



South Australian Council of Social Service Inc

Submission to the
INDEPENDENT GAMBLING AUTHORITY

Regarding
INQUIRY INTO GAMING MACHINE NUMBERS

May 2003

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from the
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1. INTRODUCTION

SACOSS is the peak body for social services in South Australia that works towards the elimination of poverty and discrimination, a just and equitable distribution of resources and improved services to support individuals and families. The organisation believes that all South Australians have the right to live a decent life. This includes having somewhere to live, food and clothes, access to employment, justice, education and health, having enough money, feeling safe, being able to get around and having access to information and services.

The submission was prepared by the SACOSS Policy Council with additional input from SACOSS members and representatives from a number of Break Even and welfare agencies. The Policy Council has elected members from the following organisations: Council on the Ageing, Shelter SA, City of Salisbury, Community Housing Council, SPARK Sole Parent Resource Centre, Anglicare, Volunteering SA, Community and Neighbourhood Houses and Centres Association, Health Rights and Community Action, St. John's Youth Service, Welfare Rights Centre, Mental Illness Fellowship of SA, Youth Affairs Council of SA, SA Community Health Association, Multicultural Communities Council, Offenders Aid and Rehabilitation Services, Lutheran Community Care, Adelaide Central Community Health Service, ANGOSA (disability peak), Victim Support Service, Port Adelaide Central Mission, University of SA Social Policy Research Group, Aboriginal Drug and Alcohol Services, Carers Association of SA, Murray Mallee Health and Community Services Network, Parent Advocacy Inc and Disability Action. SACOSS also works closely with the Australian Council of Social Service (ACOSS).

SACOSS welcomes this inquiry and the requirement that the Independent Gambling Authority (IGA) identifies all reasonably practicable options for the management of gaming machine numbers, with a particular focus on harm minimisation strategies.

2. BACKGROUND

2.1 Social Services

Emergency relief agencies across the State cite the impact of the explosion of poker machines as one of the significant factors in increased demand for their services.

Break Even gambling counsellors report increasing levels of demand with outer metropolitan and regional services having waiting lists of up to three to four weeks for people wanting to access their services.

Problem gamblers and their families often have reduced household incomes and experience associated disruptions such as being in arrears with rent, facing eviction and having to move house, applying to charitable welfare agencies for food and clothing, having electricity and gas disconnected, absenteeism from work/job loss etc.

Gambling has an impact on other services such as hospitals, legal and financial services and the court and prison systems.

2.2 Industry

The hotel sector has a near monopoly on poker machine activity in South Australia.

Gaming industry representatives point to employment and activity of the gaming industry as a principal benefit to the economy. There is an implicit assumption that expenditure on gaming represents new expenditure. However money spent on gambling will often have been diverted from other consumption. The 1999 Productivity Commission report found that the gambling industry had no net economic benefit with gamblers losing 2 percent of gross domestic product. This is twice what we as a country spend on universities.

If the majority of revenue was coming from the high-rollers a case could be made for highly taxed unregulated gambling as a progressive form of revenue raising and a distributor of wealth. But this is not the case. The gambling industry concentrates its product in, and profits are mostly drawn from, low-income suburbs and towns. People on lower incomes spend a higher proportion of their income on gambling than high-income people. (e.g. 2001-2: Port Adelaide/Enfield 47 venues, \$55m net gambling revenue; Mitcham/Burnside 8 venues \$10.5 m; Playford 12 venues, \$25m)

2.3 Government

In 1994-95 gaming machine revenue constituted around 30 percent of total gambling revenue. It now constitutes over half of total gambling revenue. Gambling tax revenue has increased significantly over recent years. The majority of gambling taxes are raised from gaming machines (\$192.7 million in 2001-02). In 2000-01 gambling taxes drew in \$3.5 billion to governments across Australia – this is a growing revenue source for state governments. It now represents almost 15 percent of the State Government's own revenue source.

SACOSS does not argue that gambling should not be taxed and we supported the new super tax on the high-earning venues in the last State Budget. However, [unlike free markets] governments must distinguish between good and bad revenue streams. And this revenue stream leaves government with the fundamental dilemma that if they gain from an industry it must also regulate in the public interest.

State governments are being squeezed, and this partly explains their growing dependence on gambling taxes. In the past two decades the proportion of Commonwealth revenue returned to the States has fallen from 34 percent to just 21 percent. South Australia does not benefit from a net transfer of GST revenue until 2007-08.

Not everyone gambles. Industry and government use the argument about choice as a defence for not taking too much responsibility for the damage done by problem gambling. However, more than a third of all gambling profits come from people with an addiction who because of their condition have little choice. Instead of seeing greater restrictions on promotion over the past decades, as we have fortunately seen in smoking

and alcohol use the restrictions have eased. We acknowledge that this is being rectified through regulation but for many affected by the impact of gambling this has come too late.

3. LINK BETWEEN GAMING MACHINE ACCESSIBILITY AND GAMBLING RELATED HARM

The 1999 Productivity Commission's report into Australia's Gambling Industries found that approximately 12,700 of our state's 816,000 adults (1.55 percent) have severe gambling problems. This is the highest of all states and territories. The Productivity Commission also found that more South Australians are addicted to gambling on a per capita basis than elsewhere in Australia.

The last two decades have seen huge growth in commercial gambling, fuelled by the loosening of controls over gaming machines. Late last year the South Australian Deputy Under Treasurer told the IGA the Department had repeatedly underestimated the community's appetite for pokies. "We were anticipating this point of saturation....for a number of years and haven't been accurate."

- Break Even counsellors say that a high percentage of their clients gamble at venues in close proximity to their home and problem gamblers identify easy accessibility of gaming as a major factor in their gambling behaviour.
- Problem gambling can result in increased alcohol use caused by the co-location of gaming rooms with licensed premises.
- Gambling has become a 'convenience' activity, with the vast majority of metropolitan South Australians being less than five minutes away from a venue.

The Productivity Commission Report and research undertaken by the University of Adelaide and commissioned by the IGA clearly shows that:

- Accessibility of gaming machines is directly related to gambling turnover.
- Accessibility of machines is directly related to gambling related harm.
- The introduction of poker machines into South Australia has dramatically increased the number of venues resulting in a dramatic increase in gambling harm.

Gambling is a significant social and public health issue that has social, economic and cultural consequences. The resultant cost to the community is considerable. (See *case study*)

Case Study

Ceduna, in the remote far west of South Australia, has a population of 2,900 including a significant Indigenous community. The community hotel has a gaming room with approximately 40 machines.

At a recent community services network meeting of local service agencies including government and non government groups the issue of the very large amount of money being put into poker machines on pension days was raised. The conservative estimated \$15,000 within the short space of 1-2 hours at lunchtime was cited with players often waiting more than three deep at the machines and all but a small number being Indigenous community members.

This has resulted in:

- The loss of fortnightly income before the end of the day
- Increased demand on already stretched welfare agencies
- Household goods being pawned
- Children being left unattended while adults are in the hotel gambling
- Increasing levels of domestic violence

Agency workers were also concerned about Indigenous Ceduna children who have been heard to say that they are looking forward to being able to 'play the pokies' when they grow up.

4. IMPACT ON THE INDIGENOUS COMMUNITY

The ATSIC 2003 submission to the South Australian Parliament's Social Development Committee inquiry into poverty reports that:

- Gambling is the underlying cause of 12 percent of specific problems raised by clients accessing the service of Aboriginal Legal Rights Movement financial counsellors.
- The limited amount of research undertaken on levels of problem gambling in Indigenous communities indicates higher levels of problem gambling and higher average expenditure on gambling as a proportion of weekly income, than in the non-Indigenous population.
- In a 1998 submission to the Productivity Commission Inquiry into Australian Gambling Industries, Adelaide's Indigenous Health Service observed that since the introduction of gaming machines, gambling has increased for Indigenous people, particularly women.
- The relationship of gaming machines to poverty has been well canvassed in State Parliament reports (e.g. Social Development Committee Poverty Inquiry 2003) and research by non-government bodies.
- Among metropolitan Adelaide's Indigenous people, the 'pokie habit' is a problem for two age groups, in particular:

Women aged 45 and over repeatedly calling on Centrelink advances and emergency relief agencies for basic needs and spending the remainder on gaming machines. This group is using emergency services on a long-term basis, approaching them in a cycle until the agencies eventually 'cut them off'.

Young men aged 16-25. At the very time crucial for forming adult relationships, building careers and laying the basis for future employment and material sufficiency, young 'problem gamblers' enter a negative pattern likely to last about seven years. These gamblers may experience poverty for a long time and perhaps throughout their lives. Additionally for this age group, gambling can be part of a destructive system involving high alcohol use, depression and consequent high suicide.

5. REGIONAL IMPACT

The 2001 SA Centre for Economic Studies report on the impact of gaming machines on small regional economies concluded that three significant demographic factors produce the apparent link between lower incomes and higher electronic gaming machine expenditure in regional South Australia being:

- Higher unemployment rates
- Higher proportion of persons identifying as Indigenous
- Higher proportions of private dwellings rented from the Housing Trust

The study also found that in seven of nine regions studied there was a clear net social cost from poker machines.

6. CONCLUSION

The introduction of poker machines, particularly into hotels since July 1994 has resulted in a significant, substantial increase in gambling related harm with the majority of problem gamblers identifying gaming machines as their primary addiction.

A significant factor in the increase of gambling related harm has been the dramatic increase in growth in the number of machines and venues. Location and accessibility has a direct link to harmful gambling behaviour.

Harm minimisation is not just about providing additional resources to the Gamblers Rehabilitation Fund as per the 2002 State Budget but needs to be addressed in the wider context including the implementation of a cap and winding back of machines from current levels, looking at the outcomes of the inquiry being conducted into Codes of Practice, investment in local solutions to gambling problems with a particular focus on regional and cultural issues.

Capping the number of machines has proven inadequate. To seriously address the minimisation of gambling related harm there needs to be a significant reduction in the number of gaming machines and a progressive phasing out of machines from hotels over the next four years. Gaming machines in not for profit community clubs allows

profits to stay within the local community. Large clubs can also sponsor machines on behalf of smaller clubs and thereby share the benefit with others.

The State Government's dependence on 'addictive' gambling revenue poses a major dilemma – it has to make financial decisions based on judgements about good and harm, not simply profit and loss. Taxes should apply to addictive products and behaviour but governments must balance that with robust regulation, education and rehabilitation policies and programs.

RECOMMENDATION

- R. Gaming machines be progressively phased out over the next four years from all but not for profit community clubs and the Casino.

REFERENCES

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