be obtained from general revenue.

The AHA believes that the overall taxation take of state governments is sufficient and there is no need to levy an additional compulsory contribution over and above that which is already paid.

Who should control the funds for problem gambling services?

A counselling agency in South Australia commented that the “AHA has a greater than necessary influence on how funds are allocated” because the AHA sits on the funding committee of the Gamblers’ Rehabilitation Fund in South Australia.

This is untrue. The AHA does not have the balance of power on the GRF so therefore any recommendations the AHA makes can be rejected by the GRF.

Contrary to the counselling agency's beliefs, we believe that the AHA's involvement on the GRF has been essential, facilitating better understanding between welfare agencies and industry.

More information about the AHA's involvement can be obtained from Dale West, chairman of the GRF and executive director of Centacare (Catholic Family Services) in South Australia.

The industry believes that if funding is collected by the Government for gambling support services then the Government should determine where the funds are expended with expert industry input and advice.

Additionally, if funds are collected voluntarily or specifically by hotels, such as in South Australia, the industry should have the majority input in determining and overseeing the expenditure of these funds.

Chapter 17 – Policy for new technologies

The AHA represents the interests predominantly of hotels throughout Australia. There are, however, properties such as Lassetters Casino in Alice Springs that are members of the AHA and are operating online gambling services.

While online gambling is a relatively new sector of the gambling industry, the AHA submits that tight regulation and a range of initiatives designed to minimise potential harms needs to be implemented.

In stating this, the AHA supports the Commission's statement:

On the other hand, the Commission considers it likely that without palliative measures and regulation online gambling will pose significant new risks for problem gambling. This reflects the fact that online gambling represents a quantum leap in accessibility to gambling, and will involve an entirely new group of people in gambling.

In response to the measures that will need to be taken by State and Federal Governments the Commission wrote:

Managed liberalisation – with tight regulation of licensed sites to ensure integrity and consumer protection – has the potential to meet most concerns, so long as the approach is national.

Given the nature of gambling and the significantly different State regulatory regimes that exist, a national approach to the regulation of gambling will, although ideal, be difficult to achieve. A commitment by all regulatory and legislative bodies for uniformity is essential for successful regulation of this medium.

In saying this, it is unfortunate that certain State Governments have proceeded to implement legislation that deals with the issues of access of internet gambling differently.

In Tasmania an internet gambling site to be operated by the Federal Hotel Group has been approved. This facility provides internet gambling services to both Australians and those from overseas. The legislation, however, that they operate under prevents Tasmanians from gambling on this site.

Ironically, Tasmanians are able to gamble on a wide variety of different sites throughout both Australia and the rest of the world.

This form of legislation only serves to ensure that possible monies that could be spent in Tasmania is lost to other sites in other jurisdictions.

A national framework agreed to by each State Government would be the most effective means of ensuring that the issue of internet access is dealt with in a well coordinated and cohesive manner.

On page 17.16 the Commission stated:

Pg 17.16 Further, if the odds are better for internet gambling, because of lower tax rates and lower technology costs, then this implies that player losses will tend to be smaller (for a given duration and intensity of playing), thereby reducing some of the harms.

In the Northern Territory it is legislated that the return to player of Lasseters Online Casino is to be no less than 88.12%. Currently, however, the casino operates at a return to player of 92%. This is the same return to player as that of the physical casino.

The AHA submits that while a reduced taxation rate would result in a higher return to player the cost to government of implementing this strategy given the small percentage of problem gamblers in Australia would outweigh the benefits.

Additionally the Commission wrote:

Overall, however, the Commission considers it likely that (without harm minimisation measures and appropriate regulation) online gambling will pose significant new risks for problem gambling.

There is potential for this new form of gambling to increase access of gambling services to those that may develop a problem. Given the small percentage of the public that develop problems in relation to their ability to control gambling expenditure it is not necessary to ban internet gambling services.

It is, however, as stated by the Commission necessary to ensure that a tight regulatory framework is in place to effectively regulate this emerging industry.

In relation to the issue of online gambling access for minors the Commission stated:

Pg 17.17 There will be a small group of technologically astute minors who will be able to gamble on the internet without parental consent. However, this is not a unique problem. Some children look like adults and can gain admission to casinos, TABs and hotels to gamble. Some venues act irresponsibly and admit underage clients. An ACROSS study into young People, Gambling and the Internet (1997), revealed that from its sample there were 14-16 year olds who regularly placed bets at the races, and minors that occasionally or regularly played gaming machines in clubs. If anything, the statistics on child gambling suggest that current levels of entry to physical gambling (chapter 15) venues is likely to be much more prevalent than their future access to online gambling.

The Australian hotel sector continuously works towards ensuring that minors do not have access to their facilities and that the operations are operated within the boundaries of the law.

A number of initiatives including staff training in responsible service of alcohol and gaming have been implemented to work towards minimising the occurrence of underage persons gaining access to these facilities. The legal ramifications associated with underage persons accessing gaming and alcohol through hotel establishments ensures that it was not in the licensees interests to intentionally admit minors.

There have been relatively few prosecutions for allowing minors into licensed premises in recent years and the following table clearly demonstrates that there is a relatively low occurrence of underage persons accessing hotel facilities.

Number Of Licensees Who Have Been Prosecuted For Selling Liquor To Minors⁵

State	Number of Prosecutions	Period
Queensland	4	'97 – '98 Financial Year
Australian Capital Territory	18	'89 – '90 Financial Year
	28	'90 – '91
	19	'91 – '92
	13	'92 – '93
	2	'93 – '94
	1	'94 – '95
	3	'95 – '96
	6	'96 – '97
	8	'97 – '98
	9	'98 – '99
Northern Territory	1	1992
	0	1993
	0	1994
	1	1995
	0	1996
	0	1997
	0	1998
	0	1999

The AHA submits that every effort is made to ensure that minors do not have access to facilities that are intended for the adult sector of the community.

Given the relatively low numbers of prosecutions the hotel sector is well versed to continue to supply gaming services to the adult members of society through providing facilities that are only available to those over the age of 18.

Of more substantial concern, however, is the occurrence of minors gambling in contexts where legal sanctions would be ineffective:

Pg 15.45 However, it appears that most youth gambling takes place in contexts where legal sanctions would be ineffective or unwarranted (such as the home).

Perhaps the most effective method of minimising gambling participation of minors in environments such as the home is an educative campaign designed for parents.

⁵ Source: ACT Dept of Justice & Community Safety, Victorian Liquor Licensing Commission, NT Liquor Commission

Pg 17.30 The Commission considers that, regardless of what regulatory approach is taken, there are strong grounds for governments to:

- 9. take measures to warn people of the hazards of offshore online gambling.*
- 10. Provide information on the internet about gambling help services and gambling sites which meet consumer protection criteria*
- 11. Make available or promote software for providing consumers with greater control over online gambling.*

The AHA supports the Commission's finding that there is a need for the Government to take measures to warn people of the hazards of offshore online gambling, provide information on help services and promote software that provides degrees of consumer protection.

A joint industry and government approach to these matters would be the most effective means in achieving these goals.

On page 17.31 the Commission stated:

Pg 17.31 The Commission considers that some form of regulation of internet gambling, is, in principle, an important objective, and is consistent with the aspirations of other regulations applying to gambling – consumer protection, probity and preservation of revenue.

The AHA supports the Commission's view that regulation of internet gambling is an important objective and that a national approach is essential:

Pg 17.53 The Commission considers that there are major benefits for the States and Territories from pursuing a national approach to online gambling.

Chapter 18 – The taxation of gambling

The taxation of gambling and the differential between its various forms has been an issue of public debate in the past. A number of complex revenue, social and political factors come into play.

On Page 12.12 of the draft report the Commission stated:

Pg 18.12 Low rates of revenue collection on gaming machines in NSW and the ACT (particularly in relation to Victoria) are probably the result of the dominance of clubs in gaming machine gambling in those jurisdictions. Clubs receive concessional tax treatment in most jurisdictions, but these are more pronounced in NSW and the ACT as is the dominance of clubs in the provision of gaming machine gambling.

Low rates of revenue collection on gaming machines in NSW and the ACT are, as suggested by the Commission, a result of significant taxation concessions given to the dominant gaming providers in these jurisdictions.

The AHA submits that the low revenue collection by government in these jurisdictions and the overall benefit to the community realised because of this exemption is negligible. The potential government revenue being foregone would be more effectively utilised through channeling these funds into consolidated revenue and incorporated into the general budget.

Price Sensitivity

The AHA believes that the Commission made an incorrect assumption in its statement:

12. *As discussed in chapter two, unlike normal consumer goods, the price of gambling is not readily apparent. To the extent that consumers do not know the price, it is reasonable to suggest that they will not be particularly responsive to price change.*

The gaming market is considered by the industry to be highly price sensitive. Players of gaming machines have an acute sense of awareness associated with the payouts of particular machines and the adjustment of the payout ratios can have significant effects on the overall success of the gaming venue.

Hoteliers throughout Australia regularly observe and comment that the performance of a machine is heavily reliant upon the payout ratio. The payout ratio is a major consideration to patrons who are acutely aware of machines (whether it is perceived or actual) that pay out less than others.

In relation to the case of reducing the taxation liability on gambling the Commission wrote:

Overall, the Commission does not consider a case has been made for significantly reducing gambling taxes on efficiency grounds.

The AHA is not seeking a reduction in gambling taxes. It is, however, seeking a reduction in the taxation differential between clubs offering gambling facilities and hotels.

While the taxation regime for hotels is significant, the industry is merely seeking a level playing field on which to compete with its competitors.

There are already restrictions on minimum payout ratios of gaming machines. These payout ratios are all that is required to ensure that windfall profits do not accrue:

Pg 18.21 Another method of ensuring that windfall profits do not accrue to operators would be for governments to regulate payouts. Governments could set payout ratios on gaming machines, the TAB, and lotteries so that operators could earn only a normal return on their investment despite restrictions on access.

Each State has a minimum payout ratio legislated and this minimum prevents windfall profits.

The effect on payout ratios and the taxation of gambling on problem gambling is yet to be clearly identified as stated by the Commission:

Box 18.4 Until more is known about the profiles and behaviour of problem gamblers, taxes should be regarded as a blunt instrument to address problem gambling.

Many of the press articles highlighting gambling turnover and actual expenditure can result in a knee-jerk political response and a subsequent increase in taxes associated with operating a gambling enterprise. The AHA welcomes the Commission's finding that taxation is not an effective tool in dealing with problem gambling issues.

In response to the question of overall gambling taxation in relation to other goods the Commission stated:

Pg 18.31 Taxing gambling at higher rates other than goods is also justified in order to collect excess profits that arise from restricting gambling. Indeed, in the case of gaming machines in clubs, the current taxes appear to be too low in some cases.

The hotel sector supports this justification of taxation and welcomes the finding that gaming in clubs is taxed at a rate that is too low. The AHA submits that the Commission should, based on the Commission's conclusion, recommend that club taxation should be increased (preferably brought into line with hotels offering similar services).

Chapter 19 – Earmarking

Pg 19.1 Earmarking for problem related gambling services, gambling research and community awareness campaigns is appropriate, since gambling has created the need for such services, which otherwise may not be adequately funded.

Pg 19.9 The commission considers that this arrangement is unlikely to deliver the level of benefits to the community that would be delivered if the tax was paid into consolidated revenue and allocated as part of normal budget processes.

The AHA agrees that the distribution of funds in the club sector is not effective and the funds would be put to better use if collected as general taxation revenue for allocation by the Government.

Chapter 20 – The Mutuality Principle

The Australian Hotels Association welcomes the Commission's detailed review of the Mutuality Principle.

The income tax exemption extended to clubs has resulted in significant revenue loss for the Federal Government as stated by the Commission:

The commission estimates that the tax forgone arising from the application of the mutuality principle to clubs was around \$100 million in 1997-98.

The AHA notes the Commission's estimation of revenue and urges the Federal Government to consider the net benefits of the club industry compared to the potential taxation collection.

As stated in the AHA's previous submission, a number of large clubs, particularly within New South Wales and the Australian Capital Territory have deviated from their original purpose and have continued to develop the gaming side of their operations:

In some clubs the revenue from poker machines amount to 80 per cent or more of total revenue, higher than is found in some casinos. Gambling revenues have grown rapidly in clubs – especially in NSW and the ACT. For example, real losses per adult from gaming machines in NSW clubs grew by a factor of about 17 from 1957 to 1998 – and are currently around \$500.

These major clubs have become heavily reliant upon gaming machine revenue and the AHA submits that they are of a size and nature that compete directly with other commercial gambling providers such as hotels (although gaming machine numbers in hotels are restricted) and, casinos.

As recently as 18 August 1999, an article appeared in the Daily Telegraph revealing that the Panthers Club will 'topple Star City Casino as the State's biggest poker machine operator if plans to take over two struggling clubs go ahead.'

Additionally, the club industry not only provides thousand's of gaming machines but also regularly subsidise other services provided on the premises:

There is evidence that clubs use gambling revenue to subsidise bar and other services to members. The odds for gaming machines are also better in clubs than hotels. The major reason for this is not mutuality itself, but the fact that clubs, unencumbered by venue caps, can reap economies of scale.

It is difficult for hotels to compete given the common practice of heavily subsidising other services and being funded directly through gaming machine revenue while being further exacerbated by income tax exemptions.

In its report, the Commission suggests a number of alternatives to the current taxation regime for clubs including:

There are a number of options for addressing the problems raised by mutuality. Of these, the one which appear to offer the best prospects for remedying the worst problems, while allowing for the different contexts of clubs in different states, is the imposition of a higher level of state tax on gambling clubs in some states.

The option to increase state gaming taxes to an equal level to that of hotels is welcomed by the AHA. This, however, does not detract from the need to change the mutuality principle at a federal level.

A recent taxation determination TD1999/38 clarified the definition of mutual income. In summary, the ATO ruled that income derived from services where an external party is involved such as TAB, Keno, a privately operated restaurant or gymnasium or gaming machine services operated by an external operator were deemed to be assessable income and, therefore, subject to income tax.

While this finding clarifies an issue of outsourcing to external providers and acts to reign in those clubs involved in clearly commercial arrangements it is merely a ruling in line with the intentions of the legislation.⁶ The taxation determination is found in attachment 1.

The AHA welcomes the publication of the taxation collection from 28 licensed clubs in New South Wales:

⁶ Australian Taxation Office, Taxation Determination TD1999/38

Pg 20.9 Information extracted from the annual reports of 28 licensed clubs in New South Wales indicates that the total amount of income tax paid by those clubs in 1996-97 was just over \$8 million.

Since the AHA's first submission, additional information on the taxation of clubs has been collated. The table below analyses the most recent financial reports of some of Australia's largest clubs. It shows that the club industry continues to pay little income tax while donating a very small proportion of their turnover.

Calculated on the sample of clubs in the table below the income tax paid as a percentage of operating net profit was 12.8% - significantly less than the company tax rate for those operating commercial enterprises.

1998 AHA CLUB ANALYSIS (\$'000's)

CLUB	TURN OVER	OPERATING NET PROFIT	INCOME TAX PAID	% INCOME TAX TO NET PROFIT	RETAINED PROFITS	TOTAL ASSETS	OUTLAYS FOR CLUB PURPOSES	DONATIONS	PERCENTAGE OF DONATIONS TO TURN OVER
Bankstown District Sports Club Ltd	27,465	4,895	359	7.3	35,704	68,277	738	X	
Cabra-vale Ex-active Servicemen's Club Ltd	23,377	3,621	403	11.1	30,522	34,667	164	38	0.002
Hellenic Club, Canberra	11,147	1,320	0	X	11,061	13,061	X	147	0.013
Eastern Suburbs Rugby League Club	28,665	1,553	489	31.4	16,710	30,022	4,182	X	0.001
Manly-Warringah Rugby League Club	22,516	2,463	128	5.1	13,921	31,129	2,412	30	0.001
Mingara Recreation Club Ltd	26,714	3,053	235	7.6	16,178	35,001	140	3	0.0001
Parramatta Leagues' Club Ltd	41,689	2,367	820	34.7	22,589	29,308	5,450	825	0.02
Penrith Rugby League Club Ltd Consolidated	97,614	5,717	785	13.7	25,310	163,018	X	X	
Rooty Hill RSL Club Ltd	50,056	4,335	790	18.2	42,254	64,776	X	X	
South Sydney Junior Rugby League Club Ltd	40,332	1,229	125	10.1	33,651	36,979	1,270	527	0.013
St George Leagues Club Ltd	37,293	1,753	560	31.9	19,343	32,106	3,050	267	0.007
Twin Town Services Club	50,006	4,229	501	11.8	50,913	93,711	174	170	0.003
Western Suburbs (Newcastle) Leagues Club	30,364	6,161	587	9.5	29,222	33,091	X	X	
Southern Cross Club, Canberra	27,052	1,786	0	X	27,449	29,228	303	623	0.23
Canberra Labor Club	13,238	1,354	0	X	7,823	14,360	X	Y	0.28

x - Not Disclosed

y - Donations to Australian Labor Party

Income Tax As Percentage Of Operating Net Profit = 12.6%

In relation to the examination of the mutuality principle the Commission stated:

Pg 20.21 The commission is of the view, that where this is the case, and it is feasible and cost-effective to tax any relevant income – or to find other ways of effectively countering the inefficiencies that mutuality generates – the application of the mutuality principle should be open to examination.

The Australian hotel sector urges the Commission to form a recommendation that is calling for more than an examination of the mutuality principle. Throughout the course of the inquiry the Commission has been subject to a broad range of comprehensive data that highlights the inequalities, inefficiencies and inaccuracies of the perceived benefit of the club movement.

Using this data, the AHA is of the belief that there are sufficient grounds for the Commission to draw a conclusion that the mutuality principle should be changed to no longer exempt large 'super clubs' from the income tax net.

Additionally, although the issue of state gaming taxes is a state issue the hotel sector believes that the Commission should recommend that state gaming taxes should be charged at the same rate for both clubs and hotels.

In addition to finding that the mutuality principle has the potential to create inefficiencies, the AHA welcomes the Commission's finding that:

Pg 20.26 In summary, the commission considers that the exemption of club mutual income from tax, combined with the inability to distribute surpluses to members, has the potential to result in excessive capital allocation in club facilities and other investments.

Capital allocation in club facilities is a major issue in a number of states/territories throughout Australia. The AHA has observed that the potential for excessive capital allocation has been realised. A good example of excessive capital development resultant from surplus monies is the ongoing extension and development of Australia's largest clubs.

The Gosford RSL Club and Rooty Hill RSL Club both recently began operating motel/holiday units. Additionally, the Tweed Heads and Harbour Diggers have ski lodges and the Rooty Hill RSL Club and Harbour Diggers Club both operate Fitness Centres. Perhaps one of the best examples of major capital works (for the purposes of clearly commercial enterprise) is the development of a 16 cinema entertainment complex and an Imax Theatre by Australia's largest club, the Penrith Panthers Club.

In relation to statistical discrepancies between figures put forward by the clubs and the AHA(NSW) the Commission stated:

Pg 20.27 The Commission seeks views from the club and hotel industry on why estimates are so disparate, and which is a more accurate measure.

It is the understanding of the AHA that the figure of \$57 million community contributions derived from clubs put forward by AHA(NSW) was based on the Registered Clubs survey undertaken for the Registered Clubs Association by KPMG in March 1996. Further discussion of these state specific figures should be directed towards both AHA(NSW) and the Registered Clubs Party.

The AHA welcomes the Commission's call for feedback on what policy responses would be feasible and effective:

Pg 20.31 In discussing these options, the Commission is seeking participants' feedback on what policy responses would be feasible and effective.

It is essential that reforms take place in response to the mutuality principle's application to large 'super clubs'. It is essential, however, that both State and Federal reform take place. Adjustment of the state gaming taxation regime along with reform of the mutuality principle is essential to ensure a more equitable and level playing field.

The AHA welcomes the opportunity to discuss the Commission's possible reform options in relation to the taxation treatment of Australia's gambling industry:

Pg 20.32 One measure for bringing gaming machines into line with the treatment of other gambling forms in clubs is to have them provided by third party (not necessarily along the lines of the Victorian model, which has its own defects).

The provision of gaming machines by a third party has the potential to result in a range of problems associated with machine access and monopolistic trading if commercial considerations alone are to apply.

Such an arrangement potentially leads to problems associated with the third party provider exerting considerable pressure on establishments that wish to offer gambling services.

If the allocation of gaming machines is entirely dictated by the licensed third party there is likely to be frustration with venues not being able to access gambling facilities while their competitors are able to offer the service.

The AHA would not support the suggested approach and urges the Commission to consider other alternatives.

The AHA does, however, support the suggestion that clubs be taxed at a higher rate on gaming machines:

Pg 20.33 Introduce a higher revenue tax rate on gaming machines in clubs?

As stated previously, the AHA believes that the Australian club sector should be treated equitably and taxed at the same rate as hotels when offering gaming services.

As previously submitted, the differential in State taxation regimes between hotels and clubs are presented in the following table:

	HOTEL TAX RATE	CLUB TAX RATE
NSW	1st \$25,000 15% >\$25,000<\$40,000 25% + \$3750 >\$40,000<\$1mil 35% + \$97500	1st \$100,000 0% >\$100,000<\$200,000 1% >\$200,000<\$1mil 20%+1000 >\$1mil 24.75% + \$161,000
VIC	1/3 is paid by the Hotel, Government and either TABCORP or Tatteralls. Hotels pay an additional 8.3% for the Community Service Fund.	1/3 is paid by the Club, Government and either TABCORP or Tattersalls.
QLD	45% of metered earnings (as of 1 July 1998. Previously 50%)	1st \$10,000 10% >\$10,000<\$75,000 27% >\$75,000<\$150,000 30% >\$150,000<\$300,000 33% >\$300,000<\$1.4mil 35% >1.4mil 45%
ACT	35% of metered earnings	1st \$8,000 1% >\$8,000<\$25,000 22.5% >\$25,000 23.5%
SA	1st \$399,000 35% >\$399,000<\$945,000 43.5% >\$945,000 50.0%	1st \$399,000 30% >\$399,000<\$945,000 35% >\$945,000 40%
NT	Gaming Machines 47% of Gross Profit + 25% levy on Gross Profit to Community Benefit Fund. Draw Card 6% levy on turnover	Gaming Machines 47% Gross Profit Draw Card 3% levy on turnover

The large differential between each State as well as each type of venue in the State should be addressed and placed high on the priority of State and Territory governments throughout Australia.

In addition to the reform of the State gaming taxes the AHA agrees with the Commission's suggestion to:

Pg 20.34 Limit the number of poker machines permitted in clubs?

The numbers of poker machines allowed to operate in clubs is of major concern to the AHA. The Penrith Panthers as previously referred, currently operate more gaming machines than the vast majority of Australian Casinos and is proposing to become the second biggest gaming machine operator in the country with a proposed 1526 gaming machines.⁷

An ideal solution would be to limit the number of gaming machines in clubs to a reasonable figure (for regulators to determine). Those clubs currently offering gaming facilities above that which is specified by regulators should be able to continue to operate, however, should be subject to full taxation.

In addition to venue caps and different state taxation regimes the Commission's suggestion of demutualisation also has some merit when implemented in conjunction with the above reforms:

Pg 20.36 Demutualisation?

The possibility of demutualisation once a threshold figure is reached has distinct merit. The AHA's concerns with clubs relate mainly to large 'super clubs' that are engaging in commercial activity. It is not the intention of the AHA to disadvantage small, legitimate sporting or cultural clubs.

A threshold set by regulators based on either turnover or gaming machine numbers at which an entity must demutualise would resolve the major income tax exemption while allowing smaller clubs the ability to channel their funds into legitimate activities.

The AHA supports demutualisation.

⁷ Daily Telegraph, Panthers set to hit Jackpot, P5, 18/9/99

Chapter 21 – Regulatory and institutions

The major expansion of Australia's Gambling Industries has resulted in a need to address the regulatory systems that are currently in place.

The AHA agrees with the Commission's view that the promotion of gambling, whether for tourism or any other reason, should not be the role of the regulator:

Pg 21.11 In the commissions view, promoting gambling, whether for tourism or any other reason, should not be a role of the regulator.

While the gambling industry is highly taxed, the AHA does not view the regulators of the industry as the ideal body for the promotion of gambling and believe that the promotion of this industry should be left to those that provide the services. Essentially, the AHA is of the view that if privately owned companies wish to advertise their products then they should do so like the majority of other business enterprises and budget it into their general operating costs.

Who should do it?

On page 21.20 the Commission stated that:

In the Commission's view, resolving these basic policy issues is properly the preserve of Parliament, through the responsible Minister.

The Australian Hotel Industry supports the notion of having a specific Minister that is charged with the responsibility of dealing with issues associated with gambling and, in doing so, reporting to the State/Federal Parliament on matters of significant public interest as is presently the case. The need for this to occur at a Federal level is doubtful. Gambling is a complex issue with an array of social and economic ramifications and is large enough in nature to require a specific mention in a portfolio of responsibilities.

The current system has, mostly, been successful in ensuring a regulated and highly controlled environment. While certain problems associated with the provision of gambling remain, the Ministers in each State/Territory are actively involved in formulating regulatory responses to the issues.

A major advantage with the mentioned system is the relevant Minister's ability to build up industry contacts and obtain opinions from regulators, industry and social welfare groups. Effective regulation is highly dependent upon input from industry stakeholders.

The opinions and positions of all stakeholders can then be taken into consideration and a policy formulated that is sensitive to all parties involved.

Indeed, some have seen a need to apply in Australia the recommendation of the United States National Gambling Impact Study Commissions that the industry be prevented from making contributions to politicians or political parties.

While the AHA has significant concerns over the amount being donated to political parties by the club sector in Canberra, it is unfair and counterproductive to discriminate against the gambling industry and prevent political donations from this sector alone.

As stated in our previous submission, the ACT hotel sector has significant concerns over the amount being collected by the Labor Party within their region. The circumstances within the ACT are different to other States throughout Australia given the relatively small taxation base, low corporate presence and cash rich club sector. The money donated to political parties in the ACT is in the order of \$1.3 million over the past three years and, in a minority Government, has a significant impact on the overall vote on a range of issues.

A possible alternative to banning political donations per se is to ensure that political parties do not have a financial interest in gambling enterprises. This structure would not discriminate against special interest groups but would essentially quash a political party's ability to operate and collect revenue from gaming venues as is presently occurring in the ACT.

In sum, the Commission sees the policy development function as properly the preserve of Parliament. But effective public consultation and information-gathering processes should be entrenched in legislation with clear standards for subsequent decision making by an independent authority.

The AHA submits that the entrenching of extensive public consultation and information-gathering processes into legislation would result in a number of inefficiencies.

Firstly, the entrenchment of public consultation into the legislation is of major concern to gambling providers given the highly distorted and inaccurate public perceptions that exist in the community.

As highlighted in chapter 3, Page 3.15, the Commission's survey showed that public perceptions are not necessarily in line with actual practices. Public consultation could, therefore, result in an inaccurate picture of the actual effect the gambling venue will have on the community.

One solution that the industry would support would be a process similar to that of liquor licensing.

For example, in New South Wales the granting of a hotel license involves a set process of firstly applying to local council for approval. The application is then advertised in the local newspaper, at the proposed establishment and in the council premises. The public are given 40 days to register concern.

Following council approval, an application is made to the licensing court where again the application is advertised in the local newspaper, state newspaper, and in the licensing court. The public are given four weeks to register concern.

Once this process is complete and a license has been granted the hotel is entitled to begin trading. It should be noted that in New South Wales, the granting of a hotel license allows access to 15 gaming machines.

The right of appeal to the State Government over any decision must, however, be an element of such a process.

Following a similar process for gambling licenses has a number of benefits including the possibility of linking the process of gambling and liquor licensing as well as ensuring that the public has ample opportunity to register their concern.

Ongoing data collection entrenched into legislation could have a major budgetary impact on State Governments when, in the future, significant reform may be required. Perhaps a better way to ensure that data collection continues is through regulation.

The Control Function – Who Should Do It

Its Structure And Function

The AHA welcomes the suggested establishment of an independent body to act as the control authority where such a body does not exist. But in most States such arrangements already exist.

The industry supports most of the Commission's suggestions of the proposed structure and function of the authority as stated on page 21.33:

Pg 21.23 In the commission's view, the control function ought to be undertaken by an independent body, at arm's length from government and from interest groups. This would require it to be established by an Act of Parliament. The structure of the statutory authority will also have a significant influence on its capacity to be independent. To this end, the statute should specify that:

- 13. the authority comprise a number of commissioners (of whom one should be full time), appointed by the Governor;*
- 14. appointments should be of fixed term, with terms not able to be terminated by the government of the day without just cause (to be specified in the Act);*
- 15. independence may be strengthened by a requirement that Commissioners may only serve one term;*
- 16. to avoid the perception of lack of independence, no persons with present or past links to the gambling industry should be eligible for appointment;*
- 17. the authority should have its own budget, voted by Parliament*
- 18. and should employ its own staff, rather than be provided with a secretariat from a department.*

The AHA does, however, not agree with the point made by the Commission that 'to avoid the perception of a lack of independence, no persons with present or past links to the gambling industry should be eligible for appointment.'

The gambling industry is, as previously discussed, highly complex and incorporates a broad range of issues that require specialist knowledge.

In saying this, there should be a range of board representatives that have previously been involved in the industry and fully understand the contentious issues surrounding its operation. It is agreed that those who have current direct interests in the industry should not be involved in the makeup of the board, however, those who have past associations and specialist knowledge or industry representatives should be considered.

The Commission's identified primary objective of the proposed independent control authority and charter emphasis follow:

The independent control authority should have the primary objective of furthering the public interest. Its charter should emphasise a high standard of consumer protection as a central objective.

The Australian hotel sector supports the Commission's suggested primary objectives of the independent control authority as the furthering of public interest through ensuring a high standard of consumer protection. Additionally, we agree with the notion that the independent control authority should have an independent advisory function with respect to major public interest matters as stated by the Commission:

It should have an independent advisory function, distinct from departmental advice, with respect to major public interest matters, such as gaming machine caps and licences for casinos and TABs. These matters fall within the scope of the policy development function, and are properly decided at the political level.

In relation to separate regulatory authorities for particular forms of gambling the AHA endorses the view of the Commission:

Pg 21.25 Having separate regulatory authorities for particular forms of gambling increases the likelihood that inconsistent policies will be put in place in like circumstances. It also runs the risk that special arrangements for a particular sector may be established and maintained, with insufficient attention to the broader public interest.

The industry should be regulated in a more consistent manner between State and Territory boundaries. A central advisory body that is designed to be an authority on all facets of the industry is essential for this aim to be achieved.

Pg 21.27 An approach that would leave the predominant regulatory power at the State or Territory level, but involve more local input, would be to require that the control authority consider community impacts of decisions and consult with local communities when matters of likely concern to them are under consideration (for example, in making decisions about license applications for local venue). This could include the undertaking of surveys or, for occasional major issues, referenda.

The AHA agrees with the Commission's view that local consultation is necessary. There must be, however, considerable caution exercised by the authority when consulting. This caution is necessary given the general composition of local council.

Many councillors continue to operate businesses that are in direct competition with gambling venues. With this being said, the AHA would have significant concerns over councillors with conflicts of interest having a significant say in the granting of licenses. The formulation of clear conflict of interest guidelines would be required to ensure that conflicts of interest are identified and dealt with appropriately.

Pg 21.30 In the commissions view, there are benefits in keeping the enforcement function in an organisation separate to the control authority or the policy department. The control authority should have responsibility to assure itself that the enforcement function is effectively carried out.

In relation to the enforcement function of the control authority, it should be kept separate from the policy, planning and licensing divisions. It would be preferable, however, if the enforcement function reported to the control authority and is essentially answerable to this authority.

Such an approach, as that suggested by the Commission, would ensure a distinct reporting structure with no party extended absolute autonomy. The role and brief of the independent control authority proposed by the Commission was well reported in the draft report stating that:

Pg 21.33 In the commission's view, the independent control authority ought to have responsibility for collecting and disseminating information on gambling:

- 19. information should be publicly available*
- 20. methodologies and (confidentialised) unit record data should be made available to researchers.*

There should be mandatory reporting on a range of matters including:

- 21. changes in availability of gambling*
- 22. the uptake and effectiveness of counseling services*
- 23. tax collection*
- 24. local and regional impacts*
- 25. license breaches, prosecutions and their outcomes*
- 26. consultation processes and their outcomes, especially at the local level.*

The stated reporting responsibilities above show the breadth of the reporting function proposed for the control authority. The proposed reporting duties of the authority and their transparent and accessible nature would serve to act as an essential tool for both researchers and regulators in assessing current regulatory regimes.

The AHA fully endorses the formation of a control authority and support the terms proposed by the Commission.

Pg 21.35 There would also be considerable benefits in having a national research facility to provide a central focus for data and research.

The Australian Hotel Industry would support the formation of a national research facility to provide a central focus for research and data collection. The AHA submits that significantly more research should be ongoing to assess the ramifications of the provision of gambling services.

There is still not enough known about the actual behaviour and psychological mindset of those that gamble, particularly those classified as problem gamblers. A national research facility would ensure that policy and legislative responses are formulated on hard evidence rather than 'gut feeling'.

For example, there is still little data on behaviours associated with those that gamble after, before or while participating in other activities.

Gambling regulation, being the highly emotional topic that it is, should be based on sound research and comprehensive data.

Conclusion

The Australian Hotels Association would like to thank the Commission for the opportunity to further submit to this inquiry and welcomes the final completion of the report.

Attachment 1



Taxation Determination

Income tax: does the principle of mutuality apply to income derived by a registered/licensed club under an arrangement entered into with an external party to conduct gaming or other activities on the club's premises?

Preamble

This Taxation Determination is a 'public ruling' for the purposes of Part IVAAA of the *Taxation Administration Act 1953* and is legally binding on the Commissioner. Taxation Rulings TR 92/1 and TR 97/16 together explain how a Determination is legally or administratively binding.

Date of Effect

This Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

1. No. These amounts are fully assessable. They are not subject to the principle of mutuality.
2. The principle of mutuality is based on the proposition that a taxpayer cannot derive income from itself. Generally, under this proposition, income derived by a registered/licensed club from its members is not treated as assessable income for taxation purposes.
3. Conversely, income derived from 'external sources', i.e., from sources other than the members, is not mutual income and is therefore not subject to the principle of mutuality. Accordingly, such income is fully assessable.
4. Many registered/licensed clubs enter into arrangements with external parties under which the external party conducts or provides particular operations on the club's premises. These may include the operation of gaming machines. If a club enters into an arrangement with an external gaming operator under which gaming machines are installed on the club's premises, the gaming income is derived by the gaming operator from the players in accordance with the contractual arrangements and relevant legislation. The amounts paid or allowed to a club by the gaming operator under such an arrangement is derived by the club from the external gaming operator and not from the members/non-members. Therefore, such income is fully assessable to the club because it is derived from an external source and is not subject to the principle of mutuality.
5. Other arrangements with external parties may include Keno, TAB type facilities, catering, entertainment activities and vending machines. Amounts paid or allowed to clubs by the external operators, such as the licensees of the Keno game in respect of Keno, under these arrangements are not derived from club members and are therefore fully assessable. We consider such amounts to be

similar to the insurance commissions which were held not to be mutual income in *Royal Automobile Club of Victoria (RACV) v. FC of T* 73 ATC 4153; (1973) 4 ATR 567. Accordingly, clubs should not apply their member/non-member percentage to these or other similar types of income in calculating their assessable income.

ote:

This Taxation Determination applies only to registered/licensed clubs that are not exempt from income tax.

Example 1:

The ABC club conducts Keno operations, has a vending machine operator's food and drink machines on the premises and also operates a TAB outlet. The amounts derived from these activities are not mutual income and are therefore fully assessable to the club. These amounts could not be reduced by the application of the member/non member percentage in calculating the club's assessable income.

Example 2:

Under an arrangement with the XYZ club, an independent restaurateur operates a restaurant on the club's premises. Similarly, a gymnasium is also operated by an external party on the club's premises. The income received by the club from these business operators is derived from an external source and is therefore fully assessable.

Example 3:

Gaming machines are installed on the premises of the Goldfields Country Club by a gaming operator and the club derives income under a contract entered into with that gaming operator. The club also engages an entertainment operator to provide entertainment to attract members and visitors so that they will play the gaming machines and receives a fee from the operator. The income received by the club from these operations is fully assessable.

Commissioner of Taxation

1999

Previous draft:

Previously issued as draft Taxation Determination TD97/D5

Related Rulings/Determinations:

Subject references:

Assessable income; clubs; mutual income; principle of mutuality

Legislative references:

Case references:

Royal Automobile Club of Victoria (RACV) v. FC of T 73 ATC 4153; (1973) 4 ATR 567

FOI references:

97/3176-8

Index detail: I 1020404

SN: 1038-8982

Attachment 2



AUSTRALIAN
HOTELS
ASSOCIATION
(SA)

UNIVERSITY OF ADELAIDE REPORT

Author: Mr. Barry Burgan
Senior Lecturer
Department of Commerce

Contact: (W) 08 8303 4756
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The attached analysis was released for comment by Mr. Burgan in October 1997.

Mr. Burgan has given approval for its distribution. We understand other retail sectors have provided comment and input.

"POKIES IN RETAIL"

"In short, claims of a significant impact of poker machines on retail sales does not seem to be supported by the aggregate data".

(P14, last paragraph)

"...but in general, the introduction of poker machines cannot be seen as having a pervasive impact."

(P15, first paragraph)

This analysis provides useful background to the nature of SA retail trading. It seems to support our view that the impact of gaming has been grossly exaggerated.

The Changing Shape of Retail Trade

The Future of Retail Sales in South Australia

Prepared by Barry Burgan*

Draft October 1, 1997

Identifying the Issues

Retailers in South Australia tend to be doing it hard. We are reminded of that by the media periodically when the retail sales statistics are published.

Nationally, 73%¹ of retailer's believe that the 1996/97 had been a difficult to very difficult year. In South Australia this must have been even worse, with retail sales growing at much lower rates than nationally. However this slower rate of sales growth has not just been in the last 12 months - retail sales have been growing slower than nationally for some time. This has resulted in state icons such as John Martins and Thwaites closing and a great deal of media attention on the reasons for the poor performance.

When a sector faces hard times there is a natural tendency to look for something or someone to blame rather than the consider the full extent of the problem. At various times, there has been a simplistic tendency to blame single issues (which in the media's eyes have a political flavour) as the cause of the problem, for example:

- shopping hours instituted within this state
- high profile business closures such as Bob Moran Cars and Sizzler/Bell's have blamed poker machines.

* This study, while embodying the best efforts of the researcher, is but an expression of the issues considered most relevant, and neither the researcher, or represented corporate bodies can be held responsible for the consequences that ensue from the use of the information in the paper.

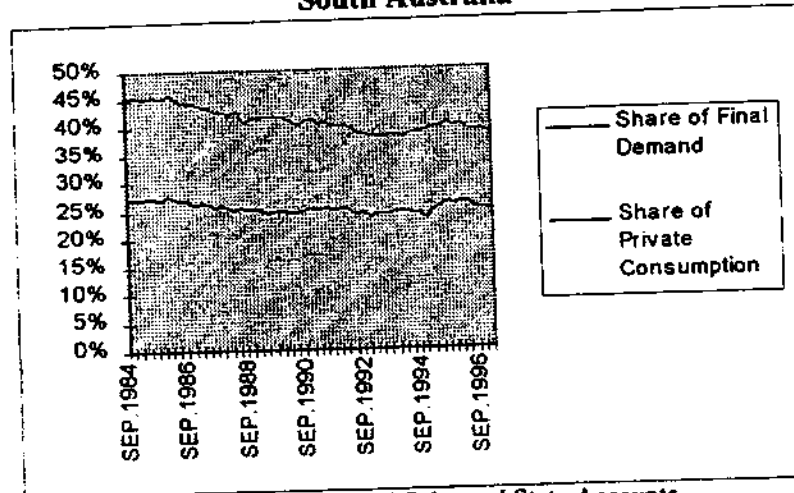
¹ Sourced from the Financial Review 20th August, 1997 "Retailers convinced tough times are over", article concerning Coopers and Lybrand and Australian Centre for Retail Studies survey

However when we examine the context of patterns in retail sales, there are some critical issues that cannot be addressed through appeal to simple or single "excuses". The retail industry is experiencing, and will continue to face, radical changes that require considerable thought rather than off the cuff reactions. It is important that we understand the extent of the pressures facing the retailing, and provide an appropriate policy environment to encourage innovative and positive reactions within the retailing industry itself, because the sector is such an important component of the economic system. It employs large numbers of people, and is responsible for 100's of millions of dollars of investment expenditure within the state.

What the Data Shows

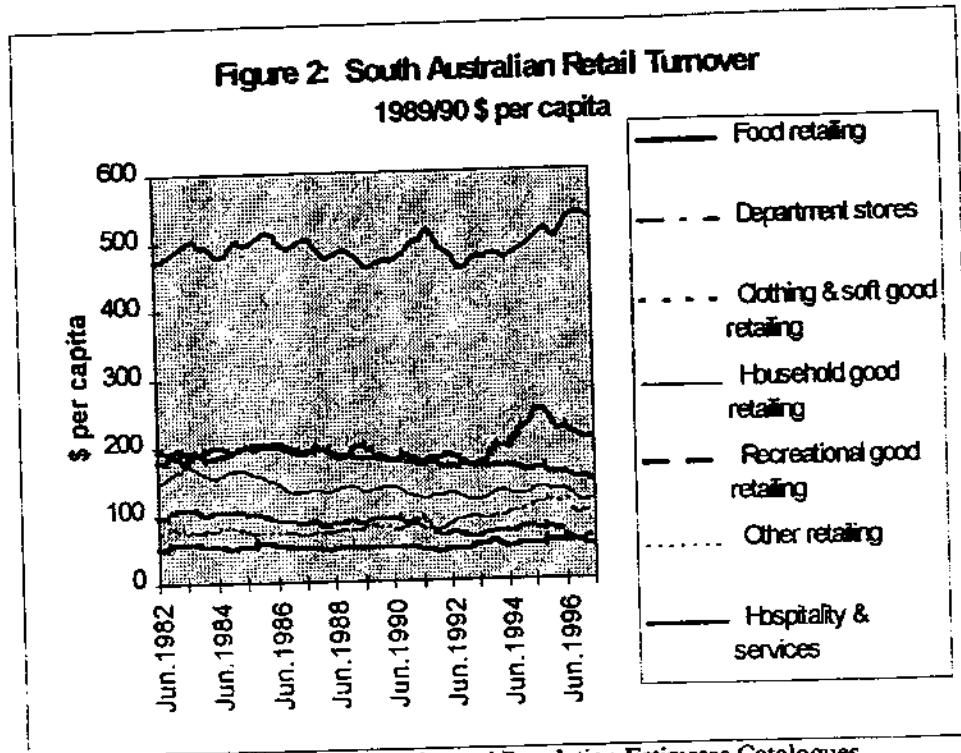
In general it might be expected that with consistent reductions in interest rates over the last 5 years, and increased housing approvals that reductions in commitments for housing or other capital purchases would mean that more cash would be more available for general expenditure. Additionally over the last 5 years there has been reasonable growth in the national economy. However, as indicated in Figure 1, retail sales in South Australia have been somewhat sluggish, and declining as a share of state activity for some time. Retail sales lifted somewhat across 1994/95 but have partially dropped away again in the last twelve months. It would appear that households are using falling interest rates as an opportunity to reduce debt rather than increase spending in other areas.

**Figure 1: Retail Sales as a Share of State Economic Activity
South Australia**



Source: ABS Catalogues - Retail Sales and State Accounts

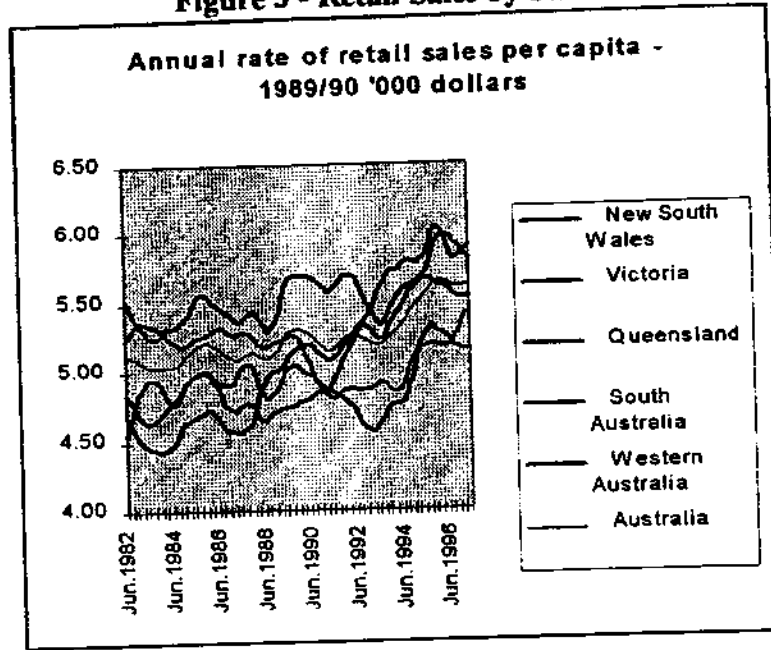
One of the issues within retail is that it is a very diverse sector. It contains some of the nations biggest corporations, but equally is the base of thousands of the smallest enterprises - a strong focus for small business. Further it covers a vast array of products, each of which experience different pressures. However, figure 2 establishes that the poor performance has been across most retail sectors, although it is most intensified within Department Stores and the Clothing and Soft Good Retailing. In a relative sense it is possible to suggest that sales in the largest group of food retailing (inclusive of supermarkets, small vendors and also takeaway food outlets), in hospitality and services, and also to a lesser extent in smaller groups such as other retailing and recreational goods, reached their lowest point in 1992/93 and since that time have showed marginal improvements - but that improvement has been neither consistent nor significant. However sales by department stores, on household goods, on clothing and soft goods have shown a long term (over 15 years) steady decline on a per capita basis.



Source: ABS Retail Sales and Population Estimates Catalogues

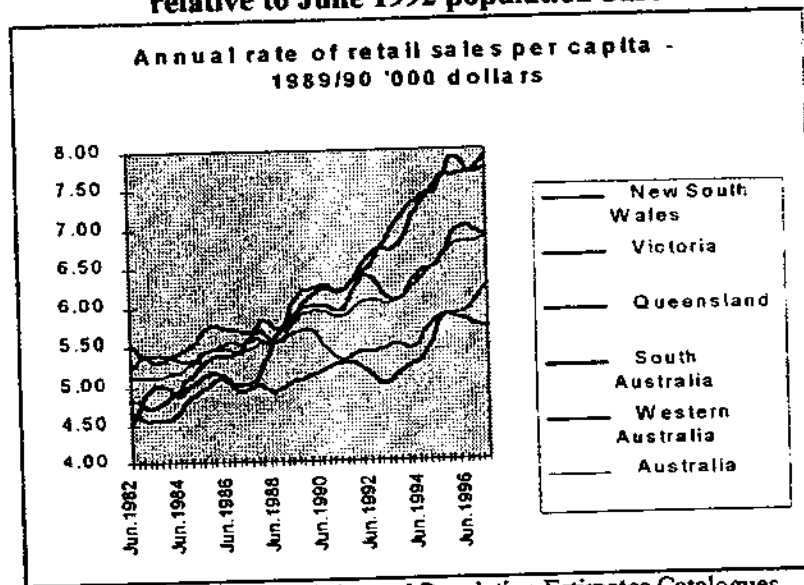
Figure 3 compares South Australian retail sales per capita with what has been happening in the other major states. In general South Australia's performance has been, and continues to be below the rest. This perspective is actually "moderated" by the practice of taking the per capita relativity, in that the population growth rate for SA is half the national rate. Figure 3a illustrates sales against the population of each state as at June 1982, and is perhaps a better reflection of the market from the perspective of retailers.

Figure 3 - Retail Sales by State



Source: ABS Retail Sales and Population Estimates Catalogues

Figure 3a - Sales by State relative to June 1992 population base

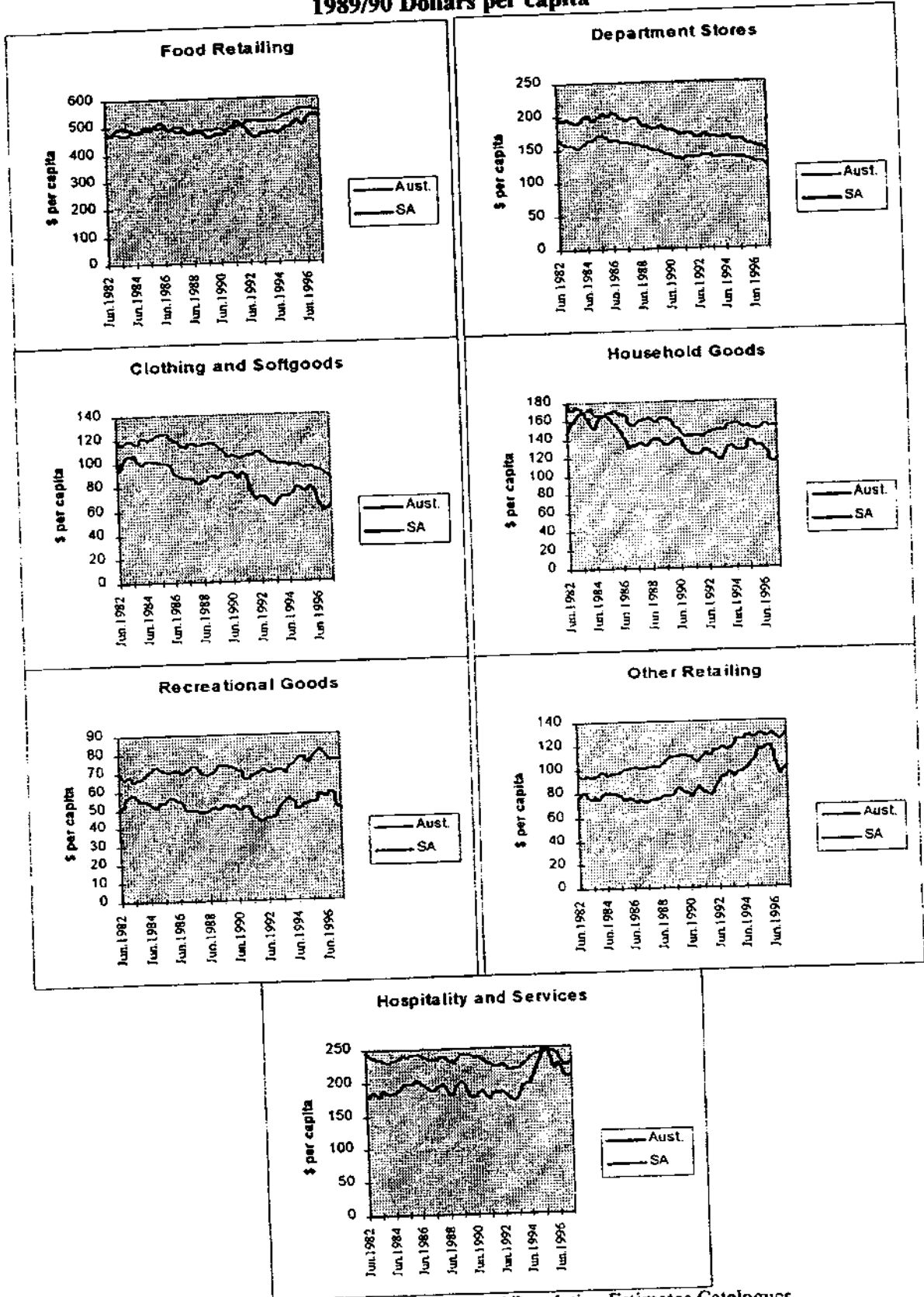


Source: ABS Retail Sales and Population Estimates Catalogues

Figure 4 provides a breakdown of the performance of each broad sector in South Australia, relative to the national outcomes. Again, if a fixed population base was used, the performance would look somewhat worse. The information provide by the graphs can be summarised in the following ways:

- in all groups the South Australian market is consistently under performing the national market
- the Department Stores and Clothing, Soft Furnishing and Household Goods Groups are the poorest performing, both nationally and within the state. All groups have seen consistent long term declines in sales over the last 15 years.
- In contrast, at the national level food retailing, recreational goods and other retailing has shown consistent, although slow growth. Within South Australia, recreational goods have been somewhat flatter, while food retailing has been much more erratic.
- Expenditure on food was generally sitting on a par with national expenditure levels up until the early 1990's. However in early 1992, there was a dramatic fall away (repeating an earlier trough in 1989) - a gap that has consistently been maintained since.
- Hospitality and Services sales was tracking the national trends (at a lower rate of some \$50 per person per month) until early 1994. The advent of poker machines saw a significant lift in expenditure to match national levels, but after the initial build up - which peaked in late 1995, expenditure on this sector has dropped away a little. Note that there has been some growth nationally as well over the past few years, probably the combined effect of poker machines in Victoria and South Australia, and the trend towards cafes.

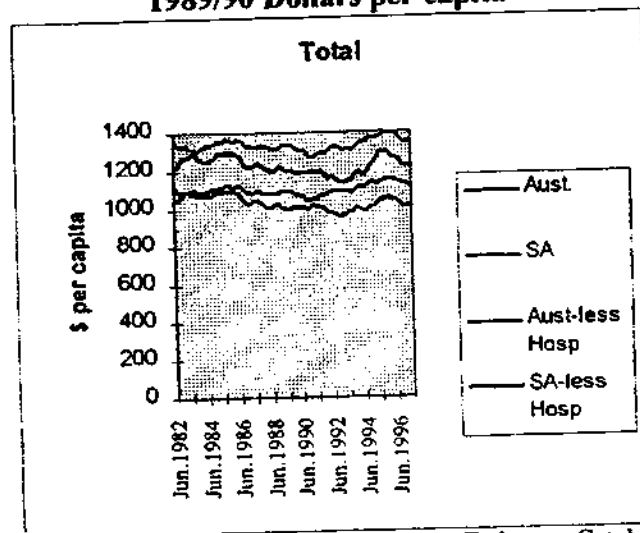
Figure 4: Retail Sales by Sector
1989/90 Dollars per capita



Source: ABS Retail Sales, CPI and Population Estimates Catalogues

Figure 5 summarises the national versus state perspective for total retail spending. It indicates the growing gap between retail sales performance that has been occurring since the early 1980's. The gap is particularly evident if the impact of hospitality and services are taken out.

**Figure 5: Retail Sales in Total
1989/90 Dollars per capita**



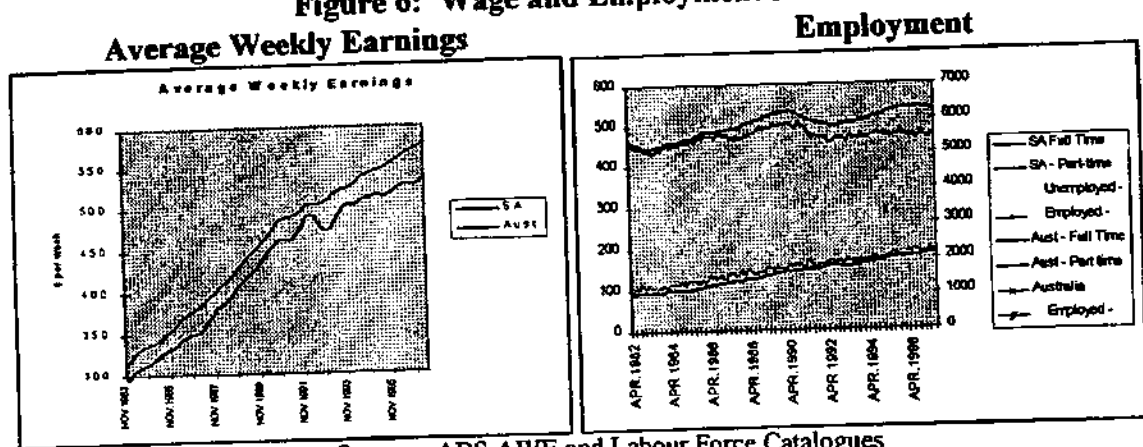
Source: ABS Retail Sales and Population Estimates Catalogues

Considering the Arguments

Impact of Incomes and Employment Trends

Figure 6 indicates that retail sales patterns in the state relative to the nation are in large part a reflection of poorer economic performance. Full time employment and wages have fallen well below the levels nationally.

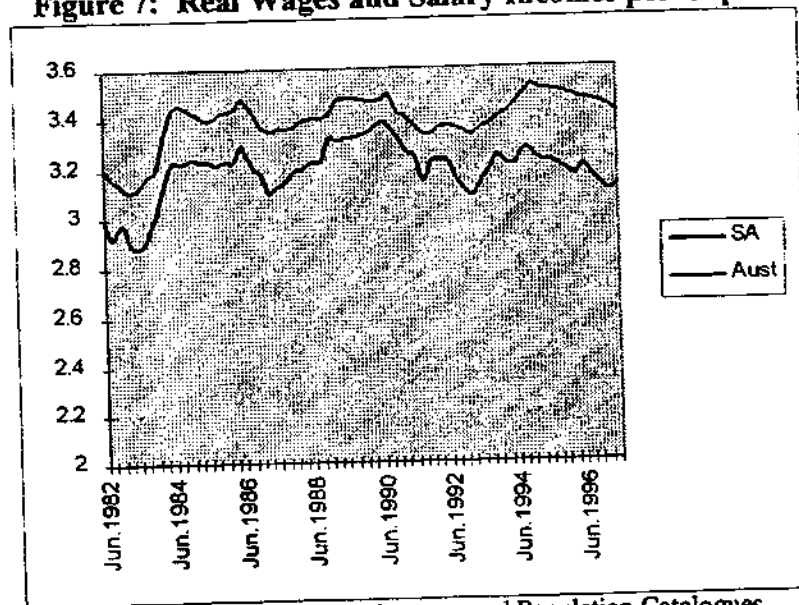
Figure 6: Wage and Employment Patterns



Source: ABS AWE and Labour Force Catalogues

Figure 7 confirms this perspective. This chart is calculated by multiplying the number of jobs by the average wage, and dividing by the population. Again it might be considered that the evidence of poorer performance is somewhat ameliorated by taking the relative outcomes per capita - South Australian population has been growing at less than half the national rate.

Figure 7: Real Wages and Salary Incomes per Capita



Source: ABS AWE, Employment and Population Catalogues

In short, over the last 5 years particularly there has opened up a wide gap in the incomes earned by South Australians relative to nationally. There are of course additional incomes to households - associated with government payments, and this has been growing in connection with an aging population and with unemployment trends.

It is not too difficult a leap to suggest that the lack of income generating capacity within the state is a, if not the, major cause for the relative difficulties being faced by the retail sector. The gap had closed up a little in the late 1980's, but has been steadily opening since the early 1990's.

The Changing Mix of the Consumer Spend

The reducing proportion of retail sales of final consumption suggests that consumers are spending their money on other activities rather than on retail output. Figure 1 illustrates this, and the decline in South Australia is consistent with what is happening at the national level (from retail sales being 44% of final consumption in 1985 to 39% in 1997).

The *Business Review Weekly* (August 18th, 1997, p 18 *Business Outlook*) describe the trends in the following way. "Money has been moving into health (as insurance costs continue to rocket), overseas trips (the rise in the Australian dollar through to late 1996 made foreign travel more attractive), and buying cars and mobile phones. Relatively less money is going into fashion, furniture, kitchenware and accessories, which have traditionally dominated sales in department stores."

The Advertiser, in a feature article on retail sales trends suggested that "Shoppers are now spending more on household recreation than former high-ticket items such as clothing and household goods... the Australian Bureau of Statistics has figures which show a 33% increase in spending on household recreation activities since the late 1980's. Recreation is now fourth in household spending, behind food, transport and housing. And it is far ahead of spending on former big ticket items like clothing and household goods". Commentators such as Phil Ruthven also tend to support this view.

The base figures for this perspective are found in the Household Expenditure Survey, conducted by the Australian Bureau of Statistics.

**Table 1: Average Household Expenditure
Proportion of Total Expenditure**

	SA -94/95	Aust - 94/95	SA -88/89	Aust - 88/89
Current housing costs	9.5%	10.5%	9.5%	10.5%
Fuel and Power	2.1%	2.1%	2.4%	2.0%
Food and non alcoholic beverages	10.0%	10.0%	} 14.2%	} 13.8%
Meals out/take away food	3.4%	3.6%		
Alcoholic beverages	2.2%	2.2%	2.8%	2.5%
Tobacco	1.3%	1.1%	1.1%	0.9%
Clothing and Footwear	3.9%	4.2%	4.3%	4.5%
Household furnishings	5.0%	4.9%	5.2%	5.8%
Household Services	3.6%	3.9%	3.4%	3.5%
Medical	3.8%	3.3%	3.4%	3.1%
Transport	11.3%	11.5%	12.2%	11.1%
Recreation less Gambling	9.5%	9.1%	9.8%	8.0%
Gambling	0.7%	0.6%	0.5%	0.5%
Personal Care	1.5%	1.4%	1.6%	1.6%
Miscellaneous	6.3%	5.7%	5.8%	6.0%
Other	25.8%	25.8%	23.8%	26.1%
Total	100.0%	100.0%	100.0%	100.0%

Source: ABS Household Expenditure Survey

The data supports that there have been reductions in the proportion of expenditure on items such as food, alcohol, clothing and footwear and household furnishings², and increases in household services, medical, recreational spending and transport (at the national level), and miscellaneous spending (at the state level).

The Impact of Poker Machines

There has been extensive finger pointing at poker machines as a major cause for the decline in retail sales expenditure. In considering this issue there are two factors that have to be considered:

- the hospitality sector is part of the retail sales data. As illustrated in Figure 4, turnover in this sector increased markedly with the introduction of poker machines, indicating their significant infiltration. The key question is whether this increase was at the expense of sales in other sectors. There is no consistent evidence to suggest that, at the aggregate level, this was the case to any significant level for any of the retail sales

² It could be noted that there have been some shifts within the Other category. Capital housing costs have declined in relative terms, while taxes and superannuation have increased.

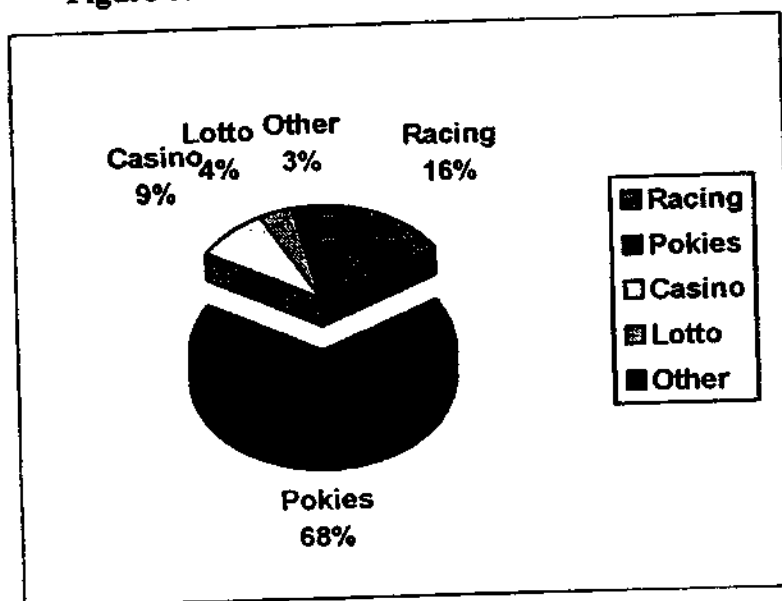
sectors identified. The rapid growth in turnover in the hospitality sector which occurred in 1994 does not seem to be associated with any shift in the trend pattern of sales in other sectors from that period. It should be noted that sales by the hospitality sector have dropped away again after that initial spurt, again without any indication of a displacement effect.

- the aggregate data may "hide" some shifts within individual operators. Poker machines have clearly increased patronage in hotels, and will have taken expenditure away from other hospitality operators - including restaurants and possibly take away meals, which possibly explains why expenditure has fallen away again. This is consistent with the position of the small retailers who provide a range of anecdotal evidence that enterprises in close proximity to hotels suffered downturns as poker machines were introduced to the hotel. The cheaper meals and recreational pursuit has distracted the clientele of these operators
- there is little question that **some** of the turnover going into poker machines has come from other parts of the formal and informal gambling structure. Poker machines have cut into the performance of lotto, the casino and racing, and at the same time into informal gambling activity such as bingo, raffles etc.

The media reports still tend to sensationalise by quoting the gross gambling figure. For example, the Advertiser, 14/7/97 notes that in 1995/96, "SA's total gambling turnover leapt 39 percent to \$3,900 million we gambled \$2621 million on the pokies".

The distribution of this turnover is illustrated by Figure 8.

Figure 8: Gross Gambling Turnover By Means



It was noted in the Advertiser article that this represents a 40% increase on the previous year. But it was also pointed out that gambling expenditure within South Australia is on average the second lowest, using the information below.

State	Gambling expenditure per household per week
Northern Territory	134
NSW	133
ACT	123
Victoria	120
Tasmania	71
Queensland	67
South Australia	66
Western Australia	51

This seems to be a little inconsistent with the information from the Household Expenditure Survey (in Table 1) which suggests that South Australia's gambling expenditure was slightly above the national average.

The appropriate gambling figure that should be considered is the net loss (what stays with the gambling venue- poker machines are supposed to have amongst the highest return rate, and so their proportional take is higher in gross terms than it is in net. According to

the household expenditure survey, in 1994/95³ in South Australia there was approximately \$5.50 per week per household "spent" on gambling on average or \$165 million per year in aggregate.

However, the official take on poker machines in 1995/96 (or losses by those who played them) amounted to \$319 million or \$4.40 per week per capita (or almost \$8.00 per week per household). This higher figure will in part be due to increased expenditure. But also a consequence that people will tend to understate their gambling expenditure by almost half in the household expenditure survey). To put this expenditure in context, these 1995/96 net losses by consumers on poker machines:

- represents 3.5% of aggregate retail sales and only 1.4% of private consumption demand. Removing poker machines would be unlikely to result in a this 3.5% being translated to other areas of the retail, as some would go back to other areas of gambling, and some to other recreational pursuits.
- amount to 71% increase over 1994/95, but are expected to remain steady (expected level of \$365 million in 1996/97 - 14% increase and \$375 million in 1997/98 - 3% increase)
- a large proportion of this margin amount returns directly to the government as a tax

The household expenditure survey suggests that nationally, gambling expenditure overall is slightly lower in absolute terms for the lower income groups, but is much higher (almost double) in relative terms than the average household. That is, lower income households tend to spend relatively more on gambling. This would indicate that the issues around poker machines predominantly relate to the social effects.

In short, the claims of a significant impact of poker machines on retail sales does not seem to be supported by the aggregate data. It is clear that large numbers of operators believe their business has been hurt significantly, and this shows through in surveys conducted by the Small Retailers Association. For some individual operators faced with direct competition from poker machines this is undoubtedly true. For some individual

³ The extent of expenditure on gambling and specifically poker machines may be understated in the 1994/95 Household Expenditure Survey in that they was a build up in machines over the year.

households there are undoubtedly problems in dealing with excessive expenditure on poker machines, which limit their spending power in other areas. But in general, the introduction of poker machines cannot be seen as having a pervasive impact.

Institutional Factors and Shopping Tastes

A number of other factors are considered to be affecting retail sales. The Business Review Weekly (August 18th, 1997, p 18) suggest in their *Business Outlook* section that "retailers have also been hit by the success of mail-order guides, TV shopping and sales over the Internet". That is, they are suggesting that the typical store will face increased competition from developing modes of distribution.

It is also possible that customers have tended to shift away from the very small corner store (given the increase in shopping hours for small supermarkets, and the development of petrol station retailing). Sales of the Department Store sector suggests that large stores are also not attracting customers - with a suggestion that customers are moving more towards medium size specialty stores. This may be consistent with expansion of the regional shopping centres around Adelaide.

This is all being influenced by a complex array of factors such as:

- the trend towards use of motor vehicles rather than public transport. A transport system based on buses and trains tends to encourage strip retailing (ie retailing along major road systems) and CBD shopping. The use of private motor vehicles changes this focus, with access to parking becoming more important, while distance from transport routes etc. are less significant. The trend towards regional shopping centres, and decline of local centres etc is the type of response we expect to this.
- technology change continues to have a pervasive influence - some long term (eg. Refrigeration has altered shopping patterns from daily to weekly), some where the effect may vary over time (eg extent and ease of marketing through new mediums), development of new products (eg. increased emphasis on electronics and less on furniture)

- the increased dichotomies in society are having enormous influences, for example:
 - ⇒ increases in the proportion of 2 income AND single parent families
 - ⇒ trends towards healthier lifestyles AND towards increased fast foods
 - ⇒ a move away from fashion generally AND a move towards name brands in sporting and casual wear.
- increased variability in working hour regimes, and as a consequence (or in concert) movements towards increased flexibility in trading hours. This has quite differential implications on the cost structures of smaller versus larger retailers and is/will provide significant pressures for individual operators. The small retailing sector is very vocal about negative implications of opening up shopping hours for their sector.

The policy question that arises here, and also relates to other issues (such as poker machines) is to what extent the existing structure can or should be protected from change. In a competitive system, an undeniable outcome is that businesses will come and go, succeed and fail as they respond to the changing needs of the market - and some individuals will fare well financially, while others will lose substantial amounts of their wealth, even to the extent of bankruptcy. What needs to be avoided is the tendency to sensationalise what is part of a natural economic process. As an example the growth of the fast food franchises (McDonalds etc.) tended to be at the expense of existing fast food outlets such as fish and chip shops, hotel counter meals etc - causing a rearrangement of the systems. The fast food franchises need to be "accommodated" by the planning system, and therefore could have been limited or constrained. The argument that an activity should be prevented because it causes problems in an existing sector should be treated carefully.

Future Directions

What is clear from the above discussion is that the future of retailing is much more complex than pointing at single issue factors as the cause or the reason for current poor sales outcomes. The difficult retail environment is a consequence of a number of complex factors, and will require considerable effort.

The BRW (August 18th, 1997, p 18 *Business Outlook*) suggest that the poor performance in wages growth has turned around and that "real buying power of wages is rising at the greatest rate for more than two decades. That will help retail spendingChristmas 1997 may be better than expected"

Putting a more conservative view the Financial Review (August 1997) cites a Coopers and Lybrand and Australian Centre for Retail Studies, Retail Meter 97 study which suggest that "although 54% of retailers say the market will continue to be difficult to very difficult for the next 12 months, 86 percent say their businesses will have a satisfactory to very good year".

Returning to the broader context, the Advertiser notes that "Woolworths chief Mr Reg Clairs believes that "conventional shopping" is over. Other marketing and retail analysts believe retailers are facing a rocky future unless they adapt to the change." "it's a whole new global phenomenon as we move towards the new millenium and the babies of the baby boomers mature into consumers...and I don't think we will ever revert back again to .. conventional shopping" The Advertiser also quotes market researcher Ian McGregor who says that "Every indication is that we will be spending more and more on leisure and the technology needed to free up our time for leisure"

To add to the confusion, the introduction of a Goods and Services Tax is something of an unknown quantity. In the short term it will push up purchase prices, and inhibit spending. However there will be the trade-off with respect to incomes, which is hoped to spur economic growth. Whatever happens, it will make trends difficult to pick, and cause potentially significant shifts within the market.

In short, the industry is likely to continue to face challenging times in the days ahead. The whole shape of the market has been changing, as consumers find alternatives to traditional retail for their spending, and tastes shift in terms of approaches to shopping. In South Australia, retailing will continue need a significant lift in wealth generating

activity overall before things can look much brighter. Negative responses to try an inhibit isolated factors are unlikely to have much of a positive influence.

Attachment 3

AGMMA

THE AUSTRALIAN GAMING MACHINE MANUFACTURERS ASSOCIATION

A.C.N. 060 130 770

12 August 1999

Mr Richard Mulcahy
 National Executive Director
 Australian Hotels Association
 24 Brisbane Avenue
 BARTON ACT 2600

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Dear Mr Mulcahy,

The Australian Gaming Machine Manufacturers Association (AGMMA) wishes to address two misleading statements in the Productivity Commission's draft report on Australian Gambling Industries.

The statement made by the Productivity Commission that Australia has 21% of the world's gaming machines is incorrect and requires amendment.

It is this inaccurate statement that has provoked a strong response from the Prime Minister and high profile political figures to the detriment of the gaming industry.

In reaching its conclusion, the Commission has ignored 2 major factors:

- 1) The existence of 6.6 million electronic gaming machines throughout the world; Japan alone has over 4.6 million electronic gaming machines and there are in excess of 2 million electronic gaming machines including mechanical reel spinning machines, draw poker, video lottery terminals, bingo, and keno in the rest of the world.
- 2) The existence of hundreds of thousands of gaming machines operating in unregulated markets throughout the world.

This means based on the additional 4.6 million in Japan only, Australia has less than 4% of the electronic gaming machines in the world, not the supposed 21% suggested by the Commission. In fact, the available information on world electronic gaming machines numbers suggests that Australia is likely to have around 2.5% of the world's electronic gaming machines (over 88% less than the 21% figure in the draft report).

In an attempt to prevent further unnecessary reactionary comments from the media, Federal and State Governments and the community, AGMMA is urging the Commission to consider these facts when amending its final report.

The publishing of such inaccurate statistics by the Commission is damaging for the entire gaming industry and will directly affect clubs, hotels, casinos and many community sponsored activities supported by gaming revenue.

AGMMA

THE AUSTRALIAN GAMING MACHINE MANUFACTURERS ASSOCIATION

A.C.N. 060 130 770

- 2 -

Secondly, the Commission's reference to "Online gambling offers significant potential benefits to some customers and scope for commercial returns" should be of concern to all industry stakeholders.

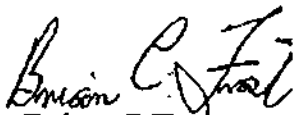
AGMMA believes that Online gambling cannot possibly be regarded more favourably than traditional gaming.

With the gaming industry contributing billions of dollars to the community per year via gambling taxes and levies, AGMMA believes the Productivity Commission has a responsibility to the industry to conduct its research accurately and in a manner which presents the public with the real facts.

AGMMA will continue to review and respond to the Productivity Commission's findings to ensure the industry's concerns are addressed.

We look forward to your support of AGMMA's call for these points to be clarified and addressed in the Commission's final report.

Yours sincerely


Brian C Frost
Chairman

13 Sheridan Close
MILPERRA NSW 2214
Ph: 9773 0299
Fax: 9773 0828

Attachment 4

**Gaming Machines -
Do you know the whole story?**

AGEMA

*The media throw plenty of brickbats,
but here's the bouquets they forget...*

Wanna Bet?

Let's face it, Australian punters love 'a flutter', whether it's on a horse at the races, the dogs, the trots, on a favourite football team or at a casino, club or pub. Gambling is regarded as a pleasurable activity or recreation by the vast majority of Australians.

'Trifectas', 'Dishlickers', 'Red-Hots', 'Tatts', 'TAB', 'tote', 'pokies', 'pools' and a wealth of other terms have enriched the national vocabulary and become an essential part of the Australian national character.

Thanks to a world class regulation system, Australians can confidently bet on a wider range of different games and competitions than they have ever been able to and can be confident that the odds, licensed venues, manufacturers and operators and payback systems have been thoroughly scrutinised and continue to be checked on a regular basis.

The recent Australian Bureau of Statistics report on Australia's gambling industry indicated that 'Australians' interest in gambling (as demonstrated by net takings) has been increasing steadily and in fact grew at a rate of 12% pa nationally for each of the three years ending June 30, 1998.

Australians can now bet on a wider range of games and activities than ever before and, arguably, the widest range available anywhere in the world.

ACGMA
Australian Gaming Machine Manufacturers Association

Gaming Machines

Interest in gaming machines has in fact increased even faster than 12% during the three years in question, the average increase in net takings from gaming machines being 17% nationally for each of the three years ending 30 June, 1998.

Indeed, **gaming machine revenue accounted for 58% of the total net takings from gambling in 1997-1998** (compared with 51% in 1994-1995).

The Productivity Commission estimated that Australia has approximately 180,000 electronic gaming machines and stated that these comprise 21% of the total number in the world. This is incorrect. Japan alone has close to 4 million electronic gaming machines. This suggests Australia in fact has less than 4% of the electronic gaming machines in the world.

Nevertheless, it is clear that gaming machines are very popular in Australia.

Why? The simple answer is that the number of gaming machines purchased has increased to satisfy demand - but what has fuelled that demand?

Australia's gaming machine manufacturers are producing the most entertaining, sophisticated gaming machines, systems and games *in the world* (as evidenced by the extraordinary growth of what are now referred to as 'Australian style' gaming machines in the United States and elsewhere).

Why are gaming machines attracting more interest than virtually every other form of gambling combined?

The machines and games are very entertaining and simply compete well against other available forms of entertainment. The venues are attractive, the odds are regulated and fair. The minimum return to player is between 85-87% in most states (90% plus is not uncommon) so it is difficult to find better odds than gaming machine odds if you are not a professional punter.

The Productivity Commission recommended that the mathematical odds of different outcomes be displayed on gaming machines using 'evocative examples'. Unfortunately these were very misleading and gave rise to incorrect media reports which distracted the public from the key 'return to player' requirements referred to above.

Contribution to Australia's Economy and Quality of Life

The Productivity Commission found that the 'consumer benefits' of the gambling industry, namely the net consumer surplus (including taxation revenue) ranged from **\$5.4 billion to \$6.3 billion**. The significance of this somewhat dry and arcane economic estimate should not be overlooked.

What it means is that the Productivity Commission recognised that there is a **huge net benefit** to the Australian economy after taking into account the costs of problem gambling.

The ABS report estimated that, as of June 1998, 7,072 employing businesses were involved in the provision of gambling services. The ABS stated that these businesses employed some **37,035 staff** as of June 1998, an increase of 16% since June 1995.

The ABS, however, utilised very restrictive definitions which did not even include any of the employees of gaming machine manufacturers in Australia (some 3,000 plus) nor most of the employees of the club industry. The 1,512 clubs in NSW (as of 30 June, 1998) alone employ over 65,000 people directly (comprising the largest private employment group in NSW) and 250,000 people indirectly.

The club industry of NSW would be unrecognisable without gaming machine revenue. Those clubs provide community owned gaming facilities to their 3 million plus members who enjoy those facilities knowing that the net profits derived are used for club and community purposes.

The ABS reported that net takings from gaming machines in Australian clubs had increased from \$2,621 million in 1994-1995 to \$3,595 million in 1997-1998, an increase of 37.2%.

Rugby League as we currently know would not exist without that gaming machine revenue which effectively funds most of the clubs' costs.

The ABS reported that net takings from gaming machines in pubs, taverns and bars throughout Australia had increased from \$990 million in 1994-1995 to \$2,105.7 million in 1997-1998, an increase of 112.6%.

The AHA (NSW) has estimated that, of the additional 20,000 employees that hotels in NSW alone have employed since 1997 (taking the total number of employees in the hotel industry to approximately 120,000 people employed), 10% of these additional employees were employed directly as a result of the increase in gaming machine revenue derived by NSW hotels.

The ABS also reported that net takings from gaming machines in Australian casinos had increased from \$346.6 million in 1994-1995 to \$700.1 million in 1997-1998, an increase of 103.8%.

According to the ABS, Australian casinos employed 12,712 full-time, 3,208 part-time and 1,168 casual employees in 1997-1998.

The flow on (or 'multiplier') effects of such gaming machine revenue should also not be underestimated.

Gaming machine revenue funds a massive service industry which provides catering, cleaning, technical and administrative services to the clubs, pubs and casinos. Gaming machine revenue has also paid for the education of countless club employees.

Clubs alone have been estimated to contribute in excess of \$3 billion a year to the economy of New South Wales.

The ABS report indicated that 58% of the 37,035 employees it did identify as employees of its restrictive definition of businesses providing gambling services were employed on a permanent basis and more than half of the 37,035 employees were female.

According to the ABS, the total income (net takings) of the gambling industry amounted to \$11.091 billion in 1997-1998, an increase of 42% on 1994-1995.

Given that, according to the ABS, the major source of net takings (58% or \$6.401 billion) from gambling throughout Australia was from gaming machines, it is not too difficult to evaluate the contribution of Australia's gaming machine manufacturers to the economy and to employment.

It should also be noted that it has been estimated that even as little as a 1% contraction of gambling industry activity would reduce GDP by \$106 million.

More than 2,500 jobs would be lost and real consumption and expenditure would fall by \$135 million.

That estimate is different to the Productivity Commission's view that a change to the size of the gambling industry would have 'little impact on Australia's GDP'. The Productivity Commission's view is questioned.

Gaming machine revenue has also permitted Australian gaming machine manufacturers to develop world class R&D facilities and staff who create and develop increasingly more entertaining and sophisticated games, systems and machines.

Community Infrastructure

Have you ever stopped to think about the community infrastructure that has been built directly as a result of gaming machine revenue?

Before gaming machines received official sanction in 1956, the NSW club industry had recognised the financial significance of gaming machines and had fought for the right to gaming machines on the grounds that they were fundamentally no different to lotteries or horse racing.

The Gaming and Betting (Poker Machines) Act, 1956 permitted the clubs to provide entertainment to their members whilst raising funds which were all applied for the benefit of the cooperative.

This fund raising mechanism changed the social lives of many Australians and continues to do so by providing sporting and recreational facilities, subsidised drinks, food and service at a fraction of the real cost of such facilities and services.

Clubs are a major social outlet for the people of NSW. Over half of the 1,523 clubs are sporting clubs providing specific sporting facilities to members and their families. Ask yourself: how was the construction of the bulk of these facilities funded?

Gaming machines have accordingly improved and continue to improve the standards of living of many Australians and, in particular, the 2.5 million odd club members of NSW. Not only are members provided with world class

Australia (which facilities range from conference facilities to theatres and restaurants) have improved the quality of life of all Australians.

Do you believe these would have been built without gaming machine revenue?

A Safe and Relaxed Environment

Clubs, casinos and pubs offer a low cost, safe controlled environment to patrons who may, or may not, wish to participate in gaming activities.

This environment is funded by gaming machine revenue.

Tourism

Of the \$11.3 billion in net takings from gambling in 1997-1998, \$10.8 billion was spent by Australians, the balance (some \$500 million) having been spent by overseas visitors.

community infrastructure and unparalleled entertainment but also opportunities for employment and a source of funding for charities.

A jointly commissioned government and industry report on the club industry found that, in 1997, the club industry spent in excess of \$155 million on charities and community projects and estimated the corresponding expenditure for 1998 to be in excess of \$200 million.

This would simply not be possible without gaming machine revenue.

Clubs have a documented history of providing facilities and services in areas where neither the government nor private enterprises are prepared to spend funds. Generally, where a town has a population of more than 400, it has a registered club. Clubs are community conscious organisations which are in touch with the needs and concerns of the communities they serve.

Clubs generally rely heavily on gaming revenue to fund the myriad of club activities.

In addition, Section 87 of the *Registered Clubs Act* effectively allows clubs in NSW deriving in excess of \$1 million in gaming revenue to apply a specified percentage of that profit to certain types of community development and support as a taxation offset. This percentage amounts to 1.5% and for the three year period ending 30 November 2000, this figure is expected to be in excess of \$75 million.

Leagues Clubs rely heavily on income from gaming machines to fund the expenses of running high quality teams and paying competitive salaries to players. The world standard quality of Australia's Rugby League competition flows directly from gaming machine revenue.

Hotels have been able to utilise cash flow from gaming machines to substantially improve the quality of their premises and facilities.

The AHA (NSW) estimates that approximately half a billion dollars has been spent on the refurbishment of the NSW hotel industry between 1997 and 1999 and expects a further half a billion to be invested in the next two to three years.

Last, but not least, the world class facilities constructed by casinos throughout

The Media

Gaming machines have been blamed for just about everything and credited with nothing. It is a sad indictment of our media that the contributions of gaming machine revenue to the community outlined above have been overlooked in one after another media report.

Why have gaming machines consistently attracted bad press? The answer is simple: 'bad news sells'. Conflict, desperation, and devastation all make a good yarn by tabloid media standards. Political careers have been built on this manipulation of public opinion and on the lack of factual reporting.

There has also been virtually no recognition of contributions of gaming machine revenue to the economy or the technical and creative achievements of the industry in designing increasingly more entertaining and sophisticated machines, games and systems.

The better odds of gaming machines, the high standard of regulation, the economic contributions of revenue and tax imposts have all been overlooked in favour of the 'sin' of gambling and grossly exaggerated 'social consequences' of gaming machines.

The next time you hear a politician or a journalist make a negative statement about gaming machines, please give some thought to the contributions outlined above and ask yourself whether the comments are balanced.

It is recognised that a small group of gamblers don't know when to stop.

But this needs to be weighed against:

- ◆ the extraordinary contribution to the economy made by the gambling industry;
- ◆ the fact that the vast majority of gamblers (probably in excess of 95%) enjoy gambling and do not suffer from any 'problems' or 'social consequences';
- ◆ the fact that no one is forced to gamble - it is entirely voluntary; gaming machines are designed to be entertaining and attractive but suggestions that they are 'hypnotic' are simply nonsense;
- ◆ it is a *small group*: the Productivity Commission estimated that only 2.3% of Australia's adult population experience significant problems with gambling

- ◆ while 80% of Australians gamble; and
 - ◆ the extensive work funded by the gambling industry in addressing the problems associated with the small number of gamblers involved. In relation to that work, it should be noted that:
 - ◆ casinos have initiated a myriad of 'responsible gaming programs' and contribute actively to the community: Star City, for example, has contributed \$26.4 million to the Casino Community Benefit Fund since the Fund was established in 1995;
 - ◆ the AHA (NSW) conceived and introduced a "Hotel's Gaming Code of Practice", a "Players Guide", and a 'self-barring or exclusion program' for problem gamblers;
 - ◆ registered clubs contribute to community development and support in accordance with S.87 of the *Registered Clubs Act*, fund a responsible gambling program and recently initiated a change to the *Registered Clubs Act* requiring Clubs to develop and publish a "Problem Gambling Policy" (S.87AA);
 - ◆ manufacturers fund research work into problem gambling and contribute to a broad range of charities which provide assistance to those affected; and
 - ◆ the industry generally supports legislative initiatives such as those in the *Gambling Legislation Amendment (Responsible Gaming) Bill, NSW* which deal with promotion of counselling services, self-exclusion regimes and other similar activities.
- These initiatives and the very significant amount of funds contributed from gaming machine revenue by way of taxes - and available to address problem gambling (see below) - should not be overlooked: **the question must accordingly be asked as to whether a very small minority should be permitted to influence the enjoyment of the great majority and the continuing contribution of the gambling industry to the economy and the community.**

We think not. But dry economic facts do not sell newspapers.

Taxes

The Productivity Commission estimated that gambling taxation revenue has nearly doubled over the last ten years and accounted for just under **12 percent** of state and territory governments' own-tax revenue in 1997-1998.

According to the ABS, of the \$11.091 billion in net takings generated in 1997-1998, **34% or \$3.717 billion**, was paid in gambling taxes and levies. These levies and taxes have permitted state governments to invest in schools, roads and public infrastructure which would simply not have been built if this money was not available.

According to the ABS, gaming machines located in clubs, pubs, taverns and bars were the source of \$1.725 billion in gambling taxes (ie in excess of 46%). However, this figure does not include gaming machines in casinos (which, according to the ABS, produced \$700 million in net takings in 1997-1998). Assuming that one third of casinos' gambling tax contribution was contributed by gaming machine revenue, a further \$142 million should be added to this figure. This analysis reveals that 50% of gambling taxes, some **\$1.867 billion**, is contributed directly from gaming machine revenue.

This figure does not take into account the state and federal taxes generated by associated activities.

For example, the ABS study does not recognise that NSW clubs, although non-profit making organisations, pay in excess of \$750 million in state and federal taxes nor does it take into account that Hotels pay in excess of \$900 million in state and federal taxes nor does it take into account the taxes generated by the 'multiplier effect' referred to above.

The revenue received by government from gambling has permitted government to fund a myriad of "problem gambling services". However, the fact is that those services simply do not know how to effectively spend the funds to deal with the issue.

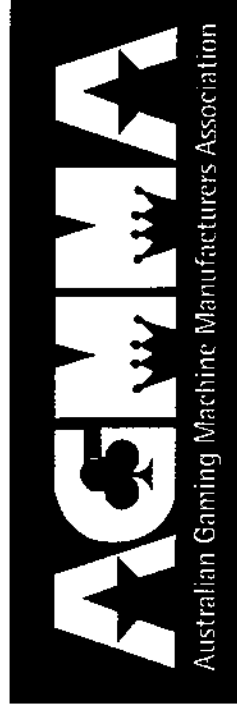
AGMMA

The Australian Gaming Machine Manufacturers Association was formed to promote Australian made gaming machines and to represent Australian manufacturers to regulatory authorities and other industry groups that make up the gambling industry.

AGMMA seeks to work with authorities to ensure the highest of standards in the Australian gaming machine industry for it recognises that these standards are critical for its continued growth and, in particular, continued export growth.

But that growth will not only impact on manufacturers.

As more sophisticated and entertaining games and systems entertain more (increasingly demanding) punters, the gaming machine industry will continue to drive the growth of the gambling industry in Australia and, in turn, provide employment opportunities, contribute towards the Australia's economic growth and the revenue base of state governments.



How can you help AGMMA?

Flexible Regulation

It is critical to the health of the industry that the regulatory system in each state is sophisticated and versatile enough to cope with evaluation of the increasingly sophisticated technology generated by Australia's world class manufacturers and software/system developers. Appropriate resources must be dedicated to ensuring that high standards are maintained and that evaluation processes are efficient. Manufacturers place their licenses at risk if standards are not maintained so few are willing to risk this.

The Gaming Industry's Contribution to the Economy

It is also important to see through the media 'smoke and mirrors' to the real contribution of the gaming machine manufacturers to entertainment, employment, Australia's tax base and the economy and to tell other people about it.

If you can help AGMMA achieve these two goals, this brochure will have achieved its purpose.

For further information

(or additional copies of this brochure) please write to:

The Executive Officer/The Company Secretary
AGMMA
71 Longueville Road
Lane Cove NSW 2011

Attachment 5



SOUTH AUSTRALIAN
HOTEL & CLUB INDUSTRY

◆ ———
GAMING MACHINE
ADVERTISING AND
PROMOTION

—————
VOLUNTARY CODE OF
PRACTICE



The South Australian Hotel and Club Industry's Advertising and Promotion Voluntary Code of Practice has been established by the following participants:

- Australian Hotels Association (South Australia)
- Licensed Clubs' Association of South Australia Inc.
- The Office of the Liquor and Gaming Commissioner of South Australia
- Centacare

The contents of the South Australian Hotel and Club Industry's Voluntary Code of Practice are as follow:

- 1 Advertising and Promotion Voluntary Code of Practice, Objectives
- 2 Application
- 3 Details of the Code
- 4 Examples of Appropriate Advertising
- 5 Examples of Inappropriate Advertising

Acknowledgment

This Code is modelled on the Victorian Code of Practice for Responsible Gaming, as well as the Australian Capital Territory Government Voluntary Code of Practice for the ACT Gaming Industry.

Signatories

Peter Hurley, President
Australian Hotels Association (SA)

Steve Ploubidis, President
Licensed Clubs Association of South Australia

Bill Pryor
Liquor and Gaming Commissioner

Dale West, Executive Director,
Centacare and Chairperson, Gamblers
Rehabilitation Committee

Hotel and Club Industry Gaming Machine Advertising and Promotion Voluntary Code of Practice

1 Objectives

To ensure that playing gaming machines in a Hotel or Club constitutes a socially responsible leisure and entertainment activity.

To enhance the appropriate development of gaming machines within the Hotel and Club Industry throughout South Australia consistent with community expectations.

To develop and promote guidelines for the responsible advertising, promotion and use of gaming machines in Hotels and Clubs.

To enhance the positive public image of the Hotel and Club Industry.

To provide a voluntary advertising and promotion assessment committee to give advice and assistance to individual Hotels and Clubs regarding gaming machine advertising and promotion.

To assist those patrons who experience gaming machine related difficulties by promoting information on appropriate industry funded support services, such as BreakEven Gambling Counselling.

To react to legitimate community concerns related to issues covered by this code.

To comply with the Gaming Machine Act, 1992 and Government policy relevant to the provision of gaming machines in Hotels and Clubs.

1.1 Code of Practice

The Code of Practice is a voluntary code of self regulation and is to be read in conjunction with other requirements for the conduct of gaming machines which are set out in the Gaming Machines Act, 1992 (SA) and its Regulations, procedures and directions.

1.2 Consultation

The signatories recognise that the Advertising and Promotion Voluntary Code of Practice may require review due to changing circumstances.

Consequently, an Advisory Committee comprising of representatives of each of the signatories and convened by the Liquor and Gaming Commissioner will meet on a needs basis, or at least annually, to consider any issues. The Advisory Committee may, as necessary, consult with other appropriate persons or organisations.

1.3 Resource to Hotels and Clubs Advertising and Promotion Advisory Committee

To assist Hotels and Clubs in assessing appropriateness of any potential advertising or promotions, any member of the Committee (code signatories) can be contacted for advice on the nature of a promotion. If necessary, the Advisory Committee will meet as a group to provide feedback to the Hotel or Club. Such meetings can be convened by any member of the committee.



Advertising and Promotion Voluntary Code of Practice

1.4 Responsible Gaming

The holder of a Gaming Machine Licence agrees to maintain material and undertake training regarding responsible provision of gaming machine services to the public and to make available information on community support services through the industry booklet "SmartPlay", "Guidelines for Responsible Service", and training on "Being Sensitive to Problem Gamblers", as well as promotional material developed in conjunction with BreakEven Problem Gambling Services.

1.5 Handling of Complaints

(a) The handling of complaints related to the Code is not intended to replace any policies or procedures that may exist as part of legislation or Liquor and Gaming Commissioner's direction.

(b) The timely and effective resolution of complaints is a major objective of this code.

In the event that a patron has a complaint relating to a particular advertisement or promotion undertaken by an individual Hotel or Club the following procedure is recommended:

(c) Any complaints in relation to this Code which cannot be resolved between the patron and venue management, should be referred to the Australian Hotels Association (SA) or the Licensed Clubs Association for conciliation.

(d) Any complaints in relation to this code which cannot be resolved by conciliation with the Australian Hotels Association (SA) or the Licensed Clubs Association should be referred to the Office of the Liquor and Gaming Commissioner.

Hotel and Club licensees will ensure that they:

(i) Support the Advertising and Promotion Voluntary Code of Practice in respect to the handling of complaints, and fully co-operate with the relevant parties in any complaint resolution process;

(ii) Maintain adequate procedures for receiving and responding to both verbal and written complaints, and

(iii) Respond promptly to all complaints and make every reasonable effort to resolve them.

2 Application

This Code relates to gaming machine operations in Hotels and Clubs only. The Advertising and Promotion Code is intended as a harm minimisation strategy and supports the overall promotion of responsible gaming machine services in terms of advertising and promotion in media, point of sale material, leaflets, displays and other promotional activities.

3 The Advertising and Promotion Code - Details

(a) Advertisements and promotions must comply with the laws of South Australia.

(b) Advertising and promotions should focus on the *entertainment* value and not be false, misleading or deceptive, particularly with regard to winning.

(c) Advertisements and promotions should reflect prevailing community standards.

(d) The advertising and promotion of gaming machines should not be associated with excessive consumption of alcohol.

(e) The advertising and promotion of gaming machines should not be undertaken in a way that encourages minors to play.

(f) Prizes won must be genuine and unencumbered.

Television Advertising

(g) In all instances, the media selection and placement of television advertising will be in accordance with the Federation of Commercial Television Stations (FACTS) Code of Practice as follows:

"Commercials Relating to Betting or Gambling"

(h) Except in news, current affairs and sporting programs, a commercial relating to betting or gambling must not be broadcast in "G" classification periods Monday to Friday, nor on weekends between 6.00am and 8.30am, and 4.00pm and 7.30pm.

(i) The conformity of an advertisement with the FACTS Code will be assessed in terms of its probable impact, taking its contents as a whole, upon a reasonable person within the class of those to whom the advertisement is directed and taking into account its probable impact on persons within other classes to whom it is likely to be communicated.

4 Appropriate Advertising & Promotion

Promotions offering prizes such as cars, overseas trips, or computers are considered appropriate examples.

5 Inappropriate Advertising & Promotion (Some Examples)

Any promotion which encourages patrons to spend their last dollar with the expectation of winning a fortune is not acceptable.

Any promotion which links prizes to payment of "household staples" e.g., payment of utilities bills such as gas, electricity and telephone, or grocery items.

Any promotion which links prizes to education such as payment of school fees, or payment of household rental or mortgage payments.

Any promotion which uses alcohol as an inducement to play gaming machines.

Attachment 6

By the end of June 1998, there were 1,341 businesses without gambling facilities in the clubs (hospitality) industry, an increase of 18% since June 1995.

Despite this increase in the number of businesses, employment has decreased by 17% to 7,728 persons at the end of June 1998, while total income has increased only 2% to \$433 million.

The sale of liquor and other beverages (\$195 million) was the main source of income for these businesses, accounting for 45% of total income compared with 38% in 1994-95.

For 1997-98, the operating profit before tax of clubs without gambling facilities was \$30 million, which represented an operating profit margin of 7.1%, a significant increase on the negative profit margin of -2.5% recorded in 1994-95.

3.1 CLUBS (HOSPITALITY): KEY FIGURES

	<i>Businesses with gambling facilities</i>		<i>Businesses without gambling facilities</i>		<i>All businesses</i>	
	1994-95	1997-98	1994-95	1997-98	1994-95	1997-98
Businesses at end June (no.)	2 144	2 408	1 140	1 341	3 284	3 749
Licensed premises at end June						
With poker machines (no.)	n.a.	2 433	..	..	n.a.	2 433
With Club Keno (no.)	n.a.	1 372	..	..	n.a.	1 372
With TAB betting (no.)	n.a.	597	..	..	n.a.	597
Total (no.)(a)	n.a.	2 525	n.a.	1 343	n.a.	3 868
Poker/gaming machines in use at end June (no.)	83 625	98 053	..	..	83 625	98 053
Employment at end June (no.)	53 180	59 543	9 356	7 728	62 536	67 272
Income						
Sale of liquor and other beverages (\$m)	1 177.7	1 433.8	162.1	194.8	1 339.7	1 628.6
Takings from meals (\$m)	329.0	422.6	61.1	59.9	390.1	482.5
Gambling income (\$m)	2 355.4	3 207.6	..	..	2 355.4	3 207.6
Other income (\$m)	441.4	515.4	202.7	178.4	644.2	693.8
Total (\$m)	4 303.5	5 579.4	425.9	433.1	4 729.4	6 012.5
Expenses						
Labour costs (\$m)	1 111.2	1 471.3	137.4	129.4	1 248.6	1 600.7
Poker/gaming machine and other gambling taxes/levies (\$m)	521.3	714.8	..	..	521.3	714.8
Purchases (\$m)	754.9	970.9	121.9	136.5	876.8	1 107.4
Other expenses (\$m)	1 480.2	1 899.0	177.4	138.5	1 657.6	2 037.4
Total (\$m)	3 867.6	5 056.0	436.7	404.4	4 304.3	5 460.3
Capital expenditure on poker/gaming machines (\$m)	n.a.	242.0	n.a.	0.4	n.a.	242.4
Operating profit before tax (\$m)	439.5	530.9	*-10.4	*30.1	429.1	561.0
Operating profit margin (%)	10.3	9.6	*-2.5	7.1	9.2	9.4

(a) More than one gambling facility can be provided at the one premises. Therefore the total number of licensed premises will not be equal to the sum of the components.

EMPLOYMENT

At the end of June 1998, there were 81,724 persons working in the pubs, taverns and bars industry. Since June 1995, employment in the industry has increased by 14% (10,287 persons).

Employment in the industry was mainly on a casual basis with 53,194 persons (65% of total employment) working on this basis. Females comprised 54% of total employment with 71% of females working on a casual basis.

Of the 81,724 persons in the industry, the most prevalent occupations were bar managers and bar staff (36,693) and waiters and waitresses (8,869). Other major occupations included managers and administrators (8,240), gaming staff and cashiers (6,439) and kitchen hands (5,643). It should be noted, however, that some staff would have a mixture of activities (e.g. bar staff may also act as gaming staff) and that the statistics represent the main activity of staff at the end of June 1998.

On a quarterly basis, there was minor seasonal variation in the industry. The end of December was the highest period of employment while the end of September was the lowest, with a difference between the two points in time of 4,860 persons.

BUSINESSES WITHOUT GAMBLING FACILITIES

At the end of June 1998, there were 1,904 businesses in the pubs, taverns and bars industry without gambling facilities. This number of businesses was a reduction of 5% since the end of June 1995 and reflected the move towards businesses in the industry providing gambling facilities.

Generally, the structure of this part of the industry has remained unchanged since 1994-95 with employment, total income and expenses all decreasing marginally.

The sale of liquor and other beverages (\$1,362 million) was the main source of income representing 82% of the total income of these businesses of \$1,652 million. The takings from the provision of meals accounted for \$172 million, or 10% of total income.

The operating profit before tax of pubs, taverns and bars without gambling facilities was \$95 million, which represented an operating profit margin of 5.7% compared with 4.5% in 1994-95.

2.1 PUBS, TAVERNS AND BARS: KEY FIGURES

	<i>Businesses with gambling facilities</i>		<i>Businesses without gambling facilities</i>		<i>All businesses</i>	
	1994-95	1997-98	1994-95	1997-98	1994-95	1997-98
Businesses at end June (no.)	2 327	2 888	1 997	1 904	4 325	4 792
Licensed premises at end June						
With poker machines (no.)	n.a.	2 580	..	..	n.a.	2 580
With Club Keno (no.)	n.a.	638	..	..	n.a.	638
With TAB betting (no.)	n.a.	1 608	..	..	n.a.	1 608
Total (no.)(a)	n.a.	3 257	n.a.	1 985	n.a.	5 243
Poker/gaming machines in use at end June (no.)	27 009	46 957	..	..	27 009	46 957
Employment at end June						
Working proprietors and partners (no.)	1 360	1 654	999	1 199	2 358	2 853
Employees (no.)	47 258	58 661	21 821	20 210	69 079	78 871
Total (no.)	48 618	60 315	22 820	21 409	71 437	81 724
Income						
Sale of liquor and other beverages (\$m)	3 385.2	4 485.6	1 322.8	1 362.1	4 708.0	5 847.8
Takings from meals (\$m)	352.7	510.0	217.5	172.3	570.2	682.3
Gambling income (\$m)	576.1	1 325.6	..	..	576.1	1 325.6
Other (\$m)	391.5	280.6	144.3	117.1	535.8	397.6
Total (\$m)	4 705.5	6 601.8	1 684.6	1 651.5	6 390.1	8 253.3
Expenses						
Labour costs (\$m)	798.0	1 156.0	307.5	307.8	1 105.5	1 463.8
Poker/gaming machine and other gambling taxes/levies (\$m)	173.3	352.0	..	..	173.3	352.0
Purchases (\$m)	2 020.8	3 000.0	683.2	819.5	2 704.0	3 819.5
Other (\$m)	1 532.7	1 530.0	623.8	430.4	2 156.4	1 960.4
Total	4 524.8	6 038.0	1 614.5	1 557.7	6 139.2	7 595.7
Capital expenditure on poker/gaming machines (\$m)	45.9	90.1	—	*0.5	45.9	90.6
Operating profit before tax (\$m)	182.5	586.4	75.7	94.6	258.2	681.1
Operating profit margin (%)	3.9	8.9	4.5	5.7	4.1	8.3

(a) More than one gambling facility can be provided at the one premises. Therefore the total number of licensed premises will not be equal to the sum of the components.

1.1 CLUBS, PUBS, TAVERNS AND BARS: HISTORICAL DATA

	1994-95	1997-98	% change
Pubs, taverns and bars			
Businesses at end June			
With gambling facilities (no.)	2 327	2 888	24.1
Without gambling facilities (no.)	1 997	1 904	-4.7
Total (no.)	4 325	4 792	10.8
Employment at end June (no.)	71 437	81 724	14.4
Income			
Sale of liquor and other beverages (\$m)	4 708.0	5 847.8	24.2
Takings from meals (\$m)	570.2	682.3	19.7
Gambling income (\$m)	576.1	1 325.6	130.1
Other (\$m)	535.7	397.6	-25.8
Total (\$m)	6 390.1	8 253.3	29.2
Operating profit before tax (\$m)	258.2	681.1	163.8
Operating profit margin (%)	4.1	8.3	..
Clubs (hospitality)			
Businesses at end June			
With gambling facilities (no.)	2 144	2 408	12.3
Without gambling facilities (no.)	1 140	1 341	17.6
Total (no.)	3 284	3 749	14.2
Employment at end June (no.)	62 536	67 272	7.6
Income			
Sale of liquor and other beverages (\$m)	1 339.7	1 628.6	21.6
Takings from meals (\$m)	390.1	482.5	23.7
Gambling income (\$m)	2 355.3	3 207.6	36.2
Other (\$m)	644.3	693.8	7.7
Total (\$m)	4 729.4	6 012.5	27.1
Operating profit before tax (\$m)	429.1	561.0	30.7
Operating profit margin (%)	9.2	9.4	..
All businesses			
Businesses at end June			
With gambling facilities (no.)	4 471	5 296	18.5
Without gambling facilities (no.)	3 137	3 245	3.4
Total (no.)	7 609	8 541	12.2
Employment at end June (no.)	133 973	148 996	11.2
Income			
Sale of liquor and other beverages (\$m)	6 047.8	7 476.4	23.6
Takings from meals (\$m)	960.3	1 164.9	21.3
Gambling income (\$m)	2 931.4	4 533.1	54.6
Other (\$m)	1 180.0	1 091.4	-7.5
Total (\$m)	11 119.5	14 265.8	28.3
Operating profit before tax (\$m)	687.3	1 242.1	80.7
Operating profit margin (%)	6.2	8.8	..

Not in 1994-95
< 10/1/94

SOURCES OF INCOME

continued

In comparison, total income for the pubs, taverns and bars industry during 1997-98 was \$8,253 million, an increase of 29% since 1994-95. The sale of liquor and other beverages (\$5,848 million) was 71% of total income and represented a 24% increase since 1994-95. Despite the increase in the sale of liquor and other beverages, its proportion to total income has fallen from 74% in 1994-95, mainly due to a 130% increase in gambling income to \$1,326 million, which accounted for 16% of total income.

PROFITABILITY

The clubs, pubs, taverns and bars industries recorded an operating profit before tax in 1997-98 of \$1,242 million. This represented an operating profit margin of 8.8%.

The operating profit before tax of the clubs (hospitality) industry was \$561 million, which represented a margin of 9.4%. This was only slightly higher than the 9.2% in 1994-95.

The pubs, taverns and bars industry recorded an operating profit before tax of \$681 million for 1997-98, which represented an operating profit margin of 8.3%, a substantial increase on the 4.1% recorded in 1994-95.

EMPLOYMENT

At the end of June 1998, total employment in the clubs, pubs, taverns and bars industries was 148,996, which was an increase of 11% since June 1995.

From June 1995 to June 1998, employment in the pubs, taverns and bars industry increased by 14% to 81,724, while employment in the clubs (hospitality) industry increased by 8% to 67,272 persons.

SECTION 1

CLUBS, PUBS, TAVERNS AND BARS: OVERVIEW

INTRODUCTION

This publication presents results, in respect of the 1997–98 financial year, from an Australian Bureau of Statistics survey of employing businesses in the clubs, pubs, taverns and bars industries.

Businesses in these industries are classified to the following classes of the 1993 Australian and New Zealand Standard Industrial Classification:

- Class 5720—Pubs, Taverns and Bars, includes hotels, bars or similar businesses (except licensed clubs) mainly engaged in selling alcoholic beverages for consumption on the premises.
- Class 5740—Clubs (hospitality), includes businesses mainly engaged in providing hospitality services (gambling, meals, entertainment and other social facilities) to members.

This publication presents data for these two industries dissected by businesses with gambling facilities and businesses without gambling facilities. For the purposes of this publication, businesses with gambling facilities are those providing either poker/gaming machines, TAB facilities and/or keno services to patrons.

NUMBER OF BUSINESSES

At the end of June 1998, there were 8,541 employing businesses in the clubs, pubs, taverns and bars industries, which represented an increase of 12% from the 7,609 businesses operating at June 1995. There were 4,792 businesses in the pubs, taverns and bars industry and 3,749 businesses in the clubs (hospitality) industry.

In terms of number of businesses, the largest increase (24%) since June 1995 was in the number of pubs, taverns and bars businesses with gambling facilities, increasing from 2,327 businesses in June 1995 to 2,888 businesses at June 1998. Conversely, there was a 5% decrease since June 1995 in the number of pubs, taverns and bars businesses without gambling facilities.

SOURCES OF INCOME

During 1997–98, the total income of the clubs, pubs, taverns and bars industries was \$14,266 million, an increase of 28% since 1994–95. The major sources of income were the sale of liquor and other beverages which accounted for 52% (\$7,476 million), gambling income (32%) and takings from meals (8%). However, the breakdown of income varied markedly between the clubs (hospitality) industry and the pubs, taverns and bars industry.

For the clubs (hospitality) industry, total income in 1997–98 was \$6,013 million, an increase of 27% since 1994–95. However, the industry's main source of income was from the provision of gambling services (\$3,208 million) which was 53% of total income and almost twice the sale of liquor and other beverages of \$1,629 million. Since 1994–95, gambling income in the clubs industry has increased by 36%.