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Mr Ross Ferrar  
Executive Officer  
Australian Gaming Machine Manufacturers Association  
133 Alexander Street  
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Dear Mr Ferrar

### **RE: AUCKLAND UNIVERSITY REPORT**

Thank you for the opportunity to respond to the University of Auckland review of our study of potential revenue losses from gaming machine modifications. We are pleased to note that the reviewers found that both our report and that by the University of Sydney were 'breaking new ground' and 'show considerable potential for developing new approaches directed at minimising future harm caused by excessive gambling!'

However, I wish to address what we see as a number of misplaced criticisms of our work.

On page 26 of their report, the reviewers state:

The revenue at risk projections represent the *absolute maximum amount* that might be lost: Unfortunately, it is not possible to estimate from the CIE Report how much will actually be lost. To do so would require a methodology whereby:

- Using various remote and distant locations (but comparable for example, in terms of the socioeconomic status and ethnic profile) for experimental and control groups so that essentially, players exposed to an experimental venue could not choose to play at a control venue;
- All venues in a specific location had modified machines introduced; and
- Revenues for each venue are compared with a control.

On the first issue of overestimation, we would draw the reviewer's attention to Appendix A of our report, where we explicitly point out the conservative nature of our assumptions whereby we explicitly cap revenue losses from play where turnover is greater than \$1000 per hour and arbitrarily truncate the unknown distribution at \$1000 (see page 50).

The explicit assumption should have been recognised by the reviewers as an important offsetting effect to any tendency for experimental conditions to bias estimates of revenue loss upwards.



Whilst we concede that the environment they set out in the quotation above would be the ideal one in limiting player choice and thereby, better replicating an environment in which *all* machines were modified, it is in reality unattainable as no venue would be willing to install only modified machines for trialling and the idea of remote (from unmodified substitutes) venues drawing on ethnically and socioeconomically similar patronage, we submit, would be difficult to find even within a state as large as New South Wales. These suggestions do not, in our view, represent serious practical alternatives to the methods employed. Rather, acceptance is needed that whilst acknowledging biases will be present, pragmatic attempts to offset these have been made in our approach.

We also refer to the criticism on page 26 that ‘the CIE report does not consider other direct and indirect impacts that gambling (especially problem gambling) may have on the wider community ...’. We draw your attention to the fact that CIE was not asked to explore these wider socioeconomic effects and its terms of reference were confined to narrow economic impacts on revenue and the state economy.

Kind regards

ROSS CHAPMAN  
Director, CIE Sydney

17 November 2003