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INDEPENDENT PRICING AND REGULATORY
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Review of Gambling Harm Minimisation Measures

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Introduction

ClubsNSW provided submissions to the Independent Pricing and Regulatory Tribunal (IPART) Gambling Harm Minimisation Review on 17 November and 23 December 2003.

In late December 2003 the Casino Community Benefit Fund (CCBF) publicly released six research reports and IPART advised that it would also accept comments on these reports.

This submission provides comment on two of the six CCBF reports.

1. ACNielsen, 2003, *Evaluation of the Impact of the Three Hour Shutdown of Gaming Machines – Final Report*, May;
2. Hing, N., 2003, *An Assessment of Member Awareness, Perceived Adequacy and Perceived Effectiveness of Responsible Gambling Strategies in Sydney Clubs*.

ClubsNSW is aware of and supports submissions made by the Gaming Industry Operator's Group in relation to the following CCBF reports:

3. Consumer Contact, 2003, *Testing of Harm Minimisation Messages for Gaming Machines*, May;
4. Dickerson, M., Haw, J., and L. Shepherd, 2003, *Psychological Causes of Problem Gambling: A Longitudinal Study of At Risk Recreational EGM Players*, March;
5. NIEIR (National Institute of Economic and Industry Research), 2003, *The Economic Impact of Gambling*, July.
6. Auckland UniServices Limited, 2003, *Assessment of the Research on Technical Modifications to Electronic Gaming Machines in NSW, Australia–Final Report*, May.

**1. Evaluation of the Impact of the Three Hour Shutdown of Gaming Machines
– ACNielsen**

The Nielsen report states:

“The research is not able to give any direct indication of whether the shutdown has helped to reduce problem gambling, as sound benchmark data is not available for NSW. The low prevalence of problem gamblers (approximately 2%), means that research amongst this market requires very large samples, and a significant research budget. In the absence of this data the impact of the shutdown on problem gamblers can only be assessed indirectly rather than directly.” [p 31]

Despite the above qualification, in our view the Nielsen report gives an indication of the ineffectiveness of the shutdown.

While some of the stakeholders felt that in “theory” the shutdown was a good policy initiative, there was almost universal perception of the shutdown period as:

“... highly ineffective at targeting problem gamblers because it is at the least popular gambling time, is not long enough, will not impact the majority of venues which have never opened in the early morning, and is not in place across all gaming venues at the same time (and not in place at all at the Sydney Casino).” [p 5]

Most importantly, the response of the problem gamblers interviewed revealed that:

“The majority of problem gamblers included in the qualitative sample were unaffected by the shutdown because they rarely, if ever, played poker machines during the shutdown hours.

The shutdown only directly impacted two of the nine problem gamblers included in the qualitative research (who had played poker machines since the shutdown was implemented) - one who gambled before work and another who gambled in the morning to keep it secret from her family.

The shutdown impacted these two problem gamblers by impinging on their ability to hide their gambling behaviour, encouraging them to gamble more frenetically within the hours remaining and to search for ways to limit or vary their work hours to overcome the restriction on venue opening hours. These two gamblers did not say they spent less time or money playing poker machines as a result of the shutdown.” [p 5]

That is, the problem gambler appears to be able to adjust to the conditions imposed.

In relation to recreational gamblers the report finds:

“Almost half of the recreational gamblers who used to play during these hours, however, are shift workers (5 out of the 12).” [p 24]

ClubsNSW has put forward arguments in previous submissions relating to the discriminatory nature of the shutdown against people who may not lead a lifestyle that fits into the “nine to five” pattern.

The above research findings would certainly appear to support this view.

From a broader societal perspective the report indicates that the shutdown has had no perceptible impact on crime rates or other relevant anti-social behaviour [p 22].

In our view the Nielsen report indicates that the shutdown has not assisted problem gamblers but has inconvenienced people that do not have a problem with gambling. ClubsNSW suggests that the shutdown should be more thoroughly reviewed with a view to abolishing this measure.

Other Issues of Concern with the Nielsen Report

The Nielsen report comments on a number of other matters that, although related to the issues surrounding problem gambling, are in our view outside the scope of the report and would appear to be outside the expertise of the researchers involved with this project.

In broad terms these matters include commentary on the motivation and psychology of the problem gambler and the factors that influence problem gambling behaviour.

While such comments may be useful as background material for discussion, they should not be used as arguments in any policy determination. In this regard reference is made to the following:

“For the problem gamblers interviewed, the key motivations underlying their gambling behaviour are escapism from difficult issues, loneliness and relaxation after work. The way the gaming environment (particularly that within clubs) and poker machines are designed plays a significant role in attracting people to use gambling as a means to escape, relax and feel less lonely. Once gambling becomes a problem for an individual, they fall into a cycle of gambling to chase their losses in order to be able to pay for basic necessities such as rent and groceries, and it becomes an overriding motivation.” [p 3]

“The problem gamblers interviewed tend to prefer clubs to hotels because the environment is perceived to be more comfortable, anonymous and, with more machines, some perceive clubs to payout more than hotels.” [p 4]

Clearly clubs are constructed to provide surroundings for their members that are as attractive, comfortable, and relaxed as possible. This is what the members expect from all of the facilities offered by a club.

However, most importantly, choices involving which club facilities a member wishes to utilise are entirely at the member's discretion. This point is in fact supported by the Hing report¹.

It is not clear what conclusions might be drawn from the observation about comfortable and friendly surroundings as they relate to the incidence of problem gambling.

If the suggestion is that less attractive, comfortable and friendly surroundings will lead to less problem gambling, then this hypothesis needs to be properly researched and tested. It is our view that the safe, comfortable and friendly environment found in clubs cannot be regarded as the cause of problem gambling.

A further example of perceptions that would need to be supported by proper research can be found in the extract below:

"Gamblers and their families in this research would welcome a shutdown of gaming machines during more popular gambling times. They suggest extending the current shutdown to midday, closing down machines during the day or evening and imposing shorter shutdown periods at intervals throughout the day.

In addition they suggest a wide range of strategies to reduce the harm caused by problem gambling, including:

- reducing the number of machines overall and within individual venues*
- reducing win amounts*
- banning note feeders and ATMs in venues*
- reformatting the machines and the gaming areas within venues to make it easier for gamblers to keep track of time and the amount of money they have spent*
- providing and promoting other forms of entertainment*
- increasing funding to counselling services*
- educating people about the dangers of gambling*
- requiring venues to exercise a duty of care to gambling patrons."* [p 6]

The suggestion to shutdown for longer periods and at more popular times is in our view contradicted by the finding that:

"The shutdown only directly impacted two of the nine problem gamblers included in the qualitative research (who had played poker machines since the shutdown was implemented) - one who gambled before work and another who gambled in the morning to keep it secret from her family.

The shutdown impacted these two problem gamblers by impinging on their ability to hide their gambling behaviour, encouraging them to gamble more frenetically within the hours remaining and to search for ways to limit or vary their work hours to overcome the restriction on venue opening hours. These two gamblers did not say they spent less time or money playing poker machines as a result of the shutdown." ...[p 5]

It would seem therefore that a conclusion that could be drawn from the research is that the effect of the gaming machine shutdown strategy on problem gamblers is negligible. As already stated, the problem gambler appears to be able to adjust to the conditions imposed.

¹ *"Clubs are not just gambling places. They provide lots of other facilities for their members. Anyone can enjoy their club and never gamble."* [Hing, Appendix C, C6 "The Gambling Environment"]

Further argument against any shutdown is the availability of other forms of gambling, particularly Internet based gambling. That is, there are ample opportunities to gamble elsewhere and particularly at unregulated gambling sites.

ClubsNSW has provided comment on the availability of Internet gambling and credit betting in its supplementary submission of 23 December 2003. It is requested that these comments be taken into consideration when reviewing this submission.

Many of the “additional suggestions” listed above were also canvassed in our previous submissions and it is requested that comments in those papers be taken into account when reviewing this submission.

As an example, comment has been made on the efficacy of legislation that requires clocks in gaming areas. Clocks in gaming areas and on gaming machine screens has been the subject of overseas research that in our view found the initiative ineffective.

Comment has also been provided on the initiative to reduce the win amount and mechanisms that assist gamblers to keep track of the amount of money spent. In this respect, attention is drawn to the legislative requirement for clubs to produce and store “Player Activity Statements”. This requirement has been implemented at considerable initial and ongoing cost to clubs but on available evidence has been of no use in tackling problem gambling.

ClubsNSW is also concerned that as a result of statements made in the Nielsen report an incorrect impression may be formed that problem gambling is largely the result of gaming machine activity in clubs:

“The majority of support agency clients usually play poker machines at a club venue. They are more than twice as likely to play at a club than a hotel (83% versus 40% respectively). Very few (3%) have clients who usually play poker machines at the casino.” [p 7]

In our view this impression cannot be supported on the evidence in this report. One weakness is that the sample chosen is not representative of gambling activity in New South Wales where clubs account for approximately two thirds and hotels one third of gaming machine expenditure. The sample chosen was characterised as:

“Almost all the problem gamblers included in the study mainly or only play in local clubs, whether they be small sporting clubs or larger community or ex-services clubs.”

[p 47]

There is no consideration of individual (per person) expenditure on gaming machines or many other factors that might arguably be used to indicate a propensity to develop problem gambling behaviour, or of measures implemented that would encourage patrons to seek treatment at support agencies.

It is suggested that if any future study is undertaken into the prevalence of problem gambling then serious consideration be given to constructing a sample that is more representative of the population’s gambling characteristics and attempts to account for factors such as those mentioned above.

Conclusion

ClubsNSW is of the view that while the Nielsen report has a number of weaknesses, it nevertheless gives a clear indication of the ineffectiveness of compulsory gaming machine shutdown as a gambling harm minimisation measure.

2. An Assessment of Member Awareness, Perceived Adequacy and Perceived Effectiveness of Responsible Gambling Strategies in Sydney Clubs – Hing, N.

In assessing the value of the Hing report, ClubsNSW examined its findings in the context of how it addressed three important questions:

- Has the gambling harm minimisation measure been effective in reducing problem gambling?
- Has the gambling harm minimisation measure been implemented? That is, if there is a requirement for a particular measure e.g. a warning sign, is there compliance with this requirement?
- Has the harm minimisation measure been effective in changing the level of awareness or attitude to gambling of the target group?

The Hing report does not address the first two questions but rather deals with awareness and perceptions and possibly by extension “attitudes”. The target group in this research is represented by club patrons.

This is not to say that measuring population awareness and perception are not valid, particularly for marketing or political purposes.

In this respect the most important finding in the report is:

“In relation to the club patrons’ perceived effectiveness of the club’s responsible gambling strategies, the results indicate the responsible gambling measures in the clubs have been effective in:

- *changing the way 44% of respondents think about their gambling”* [p 128]

However, in our view, it must be appreciated that simply because a gambler, be they of the ‘recreational’ or ‘problem’ categories, perceives a measure to be effective or ineffective does not necessarily mean that the measure actually works in changing the behaviour of the problem gambler.

As an example, the Nielsen report on the hours shutdown indicates a widespread perception that at least in ‘theory’ it is a good thing to shutdown machines. But in terms of the behavioural change induced in problem gamblers, its efficacy is at the very least highly questionable. It seems that the problem gamblers affected by the shutdown will simply modify their behaviour to suit whatever conditions are imposed.

The report title does not disguise the fact that it deals specifically with “Member Awareness” and “Perceived Adequacy and Effectiveness”.

However, ClubsNSW is concerned about a number of apparently subjective observations made in the report. A number of the more relevant examples follow.

Pro-activity and compliance of clubs

“These responses suggest that the clubs are not being particularly pro-active in providing a gambling environment that encourages responsible gambling.” [p iv]

and

“Clearly, without the incentive of legislation, some responsible gambling practices will be ignored by some gambling venues” [p vi]

It is our view that comments such as these must have a frame of reference or a base-line against which to compare. For example, if comments are being based on patrons' perceptions of club pro-activity or commitment, then what was the perception of patrons prior to July 2000 before gambling harm minimisation measures were first introduced?

Furthermore, the report does not appear to have conducted an independent audit of harm minimisation compliance. The Department of Gaming and Racing and ClubsNSW have developed checklists and have used such checklists to assess the compliance of clubs and hotels. There is no reference to such information and there appears to be no indication that this report has attempted to gather and make use of this type of data. The observations are instead based on perceptions and awareness of a sample of patrons.

ClubsNSW suggests that an industry wide base-line measure of “pro-activity” and “commitment” has not been established and that using a relatively small sample of club patron's perceptions is not a valid measuring tool for making such observations.

Also, by way of comment it is interesting to note that this research deals with a limited sample of clubs (10) without reference to other gambling venues.

Prevalence of problem gambling in clubs

In its Executive Summary the report makes an observation about the prevalence of problem gambling in clubs:

“It was not the intention of this report to make recommendations. However, the following observations are offered to help guide policy and to improve current responsible gambling efforts.

- *Clearly, gambling problems are prevalent amongst club patrons. While the prevalence rates found in this study are not representative of the population, it is of great concern that twofifths of patrons who happened to be on club premises and agreed to participate in the on-site survey when it was conducted have experienced problems with their gambling in the previous 12 months.” [p vi]*

However, further examination of the Hing report reveals the following qualifications:

“Because the proportions of ‘borderline’ and ‘problem’ gamblers amongst the population of club members were likely to be small (based on previous prevalence studies of various populations), a purposeful sampling technique was used in an attempt to capture higher numbers of ‘borderline’ and ‘problem’ gamblers than would likely have resulted from a random sampling technique.” [p 36]

“Additionally, the higher proportion of problems gamblers amongst the on-site survey respondents than for the mail survey may reflect their more regular patronage of their clubs and so their greater likelihood of being on-site when the survey was conducted and convenience sampling used.” [p 50]

“It should be emphasised then that the prevalence of gambling problems amongst the survey respondents is not indicative or representative of the prevalence of gambling problems amongst the population of club members, either for the participating clubs or for clubs overall.” [p 36]

While ClubsNSW would welcome a thorough gambling industry and population-wide analysis in New South Wales to assess the true level of problem gambling, similar to that conducted by the Productivity Commission in 1999, it is our view that given the qualifications to this research report, it is not valid to offer observations such as the one above for “guiding policy”.

Minors and intoxicated persons in clubs

The Executive Summary offers another observation for “guiding policy” that deals with minors and intoxication:

- *“Further, some clubs appear not to be compliant even with some legal obligations in responsible gambling, specifically relating to allowing minors and intoxicated people in gambling areas. Yet, these are measures that people consider as very important in encouraging responsible gambling.” [p vi]*

Minors and intoxication are two issues that are of significant concern to ClubsNSW and in our view this observation warrants further examination.

In relation to “minors” the body of the research report contains the following further detail:

“According to the quantitative results, there is not 100% compliance by the clubs with legislation restricting minors from entering gambling areas, with 10% of respondents noting they had seen minors in the gambling areas of their club.” [p 120]

To arrive at this conclusion, the survey respondents were asked:

“Have you ever seen anyone under the age of 18 in gambling areas of your club?”

Leaving aside the ability of the respondents to ascertain whether the person they observed was actually a minor or whether those people who apparently looked like they were under 18 were actually in a “gambling area”, it is important to note that from a purely legislative point of view minors are permitted to enter gambling areas in the company of a responsible adult for the purpose of passing through to another area of a club.

The report does not attempt to determine the circumstances under which minors were in the gambling area and the researchers appear to be unaware of the existing legislative requirements.

Perhaps if further screening of the responses was undertaken, then the perception of 10% of the respondents (90% did not report minors or were unsure) would not have led to this observation about compliance. At the very least this observation is not appropriate for guiding policy decisions or making judgements about legislative compliance.

In relation to intoxication the Gaming Machine Regulation 2002 (clause 48) does not permit a club to offer “free or discounted alcohol” for the purpose of inducing gambling on poker machines. In relation to intoxicated persons generally, and not specifically gaming machines in clubs, the Registered Clubs Act 1976 (Section 44A) sets out the ‘relevant steps’ that a secretary and employees must take in order to comply.

These steps are:

- (a) ask the intoxicated person to leave the premises,
- (b) contact, or attempt to contact, a police officer for assistance in removing the person from the premises,
- (c) refuse to serve the person any alcohol after becoming aware that the person was intoxicated.

While it is certainly not suggested that it is desirable to promote intoxication for the purposes of inducing gambling it is not clear how the research report can make the observation about legislative compliance when the question posed to the respondents was:

“If someone is refused a drink by staff at your club because they are intoxicated (drunk) can they still go and play the pokies?”

This question asks whether the respondent is aware of a club policy on intoxication and gambling. It does not ask whether the respondent has actually seen someone who has been refused a drink go and play the poker machines in their club, whether they were asked to leave or whether the police were contacted in the event the person refused to leave. It is likely that a question reworded to properly examine compliance with the legislation would have led to a very different response.

Interestingly, the response to the survey question was as follows:

<u>Yes</u> (the policy is to permit playing)	-	13.9%
<u>No</u> (the policy is not to permit playing)	-	25.1%
<u>Not sure</u> (of what the policy is)	-	61%

[Table 4.18, adjusted for the whole population]

That is, almost twice as many people report that their perception is one of a policy that does not permit refused persons to play poker machines.

Despite this, the Hing report still goes on to observe that “*some clubs appear not to be compliant even with some legal obligations in responsible gambling, specifically relating to allowing minors and intoxicated people in gambling areas.*”

Conclusion

ClubsNSW would like to re-state its view that the Hing report does not address the two most fundamental questions required to inform this policy debate.

The questions are:

- Has the harm minimisation measure been effective in reducing problem gambling?
- Has the gambling harm minimisation measure been implemented? That is, if there is a requirement for a particular measure e.g. a warning sign, is there compliance with this requirement?

To further illustrate this point, the survey asks:

“When you are playing the pokies in your club, can you see the time on a clock without getting up?”

The legislative requirement to have a clock that is “readily visible” is not disputed.

However, in our view, the only observations that can be made from such a question relate to the awareness of the patron to the presence of a clock supplied by the club.

The survey results cannot be used to imply that the provision of a clock is an effective harm minimisation measure or that a clock has not been provided by the club.

The results obtained to this question were:

<u>Yes</u> (Can see a clock without getting up)	37.2%
<u>No</u> (Cannot see a clock without getting up)	39%
<u>Not sure</u>	23.9%

[Table 4.14, adjusted for the whole population]

Without having access to the raw data, a reasonable conclusion might be that there are almost 40% of patrons for each of the 10 clubs in the survey who are aware of being able to see a clock in their club gaming machine area without getting up. It also seems reasonable to assume that approximately the same proportion of patrons is not aware. The remainder of patrons are not sure.

The conclusion must be that such a result cannot be used to inform the debate about the efficacy of the gambling harm minimisation measure or the compliance of a club in relation to this requirement.

Rather, as the example above illustrates the Hing report is about perception and awareness at one point in time.

In this respect the report found that:

“In relation to the club patrons’ perceived effectiveness of the club’s responsible gambling strategies, the results indicate the responsible gambling measures in the clubs have been effective in:

- *changing the way 44% of respondents think about their gambling”* [p128]

In our view, this is arguably the most important finding of the report and shows the success of efforts that have been made through programs such as ClubSafe together with the support of the legislative framework.