Local Impact Assessment Review

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I have been preparing assessments of the social impact of gaming machines since the requirement to do so first appeared in the Gaming Machines Act. In that period, I have completed many, both social impact assessments and local impact assessments, including one of the very few successful Class 2 LIAs. It is from that background that I make this personal submission.

In my opinion, while the original SIAs required under the Gaming Machines Act provided some insights into what might be the consequences of permitting establishments to keep more gaming machines, the current LIAs, particularly, Class 1 LIAs, do little.

In my opinion, the underlying concept that the provision of a community benefit could offset the adverse impacts the additional machines might have, is without any foundation.

A fundamental problem confronting any attempt to assess the likely impact of additional gaming machines is that there is little, if any, reliable data about what those impacts may be. The most commonly identified is "problem gambling" but that is a poorly defined condition, something which is recognised in the continuum adopted by researchers to refer to varying levels of risk of a person developing the problem. Adding to that, there is no reliable data about the geographic distribution of those affected by the problem.

Gaming is considered to be a form of entertainment and, for the vast majority, it has no ill-effects. Nevertheless, some individuals spend excessive amounts on gambling and that their doing so can have adverse flow-on effects for others. However, historically, a minority of the population has always gambled to excess.

The advent of poker machines, particularly, in hotels made gambling more accessible to those, who – in the past – had limited access, especially, to poker machines. Those groups included the non-English speaking, the very young and the socio-economically disadvantaged. The makers and owners of machines have set about making them more attractive (by adding bells and whistles) and more accessible (by locating them in prominent places).

If gaming machines were subjected to the equivalent of the restrictions imposed on cigarettes, I believe that the level of problem gambling would be reduced but that would also reduce the total revenue stream from them. That – in turn - would have serious ramifications for the operators' incomes as well Sate Government revenue.

At the outset, there is a conflict in the objectives of the Act where one seeks to minimise harm and another to facilitate 'balanced development' (whatever that may be).

The Discussion Paper (at 0.8 on page 6) refers to two research papers. I do not disagree with their findings but I believe that people living in lower socio-economic areas spend more on gaming largely as a result of having few alternative entertainment options. There is a relationship between boredom and playing gaming machines. The role of gaming machines in areas with those characteristics may have changed since those studies were undertaken due to the recent proliferation of on-line gaming. The role of gaming machines in causing problem gambling maybe declining.

At 0.3 on page 7, reference is made to the criteria employed to assess the rankings of local government areas. One is the "per capita gaming machine expenditure". I have always had reservations about that measure because there is, at least, one other significant source of expenditure other than personal income. That is the "black economy". There is little doubt that gaming machines are used to launder money to avoid taxation or to disguise the proceeds of other crimes. However, I am not aware of any study which has attempted to disaggregate the sources of expenditure on gaming machines. I have been told that some venues have experienced reduced gaming patronage because the serious players from the black economy have found other, more convenient, ways of laundering or hiding money electronically.

The other two criteria can be determined for specific areas and should be retained.

Turning to the Key Questions, I observe:

1. The concept that LIAs measure harm at the local government level is, and always has been, illusory. In the metropolitan area, players do not observe local government boundaries when visiting venues. Thus any computation of per capita expenditure based on local government areas is, at best, indicative and, probably, quite misleading. In rural areas, particularly following the amalgamation of local government areas, the outcomes of such analyses may hide wide variations between different parts of those large areas.

   It would be preferable to use smaller areas but that could encounter issues with privacy (or commercial confidentiality) if the numbers of gaming establishments in the smaller areas were also small. Whether or not it may be possible, I believe that the division of the State into areas with about 10,000 – 15,000 population would provide a better basis for future LIAs;

2. I believe the Band system of classification should be continued based on the smaller areas noted above;

3. I agree that other criteria could be used to estimate (not determine) risk. The difficulty is obtaining any worthwhile data. For example, prior to the introduction of LIAs, we were required to consult with problem gambling counsellors in any endeavour to identify if an area contained any significant number of problem gamblers. I found that a most frustrating exercise. Many counsellors simply did not want to communicate as they saw any such enquiry being likely to lead to more machines and thus more

problems. Others had only vague data which frequently did not allow any geographic disaggregation. Then there was the problem of identifying who was actually affected among the visits/sessions of which they had records.

While the idea of measuring problem gambling in any area has appeal, I have yet to identify how it may be done. By putting the onus for collecting that data on applicants makes the problem even more difficult because the counsellors are under no compulsion to cooperate. Whether or not the Authority could collect data is also questionable because, while it may be able to require those counsellors funded by the Responsible Gambling Fund to do so, there are other counselling services which claim to be as active and effective.

A further difficulty is that the type of data said to be required is "soft" data about which there are few potential sources. In part, that is because it is private and confidential and so cannot be disclosed, at least, to someone who is often seen as assisting the cause of the problem. In part, because the symptoms of problem gambling form a continuum and there is no agreed point on it at which it can be identified: the decision whether or not a person is a problem gambler is subjective and open to influence by personal values. That makes uniformity in the quality of information difficult to achieve.

Why the types of establishments mentioned in the third dot point are considered to be gaming sensitive is unclear. For example, pawnbrokers and credit providers seem to be of little relevance when almost every gaming establishment has an ATM or EFPOS available close by. The growth of the electronics industry is making many such concepts achronistic.

4. The current LIA process has virtually no requirement for public consultation. Insofar as the public is concerned, it is limited to a notice posted at the premises and a notice in a newspaper. Fewer and fewer people read newspapers and only a tiny proportion of those that do, would look at the public notices.

   In many ways, the Police and local council could provide the more fertile sources of community input but rarely respond which is in contrast to their more active responses to liquor licence applications.

   Engendering responses from the public is becoming more and more difficult for all organisations in our modern society due to the pace of life and the plethora of matters on which participation is sought. A more effective way could be to require local parliamentarians to be notified as they often not only have their finger on the pulse of the community but also have developed channels to tap into it.

   Short of delivering notices to every potentially affected persons, something which is unrealistic when the size of the area from which players may be attracted to a gaming

venue, I do not know how a community can be properly consulted. Even then, experience arising from delivering notices of applications for liquor licences suggests that the great majority in the community do not care about such matters.

5. The Authority commissioned the Bettington (?) report to provide guidance on the levels of contributions which should be made but it was largely a review of historical payments.

   In my opinion, there is no relationship between the contributions levied and the potential impact of the availability of additional gaming machines.

   It is arguable whether or not additional machines cause any additional gaming problems. It stands to reason that, when gaming machines first arrive in a community which has not previously had machines, impacts will emerge including the possibility that some individuals may succumb to problem gambling. However, once machines are present, any impacts of additional machines will be much more subdued.

   Thus the contributions paid are simply the price paid for the privilege of being able to make more money. The market prices paid for tranches of entitlements are evidence of the profitability of machines. It would be more logical to link the contributions levied to the market prices paid for the entitlements acquired to fulfil the increase in gaming machine threshold granted.

6. The main reason why there have been so few Class 2LIAs is that it is much easier to prepare and have approved Class 1 LIAs. For example, if the operator of a new hotel wants to keep 30 machines, application is made for a gaming machine threshold of up to 20 by way of a Class 1 LIA when it applies for its hotel licence and a second application for the remaining entitlements is made 12 months later while the hotel is being constructed so that it can open with 30 machines.

   I believe it is reasonable to allow entitlements to be moved between establishments in the same area (which might not be a local government area in future) without the need to prepare an LIA as no increase in gaming machine density. That is not to say that there may not be an increase in gaming machine revenue because the recipient establishment may be a better marketer than the vendor but LIAs do not deal with revenues.

   I am not sure why any grant of a gaming machine threshold or increase in a threshold should be granted without an LIA of some type, regardless of the Band of the area.

7. a) In my opinion, the current LIA scheme makes some contribution to the objectives of the Act. It may make applicants ensure that their premises and management comply with the provisions of the Act by reminding them of those provisions but simply stating that the provisions are met does not necessarily equate to what the actual

situation may be. That is, the scheme may contribute to harm minimisation and responsible conduct.

The LIA scheme could be replaced by simple administrative measures to effect the reduction in the number of entitlements available State-wide.

The meaning of the words 'the balanced development, in the public interest, of the gaming industry' must vary with the attitude of the person interpreting that phrase. The Act does not define or describe what the 'gaming industry' is. (Does it include the TAB, keno and the casino?) Similarly, there is no definition or explanation of what might constitute 'balanced development'. How the LIA scheme might contribute to achieving that objective is unclear since there is no means of objectively measuring whether or not anything has been achieved through its existence.

b) As there is no definition of what 'an overall positive impact on the local community' is in the Act. Whether or not an application might achieve such an impact, is a purely subjective assessment. Since few Class 2 LIAs have been approved, there is no guidance available from past determinations. How an 'overall positive impact' differs from a 'positive contribution' is similarly unclear.

It appears each may be met by payments either in cash or in kind. Presumably, an overall positive impact requires a larger payment than a positive contribution. In other words, if an application seeks more, the applicant pays more.

There is little doubt that worthy recipients of contributions benefit from receiving them and that some of that benefit trickles down to the community but does that justify granting a private interest the right to make profits *ad infinitum* from that community?

Might it not be better if gaming operators paid an annual tax/ levy than a lump sum contribution to some organisation or group in them? If the objective is to benefit the local community, any such annual levy or tax could be paid the relevant local authority.

Alternatively, as was once proposed, the operator could distribute a percentage of annual gaming machine profits to local worthy causes. (That proposal was rejected at the time because it was claimed it would be too difficult to administer but that could hardly be the case now with recent advances in electronic accounting systems.)

c) The entire scheme could be improved if Liquor and Gaming were appropriately resourced so that matters could be dealt with in a timely fashion and its records keeping made more reliable. It is not re-assuring when the search for an LIA in the public list not only fails to produce that LIA but also presents another for an entirely different application! As the Government receives substantial revenue from gaming machines, the least it could do is to ensure that the administrative system is adequately resourced.