



NSW GAMING INDUSTRY OPERATORS



SUBMISSION TO THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL



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1 Executive Summary

The NSW Gaming Industry Operators (“GIO”) welcome the opportunity to make a comprehensive submission to the Independent Pricing and Regulatory Tribunal of New South Wales on the issues listed for consideration by its Review of Gambling Harm Minimisation Measures advertised on 24 September 2003.

The GIO supports effective evidence-based measures that will minimise problem gambling. In particular, the GIO supports the provision of useful information to players and improved counselling and treatment for problem gamblers.

The GIO does not support speculative ‘technical’ restrictions on gaming in NSW that simply serve to reduce entertainment value but do not impact in any material way on problem gamblers or ‘at risk’ players.

GIO members have discharged their responsibilities in terms of problem gambling through provision of support services and through proactive and constructive discussions with the Government – as outlined in this document and the Annexures to it.

However, the GIO respectfully suggests to IPART that the “harm minimisation” pendulum has simply swung too far in terms of reliance on unproven technical measures that are only ‘thought’ to be ‘likely’ to assist problem gamblers.

There is simply insufficient research available to justify such measures.



The GIO believes that although much has been achieved by NSW gaming venues in providing a “support net” for problem gamblers (such as access to free counselling and treatment services), there is a long way to go in terms of ensuring that the available problem gambling counselling and treatment services are of the highest possible standard. Competency standards are a critical issue.

The GIO also believes that more can and should be done in terms of providing information to players. Details are set out in this submission.

The GIO therefore respectfully requests IPART to recommend that the existing and proposed “technical measures” which cannot be shown to have any material positive impact on problem gambling in NSW be discontinued or not proceeded with as such measures impact negatively on recreational players.

The GIO supports ‘evidence based’ measures which can be shown to impact positively on problem gamblers ideally without impacting negatively on recreational players.



2 Introduction

The NSW Gaming Industry Operators Group (the “GIO”) comprises AHA (NSW), Clubs NSW, The Leagues Club Association of NSW, the Club Managers Association of Australia, TAB Limited and Star City.

The GIO was formed in 2000 to respond, as an industry’, to nine ‘responsible gambling’ measures proposed by the Liquor Administration Board (“LAB”) and subsequently made four joint submissions to the LAB on responsible gambling issues.

The GIO welcomes the opportunity to make this submission to the Independent Pricing and Regulatory Tribunal (“IPART”) in relation to IPART’s Review of Gambling Harm Minimisation Measures.

The GIO has submitted to the LAB that the term “harm minimisation” cannot have any real meaning in a gaming regulation context unless some *specific* harm can be identified and can be demonstrated to be effectively ‘minimised’ or ‘reduced’ by the process¹.

Many of the ‘harm minimisation’ measures described in the IPART *Issues Paper* were dealt with in the four formal submissions made by the GIO to the LAB, full copies of which are attached to this submission.

¹ GIO Submission to LAB “Response to LAB Determination and Proposals of 2nd May 2001” dated 8 June 2001, page 20



The GIO has sought to summarise its concerns regarding these measures – as expressed to the LAB - in this submission. The GIO notes that IPART has set out the ‘harm minimisation’ measures it is reviewing in Table 1 of the IPART “Issues Paper”.

The GIO has accordingly prepared a schedule, following the format of that Table 1, summarising the GIO position on the ‘harm minimisation’ measures listed in Table 1. Copies of the research projects commissioned by the GIO for the benefit of the Liquor Administration Board are annexed as Annexure A and B².

The GIO made the following four formal submissions to the LAB between June 2000 and February 2002. Copies of the original four GIO submissions to the LAB are set out in Annexures C, D, E and F to this submission.

	Date	Submission	Comments	Appendix
1.	9 June 2000	“Response to LAB Proposals of 13 March 2000 and 5 May 2000 and Additional Material”	Industry response to nine ‘initiatives’ proposed at LAB forum on 5 May 2000	Annexure C
2.	15 December 2000	“Response to LAB Proposals of 17 November 2000”	Response required by LAB to LAB Provisional Determinations of 17 November 2000	Annexure D

² Responses from Sydney University and the CIE to criticism of their reports are annexed as Annexures G and H.



3.	8 June 2001	“Response to LAB Determination and Proposals of 2 May 2001”	GIO Response to LAB “First Determination”	Annexure E
4.	7 February 2002	“Supplement to GIO Submission to LAB of 8 June 2001”	Supplement to Sydney University and CIE Research Reports in relation to three specific measures	Annexure F

The GIO, in its various submissions to the LAB, has submitted to the LAB that many of the proposals currently under consideration and many of the measures that have already been implemented in NSW are:

- are simply unlikely to achieve the “harm minimisation” expectations envisaged; and
- have had (and continue to have) a significant adverse impact on the industry, on employment in NSW, on NSW government revenues and on the enjoyment of recreational players.

The GIO has accordingly suggested that these measures should be reconsidered.

The GIO has not changed its view in this respect and requests IPART to give consideration to the industry’s views in relation to these “harm minimisation” measures in reviewing, examining and reporting on them to the Minister in accordance with its terms of reference.



3 IPART Schedule of Harm Minimisation Measures

The GIO notes that IPART has set out ‘groupings’ of “harm minimisation” measures in Table 1 to the Issues Paper and has sought stakeholder views on these ‘groupings’³.

The GIO has adopted the groupings for the purpose of this submission for ease of reference but does not accept the groupings as proposed by IPART or the ‘labels’ attached to the groupings.

For example, the GIO does not accept the ‘*Circuit Breaker*’ terminology to the extent that it implies that a ‘circuit breaker’ is required, is effective or achieves any sort of material benefit for problem gamblers.

A further issue for the GIO is the use of the term ‘*Liquidity Controls*’.

The GIO respectfully suggests that this description for this grouping suggests (i) that each of the measures listed actually ‘control’ liquidity in some way (which is not agreed by the GIO) and (ii) that this is a goal that needs to be achieved. In fact, this is the first occasion that this terminology has been used in this debate and the meaning and objectives associated with the term (which is somewhat vague) need to be defined, understood and agreed.

The GIO believes that the use of such terminology ‘pre-judges’ the issues raised by the proposed measures and respectfully requests that the terminology be reconsidered or explained..

³ IPART Issues Paper, page 5.



The table of measures has been reproduced with cross references to earlier GIO comments on these issues to indicate which of the measures the GIO proposes to respond to as a group and which will be dealt with individually.



Table 1 Harm Minimisation Measures

<u>“Circuit-breakers”⁴</u>	GIO Response	Page Reference
Compulsory Shut Down of Gambling Venues	GIO Members will respond individually	
Ban on Smoking in Gambling Venues	GIO Members will respond individually	
Periodic Shutdown of Individual Machines	Paragraph 3	15
Periodic Information Messages to Gamblers Using Gaming Machines	Paragraph 4	19
Restrictions on Alcohol Consumption by gamblers	GIO Members will respond individually	
Performance of Self-Exclusion Schemes	GIO Members will respond individually	
<u>“Information for Gamblers”</u>		
Requirements to Display Certain Signage	GIO Members will respond individually	
Display of Clocks in Gaming Machine Areas	GIO Members will respond individually	
Information in Brochures Required in Gambling Venues	GIO Members will respond individually	
Information on betting tickets, lottery and keno entry forms	GIO Members will respond individually	

⁴ Refer to comments on page 9.



Role of Community Services including gambling counselling services	Paragraph 5	28
Contact Cards for Counselling Services	GIO Members will respond individually	
Compulsory Display of Payout Ratios and probability of winning specific prizes	Paragraph 6	32
General advertisements highlighting problem gambling	GIO Members will respond individually	
Display of monetary value of credits, bets and wins	Paragraph 7	38
Information for individual players on their gambling session	Paragraph 8	33
<u>“Liquidity Controls”⁵</u>		
Requirements for large payouts not to be in cash	GIO Members will respond individually	
Prohibition on providing credit for gambling	GIO Members will respond individually	
Requirement to locate ATMs away from gambling areas	GIO Members will respond individually	
Restrictions on note acceptors	Paragraph 9	39
Lower limits on maximum bets on gaming machines	Paragraph 10	63
“Pre-commitment” or “smart” cards that enable financial limits to be set	GIO Members will respond individually	

⁵ Refer to comments on page 9.



Restrictions on daily cash limit in ATMs close to gambling venues	GIO Members will respond individually	
Reducing the maximum permissible win	Paragraph 11	82
Further possible changes to affect the rate of play or loss per hour	GIO Members will respond individually	
Forced payment of wins when certain level is reached and payment then to be only by cheque	Paragraph 12	90
<u>“Restricted Promotion of Gambling”</u>		
Controls on Advertising	Paragraph 13	94
Controls over player reward schemes	GIO Members will respond individually	
Restrictions on promotions and other inducements to gamble	Paragraph 14	99
Controls on gaming machine artwork	Paragraph 15	103
Possible elimination of double up and other similar gamble features	Paragraph 16	107
Availability of Alcohol and other refreshments to gamblers	Paragraph 17	110
<u>“Community/Counselling Services”</u>		
Agreement with Counselling Services	GIO Members will respond individually	
Training for staff in gaming machine venues	GIO Members will respond individually	
<u>“Technical Measures”</u>		
Slower Reel Spin Speeds	Paragraph 18	114



Removal of Visual and Sound Stimuli	Paragraph 19	130
Requirement of human intervention in large payouts	Paragraph 20	136
Requirement for natural light in gaming venues	Paragraph 21	138
Requirement for gambling patrons to be visible to people outside the gambling venue	Paragraph 22	142
The impact of music being played and display of lights when a win takes place.	Paragraph 23	144



4 Periodic Shutdown of Individual Machines

The seventh of nine “harm minimisation” proposals announced by the LAB at the LAB public forum on 5th May 2000 was a proposal to shut down machines for ten minutes every hour:

“Shutting down a machine for 10 minutes every hour”

In the GIO’s first submission⁶ to the LAB on 9 June 2000, the GIO expressed the view that a periodic shutdown of machines “*was not a practical or effective “harm minimisation” measure*” for the following reasons:

- “if machines are switched off individually every hour, it will still be possible for problem gamblers to switch to another machine
- a periodic shutdown would annoy and disrupt recreational players (particularly if credits are locked up on a machine that is switched off)
- there is a strong likelihood that such a measure would give rise to disputes between players and management (mere power failures have produced chaos in venues and some venues have been forced to make payouts to players with dubious claims)
- if all machines in a venue are switched off every hour, it will annoy and disrupt recreational players and will be ineffective in targeting problem gamblers (as players will simply wait by machines with credits on them)
- all players are likely to increase their play rates while the machines are ‘on’
- a ‘6 O’Clock swill mentality would be produced as the ‘switch off’ time approached with players increasing both their bets and play rate before machines are switched off; this is likely to be highly counterproductive for problem gamblers

⁶ GIO, “Response to LAB Proposals of 13 March 2000 and 5 May 2000 and Additional Material”, 9 June 2000, page 33-34



- turning off machines could give rise to technical difficulties particularly in relation to links and wide area networks not designed to accommodate this process
- if different ‘switch off’ periods are involved for players on a wide area network, individual players could be prejudiced by being locked out of jackpots which other players are not locked out of
- time lags in communications between machines would make it difficult for all machines to shut down at the same time
- if machines start up at different rates, again, some players could be disadvantaged by being locked out from jackpots for longer periods.”

The GIO notes that the LAB, in its Provisional Determination of 17 November 2000⁷, determined that *“this measure should not be implemented for the number of negative reasons expressed”*.

The GIO, in its submission of 15 December 2000⁸, endorsed the LAB’s decision and thanked the Board for its comments. The GIO is surprised that this “harm minimisation” measure should be raised again given that it has already been rejected by the LAB.

The GIO notes that, to its knowledge, no measure of this nature has been introduced anywhere in the World and suggests that this is an indication of the speculative nature of

⁷ Liquor Administration Board: “Gambling Harm Minimisation and Responsible Conduct of Gambling Activities Review of the Board’s Technical Standards for Gaming Machines and Subsidiary Equipment in NSW”, November 17, 2000, page 16.

⁸ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 40



such a proposal, the very significant costs that would be associated with it and the perceived ineffectiveness of the measure in terms of reducing problem gambling.



GIO EVALUATION TABLE 1

PERIODIC SHUTDOWN OF INDIVIDUAL MACHINES

Impact on Gamblers	Disruptive. Would impact significantly on entertainment and enjoyment.
Impact on Problem Gamblers and “At Risk” Gamblers	Minimal positive impact. Will wait or engage in other gambling activities. Significant negative impact. 6’Oclock swill mentality may encourage increased gambling.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative - will reduce recreational enjoyment and therefore revenue & employment.
Impact on Community Projects	Negative – will reduce state revenues.
Impact on Recreational and Social Opportunities	Negative – will reduce the enjoyment derived by recreational players.



5 Periodic Information Messages to Gamblers Using Gaming Machines

Original Proposal

The fourth of nine “harm minimisation” proposals announced by the LAB at the LAB public forum on 5th May 2000 was a proposal to provide players with periodic messages.

The original LAB proposal was as follows:

“The introduction of a facility whereby – at random intervals – a screen will appear on the machine with the words in an approved form specifically asking players if they would like to continue playing, and to require the player to answer “Yes” or “No” with a “no” answer automatically exiting the player from the machine and crediting them with the remaining credits. A similar facility would be required to appear immediately after larger wins (eg a win which is 250 times the original bet)”⁹.

GIO Submission (9 June 2000)

The GIO responded to this proposal on 9 June 2000 supporting the display of “harm minimisation” messages on screen but suggesting that a message of the nature proposed (random intervals and interrupting play) would disadvantage players on links. The GIO therefore suggested an alternative “pull through” message (to be implemented for new machines only) which provided for:

⁹ LAB Public Forum – 5th May 2000



- (i) “a ‘pull through’ message that runs across the screen of each machine every 30 minutes;
- (ii) a ‘pull through’ harm minimisation message that runs across the screen of each machine when in excess of \$100 is inserted;
- (iii) a ‘pull through’ harm minimisation message each time the proposed new \$500 (hotels and clubs) or \$1000 (Star City) ‘cash input limit’ is reached.”

The GIO stated at that time that it believed (as it believes now) that such pull through messages would be sufficient to cause players to stop and think about the issues raised in the notice.

LAB Provisional Determination (17 November 2000)

The LAB responded to the GIO in its Provisional Determination of 17 November 2000¹⁰ stating that it “agreed”¹¹ with the recommendations of the Productivity Commission that there is a “need for enforced breaks”.

The Productivity Commission did not, in fact, state that there was “need” for enforced breaks.

¹⁰ LAB Provisional Determinations, 17 November 2000, page 12

¹¹ LAB Provisional Determinations, 17 November 2000, page 12



The Productivity Commission stated¹² that: “the notion that problem players may gamble for prolonged sessions is confirmed by the Commission’s data so that, in principle, enforced breaks may allow gamblers to pause before automatically playing on.”

The LAB conceived the concept that players “should have an enforced break and be shown a message about the chances of winning/losing whenever they have a significant win”.

The Board also determined that the screen “should call for a decision to either cash out or continue to play by pressing a button or touch screen”.

It also determined that because a ‘large win’ – as originally proposed – could be as little as 50 cents, the term ‘large win’ in the original proposal should be defined as a win of \$100 or more.

The Board also stated that although it was “attracted” to the GIO’s proposal of “lowering the current overall \$10,000 cash input limit in lieu of a limitation on note acceptors”, it favoured a cash input limit of \$200 instead of the \$500 (clubs and hotels) and \$1,000 (Star City) limit proposed by the GIO.

The Board also proposed that all of the messages should contain session information generated by the EGM in relation to the ‘current session’: (i) money gambled, (ii) money won, (iii) money spent (gambled less won), (iv) current time, (v) average time spent playing and (vi) average cost (this will be addressed in Paragraph 12).

¹² Productivity Commission Report 1999, Volume 2, “Enforced breaks”, page 16.83



GIO Submission (15 December 2000)

The GIO responded to these proposals in its submission to the Board on 15 December 2000, endorsing the concept of “harm minimisation messages to be displayed at 30 minute intervals generated by the gaming machine”¹³.

The GIO suggested that the messages should roll across the screen “at least once during every 30 minutes of continuous use” and should be consistent with existing harm minimisation messages.

The GIO suggested that it was important that messages did not obscure player meters, fault information, status information or the reel area on the screen adding that the GIO’s preferred solution was for the harm minimisation message to ‘scroll’ across ‘an otherwise unused area of the screen’.

The GIO stated in its submission of 15 December that it did not support either the proposed \$200 cash input limit¹⁴ (the GIO had suggested \$500 for clubs and hotels and \$1,000 for the casino) or the concept of an ‘enforced break’ or the triggering of messages on wins of \$100 or more.

The GIO repeated that it was concerned that players would be disadvantaged by enforced breaks and added that it was “concerned that the triggering of harm minimisation messages

¹³ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 32

¹⁴ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 33



on a win of \$100 (or any amount) will interfere with the entertainment experienced by a winning recreational player.”

The GIO noted that the Board had agreed that players should not be disadvantaged from participating in mystery or other jackpots nor should they lose other playing benefits¹⁵.

The GIO explained that triggering harm minimisation messages whenever a player wins a decent win “interfered with the essence of the entertainment experience”, namely the ‘win celebration’.

The GIO explained that the idea was akin to a punter who had just backed a winner instantly being given a similar message just as he wins and is celebrating the win.

The GIO stated in its submission of 15 December 2000 that it is inappropriate to interfere with the essence of the entertainment experience unless it is absolutely critical to protect the problem gambler. The GIO does not believe that it is ‘absolutely critical’.

The GIO requested the Board to “reconsider the issue and reject the concept of an “enforced break” and the “chances of winning/losing message in favour of the “pull through” messages” as proposed by the GIO.

The GIO noted that the ‘effectiveness’ of the LAB proposal had simply not been demonstrated.

¹⁵ LAB Provisional Determinations, 17 November 2000, page 12



LAB First Determination (April 2001)

Notwithstanding the GIO's comments, the LAB announced that it had determined that:

- a pull through harm minimisation message should run across the screen when a cash input limit of \$200 was reached (i.e. not \$500/\$1000);
- whenever a player has a win of \$100 or more, an “enforced break in play” should occur, preventing the machine from being played until the player had rejected an on screen invitation to cash out;
- all messages should contain session information.

The LAB “acknowledged the importance of not making gaming unpleasant for the majority of players” but stated that any such impact had to be “balanced against the good that the Board perceives will flow from the proposals.”¹⁶

The LAB also determined that the message accompanying the ‘enforced break’ should “only invite the player to cash out, not play on”.

The LAB agreed, however, (i) that “prescribed messages should be required to scroll across the screen at least once during every 30 minutes of continuous use” (ii) that the scrolling messages should occur in an “otherwise unused area of the screen” and (iii) that “the content of these messages should be consistent with other harm minimisation messages”¹⁷.

¹⁶ LAB First Determination, page 36

¹⁷ LAB First Determination, page 37



GIO Submission (8 June 2001)

The GIO responded to the LAB's "First Determination" of 2nd May 2001 on 8 June 2001.

The GIO stated that it sought a '3 year evaluation phase' in relation to the current extensive range of 'harm minimisation' measures before any of the new measures were implemented¹⁸ and sought to have the 'enforced break in play' concept deferred pending an evaluation of the effectiveness of all other measures¹⁹.

The GIO stated that it "has seen absolutely no evidence that such a message and break will have any impact on the problem gambler"²⁰, conceding that if it could be shown that the measure would reduce problem gambling, trials of the 'enforced break' should take place.

Current GIO Position

The GIO position on this issue remains the same.

The "enforced break in play" conceived by the LAB is opposed as it will interfere with the essence of the entertainment experience. The GIO also believes that enforced breaks will not achieve any material benefit in terms of reducing problem gambling.

¹⁸ GIO Submission to LAB "Response to LAB Determination and Proposals of 2nd May 2001" dated 8 June 2001, page 8

¹⁹ GIO Submission to LAB "Response to LAB Determination and Proposals of 2nd May 2001" dated 8 June 2001, page 31

²⁰ GIO Submission to LAB "Response to LAB Determination and Proposals of 2nd May 2001" dated 8 June 2001, page 31



The vast majority of players are not problem gamblers. Why should their entertainment be adversely impacted to such a substantial extent on the basis of a wholly speculative measure?

The risk to gaming venues is a very significant one and the GIO believes that no action should be taken to implement the 'enforced break' concept is warranted (although the GIO continues to support the messaging options that it suggested to the Board on 9 June 2000).



GIO EVALUATION TABLE 2

PERIODIC INFORMATION MESSAGES TO GAMBLERS USING GAMING MACHINES

Impact on Gamblers	Positive (greater degree of informed consent) provided enjoyment and entertainment not impacted by breaks, content, timing and/or prominence of messages.
Impact on Problem Gamblers and “At Risk” Gamblers	Positive (provided that appropriate information booklet explains concepts and treatment providers utilise in treatment regimes).
Impact on Community Services including Counselling Services	Positive if treatment providers utilise.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Positive. Indicative of responsible approach taken by providers and their employees.
Impact on Community Projects	Nil.
Impact on Recreational and Social Opportunities	Positive – may provide greater enjoyment for recreational players.



6 Role of Community Services Including Counselling Services

The GIO stated in its 2nd May 2001 submission to the LAB ²¹that there is, in its view, no evidence to support the LAB's view that *"...one of the most useful tools available to address problems associated with gambling is a restriction upon the manner of operation of gaming machines."*

The GIO stated that, in its view, *"it is far more likely that problem gambling can be effectively addressed by psychological counselling and treatment"*²², noting that anecdotal evidence suggested that the severe problem gambler will play virtually any form of machine that might provide him or her with a return and observing that *"...if this is so, it would be necessary to virtually destroy the attractiveness of gaming machines to the recreational gambler in order to effectively address the problem gambler's interest in the machines."*²³

The GIO noted that even if such extreme action was taken, problem gamblers would still have access to other forms of gambling.

The GIO recommended that the problem gambling issue should be addressed by:

- (i) establishing proper competency standards for counselors and treatment providers;
- (ii) training professionals to those competency standards

²¹ GIO Submission to LAB "Response to LAB Determination and Proposals of 2nd May 2001" dated 8 June 2001, page 23

²² GIO Submission to LAB "Response to LAB Determination and Proposals of 2nd May 2001" dated 8 June 2001, page 23

²³ GIO Submission to LAB "Response to LAB Determination and Proposals of 2nd May 2001" dated 8 June 2001, page 25



- (iii) establishing a network of treatment providers with an effective vertical referral system (as set out in the GIO's proposal to the Australian Psychological Society attached as Annexure B to the GIO's LAB submission of 2nd May 2001, and
- (iv) training all venue gaming staff in responsible service of gambling procedures and effective liaison with the treatment providers described in (iii) above.

The GIO wrote to the Australian Psychological Society (APS) on 11 April 2001 (a copy of the GIO's letter appears in Appendix B to the GIO's submission to the LAB dated 8 June 2001 which comprises Appendix C to this submission) requesting the APS to become involved in a project to establish competency standards for problem gambling treatment providers. Unfortunately this project has not proceeded.

The GIO's position on this issue has not changed.

The GIO believes that it is of critical importance to establish competency standards for treatment providers and to train providers to those standards to effectively reduce problem gambling in NSW.

The GIO notes that the sixth survey of problem gamblers receiving treatment in NSW carried out by Sydney University for the Casino Community Benefit Fund²⁴ reveals that only 36% of counselors provide treatment 'in accordance with a manual'.

This suggests that the GIO's concerns regarding adequacy of treatment standards are justified.

²⁴ http://www.dgr.nsw.gov.au/IMAGES/CCBF/surveys/2002/survey_2002_1.pdf, page 2



Surely every counselor should be trained to acceptable tertiary qualification levels and should be required to provide counselling and treatment to the prescribed standards?



GIO EVALUATION TABLE 3

ROLE OF COMMUNITY SERVICES INCLUDING GAMBLING COUNSELLING SERVICES

Impact on Gamblers	Nil
Impact on Problem Gamblers and “At Risk” Gamblers	The availability of trained counsellors is of fundamental importance.
Impact on Community Services including Counselling Services	N/A
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Positive. If competency standards for counsellors are developed and applied, gambling providers will have greater confidence in treatment system.
Impact on Community Projects	Nil.
Impact on Recreational and Social Opportunities	Nil.



7 Compulsory display of payout ratios and probability of winning specific prizes

Original Proposal

The first of nine “harm minimisation” proposals announced by the LAB at the LAB public forum on 5th May 2000 was a proposal to display player returns. The precise wording was as follows:

“Suitably presented, plain-English Information about specific player returns and the likelihood of payouts on individual gaming machines being incorporated as a gaming machine screen option – to be readily available to players through a clearly marked button or touch screen facility”²⁵.

The concept of such disclosure had been discussed at length in the Productivity Commission Report²⁶.

GIO Submission (9 June 2000)

In the GIO’s first submission to the LAB, the GIO endorsed the proposal to display ‘chances of winning’ data in the form recommended by the Australian Gaming Machine Manufacturers Association (“AGMMA”)²⁷ to players via a ‘second screen’ adding that AGMMA’s Player Information Booklets (attached to that GIO submission as Appendix F) should also be supplied to players.

²⁵ LAB public forum 5th May 2000

²⁶ Productivity Commission Report 1999 Volume 2 page 16.13 to 16.25

²⁷ Now the Australasian Gaming Machine Manufacturers Association



The GIO noted that the combination of the booklet and the displays would permit clear authoritative guidance to be provided by treatment providers to problem gamblers.

LAB Provisional Determination (17 November 2000)

The LAB announced in its Provisional Determination that the information to be displayed on the second screen was to comprise:

- Total theoretical percentage return to player including any progressive features in stand alone progressive games.
- Dollar value of top 5 single prizes.
- The probability of winning the top single prizes.

The Board indicated that it supported the use of player information booklets in conjunction with the chance of winning data available on the screen.

GIO Submission (15 December 2000)

The GIO endorsed the LAB's disclosure proposal (above) and suggested that the probability of winning the lowest five prizes should also be disclosed as it was more likely to be relevant to most players and permitted more effective comparison of machines. It was also suggested by the GIO that the displays be designated "Player Information Displays" or PIDs²⁸.

²⁸ GIO Submission to LAB "Response to LAB Proposals of 17 November 2000" dated 15 December 2000, page 22



The GIO suggested that AGMMA's comprehensive Player Information Booklet could be adapted to explain the significance of PID information and that a 'pull through' message advise players of the availability of the PID.

The GIO noted that gaming operators had been advised by manufacturers that there was insufficient software capacity in old platforms to support PIDs and therefore suggested that the PID requirement should apply prospectively to new machines (on the basis that venues would be required to offer 100% PID available floors within 7 years of commencement of the PID requirement).

The question of how access to PID displays would take place and the GIO noted that AGMMA had suggested that the 'Reserve' button could be re-tasked for this purpose (this is how Victorian PIDs are now accessed).

The GIO noted that the LAB had declined to accept the GIO's suggestion that the Cash Input Limit should be reduced to \$500 and, instead, proposed to require a decrease in the limit to \$200. The GIO pointed out that the \$10 Maximum Bet limit effectively controlled betting and suggested that if a 'high roller' wished to insert \$500 into a machine, he or she should be allowed to do so.

LAB First Determination (April 2001)

The LAB's First Determination stated that NSW Technical Standards would be amended to provide for PIDs displaying:

- The total theoretical percentage return to player for the game including any progressive features in stand alone progressive games;



- The dollar value of the top five single prizes
- The probability of winning the lowest five single prizes

GIO Submission (8 June 2001)

The GIO suggested that rather than specifying a specific return to player (“RTP”), it would be preferable to disclose a *range* of RTPs. The GIO noted, in relation to linked machines, that the RTP in the base game can be below the statutory minimum (85%), with the link contributing the balance of the RTP.

The GIO pointed out that if the EGM discloses the base game only, a player comparing a linked machine with that machine may be misled into thinking that the stand alone machine offers a higher RTP.

It was accordingly suggested that the RTP for the link must be separately disclosed²⁹.

The GIO notes that this has been dealt with in Victoria in the manner proposed by the GIO: a separate screen for “Linked Jackpot Game Information” discloses the contribution from the link with the words: “This game is part of a linked jackpot. Theoretical return to player from this game = [*]%. Jackpot return to player = [*]%”.

The GIO suggested that the ‘top single five prizes’ should be the highest prizes capable of being won by betting the minimum number of credits on one line while the ‘lowest five single prizes’ should be the lowest five prizes capable of being won by betting the minimum number of credits on one line.

²⁹ GIO Submission to LAB “Response to LAB Determination and Proposals of 2nd May 2001” dated 8 June 2001, page 28



The GIO suggested that:

- only one pull through message should run across the screen during any 30 minutes of continuous play³⁰;
- PID screens should not be available “until a relevant button or touch screen icon is pressed to return the machine to idle mode” (as proposed by the LAB) because players could run down a bank of machines triggering the PIDs leaving them in PID mode indefinitely; the GIO accordingly suggested that, *when there are no credits on the credit meter*, the PID screen should automatically disappear and return to idle mode after 5 seconds.

Current GIO Position

The GIO’s position on disclosure of information via Player Information Displays has not changed but the GIO notes that, since the debate over this issue occurred, Victoria has adopted Player Information Displays (which disclose more information to players than the proposed NSW PIDs).

The GIO notes that manufacturers have developed the technology and software/hardware required to implement the Victorian model.

The GIO recognises that significant cost savings could be realized if the Victorian model was adopted in NSW and accordingly requests IPART to recommend that the Victorian PID model be adopted.

³⁰ GIO Submission to LAB “Response to LAB Determination and Proposals of 2nd May 2001” dated 8 June 2001, page 28



GIO EVALUATION TABLE 4

**COMPULSORY DISPLAY OF PAYOUT RATIOS AND
PROBABILITY OF WINNING SPECIFIC PRIZES**

Impact on Gamblers	Positive (greater degree of informed consent) provided enjoyment and entertainment not impacted by breaks, content, timing and/or prominence of messages.
Impact on Problem Gamblers and “At Risk” Gamblers	Positive (provided that appropriate information booklet explains concepts and treatment providers utilise in treatment regimes).
Impact on Community Services including Counselling Services	Positive if treatment providers utilise.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Positive. Indicative of responsible approach taken by providers and their employees.
Impact on Community Projects	Nil.
Impact on Recreational and Social Opportunities	Positive – may provide greater enjoyment for recreational players.



8 Display of monetary value of credits, bets and wins

The GIO notes that the third proposal raised by the LAB at the public forum that took place on 5th May 2000 was a proposal to display dollars and cents rather than units on meters:

“The inclusion in the gaming machine display of a prominent meter which records – in terms of dollars and cents rather than simply units – the total monetary value of the credits available to players prior to each play, the monetary value of the bet which a player is making prior to each play and the monetary value of the win which a player wins”³¹.

GIO Submission (9 June 2000)

The GIO indicated to the LAB in its first submission³² that it supported this measure. This matter has since been dealt with in the Technical Standards (otherwise known as Australian/New Zealand Gaming Machine National Standards Version 6) which prescribe that:

“Game Screen Meters

*3.8.2a Meters concerning player entitlements (including Credit, Bet and Win meters) displayed on the game-screen must be displayed simultaneously **in both dollars and cents and credits in a format which is clearly visible to the player and easily distinguished.***

³¹ LAB public forum, May 2000

³² GIO, “Response to LAB Proposals of 13 March 2000 and 5 May 2000 and Additional Material”, 9 June 2000, page 22



A display which alternates between dollars and cents and credits will be acceptable provided that both values are clearly visible and easily distinguished. Such a display is not to alternate during a play nor during the incrementation of the Win meter or Credit meter following a win.

For a multi-game gaming machine providing games with different credit values (e.g. 1c, 2c),

Multi-Game Select Mode is only required to display the Credit meter in \$ and c.”

Credit Meter Display

3.8.3 The player's credit meter must always be prominently displayed in all modes except audit, configuration and test modes.

During game play in second screen bonus features the player's credit meter amount does not need to be displayed- provided the player is not required to bet additional credits during the feature.

3.8.4 Values displayed to the player (e.g. wins and credits) may be incremented or decremented to the value of the actual meter for visual effect. However, the internal storage of these meters must be immediately updated (not incremented or decremented).”



GIO EVALUATION TABLE 5

PERIODIC INFORMATION MESSAGES TO GAMBLERS USING GAMING MACHINES

Impact on Gamblers	Positive (greater degree of informed consent) provided enjoyment and entertainment not impacted by breaks, content, timing and/or prominence of messages.
Impact on Problem Gamblers and “At Risk” Gamblers	Positive (provided that appropriate information booklet explains significance and treatment providers utilise in treatment regimes).
Impact on Community Services including Counselling Services	Positive if treatment providers utilise.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Positive. Indicative of responsible approach taken by providers and their employees.
Impact on Community Projects	Nil.
Impact on Recreational and Social Opportunities	Positive – may provide greater enjoyment for recreational players.



9 Information for individual players on their gambling session

The GIO notes that this proposal was conceived by the LAB in its Provisional Determination of 17 November 2000³³ and notes that the GIO, in its 15 December 2000 submission to the LAB³⁴, supported the concept of session information but recommended that such information should be incorporated in the PID rather than in random messages.

GIO Submission (15 December 2000)

The GIO expressed the view (still strongly held) in that 15 December 2000 submission that:

- recreational players will react adversely to their session information appearing ‘at random’ on the screen to be read by any passers by or persons looking over their shoulder because players value their privacy and do not wish passers by to know how much they have won or lost in a session;
- security is an issue: random disclosure may facilitate robberies;
- session information screens should be reset to zero as soon as the credit meter is cleared (for the privacy and security reasons outlined above)
- session information will be misleading and complete if it does not include winnings from links

³³ Liquor Administration Board: “Gambling Harm Minimisation and Responsible Conduct of Gambling Activities Review of the Board’s Technical Standards for Gaming Machines and Subsidiary Equipment in NSW”, November 17, 2000, page 12-13.

³⁴ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 35



- the terminology suggested by the LAB should be modified as it was confusing (the term ‘Money Gambled’ should be replaced with the term ‘money played’ (i.e. turnover), the term “Money Spent (Gambled Less Won)” should be replaced with the term “Money Spent (Played Less Won)” and the term “Average Cost” should read “Money Spent per Hour”)

LAB First Determination (April 2001)

In the LAB’s First Determination, the LAB rejected the GIO’s suggestion that the session information should be displayed in a PID that can be called up by the player when he or she wishes to call up such information (the approach subsequently adopted by the Victorian Government):

Instead, the LAB determined that four³⁵ different types of “pull through” messages be generated by the machines, each of which was required to include five items of session information:

- the first type of “pull through” message containing session information is a ‘random’ harm minimisation message which is to scroll across screens at least once every half hour – it is to contain session information; the player will not be able to prevent this information from being displayed;
- the second type of “pull through” message containing session information is a harm minimisation message that would be generated whenever the \$200 cash input limit is

³⁵ The LAB increased the number of categories of ‘pull through’ messages from three (set out in the Provisional Determination) to four (set out in the First Determination).



reached; that is, whenever a player puts in \$200, the machine would generate a message including his or her session information;

- the third type of “pull through” message containing session information is to be triggered by a win of \$100 or more which is also to generate an “enforced break”³⁶ in the form of a message inviting the player to cash out³⁷.

The LAB accepted³⁸ the GIO’s comments regarding the following issues, agreeing that:

- prescribed messages should be limited to one every half hour;
- scrolling of messages should occur in an other wise unused area of the screen;
- session information must be reset to zero as soon as the credit meter is cleared;
- the terminology should be changed to ‘amount played’, ‘amount won’ and ‘amount spent per hour’

The LAB declined to revisit the question of the cash input limit which it retained at \$200.

GIO Submission (8 June 2001)

The GIO repeated its concerns regarding privacy, security and misleading information (those it had expressed in its submission of 15 December 2000) when it responded to the LAB on 8 June 2001.

³⁶ See Section 4 above on ‘enforced breaks’ – not supported by the GIO

³⁷ Formerly this message was to ‘cash out or play on’ – which may be self evident but was fairer.

³⁸ LAB First Determination, page 37



The GIO stated that “there is simply no justification for taking these risks”³⁹, noting that players would be made aware that the information was available.

The GIO stated that “on any analysis, that should be sufficient”⁴⁰.

The GIO still believes that this is the case, that is that session information should be called up by players when the players want it – not in the manner proposed by the LAB which not only raises the privacy and security issues raised above but has a very substantial negative impact on player enjoyment.

Every time a player wins over \$100, he or she would receive a ‘negative’ communication in the form of the LAB scrolling message.

It is difficult to conceive of any more effective way to damage a player’s enjoyment or ‘win celebration’ on winning \$100 or more.

The GIO believes that the LAB proposal goes too far in terms of damaging the fundamental enjoyment offered by gaming machines to recreational players.

The GIO notes that the Victorian Government (which was supplied with copies of all of the GIO submissions to the LAB) chose not to pursue any of the LAB determinations. In Victoria, players call up ‘session information’ if they wish to.

³⁹ GIO Submission to LAB “Response to LAB Determination and Proposals of 2nd May 2001” dated 8 June 2001, page 30

⁴⁰ GIO Submission to LAB “Response to LAB Determination and Proposals of 2nd May 2001” dated 8 June 2001, page 28



It is not presented to them at random times or when they insert \$200⁴¹ or when they win \$100 or more. Nor is it accompanied by a 'harm minimisation' message.

The GIO fully endorses the Victorian approach to session information (which largely reflects the GIOs' recommendations to the LAB.

The GIO requests IPART to consider the Victorian model and to give consideration as to whether the Victorian model is sufficient.

The GIO also again raised the issue of the information being misleading because "only certain controllers transfer the information relating to mystery wins to the credit meter via the CCCE port"⁴².

Players, the GIO noted, would be misled as the data and calculations carried out by the machine would often be incomplete and incorrect. The GIO noted that at that time (June 2001), approximately 22% of the machines in NSW were connected to linked jackpots.

Since that time, links have become significantly more popular. It is estimated that the percentage of machines in NSW connected to a link is now approximately 25% (so the chances of players being misled has increased).

⁴¹ The GIO repeated its objection to the \$200 cash input limit

⁴² GIO Submission to LAB "Response to LAB Determination and Proposals of 2nd May 2001" dated 8 June 2001, page 30: the issue raised is that jackpot wins from links would not show on the credit meter so the calculations performed to yield session information could be incorrect.



However, there is now a simple solution to this issue.

The GIO understands that all site controllers are now capable of relaying link wins to the credit meter of EGMs via the CCCE port but that the LAB has imposed a \$3,000 limit on CCCE transfers.

In the GIO's respectful opinion, there is no reason why that \$3,000 CCCE transfer limit could not be dispensed with permitting the credit meters of EGMs to record all wins, including those from links, and session information to be relayed accurately to the player.

The GIO requests IPART to give consideration to this solution.



GIO EVALUATION TABLE 6

INFORMATION FOR INDIVIDUAL PLAYERS ON THEIR GAMBLING SESSION

Impact on Gamblers	Positive (greater degree of informed consent) provided enjoyment and entertainment not impacted by breaks, content, timing and/or prominence of messages.
Impact on Problem Gamblers and “At Risk” Gamblers	Positive (provided that appropriate information booklet explains concepts and treatment providers utilise in treatment regimes).
Impact on Community Services including Counselling Services	Positive if treatment providers utilise.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Positive. Indicative of responsible approach taken by providers and their employees.
Impact on Community Projects	Nil.
Impact on Recreational and Social Opportunities	Positive – may provide greater enjoyment for recreational players.



10 Restrictions on note acceptors

The second of nine “harm minimisation” proposals announced by the LAB at the LAB public forum on 5th May 2000 was a proposal to limit the use of note acceptors in NSW machines. The precise wording was as follows:

“High value note acceptors (ie those capable of accepting between \$50 and \$100 notes) to be no longer acceptable, with consideration to be given to removing bill acceptors altogether at a later time”⁴³.

GIO Submission (9 June 2000)

In its first submission to the LAB on 9 June 2000, the GIO stated⁴⁴ that such a measure would be ineffective because:

“(i) the complete absence of bill acceptors has virtually no impact on the intensity of machine use: in 1997-98 in South Australia (where bill acceptors are not permitted), the total amount of gambling expenditure on gaming machines was \$394,629,000⁴⁵ for approximately 11,780 machines yielding an annual return per machine of \$33,499.92 (or \$644.23 per week).

⁴³ LAB public forum, May 2000.

⁴⁴ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 18-19

⁴⁵ Productivity Commission Report Volume 3, S.11



(ii) in NSW, the total amount of gambling expenditure on gaming machines in 1997-1998 was \$2,989,084,000 for approximately 95,780 gaming machines yielding an annual return per machine of \$31,207.81 (or \$600.15 per week).

(iii) gaming machine technical standards in NSW and South Australia are currently virtually identical in all major respects.

(iv) there is no evidence that elimination of bill acceptors in South Australia has reduced the incidence of problem gambling.”

The GIO also pointed out that problem gamblers can insert coins as fast – if not faster – than notes are accepted through bill acceptors.

The GIO suggested that a more effective alternative would be to reduce the cash input limit from \$10,000 to \$500 for clubs and hotels and \$1,000 for the Casino.

The GIO also suggested that the removal of high value note acceptors was “inadvisable”⁴⁶ for the following reasons:

“(i) the additional security and OH & S issues associated with use of coins rather than notes; it should be noted that prior to the introduction of bill acceptors, there was a significantly higher incidence of work related injuries associated with lifting and moving

⁴⁶ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 19 - 20



hoppers and cash boxes which can be very heavy; it should also be noted that, unlike cash boxes, note validators permit secure tamper proof revenue validation; in addition, coins are considered to be a means of transmission of disease and encouraging greater coin handling accordingly carries with it questionable health implications for the general public;

(ii) venues have invested a large amount of money in bill acceptors and note counting equipment which would need to be written off. Venues would also be required to spend more on 'note breakers' to permit players to break down their high denomination notes into lower denomination notes;

(iii) as of 30 April 2000 (see Appendix G) \$50 notes are the most popular note (make up 45% of the value of all notes in circulation according to the Reserve Bank) and are often the default note issued by ATMs. \$100 notes make up 43% of the value of all notes in circulation. Notes other than \$100 and \$50 notes therefore account for approximately 12% of the notes by value in circulation; even in terms of numbers of notes, notes other than \$100 and \$50 notes only account for 44% of the number of notes in circulation (Appendix G). It is suggested that it is likely that a significant shortage of low denomination notes would arise if this measure was implemented.

(iv) such a change would give rise to costs both in terms of the disablement of bill acceptors, installation of note breakers and additional staffing at venues (cashiers/more frequent removal of notes from machines) which, it is submitted, cannot be justified in terms of harm minimisation benefits.



(v) player preference is clearly for note acceptors; virtually no complaints were received when the new technology was introduced and venues found that they had to introduce the new technology to retain players.

(vi) such a measure was not recommended by the Productivity Commission or other studies into the industry.”

LAB Provisional Determination: 17 November 2000

The LAB rejected the GIO’s submission stating that it was “much influenced by the likely beneficial impact on problem gamblers and the lack of negative impact on social gamblers”⁴⁷ but ‘acknowledged’ the operational and occupational health and safety issues associated with handling large volumes of coin. The Board accepted the GIO’s submission in relation to reducing the cash input limit from \$10,000 to \$500/\$1,000 but stated that it ‘favoured’ a cash input limit of \$200 “because the average adult weekly pre-tax wage is \$783”.

GIO Submission (15 December 2000)

The GIO responded to the LAB’s “Provisional Determination” by stating that it was “very concerned” about the proposal.

⁴⁷ Liquor Administration Board: “Gambling Harm Minimisation and Responsible Conduct of Gambling Activities Review of the Board’s Technical Standards for Gaming Machines and Subsidiary Equipment in NSW”, November 17, 2000, page 9.



The GIO stated that there was “absolutely no evidence of any ‘likely beneficial impact on problem gamblers’”⁴⁸ arising from the LAB proposal to limit bill acceptors.

The GIO requested the LAB to provide it with any evidence to support the LAB’s view in this regard⁴⁹.

The GIO added that it believed that such a measure would have no impact on problem gamblers but would have a “significant” impact on recreational players.

The GIO offered to fund some authoritative research into the issue and requested the LAB to defer consideration of the matter until the research was completed⁵⁰.

⁴⁸ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 28

⁴⁹ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 28

⁵⁰ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 28



LAB First Determination (April 2001)

The LAB acceded to the GIO's request and deferred consideration of the question of note acceptors until after the research was completed.

The Board had requested a detailed outline of the proposed research which was provided to the Board on 16 January 2001.

In that 17 page letter, the GIO outlined the independent *“person-based (problem gambling) research and venue-based (econometric) research”* that the GIO proposed to commission explaining that the research was to be *“carried out by the Department of Psychology at Sydney University (or the appropriate research entity nominated by the University), subject to the necessary University Ethics Committee approvals being obtained, under the supervision of Professor Alex Blaszczyński who is one of the most authoritative problem gambling experts in Australia”*.⁵¹

The Board stated that it was satisfied that it was proper for the research to be carried out because of the foreshadowed cost to industry and the need for up to date information. The Board conceded that it was not aware of any similar research having been carried out anywhere else in the world.

The Board rejected the GIO's submission regarding reduction of the cash input limit to \$200 stating that it proposed to press on with a \$200 limit and adding that it also proposed to limit the maximum amount that could be transferred via a CCCE protocol to a gaming machine from \$10,000 to \$200.

⁵¹ Letter from GIO to LAB, 16 January, 2001



The Board acknowledged⁵² that it did not have any research to indicate that problem gambling would be reduced by the cash input limit of \$200 but stated that no submissions had been made to it as to why a recreational player “should be able” to insert \$200 into a gaming machine stating that the Board did not see that a limit of \$500 would add significantly to the recreational activity involved.

GIO Submission (8 June 2001)

The GIO noted that the LAB had accepted the GIO’s request that it be permitted to fund research into three of the proposed LAB measures. The GIO also noted that, in relation to the \$200 cash input limit, the LAB had justified the limit by referring to the average adult weekly pre-tax wage of \$783⁵³. The GIO stated that if the average weekly wage was to be a criterion for limiting the amount of money that people in NSW were to be permitted to spend on entertainment, why were similar restrictions not imposed on virtually all other forms of entertainment?

The GIO stated that there was “no evidence”⁵⁴ to show that problem gamblers would be assisted by the measure and suggested that it was therefore “purely speculative”⁵⁵ and requested the LAB to reconsider it.

⁵² LAB First Determination, page 30

⁵³ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 33

⁵⁴ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 33

⁵⁵ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 33



Sydney University Research Report and GIO Submission of 7 February 2002

The GIO submitted⁵⁶ to the LAB on 7 February 2002 that the results of the independent Sydney University research work were that:

“...the use of bill acceptors did not appear to be reliably associated with problem gambling status, severity of problem gambling, amount of money lost or persistence in play.”⁵⁷

This finding directly contradicts the Productivity Commission Survey. GIO members believe that the independent Sydney University survey involves a more detailed methodology and was of a significantly more sophisticated and thorough nature;

“Limiting bill acceptors to \$20 denominations did affect expenditure more than any other individual modification, reducing take by 42%”⁵⁸

Given the methodological difficulties faced by CIE in terms of identifying the loss arising from modification of bill acceptors only, this finding is a very serious one because nearly all gaming machines now have bill acceptors.

It suggests that, of the \$2.6 billion in gaming machine revenues⁵⁹ generated by NSW clubs, over \$1 billion may be ‘at risk’ from this modification alone. It also suggests that of the \$898

⁵⁶ GIO Submission to LAB “Supplement to GIO Submission to LAB of 8th June 2001” dated 7 February 2002, page 25

⁵⁷ Sydney University Report, p. 9.

⁵⁸ Sydney University Report, p. 9.

⁵⁹ CIE Report, p. 5.



million in gaming revenues earned in hotels⁶⁰, \$377 million may be ‘at risk’ from this modification alone.

Recent experience in Queensland has demonstrated the significant impact on gaming revenues of modifications to bill acceptors.

“Anecdotal data obtained from pathological gamblers participating in the focus groups suggested that this proposed modification would be unlikely to lead to an alteration in patterns of play.”⁶¹

“The present study found no evidence supporting the contention that this modification would effectively reduce gambling behaviour amongst problem gamblers”.⁶²

This is perceived as the fundamental finding which speaks for itself.

In summary, then, Sydney University found that there was no evidence that such a modification comprised an effective harm minimisation measure.”

The GIO notes that the research work commissioned by the GIO was independently evaluated by Auckland University at the request of the Department of Gaming and Racing. Auckland University’s report (which is confidential and cannot be released to IPART without the approval of the trustees of the Casino Community Benefit Fund).

⁶⁰ CIE Report, p. 6.

⁶¹ Sydney University Report, p. 9.

⁶² Sydney University Report, p. 9.



The GIO observes that Auckland University did not replicate the studies and therefore could not comment meaningfully on the results but did find, in relation to bill acceptors, that *“the modification of bill acceptors itself does not appear to be supported for its effectiveness in harm minimisation”*⁶³.

The GIO notes that bill acceptors have been reconfigured in both Queensland (where only \$20 notes are permitted⁶⁴) and Victoria (where Section 77B of the Gaming Machine Control Act provides that \$100 notes have been banned from 1 January 2008⁶⁵).

The rationale for the banning of \$50 and \$100 notes in Queensland was Recommendation C-22 of the Gaming Review Steering Committee’s report⁶⁶ which was based on the Productivity Commission’s view that the use of note acceptors *increases turnover*⁶⁷.

⁶³ Auckland University, “Assessment of the Research on Technical Modifications to EGMs Final Report May 2003”; Auckland University suggested that the reconfiguration of bill acceptors could be an effective strategy “if implemented with other considerations such as proximity to ATMs”. The GIO believes this is a speculative comment (refer to Annexure G) which does not detract in any way from the Sydney University research finding.

⁶⁴ The Gambling Legislation Amendment Act 2000 (Qld) required implementation of this measure by 1 December 2001.

⁶⁵ 77B. Banning large denomination note acceptors and autoplay facilities (1) A gaming operator must not allow a game to be played on a gaming machine that accepts banknotes with a denomination greater than \$50. Penalty: 20 penalty units. (2) A gaming operator must not allow a game to be played on a gaming machine unless each spin can be initiated only by a distinct and separate activation of the machine by the player (whether by pushing a play button, touching the screen or otherwise). Penalty: 20 penalty units. (3) Sub-sections (1) and (2) do not apply, before 1 January 2008, to a game that was approved by the Authority before 1 January 2003. (4) Sub-sections (1) and (2) do not apply to a game played on a gaming machine located in an area specified by notice of the Authority published in the Government Gazette if the gaming operator complies with the conditions, if any, specified in the notice.

⁶⁶ Gaming Review Report (Qld) page 23

⁶⁷ Productivity Commission Report, Volume 2, page 16.76



The link between turnover and bill acceptors may be correct (but is difficult to reconcile with the South Australian data referred to on page 32).

However, the GIO believes that any connection between the reconfiguration of bill acceptors and reducing problem gambling remains highly questionable.

Although Queensland gaming machine turnover increased by 13.41% between 2001 and 2002⁶⁸, this increase was less than the 18.68% reported for the previous year. The GIO believes that the *reduction* in the *rate of increase* in turnover may be attributed, to a substantial extent, to the introduction of this measure.

However, the GIO submits that it is simply not possible to construe the reduction in turnover as indicative of a reduction in problem gambling.

To the knowledge of the GIO, no evidence of any reduction in problem gambling in Queensland has been identified (to the knowledge of AGMMA) as a result of this measure. However, it seems clear that the growth in revenue derived from gaming machines has clearly been impacted by the measure.

As far as the GIO is aware, no formal study has been carried out to place an estimate on the revenue lost and the impact on employment and Queensland government revenue of implementation of this measure. Because any such loss would be an 'opportunity cost' and would be just one of many different influences on revenue, it would be extremely difficult, if not impossible to estimate this amount.

⁶⁸ Tasmanian Gaming Commission: Australian Gambling Statistics, 2001-2002



The GIO notes that the Sydney University study included work with a focus group on this issue and notes the following Sydney University conclusion in that regard:

“Reducing the bill acceptor to twenty dollar denominations appeared unlikely to exert any effect. Participants suggested that gamblers would merely withdraw cash from ATMs in twenty dollar denominations without leading to too much inconvenience or disruption in enjoyment.”⁶⁹

The GIO retained the Centre for International Economics (“CIE”) to report on the economic implications of the LAB proposals.

In its submission to the LAB on 7 February 2002⁷⁰, the GIO stated:

“The CIE found that bill acceptor reconfiguration was not amenable to analysis based on current turnover in the same way as the \$1.00 maximum bet proposal was⁷¹ but the CIE was able to provide an estimate of the likely revenue risk if all three measures were adopted.

The CIE estimates that if all three measures were adopted, it would be likely to increase the revenue at risk in clubs by 23.53% (from 17% to 21%) and the revenue at risk in hotels by 5.13% (from 39% to 41%)⁷².

As noted above, these are significant sums:

⁶⁹ Sydney University Report, p. 83.

⁷⁰ Submission to LAB “Supplement to GIO Submission to LAB of 8th June 2001” dated 7 February 2002, page 28

⁷¹ CIE Report, page xi

⁷² CIE Report, page xi.



- *4% of the estimated \$2.5 billion in revenue generated from gaming machines⁷³ in clubs is \$100 million.*
- *2% of the estimated \$898 million in revenue generated by gaming machines⁷⁴ in hotels is \$17.96 million dollars.”*

The CIE findings were critiqued by Auckland University⁷⁵ which suggested that the CIE’s ‘revenue at risk’ projections were the ‘absolute maximum amount that might be lost’. The CIE⁷⁶ interpreted this comment as a suggestion of an ‘overestimation’ which they refuted stating that the conservative nature of their assumptions was not recognised by Auckland University. The CIE also referred to Auckland University criticism of the CIE’s failure to consider other direct and indirect impacts of gambling and noted (correctly) that its instructions from the GIO were very specific and confined it to looking at specific economic issues raised by the LAB proposals.

The GIO believes that the independent Sydney University Research and the CIE research has unequivocally demonstrated that reconfiguration of bill acceptors is *not* an effective harm minimisation measure and but is likely to reduce revenues to a significant extent by impacting adversely on the enjoyment experienced by recreational players.

⁷³ CIE Report, page 3 (1999 figure)

⁷⁴ CIE Report, page 6 (1999 figure)

⁷⁵ Auckland University, “Assessment of the Research on Technical Modifications to EGMs Final Report May 2003”; page 26

⁷⁶ Annexure H, page 1



The GIO accordingly respectfully requested the LAB, on 7 February 2001⁷⁷, over two years ago, that this proposal be withdrawn as a “Provisional Determination”.

No response has been received on the subject from the LAB.

The GIO respectfully requests IPART to comment on the work that has been carried out and to express an opinion as to whether this measure should be discontinued.

⁷⁷ Submission to LAB “Supplement to GIO Submission to LAB of 8th June 2001” dated 7 February 2002, page 27



GIO EVALUATION TABLE 7

RESTRICTIONS ON NOTE ACCEPTORS

Impact on Gamblers	Negative. Players enjoy the convenience of being able to use all denominations of notes.
Impact on Problem Gamblers and “At Risk” Gamblers	Unlikely to have any positive impact.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Will impact on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – will reduce state revenues.
Impact on Recreational and Social Opportunities	Negative – will reduce enjoyment of recreational players.



11 Lower limits on maximum bets on gaming machines

The concept of reducing the maximum bet in NSW from \$10 to \$1 was not one of the nine original proposals tabled at the LAB public forum on 5th May 2000.

The proposal was announced by the LAB for the first time as an additional measure to reducing reel spin speed when the “Provisional Determinations” were released in November 2000.

The LAB stated⁷⁸, in the “Provisional Determination” that *“the Board is of the view that it is appropriate to slow down the speed of play and thus reduce the rate of loss per hour.”*

The LAB added⁷⁹ that:

“the Board is of the view that slowing the rate of play would be an ineffective measure in preventing excessive player losses unless the bet limit is also reduced. Even if the bet limit were reduced to \$5.00 as suggested, it would still be possible for a player to lose in excess of \$3,000 per hour on a stand alone machine. The Board therefore proposes to limit the maximum bet on stand-alone machines to \$1 also on a trial basis.”

The Board also indicated⁸⁰ that it proposed to recommend that the maximum bet on multi-terminal machines (currently \$100) be reduced to \$10.

⁷⁸ Liquor Administration Board: “Gambling Harm Minimisation and Responsible Conduct of Gambling Activities Review of the Board’s Technical Standards for Gaming Machines and Subsidiary Equipment in NSW”, November 17, 2000, page 15.

⁷⁹ Liquor Administration Board: “Gambling Harm Minimisation and Responsible Conduct of Gambling Activities Review of the Board’s Technical Standards for Gaming Machines and Subsidiary Equipment in NSW”, November 17, 2000, page 15.



GIO Submission (15 December 2000)

The GIO immediately advised the LAB that, of all the proposals put forward by the LAB, the \$1 maximum bet proposal was the one that gave rise to the greatest concern to GIO members due to the perceived likely negative impact on recreational players and the perceived lack of impact in terms of reducing problem gambling⁸¹.

The GIO responded to the LAB proposal on maximum bet in the same manner as it responded to the proposals regarding reel spin and bill acceptors. The GIO stated that it believed these proposals “would have virtually no impact on the problem gambler”, noted that there was no evidence – in the form of independent research – that demonstrated that the proposals would ‘minimise harm’ and added that the proposals would have a very adverse impact on the recreational player⁸². The GIO also indicated, at that time, that it proposed to commission research work to demonstrate the impact of the proposals.

LAB First Determination (April 2001)

The LAB agreed to defer this proposal pending completion of the research work to be carried out by the GIO⁸³.

⁸⁰ Liquor Administration Board: “Gambling Harm Minimisation and Responsible Conduct of Gambling Activities Review of the Board’s Technical Standards for Gaming Machines and Subsidiary Equipment in NSW”, November 17, 2000, page 16.

⁸¹ GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 39

⁸² GIO Submission to LAB “Response to LAB Proposals of 17 November 2000” dated 15 December 2000, page 14

⁸³ LAB First Determination dated April 2001, page 42



GIO Submission (8 June 2001)

The GIO noted that the issue had been referred to research⁸⁴.

GIO Submission (7 February 2002)

Following completion of the Sydney University research the GIO made the following comments on the LAB \$1 Maximum Bet proposal, noting, firstly that the basis on which the proposal had been conceived appeared to be flawed.

Firstly⁸⁵, the GIO noted the reference to reducing the maximum bet to \$5.00, noting that the GIO had not proposed such a measure and adding that:

“Indeed, as noted earlier, the current \$10.00 Maximum Bet Level was set in 1988, some 13 years ago and the value of that 1988 \$10.00 now, 13 years later, is arguably actually \$5.25⁸⁶ – so, in many respects, the impact sought to be achieved has already been achieved by effluxion of time.”

The GIO stated that it was puzzled by the LAB’s statement⁸⁷ that with a \$5 maximum bet, “it would still be possible for a person to lose up to \$3,000 an hour on a stand alone machine”.

⁸⁴ GIO Submission to LAB “Response to LAB Determination and Proposals of 2nd May 2001” dated 8 June 2001, page 9

⁸⁵ GIO Supplement to GIO Submission to the LAB of 8th June 2001 dated 7 February 2002, page 32

⁸⁶ The ABS *Longer Term* CPI Figures are 1988, **87**, 2001, **132.7** which indicate a 52.53% change in value between 1988 and 2001.



The GIO noted that the reference to ‘possible’ raised the question of probability and noted that if something was ‘possible’, but very unlikely, it was indicative that it was close to irrelevant⁸⁷. The GIO noted that Aristocrat Technologies had tested two of its more popular games to establish the probability of a player losing \$3,000 an hour at the proposed hypothetical maximum bet limit of \$5.00.

The basis of the calculation of \$3,000 an hour has not been disclosed. The GIO believes that the \$3,000 may have been calculated on the basis of a hypothetical 720 games per hour, that is, 12 games a minute or a game every 5 seconds. This would yield a ‘notional’ figure of \$3,600 if every bet was placed at \$5.00.

The GIO noted that Aristocrat Technologies had advised the GIO that it was “virtually impossible” to play 720 games an hour because of the time required to insert bills, because of ‘normal’ breaks taken by players, because of the way that “winning time out” and “features” operated and because of the normal pace of play of gaming machine players in NSW.

⁸⁷ Liquor Administration Board: “Gambling Harm Minimisation and Responsible Conduct of Gambling Activities Review of the Board’s Technical Standards for Gaming Machines and Subsidiary Equipment in NSW”, November 17, 2000, page 15.

⁸⁸ GIO Supplement to GIO Submission to the LAB of 8th June 2001 dated 7 February 2002, page 32



Aristocrat's simulations revealed that a \$3,000 per hour loss could occur less than once in every 100,000 one hour play periods. The following support information was provided by the GIO to the LAB⁸⁹:

“Simulations were conducted using a 20 line one cent Queen of the Nile and a 3 line \$1.00 Black Panther set at 87% RTP and 90% RTP respectively. 100,000 trials were run for each game. After each game the RTP for that trial was recorded and utilised to determine the loss in dollars for a \$5.00 bet. For 720 Games, a loss of \$3,000 represents an RTP of 16.6% for a \$5.00 bet. After 100,000 trials on Queen of the Nile, the lowest RTP was 41% (\$2,124 lost @ \$5.00 per game). After 100,000 trials on Black Panther, the lowest RTP was 38.3% (\$2,221 lost @ \$5.00 per game).”

The GIO described the possibility of the loss of \$3,000 an hour as a ‘remote’ possibility and suggested to the LAB that it was inappropriate to give weight to such ‘remote’ possibilities. The Productivity Commission, by contrast, estimated that “the expected player losses per hour of continuous play on a two cent Cash Chameleon machine (with an 85.15% return) is between a very modest \$2.14 for one line, one credit per line to \$1,069 per hour at maximum intensity – a difference in spending of 500 times.”⁹⁰ This was calculated at a \$10 Maximum Bet. This tends to suggest that the underlying mathematical rationale for the LAB's \$1.00 Maximum Bet proposal may have been faulty.

The GIO noted the Productivity Commission's suggestion that *“given that the time available for many problem gamblers is limited (by jobs and other pre-commitments), overall expenditure by problem gamblers would probably fall by making gambling per hour cheaper, while fewer people would be likely to*

⁸⁹ GIO Supplement to GIO Submission to the LAB of 8th June 2001 dated 7 February 2002, page 32

⁹⁰ Productivity Commission, Volume 3, Appendix U, page U4



*progress to problem levels of play.*⁹¹ and suggested that this hypothesis had not been substantiated in any way⁹². The GIO also noted that the Productivity Commission did not endorse, recommend or even consider a reduction in the maximum bet to \$1.00.

Sydney University Research

The GIO advised the LAB⁹³ that, in summary, the results of the study were that:

- *“Reducing the maximum bet from \$10 to \$1.00 was rated as slightly less satisfying and enjoyable for recreational gamblers in the hotels, even though problem gamblers rated machines with a \$1.00 maximum bet as more satisfying and enjoyable to play.”*⁹⁴

The GIO stated to the LAB that it believes that this finding demonstrates unequivocally that this modification would be *less* effective in terms of adversely influencing problem gamblers than it would be in adversely influencing recreational gamblers.

- *“This modification did not affect the player’s views as to whether or not they would still play the machine.”*⁹⁵

⁹¹ Productivity Commission Report, p. 16.80

⁹² GIO Supplement to GIO Submission to the LAB of 8th June 2001 dated 7 February 2002, page 35

⁹³ GIO Supplement to GIO Submission to the LAB of 8th June 2001 dated 7 February 2002, page 37

⁹⁴ Sydney University Report, p. 10.

⁹⁵ Sydney University Report, p. 10.



The GIO stated to the LAB that it believed that a ‘harm minimisation’ measure which does not impact on problem gamblers’ intention to play machines, is arguably not an effective harm minimisation measure.

- *“The number of credits wagered (which relates to bet size since the majority of all players bet on 20 lines) was a constant predictor of problems with gambling and severity of problems”.*⁹⁶

The GIO stated to the LAB that it did not find this finding surprising. It effectively states that problem gamblers play machines more often and more intensively than recreational gamblers. However, GIO members believe that interfering with the individual bet does not impact in any material way on the overall gaming behaviour of problem gamblers. In other words, the GIO believes that it is likely that problem gamblers will continue to play gaming machines, irrespective of the maximum bet.

- *“Although expenditure was affected by reducing the maximum bet to \$1, the amount of take was less than for the other modifications. Thus it is likely that this modification would reduce revenue but to a lesser extent than the alternative proposed modifications.”*⁹⁷

This aspect of the Sydney University study contrasts markedly with the outcome of the CIE research. The costs associated with the proposed measure, on its own, are estimated by the independent CIE research work, to be likely to reduce club venue revenue in NSW by 17% (ie \$440 million⁹⁸) and hotel venue revenue by 39% (ie \$351 million⁹⁹).

⁹⁶ Sydney University Report, p. 10.

⁹⁷ Sydney University Report, p. 10.

⁹⁸ CIE Report, page 35-36.

⁹⁹ CIE Report, page 39.



The GIO advised the LAB¹⁰⁰ that *“this would be nothing short of catastrophic for many venues and a large number would undoubtedly close as a direct result of the introduction of such a measure. The reason for this impact – which amounts to a loss of in excess of \$240 million in revenue – is that the introduction of the measure would have a significant negative impact on recreational player satisfaction. GIO members believe that the vast bulk of the lost revenue would comprise gaming expenditure by recreational players.”*

- *“While many of the pathological gamblers interviewed in the focus groups reported that they did not usually bet in excess of \$1.00 per bet, they reported that this would be a helpful strategy for problem gamblers who did bet in excess of this amount.”¹⁰¹*

The GIO suggested to the LAB that this finding was both internally inconsistent and was based on the results of a relatively small focus group discussion - which requires that it be treated differently to the outcome of the more empirical test bed research. The GIO stated that it believed that this comment merits further research.

- *“Consistent with the results of Study 2, few problem gamblers (7.5% of the 20% in the total sample who were problem gamblers) bet above this level of \$1 but for this small proportion reducing the maximum bet would be likely to minimise harm.”¹⁰²*

The GIO stated that it believed that it is very significant that such a small number of problem gamblers bet above the level of \$1. The GIO added that, in its submission to the

¹⁰⁰ ¹⁰⁰ GIO Supplement to GIO Submission to the LAB of 8th June 2001 dated 7 February 2002, page 38-39

¹⁰¹ Sydney University Report, p. 10.

¹⁰² Sydney University Report, p. 10.



LAB of 9 June, 2000, it had noted that, in NSW clubs, some 56.49% of gaming machines are 1 cent and 2 cent machines, in NSW hotels, some 83% of machines are 1 cent and 2 cent machines and at Star City, some 38.4% of the floor is made up of 1 cent and 2 cent machines.

The GIO noted that, as recently as 1995, one cent and two cent machines only made up 1.97% of the machines in NSW clubs adding that there was no doubt that player preferences have moved towards the lower denomination machines and are continuing to do so (it was for this reason that a one cent Pirates machine was used as the test bed machine).

The GIO observed that a few players prefer the higher denomination machines, noting that this group was already being penalised by the increasing numbers of 1 cent and 2 cent machines and suggesting that it seemed grossly unfair to penalise those players who wish to bet over \$1.00 on the grounds that they 'may' include problem gamblers and those problem gamblers 'may' benefit from the limit.

The GIO noted the speculative nature of this measure is revealed by Sydney University's further finding that some problem gamblers "*appeared to welcome the modification, giving it high ratings for enjoyment and satisfaction*"¹⁰³.

- "*Reducing the maximum bet size potentially might, for a small proportion of players, reduce both the development and severity of gambling problems. While this modification may affect machine revenue, the effect was less than with the other proposed modifications.*"¹⁰⁴

¹⁰³ Sydney University Report, p. 10.

¹⁰⁴ Sydney University Report, p. 10.



The GIO stated to the LAB that it had difficulty with this conclusion for the reasons set out above, adding that the extraordinary cost of the measure identified by CIE, the very limited number of problem gamblers likely to be assisted (7.5% of problem gamblers according to the study) and the apparent preference for such modified machines evident in many problem gamblers comprise the three principal reasons for the GIO's opposition to this measure.

- *“Reducing the maximum bet size did not appear to lead to sessions being prolonged. However, it is possible that this reflected a player’s choice to use a different machine where the larger bet size were available or to substitute other forms of gambling. While there was no evidence in this study that reducing the maximum bet size would have any effect on persistence in play, only further research that investigated characteristic patterns of play in venues where all machines were modified would resolve the issue.”¹⁰⁵*

The GIO stated that it believed that it is *more than likely* that any reduction in the Maximum Bet would lead to problem gamblers *spending longer in venues*, adding that, if this is so, it is clear that *precisely* the same negative impacts on problem gamblers that are perceived as likely consequences of the reel spin measure would be likely to follow such a measure.

The GIO's views on this issue have not changed. The GIO accordingly respectfully requests IPART to recommend that the proposed measure be dispensed with.

Focus Group Work

The GIO also noted that the outcome of the Sydney University focus group discussions does *not* appear to lend support to the proposal:

¹⁰⁵ Sydney University Report, p. 10.



- *“Problem gamblers who used single credit multiple lines to a maximum of 50 cents to \$1.00 did not consider this modification would make much difference.”¹⁰⁶*
- *“Those who exceeded this amount felt that it would affect their level of enjoyment but would adjust by playing the maximum bet size rather than not playing at all.”¹⁰⁷*
- *“It was not necessarily the bet size but how much the problem gambler had to take to the venue that determined whether or not they would attend the venue.”¹⁰⁸*

GIO Conclusion – Sydney University Research

The GIO concluded¹⁰⁹, in its submission to the LAB, that the independent Sydney University Research by no means demonstrated that \$1 Maximum Bet was an effective harm minimisation measure. On the contrary, said the GIO, the research seemed to raise more questions than it answered:

- *Why do some problem gamblers prefer the machines configured to a \$1.00 Maximum Bet?*
- *If so few problem gamblers (7.5% of the 20% problem gamblers identified with SOGS scores of over 5 - that is 0.16% of the adult population) would benefit from the measure, how can it be considered an effective measure?*

¹⁰⁶ Sydney University Report, p. 83.

¹⁰⁷ Sydney University Report, p. 84.

¹⁰⁸ Sydney University Report, p. 84.

¹⁰⁹ GIO Supplement to GIO Submission to the LAB of 8th June 2001 dated 7 February 2002, page 43



- *Why would problem gamblers not simply adjust their playing time and gamble for longer periods (as the focus group predicted) giving rise to the identical adverse impact on problem gamblers identified in the context of slowing the reel spin?*
- *Given the enormous revenue costs for venues and the state, the significant numbers of jobs that would be lost, the depressing impact on the NSW economy and the severe lessening of enjoyment of recreational gamblers, this should not this measure be evaluated far more carefully before implementation is even considered?*
- *Is not 'harm reduction' (treatment) a preferable and more effective alternative to this 'harm minimisation measure'?*

The GIO submitted that it was clearly advisable not to adopt the \$1 Maximum Bet measure on harm minimisation grounds alone.

CIE Research

However, the GIO also commissioned economic research from the Centre of International Economics which was requested to evaluate the revenue at risk should the three measures be implemented. A copy of the research paper is being provided to IPART with this submission.

In the GIO's submission to the LAB, it noted that the CIE had found that:

"...the proposal to introduce a \$1.00 maximum bet limit, even if unaccompanied by the other two measures, is likely to put significant revenue at risk both in hotels and clubs. The turnover data



from existing player behaviour suggests that, on its own, that measure puts 17% of club revenue at risk, on average. The comparable figure for hotels is 39%.”¹¹⁰

The GIO noted that 65% of club revenue in 1999 has been estimated to have been generated by gaming machines and this 65% amounted to \$2.5 billion¹¹¹; 17% of this figure (the figure ‘at risk’) is \$440 million.

The GIO noted that the CIE report recorded that in 1999-2000, gaming machines in the 1,838 registered hotels in NSW generated just over \$900 million¹¹²; 39% of this figure (the revenue ‘at risk’) is \$351 million.

The GIO concluded that the CIE’s view was that this single harm minimisation measure is likely to cost the NSW gaming industry in the region of \$791 million annually.

The GIO noted that some of its members were more reliant on gaming revenue than others.

In particular, the GIO said, the large clubs of NSW, which provide the NSW population with some of the finest facilities in the world, are particularly vulnerable to the measure.

The CIE pointed out that in larger clubs, 72% of revenue is generated by gaming machines¹¹³ and noted the CIE finding that smaller clubs have more fragile profit margins¹¹⁴:

¹¹⁰ CIE Report, page x.

¹¹¹ CIE Report, page 3.

¹¹² CIE Report, page 3.

¹¹³ CIE Report, p.5.

¹¹⁴ CIE Report, p.5.



“Fewer than 50% of clubs with revenues of less than \$1 million are more than marginally profitable. This implies that, although gaming machine revenues comprise a much smaller proportion of their total revenue, a small reduction in those clubs’ profit margins is likely to impact more dramatically on the viability of smaller clubs than larger clubs.”

The GIO noted that NSW Hotels, on the other hand, are arguably more exposed to a fluctuation, particularly a 39% drop as opposed to a 17% drop, in expected gaming machine revenues than clubs as they have, individually, smaller asset bases and many have planned substantial expansions and related borrowing commitments based on reasonably expected gaming revenues. Hotels, said the GIO, are also arguably more vulnerable due to the higher rates of tax they pay on gaming revenue earned.

The GIO noted, in its submission to the LAB, that the CIE Report concluded that gaming machine revenues currently comprise approximately 6 percent of NSW State government revenues. In 2000, \$595 million in duties was generated from gaming in clubs and a further \$359 million was generated from gaming in hotels¹¹⁵.

The CIE estimated that the State Government stood to “lose \$95 million in club gaming machine duties and GST equivalent grants as a result of a \$1 maximum bet limit”¹¹⁶ and a further “\$110 million as a result of the introduction of a \$1 maximum bet limit on hotels.”¹¹⁷

The CIE also estimated that a further State Revenue loss arising from expenditure switching should be anticipated (in the region of \$87.8 million)¹¹⁸.

¹¹⁵ CIE Report, p.6.

¹¹⁶ CIE Report, p.41.

¹¹⁷ CIE Report, p.41.

¹¹⁸ CIE Report, p.43.



The GIO noted that, in other words, the CIE estimated that this measure could impact on the enjoyment of *recreational* players (only 8% of problem gamblers were found to bet above \$1.00) to such an extent that the NSW Government stands to lose in the region of \$292.8 million (or over 30% of current state gaming machine duty revenue).

The GIO noted that the CIE estimated that the \$1 Maximum Bet measure alone could place 18,193 jobs at risk in NSW in the short term¹¹⁹.

The GIO also noted, in its submission to the LAB, that Bill Acceptor measures implemented in Queensland had led to immediate employment reduction measures by the larger clubs which were perceived as absolutely necessary by the clubs in question.

The GIO noted that similar immediate employment impacts should be anticipated in NSW should comparable measures be adopted in NSW.

The GIO respectfully requested the LAB reconsider Provisional Determination 6 regarding reduction of Maximum Bet to \$1.00 (as set out on page 42 of the LAB First Determination dated April 2001) based on the Sydney University Research and the CIE Research.

Auckland University

The GIO notes that the research work commissioned by the GIO was independently evaluated by Auckland University at the request of the Department of Gaming and Racing.

¹¹⁹ CIE Report, p.45



Auckland University's report (which is confidential and cannot be released to IPART without the approval of the trustees of the Casino Community Benefit Fund).

The GIO observes that Auckland University did not replicate the Sydney University studies and therefore could not comment meaningfully on the results.

The GIO notes that Auckland University found¹²⁰, in relation to the \$1.00 Maximum Bet proposal, that *“the reduction in maximum bet size shows strong potential as a machine based modification to minimise harm associated with problem gambling”*.

The GIO rejects this conclusion¹²¹ on the basis that Auckland University, having not carried out the research, was not in a position to make a meaningful comment about the potential of this measure.

The Auckland University goes much further than the Sydney University conclusion and without any justification.

Sydney University, it will be recalled, concluded that the study provided *“preliminary evidence to support the effectiveness of reducing the maximum bet size from \$10 to \$1.00 on electronic gaming machines for at least a small proportion of players.”*¹²²

¹²⁰ Auckland University, “Assessment of the Research on Technical Modifications to EGMs Final Report May 2003”, page 34.

¹²¹ The GIO repeats the comments made at page 60 regarding the Auckland University criticisms and refers IPART to Annexures G and H.

¹²² Sydney University Report, page 10.



This is very different from the broad conclusion of Auckland University which is simply not fact based.

Other Jurisdictions

The GIO notes that four US jurisdictions have maximum bet limits. Arizona has imposed a maximum bet limit of USD25.00, Colorado has imposed a maximum bet limit of USD5.00, North Dakota has imposed a maximum bet limit of \$25.00 and South Dakota has imposed a maximum bet limit of UDSD100.

The Arizona maximum bet of USD25.00 was imposed approximately 12 months ago, replacing a maximum bet of USD8.00 that had been in force since 1992.

The Arizona Department of Gaming was not aware of any research carried out into the maximum bet. It appears that this limit was incorporated in the 'Compact' entered into between the tribe and the State of Arizona at the request of the State.

The recent increase in the maximum bet limit to USD25 occurred as a result of a request made by the tribe in its negotiations with the State.

Colorado's limit of USD5.00 was set when gambling was first permitted in Colorado in October 1991 and applies to all forms of gambling. The limit was incorporated in the Colorado Constitution and requires an amendment to the Constitution to change it. Anecdotal evidence suggested that Colorado followed the USD5.00 limit applicable in South Dakota in 1991.



Because the limit applies to all forms of gambling (i.e. includes blackjack), it is quite possible that it will be amended to follow South Dakota but this requires an amendment to the Constitution.

The USD100 maximum bet in South Dakota was recently increased from the original USD5.00 limit which applied in 1991.

No other US jurisdiction sets any sort of bet limit for players.



GIO EVALUATION TABLE 8

LOWER LIMITS ON MAXIMUM BETS ON GAMING MACHINES

Impact on Gamblers	Negative. Players enjoy the convenience of <i>being able</i> to bet up to \$10.00 irrespective of whether they bet to that limit.
Impact on Problem Gamblers and “At Risk” Gamblers	Possible limited benefit on very small number of players (o.16% of adult population – see p. 59).
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Will impact on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – will reduce state revenues.
Impact on Recreational and Social Opportunities	Negative – will reduce enjoyment of recreational players.



12 Reducing the maximum permissible win

The GIO notes that in the LAB's First Determination¹²³, the LAB received a submission which included a comment that *"the size of the jackpot obviously affects the incentive to a player, but more particularly the kind of person who is looking for major winnings rather than the great majority of players who are simply buying a given amount of time for a given investment in their entertainment"*.

The GIO is not aware of any research that supports this view.

As far as the GIO is aware, the size of the jackpot is a key incentive to all players.

The GIO considers it unlikely that it is correct that 'the great majority of players' are not impacted by the size of the jackpot as a reduction in the size of the jackpot amounts to an increase in the price of gambling.

The GIO refers IPART to the Productivity Commission Report¹²⁴ which expresses the opposite view:

"Recreational gamblers are likely to be more sensitive to changes in the price of gambling products. For these consumers, gambling is just one of a range of recreational activities and thus it is reasonable to consider that they could more readily shift to alternatives if the price of gambling increased. This category would thus have a higher price elasticity of demand than other gamblers... Severe problem gamblers... could be expected to be the least sensitive to price changes as the need to continue gambling is so great. But some may already be gambling with all the money they have at their disposal thereby restraining their ability to respond to price changes."

¹²³ LAB First Determination, page 49

¹²⁴ Productivity Commission Report, Volume 1, page 5.16



The GIO notes that the research carried out to date into the differences between the motivations underlying pathological gamblers as opposed to recreational gamblers is limited. One of the few papers on this subject has identified high levels of trait impulsivity¹²⁵ as a distinguishing factor but this does not appear to be connected to maximum prize levels in any way.

The GIO notes that the LAB expressed the view¹²⁶ that “any potential incentive for dysfunctional behaviour such as chasing losses should be removed” and concluded that “consultation should take place on the proposal that the maximum prize for a stand alone poker machine should be reduced to \$1,000”.

The GIO respectfully suggests that the linkage proposed by the LAB between ‘chasing losses’ and the size of the maximum prize is hypothetical and that no research that the GIO is aware of supports such a connection.

The GIO responded to the LAB on 8 June 2001¹²⁷ with the following comments in relation to this proposal: firstly, the GIO referred to its submission of 15 December 2000:

¹²⁵ Jackie Joukhoder, Alex Blaszczyński, Liane Beattie and Fiona Maccallum, “Do Pathological Gamblers Differ from Social Gamblers? An Investigation of Impulsivity”, National Association for Gambling Studies Conference, 1999, page 235.

¹²⁶ LAB First Determination, page 49..

¹²⁷ GIO Submission to LAB, 8 June 2001 “Response to LAB Determination and Proposals of 2nd May 2001”, page 37.



“The GIO submits that the requirement that the Board have due regard to the need for gambling harm minimisation should be interpreted on the basis that harm minimisation is only required where harm can be reasonably demonstrated to occur in the absence of those measures.

It is suggested that as the vast majority of players are recreational players, not problem gamblers, who enjoy gaming machines and voluntarily choose to play them rather than taking part in other forms of entertainment, no ‘harm’ is occurring as far as they are concerned and no regard therefore need be had to harm minimisation. The GIO accepts that there are people who are unable to exercise control over their gambling behaviour and that harm minimisation measures are both necessary and appropriate to assist these people.

However, the GIO believes that this objective can and should be achieved through measures which do not impact on the recreational player unless it can be clearly demonstrated that the ‘harm’ can only be properly addressed through such measures”

The GIO expressed the view to the LAB that:

- there is absolutely no evidence that a jackpot level of \$10,000 has any impact on problem gambling in NSW;
- there is also no evidence that jackpots, generally, attract problem gamblers or that reducing jackpots would have any impact on them;
- the compilers of the South Oaks Gambling Screen (“SOGS”) test did not even consider jackpot levels to be of sufficient importance to mention them in the test questions;
- the Productivity Commission research has not suggested any link between the size of jackpots and problem gambling;



- even Tim Costello (in Chapter 7 in his book “Wanna Bet”¹²⁸ which examines the question of “Who Gambles and Why”) does not identify jackpot levels as a factor influencing problem gambling.
- there has been no suggestion, to the knowledge of the GIO, that the reduction of jackpot levels in this manner would have any material impact on problem gambling.

The GIO also noted that, if it was the case that problem gamblers were attracted by large jackpots, it would surely be the case that problem gamblers would be attracted to lotteries which, in NSW, typically offer the following jackpot prizes (which far exceed those offered by gaming machines):

NSW LOTTO WEBSITE (15/5/01)

Games	Estimated Prize	Next Draw
Lotto Monday	\$1,000,000.00	Mon 21/05/2001
Lotto Wednesday	\$1,000,000.00	Wed 16/05/2001
Lotto Saturday	\$2,000,000.00	Sat 19/05/2001
Lotto Strike	\$100,000.00	Wed 16/05/2001
OZ Lotto	\$1,000,000.00	Tue 15/05/2001
Powerball	\$3,000,000.00	Thu 17/05/2001
\$2 Jackpot Lottery	Jackpot value now \$950,000.00	Drawn each Monday to Friday. Next draw 7425
\$5 Jackpot Lottery	Jackpot value now \$4,550,000.00	Next draw 503
6 From 38 Pools	\$1,440,000.00	Sat 19/05/2001

¹²⁸ Tim Costello and Royce Millar, “Wanna Bet?”, Allen and Unwin, 2000.



The GIO also drew the attention of the LAB to the fact that the current maximum jackpot of \$10,000 for stand alone machines in NSW was fixed in 1986, more than 15 years ago (now more than 17 years ago)..

The GIO also noted that the real value of that sum, in 2001 dollars, is actually \$5,607 and that, looking at it another way, the real value of a 2001 figure of \$10,000 in 1986 was \$17,836.

The GIO submitted to the LAB (and now submits to IPART) that the “bottom line” is that a maximum prize value in 2003 of \$10,000 is very modest by any standards.

The GIO also stated to the LAB that it would be very concerned about reducing the level of the current maximum jackpot to \$1,000 as they believe that such a decision would have a significant impact on recreational players. The GIO remains very concerned about any such proposal.

Consumers of gambling products focus on jackpots because, for the same reason that they buy lottery tickets, they enjoy the *possibility* of the ‘big win’.

The GIO believes that removing that element of the enjoyment of playing gaming machines would have a significant impact on virtually all recreational players as a fundamental part of the entertainment element offered by gaming machines would be adversely impacted.

The GIO also believes that there is absolutely no reason for discouraging recreational players in this manner, particularly given the size of jackpots offered by state lotteries.



If there was a proven rationale for reducing the size of the jackpot for any form of gambling because it would definitely reduce problem gambling, the matter would clearly merit consideration.

However, not only has no such rationale been advanced by any authoritative source on the subject, but there is no evidence to suggest that the issue even merits research.

The GIO suggested to the LAB (and now suggests to IPART) that if the proposal cannot be justified on the basis of minimising some 'harm' in terms of reducing problem gambling, it is unsustainable on any other grounds.

With PIDs, players will now be capable of establishing jackpots, probabilities and returns to player from the new PID and this new 'informed consent' aspect of gaming suggests that players should in fact have a greater choice available to them. Given the advent of this new era of 'informed consent' in the context of gaming machines, the size of jackpots offered by gaming machines in other jurisdictions (and on other forms of gambling) and the absence of any evidence of a connection between jackpot size and problem gambling, the GIO suggests that consideration should actually be given to *increasing* the current (17 year old) \$10,000 limit on stand alone machines to \$50,000 to enable venues in NSW to compete effectively with other jurisdictions and other forms of gambling.

The GIO also notes that State Lotteries have been offering increasing sizes of jackpots to players over the seventeen year period that the jackpot level on a gaming machine has been frozen.

If jackpots are an issue for problem gamblers, should this not be reviewed?



Do not serious competition issues arise from the perspective of NCP principles in the context of a proposal of this nature?



GIO EVALUATION TABLE 10

REDUCING THE MAXIMUM PERMISSIBLE WIN

Impact on Gamblers	Negative. The possibility of a win of up to \$10,000 on a standalone machine is an integral element of the enjoyment derived by recreational players and has already been substantially eroded by inflation over the 17 years since it was set.
Impact on Problem Gamblers and “At Risk” Gamblers	No evidence of any positive impact.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Will impact on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – will reduce state revenues.
Impact on Recreational and Social Opportunities	Negative – will reduce enjoyment of recreational players.



13 Forced payment of wins when certain level is reached and payment then to be only by cheque

The GIO notes that in the First Determination, the LAB proposed¹²⁹ that consultation should take place on the proposals that:

- *Any win which will cause accumulated credits to equal or exceed \$1,000 or more should be automatically transferred to the credit meter (no gamble feature should be offered) and a cancel credit condition should be effected. The total prize money should then be played to the player by way of a crossed cheque.*
- *Additionally CCCE systems should not allow partial transfers of prizes to defeat the \$1,000 limit or for any other reason.*

The GIO responded to the LAB on 8 June 2001¹³⁰, stating that such a proposal will not achieve any material ‘harm minimisation’ because problem gamblers will either cash the cheques promptly (often at a significant discount) from third parties outside venues (there is anecdotal evidence of this practice from many venues) or will return to play either at the venue or another venue the following day.

The GIO suggested to the LAB, in that submission, that this ‘measure’ would not achieve any material ‘harm minimisation’ as it does not address the causes of problem gambling or seek to treat the problem gamblers in an appropriate manner.

¹²⁹ LAB First Determination, page 50

¹³⁰ GIO Submission to LAB, 8 June 2001 “Response to LAB Determination and Proposals of 2nd May 2001”, page 42.



The GIO's views on this issue have not changed.

The GIO remains concerned at the likely impact on recreational players, operators, employment, industry contributions to the community and government revenues of such a measure as it would significantly reduce daily turnover from recreational players who would simply be unable to continue to play.

The GIO is also concerned at the degree of inconvenience to recreational players who may find their entire evening's 'entertainment money' locked up in a crossed cheque for the evening.

The GIO suggested to the LAB that the proposal be rejected and now makes a corresponding submission to IPART.

The GIO notes that Clause 30 of the Gaming Machines Regulations 2002 (which mandates payment of prizes over \$1,000 by crossed cheque) and Clause 33 of the Casino Control Regulation 2001 (which mandates offering payment of prizes over \$1,000 by crossed cheque) provide for mandatory human intervention in payouts over \$1,000.

The GIO believes that there is no evidence that these requirements have assisted problem gamblers to any material extent.

Moreover, the GIO believes that the ready availability of cheque cashing facilities (often at usurious rates) defeats even the intent of such provisions.

The GIO believes that these provisions impact unnecessarily on recreational players who, on winning over \$1,000, find that they cannot utilise the funds to continue to enjoy their evening.



The GIO notes that there is no corresponding requirement imposed on the winners of lotteries or bets at racing events.

The GIO is unaware of any evidence that suggests that the \$1,000 cheque limit has had a positive impact of any sort on problem gamblers. The GIO is also unaware of any evidence that harm would be caused if the limit was increased.

The GIO is absolutely certain that the restriction has impacted negatively on recreational players to their detriment and to the detriment of the industry (and state revenue).

The GIO accordingly requests that IPART give consideration, at the very least, to recommending an increase in the current \$1,000 limit to \$3,000 on the basis that such a change be the subject of a trial period for one year (with a view to evaluating at the end of that one year whether the change has had any discernable impact on problem gambling in NSW).

The GIO notes, that, to its knowledge, this requirement has not been duplicated anywhere else in the World.



GIO EVALUATION TABLE 11

**FORCED PAYMENT OF WINS WHEN CERTAIN LEVEL IS REACHED AND
PAYMENT THEN TO BE ONLY BY CHEQUE**

Impact on Gamblers	Negative. Players would react very negatively to being forced to accept a cheque when they win.
Impact on Problem Gamblers and “At Risk” Gamblers	No evidence of any positive impact.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Would impact on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – would reduce state revenues.
Impact on Recreational and Social Opportunities	Negative – would reduce enjoyment of recreational players.



14 Controls on advertising

The GIO notes that Section 43 of the Gaming Machines Act 2001 prohibits the publication of gaming machine advertising in NSW by hoteliers and clubs (subject to certain exemptions) and Regulation 33 of the Casino Control Regulation restricts advertising by the Casino. The GIO notes that the restrictions currently imposed on advertising of gaming in NSW are the strictest of any Australian jurisdiction and may be the strictest in the World.

The GIO notes that in its submission to the LAB on 8th June 2001, the GIO responded¹³¹ to the LAB's proposal that gaming related advertising and signage be, effectively, banned.

The GIO stated, in that submission that it regarded the ban as an outrageous restriction on the freedom of operators to compete effectively for customers and one which has no "harm minimisation" justification whatsoever.

The GIO noted that problem gamblers clearly know where to go to gamble and that it is highly unlikely that problem gamblers would be influenced by the removal of all advertising and signage.

The GIO stated, at that time, that there was no evidence of the impact of advertising on problem gamblers nor was there any evidence of any likely beneficial impact of the restriction of advertising in the manner proposed.

¹³¹ GIO Submission to LAB, 8 June 2001 "Response to LAB Determination and Proposals of 2nd May 2001", page 47



The GIO believes that since the advertising ban came into effect, there has been no evidence to indicate that problem gambling has been reduced in any way.

The GIO pointed out that banning advertising of gaming raised the serious question of commercial freedom of speech in Australia, noting that, in June, 1999, the issues of gambling advertising and commercial freedom of speech received attention in the United States in Greater New Orleans Broadcasting Association Inc et al v. United States of America.

In that case, the US Supreme Court decided *unanimously* to strike down a Federal Government ban on broadcasting the availability of gambling casinos.

The US Government had argued that it was seeking to minimise the social effects of gambling through such an advertising ban.

The US Supreme Court held that the ban – enacted in 1934 – was an impermissible restriction on free speech.

An earlier Supreme Court decision, the 1980 decision in Central Hudson Gas Electric Corp. v. Public Service Commission, was applied.

That case established a four part test for determining commercial freedom of speech issues.

The test looked at whether the restriction on freedom of speech effectively advances a 'substantial' government interest and whether the advertising is lawful or misleading.



The Court decided in Greater New Orleans that, although minimising the social cost of gambling was a ‘substantial’ government interest, the law was so riddled with exceptions that the advertising ban could not be said to ‘advance it’.

The Court stated that “decisions that select among speakers conveying virtually identical messages are in serious tension with the principles undergirding the First Amendment”.

Australia does not have a First Amendment nor a Bill of Rights but Australians would like to think that they have as much freedom of commercial speech as Americans.

The reasoning underlying the Supreme Court Decision is fully applicable to this issue in NSW.

The Government clearly supports lottery advertising which dominated gambling advertising even before the gaming machine ban was introduced.

The GIO suggests that it is simply not appropriate for the Government to discriminate against the freedom of a group of individuals to advertise in a lawful and non-misleading manner when identical advertising is permitted and even encouraged by the same Government in relation to other forms of gambling.

The ban also raises competition issues in the context of the NCP framework.

The GIO suggested, in its submission to the LAB, that at least some evidence of the impact of advertising on problem gambling in NSW should be produced before such a far reaching ban was even proposed, let alone implemented.



No such evidence was produced to the GIO.

The GIO noted, in its submission to the LAB, that there was ample evidence that virtually all NSW gaming venues have been conservative in terms of their advertising to date and there was no reason to think that this policy will change.

The GIO advocated that a legislatively based code should be adopted to ensure that a policy of conservative advertising is mandated for NSW venues. The GIO proposed a uniform code to the LAB.

This was not adopted.

However, the GIO believes that the current outright ban is indefensible and requests IPART to make the appropriate comments in this regard.



GIO EVALUATION TABLE 12

CONTROLS ON ADVERTISING

Impact on Gamblers	Negative. Players deprived of information about new games and features available in venues.
Impact on Problem Gamblers and “At Risk” Gamblers	No evidence of any positive impact.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Has impacted on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – has reduced state revenues.
Impact on Recreational and Social Opportunities	Negative – has reduced and continues to reduce enjoyment of recreational players.



15 Restrictions on Promotions and other inducements to gamble

The LAB's First Determination¹³² proposed that promotions be limited through a cost cap of \$1,000 per week, not to be accumulated.

The GIO notes that this proposal was implemented through the Clause 45 of the Gaming Machines Regulation 2001 which significantly restricts promotional expenditure by clubs and hotels.

The GIO stated, in its submission to the LAB, that there was absolutely no proof that problem gamblers are influenced by promotions which are of critical commercial importance to the gaming industry.

The GIO noted that many venues rely heavily on promotions to differentiate their businesses from competing businesses and that over \$100M had been invested in player reward systems and promotional equipment by NSW venues.

The GIO noted that promotions were very popular with players in NSW and estimated that between 150,000 and 200,000 players participated in promotions in the 1,425 NSW Clubs, 1,844 NSW Hotels and Star City each day.

The GIO stated¹³³ to the LAB that it believed that the vast majority of these players were not problem gamblers for the following reasons:

¹³² LAB First Determination, page 54.

¹³³ GIO Submission to LAB, 8 June 2001 "Response to LAB Determination and Proposals of 2nd May 2001", page 50



- promotions are likely to be less attractive to problem gamblers than recreational players for the following reasons:
 - problem gamblers focus on the gaming activity itself rather than any promotion which they tend to regard as a distraction which interferes with gaming;
 - promotions inevitably slow down the 'normal' rate of play of individual participants because participants are required to listen to instructions, recognise and applaud winners, participate in games and socialise with venue staff and hostesses;
 - problem gamblers prefer anonymity and are reluctant to participate in any activity which might lead to material being sent home or which may permit monitoring of their gaming activities; problem gamblers tend to fear 'being tracked by computer';
- the vast majority of participants in promotions are recreational players who enjoy spending a small amount of money over a two to three hour period, to be entertained by the promotion and to have the chance of winning an additional prize to the prizes offered by the machines;
- participants in promotions tend to enjoy the 'value added' enhancement of the gaming entertainment experience, the socialising with other players, staff and the compère, the slower playing rate associated with promotions (which involve many interruptions to participate in the promotion and to recognise winners).

The GIO pointed out that promotions had become an increasingly important part of the 'branding' process by which different providers of entertainment seek to differentiate their venue and entertainment from others.



Clubs, Hotels and the Casino use promotions to compete against each other and to compete against cinemas, theatres, lotteries, harness racing, horse racing, internet betting and virtually all other forms of entertainment on offer in NSW.

To place financial restrictions on the providers of one form of entertainment (in terms of using promotions) and not others (particularly providers of gambling) was suggested to be grossly unfair.

The GIO also stated that it regarded the \$1,000 limit as unrealistic.

The GIO suggested, as an alternative to both the proposed restrictions on promotions and advertising, a legislatively endorsed, *Advertising and Promotions Code of Practice* which was set out in its submission of 8 June 2001.

The GIO requests IPART to give consideration to the absence of any evidence that the restriction on promotions has assisted in the reduction of problem gambling and requests IPART to give consideration to recommending that the restriction be abolished.



GIO EVALUATION TABLE 13

**RESTRICTIONS ON PROMOTIONS AND
OTHER INDUCEMENTS TO GAMBLE**

Impact on Gamblers	Negative. Recreational players deprived of entertainment value.
Impact on Problem Gamblers and “At Risk” Gamblers	No evidence of any positive impact.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Has impacted on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – has reduced state revenues.
Impact on Recreational and Social Opportunities	Negative – has reduced and continues to reduce enjoyment of recreational players.



16 Controls on gaming machine artwork

The GIO notes that the fifth proposal announced by the LAB at the LAB public forum on 5th May 2000 was a proposal to adopt “enhanced controls over gaming machine artwork with a view to ensuring that the design and content of the artwork does not encourage or promote irresponsible gaming behaviour or induce in the player an unrealistic expectation that playing the gaming machine will result in significant financial gain”.

In the GIO’s first submission¹³⁴ to the LAB on 9 June 2000, the GIO expressed the view that enhance artwork restrictions were “unnecessary” because:

- (i) artwork is already governed by the Australia/New Zealand National Artwork Standards which are uniform across all jurisdictions; to introduce different artwork requirements for NSW is inconsistent with the drive towards national standards across the field;
- (ii) such controls would be too subjective and vague to be enforceable in a consistent and fair manner by different individuals in relation to different manufacturers’ products;
- (iii) such controls would place unique and unfair restrictions on gaming machines, differentiating them not only from all other forms of gambling but virtually all other manufactured products;

¹³⁴ GIO, “Response to LAB Proposals of 13 March 2000 and 5 May 2000 and Additional Material”, 9 June 2000, page 33-34



(iv) such controls would prevent manufacturers from designing ‘entertaining’ games; the industry group agrees that if a game is misleading or deceptive, regulators (and indeed the ACCC) are more than entitled to take appropriate action; however, if a game falls short of being misleading or deceptive, no action should be taken.

The GIO also suggested, as was stated at the LAB Forum on 5th May, 2000, that, given:

- (i) the existence of Trade Practices Act and other legislative protection of players from misleading and deceptive advertising, representations etc;
- (ii) the restrictions on advertising that have already been put in place through the Gambling Legislation Amendment (Responsible Gambling) Act, 1999 and the Regulation;
- (iii) the very limited amount of room available for artwork on gaming machines; and
- (iv) the latitude extended to other operators in the NSW gambling industry in relation to advertising (ie the ‘truckloads of cash’ television advertising campaign depicting a truck apparently full to the brim with notes which are clearly of a significantly greater value than can actually be won);
- (v) it is simply not equitable or reasonable to impose further restrictions on gaming machine artwork to discourage players from playing gaming machines without imposing identical requirements on other gambling providers;

the proposal should be reconsidered.



LAB First Determination

The LAB, in the First Determination¹³⁵, announced that the Technical Standards would be amended to prohibit artwork that:

- encourages a breach of the law
- depicts children
- was false, misleading or deceptive
- suggested that winning a prize was a likely outcome of participating in gambling activities
- suggested that participation in gambling activities was likely to improve a person's social standing or prospects
- suggested that a player's skill could influence the outcome of a game that is purely a game of chance
- depicts or promotes the consumption of alcohol.

The GIO has no objections to the LAB's proposed changes to artwork restrictions.

However, the GIO is concerned about the unnecessary restriction of creativity of game design evident from decisions in other jurisdictions and wishes to express concern over further restrictions on artwork that may impact on the entertainment value of gaming machines in NSW.

¹³⁵ LAB First Determination , page 41



GIO EVALUATION TABLE 14

CONTROLS ON GAMING MACHINE ARTWORK

Impact on Gamblers	Negative. Recreational players deprived of entertainment value.
Impact on Problem Gamblers and “At Risk” Gamblers	No evidence of any positive impact.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Has impacted on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – has reduced state revenues.
Impact on Recreational and Social Opportunities	Negative – has reduced and continues to reduce enjoyment of recreational players.



17 Possible elimination of double up and other similar gamble features

The GIO notes that the LAB, in the First Determination¹³⁶, suggested that “double up or any other 100% return gamble feature such as quadruple-up etc may...encourage players to chase their losses and put at risk their winnings”.

The LAB accordingly suggested that the gamble feature should be limited so that the win resulting from the gamble does not exceed \$500 and to permit only one double up attempt for a single play of the game.

The GIO responded to the LAB, on 8 June 2001, stating that the ‘gamble’ feature/‘double up’ are the *fairest bets* offered to a player in that they are 50/50 bets and noting that the player has exactly the same odds of winning as the operator.

The GIO asked what justification there could be for restricting such a bet?

The GIO suggested to the LAB that the restrictions proposed would deprive the recreational player of significant entertainment value and the ability to bet at the best odds available.

The GIO noted that, as far as the GIO is aware, there was no evidence that problem gamblers are attracted to the ‘gamble’ feature or to ‘double up’ or would reduce their ‘problem gambling’ if these were restricted in the manner proposed.

¹³⁶ LAB First Determination, page 49



The GIO noted that such features are traditional features of video gaming machines and are offered in virtually every gaming jurisdiction.

The GIO submitted to the LAB that if such features were to be restricted as proposed, recreational players' interest in machines is likely to be adversely effected.

The GIO submitted to the LAB (and now submits to IPART) that unless 'harm' can be demonstrated to be reduced in a material manner by measures which are likely to have an adverse impact on recreational players, such measures should not be adopted.



GIO EVALUATION TABLE 15

**POSSIBLE ELIMINATION OF DOUBEL UP AND OTHER SIMILAR
GAMBLE FEATURES**

Impact on Gamblers	Negative. Recreational players deprived of entertainment value.
Impact on Problem Gamblers and “At Risk” Gamblers	No evidence of any positive impact.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Has impacted on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – has reduced state revenues.
Impact on Recreational and Social Opportunities	Negative – has reduced and continues to reduce enjoyment of recreational players.



18 Availability of alcohol and other refreshments to gamblers

The GIO notes that the LAB expressed the view, in the First Determination¹³⁷ that the “ready availability of alcohol for consumption whilst gambling has a disinhibiting effect which reduces rationality and the ability to resist temptation beyond ones means”.

The GIO disagrees that the “ready availability” of alcohol can have this effect. Even if the LAB in fact intended to refer to the consumption of alcohol rather than its availability, the GIO believes that ‘responsible serving of alcohol practices’ are sufficient to prevent players from drinking too much alcohol.

In terms of the consumption of alcohol in reasonable amounts, the GIO believes that players should be entitled to continue to consume alcoholic refreshments if they so choose.

This is a matter of freedom of the individual.

In responding to the LAB on 8 June, 2001, the GIO expressed great concern in relation to the proposal.

The GIO noted that the serving of refreshments to patrons is an integral part of the entertainment provided by gaming venues to their customers and any suggestion that refreshments should not be made available or should be restricted is rejected as inappropriate, unjustifiable, misconceived and grossly unfair.

¹³⁷ LAB First Determination, page 54



The GIO submitted that any such restriction would have a devastating impact on NSW gaming venues as recreational players would, without doubt, be deprived of one of the key aspects of the hospitality and entertainment that they seek and currently enjoy as part of the gaming experience.

The GIO pointed out that there is absolutely no evidence that problem gamblers are influenced by the availability of refreshments.

The GIO noted that it may even be the case that the availability of refreshments curtails problem gambling by providing an alternative source of entertainment to gaming.

Moreover, the implementation of strict new 'responsible service of alcohol' standards by all licensed premises in NSW has significantly changed the environment of all licensed premises and already protect, to the extent reasonably possible, all consumers of alcoholic beverages from themselves.

This protection obviously also extends to the players of gaming machines. It has been acknowledged as being very effective.

Finally, the GIO draws the attention of IPART to the extraordinary administrative, practical and enforcement difficulties that would arise in terms of one alcohol regime prevailing in one part of a venue and another prevailing elsewhere.

The GIO asks IPART, as it asked the LAB in 2001, what possible reason can there be, in these circumstances, for considering a restriction of this nature?



The GIO submits that the direct impact on employment (bar staff, service hosts, cleaners etc.) would be considerable, not to mention the indirect consequences (beverage suppliers, brewery and spirit workers, transport services, glass supply etc).

The GIO submitted to the LAB in 2001 that, if introduced, this “initiative” would have an immediate impact on the jobs of an estimated 12,000 persons employed in the hospitality and service industries, with a potential loss in wages of nearly \$340 million per annum (this figure is based on 4,000 venues with an average of 3 employees paid at \$27,000 per annum; it does not include the potential impact on service or other related industries).



GIO EVALUATION TABLE 16

AVAILABILITY OF ALCOHOL AND OTHER REFRESHMENTS TO GAMBLERS

Impact on Gamblers	Negative. Recreational players deprived of entertainment value.
Impact on Problem Gamblers and “At Risk” Gamblers	No evidence of any positive impact.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Would impact on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – would reduce state revenues.
Impact on Recreational and Social Opportunities	Negative – would reduce enjoyment of recreational players.



19 Slower reel spins

The sixth of nine “harm minimisation” proposals announced by the LAB at the LAB public forum on 5th May 2000 was a proposal to slow down the speed of games on NSW machines. The precise wording was as follows:

“Slowing down the speed of games to add a few more seconds to the time of individual games”¹³⁸.

GIO Submission (9 June 2000)

The GIO responded to this proposal in its 9 June submission¹³⁹ by noting that while the basis for the reel spin proposal may appear “well intentioned” as a harm minimisation measure, it was the view of the GIO that measure “assumed that current game speed was unacceptably fast, was purely aimed at increasing turnover, and in some way would assist problem gamblers”.

The GIO submitted to the LAB that the nature of games has changed substantially since the days of mechanical stepper machines:

- the most popular multi-line games today offer a feature comprising a secondary bonus round or ‘game within a game’ after achieving milestones in the primary round.

¹³⁸ LAB public forum, May 2000.

¹³⁹ GIO Submission to LAB, 9 June 2000, page 28.



- games also frequently involve ‘second screen’ features meaning that when a player hits a bonus combination on the video spinning reels, the image of the reels on the screen is replaced by a second screen which offers the player additional payoff opportunities as well as giving the player the opportunity to enjoy various entertaining options in the bonus round. For example, in one game, chickens try to cross a road without getting run over by a truck that speeds into view. A bonus coin amount is added for each chicken that crosses the road successfully.

The GIO noted that these aspects of the development of complex games have in fact led to the game cycle *being extended* so that players are finding that they are playing games for a *longer period* and deriving greater ‘value from money’ in doing so.

The GIO submitted, in its 9 June 2000 submission, that this trend towards extension of the game cycle was enhanced by such other design input as ‘winning time out’, the melodies that play to celebrate a player’s win, the result being that games “can often last for five minutes and longer”.

The GIO added that a further important consideration was that gaming machines had been developed as, and remain, a medium for entertainment: “the evolution of machines has been directed at enhancing their entertainment potential and game speed has been a factor in this development. Like instant lotteries, players have shown a preference for a speedy result to a game, which as stated above, can be drawn out to cover quite a lengthy period”.

The GIO submitted to the LAB that manipulation of game times runs the real risk of diminishing the pleasure the majority of players derive from playing gaming machines.



The GIO accordingly requested that consideration be given to other options which could more effectively target problem gamblers without overtly affecting the entertainment value of machines.

The GIO suggested a number of options in this regard:

“(i) ‘Play Through’ and ‘Auto Gamble’ Feature to be Discontinued

The industry group supports the prohibition on auto gamble. In addition, it is suggested that not allowing a player to short cut the pay cycle by simply playing the next game without waiting for the pay cycle to conclude may be effective in not only increasing the game time cycle but will allow further time for the player to consider whether to play on.

(ii) Redesign Button Function

The industry group wishes to suggest that buttons on gaming machines be redesigned (for new machines) so that players are required to press each button separately to generate an action rather than ‘jam down’ buttons to cause the machine to operate continuously. It is believed that this is both consistent with the prohibition on ‘auto play’ and is a measure likely to be of direct assistance to problem gamblers.

(iii) Minimum Average Long Term Return to Player to be increased from 85% to 87.5%

As one of the proposed alternatives to ‘slowing down’ game speed, the industry group proposes that the current minimum long term return to player for all new gaming machines in New South Wales be increased from 85% to 87.5%. This will not only give New South



Wales the highest minimum statutory return to player in Australia but will act as a harm minimisation measure because it will mean players will take longer to spend a given amount of money.

In this respect, it is not dissimilar to the concept of 'slowing machines down'.

(iv) Limiting the maximum amount that can be inserted to \$500 for clubs and hotels and \$1,000 for Star City

As set out previously, the industry group recommends that consideration should be given to limiting the maximum amount that can be inserted into a gaming machine to \$500 for clubs and hotels and \$1,000 for Star City. It is suggested that this change, again, will slow down the rate at which players play games because of the tendency for some players – possibly problem gamblers - to 'load up' machines.”

The GIO noted the significance of the trend towards 1c and 2c machines and outlined how players can control the length of play through the amount that they bet (see page 6 of draft AGMMA Player Information Booklet – Appendix F of Submission to LAB of 9 June 2000).

The GIO concluded its submission by stating that it did not believe that current reel spin intervals can be said to exacerbate problem gambling because (i) the game cycle of modern machines can be lengthy and (ii) because current reel spin intervals are designed solely to provide the optimal level of enjoyment for recreational players who comprise the vast majority of machine players.



LAB Provisional Determination (17 November 2000)

The LAB did not accept the submissions of the GIO of 9 June 2000. The LAB determined¹⁴⁰ that it was *“appropriate to slow down the speed of play and thus reduce the rate of loss per hour”*. The LAB stated that *“this should be achieved by requiring a minimum reel spin time of 3.5 seconds and a*

minimum of 1.5 seconds in idle mode, during which at least one standard data block must be transmitted” and added that *“this measure is appropriate to address what is currently an unacceptable loss rate at which money can be played and lost per hour”*.

The LAB added that *“slowing the rate of play would be an ineffective measure in preventing excessive player losses unless the bet limit is also reduced”* explaining that *“even if the bet limit were reduced to \$5...it would still be possible for a player to lose in excess of \$3,000 per hour on a stand alone machine.”*

As indicated at page 53 above, the GIO regards this estimate as misleading as a loss of \$3,000 an hour can only be described as a “remote possibility” (that is to say one that should be expected to occur less than once in every 100,000 one hour play periods) and therefore not one on which to base such an important policy determination.

The LAB stated that it was *“not persuaded that games last up to 5 minutes with any significant frequency and that this is an inbuilt equivalent of slowing a game down”*.

The LAB referred to the “alternative” options proposed by the GIO in its submission of 9 June 2000 and stated that it had decided that these *“alternative options should in fact be implemented as additional requirements not as alternatives.”*

¹⁴⁰ LAB Provisional Determinations, 17 November 2000, page 15.



GIO Submission (15 December 2000)

The GIO responded to the LAB's Provisional Determination by suggesting that research work be commissioned to establish the likely impact of the proposed measure¹⁴¹, noting that

there "was simply no evidence – in the form of independent research – that either implicitly or explicitly demonstrates that the three proposals will achieve the harm minimisation envisaged by the Board."

LAB First Determination (April 2001)

In the First Determination, the LAB stated that *"whilst the Board has received some responses which indicate support for all of the (Provisional Determination proposals on reel spin and maximum bet), the (GIO) and Clubs NSW have requested time to consider the issues"* and the Board had agreed to defer consideration of the matter pending the outcome of the research work (which the GIO had outlined to the Board in its letter of 16 January 2001) as follows:

"Project 4: Economic Impact of Proposed Reduction of Reel Spin Speed"

Again, the Gaming Industry Operators believe that, in the same manner as Project 3, this work must be carried out in conjunction with and (to some extent) based on the results of Project 5. It will need to be carried out by appropriate service providers with qualifications in economic and statistical analysis.

The exact specification of the project and the service provider is still under consideration.

¹⁴¹ GIO Submission to LAB "Response to LAB Proposals of 17 November 2000" dated 15 December 2000, page 14.



Project 5: Reduction of Reel Spin Speed: Impact on Problem Gambler

The Gaming Industry Operators propose to engage the Psychology Department at Sydney University (or the appropriate research entity nominated by the University) to carry out this work, subject to the appropriate Ethics Committee approvals being obtained, under the supervision of Professor Alex Blaszczyński.

Professor Blaszczyński has been advised that:

- *the Board's provisional determination is to require "a minimum wheel spin time of 3.5 seconds and a minimum of 1.5 seconds in idle mode during which at least one standard block of data must be transmitted"; and*
- *the Board has stated that it is 'satisfied that a combined minimum game cycle of 5 seconds will have no adverse impact upon the entertainment value of playing machines and will have a marked effect upon reduction of rate of loss of problem gamblers'.*

Professor Blaszczyński has suggested that:

- *the expectation that there will be no effect on the entertainment value of recreational gamblers while having a marked effect on reducing the rate of loss of problem gamblers needs to be subjected to empirical validation; and*
- *an understanding of the full impact of these proposed modifications to machine design features can only be gained on the basis of systematic long-term studies evaluating patterns of behaviour over time.*

The following proposal accordingly acknowledges the need for preliminary data to inform and guide the development and preparation of such longer-term studies.



The project has accordingly been designed by Professor Blaszczyński to provide preliminary pilot data to permit a report to be prepared by May, 2001.

Professor Blaszczyński has proposed that the research project will seek to determine, using focus group and questionnaire methodology, the extent to which a reduction in reel spin speed will impact on the level of expenditure and level of satisfaction in play of recreational and problem gamblers.

The following hypotheses will be tested:

- that a reduction in reel spin speed will lead to a decrease in the average level of expenditure of both recreational and problem gamblers;*
- that the decrease in average expenditure will be comparatively greater for problem gamblers;*
- that there will be no significant diminution in player satisfaction or enjoyment for either recreational or problem gamblers.”*

GIO Submission (8 June 2001)

The GIO noted that the LAB had accepted the GIO's request that the matter be deferred pending completion of the Sydney University and CIE Research which was expected to be completed by 30 September 2001.



GIO Submission (7 February 2002)

The GIO noted¹⁴² in its 7 February 2002 submission to the LAB that Sydney University had concluded, in respect of this measure, that:

“the proposed slowing of reel spin speeds “would not be an effective harm minimisation strategy”, would be “unlikely to reduce problems associated with electronic gaming machines” and “may result in an increase in indirect social/family harm associated with problem gambling for a small proportion of problem gamblers.”¹⁴³

The GIO noted¹⁴⁴, in its submission to the LAB, that Sydney University had concluded that::

- *Players of the modified machines consistently rated their enjoyment lower than players on the faster machines¹⁴⁵;*
- *Both problem gamblers and recreational players responded negatively to the change but problem gamblers rated all machines as less enjoyable than recreational gamblers¹⁴⁶;*
- *Only 14% of players accurately identified all the modifications¹⁴⁷ and an even smaller minority recognised changes to the speed of reel spin;*
- *Players who play slower tend to play for longer periods¹⁴⁸;*
-

¹⁴² GIO Submission to LAB “Supplement to GIO Submission to LAB of 8 June 2001” dated 7 February 2002, page 7.

¹⁴³ Sydney University Report, p. 9.

¹⁴⁴ GIO Submission to LAB “Supplement to GIO Submission to LAB of 8 June 2001” dated 7 February 2002, page 20.

¹⁴⁵ Sydney University Report, p. 47.

¹⁴⁶ Sydney University Report, p. 47.

¹⁴⁷ Sydney University Report, p. 48.

¹⁴⁸ Sydney University Report, p. 65.



- *The modified reel spin had no impact on time spent on the machine, the number of bets placed, the amount lost, credits or lines staked, alcohol consumed, cigarette consumption or visits to the ATM¹⁴⁹;*
- *Problem gamblers did not more often play more quickly than 5-second wager cycles¹⁵⁰; indeed only 3.5% of all participating players played at wager cycles faster than 3.5 seconds across the entire period of play¹⁵¹;*
- *Speed of play did not predict severity of gambling according to SOGS¹⁵²;*
- *Speed of play is related to persistence: “It was the participants who gambled more slowly who were likely to play for longer.”¹⁵³*

The GIO noted that Sydney University had concluded that the latter finding was “particularly significant”:

“This is an important finding because it suggests that if one were to slow down the speed with which the wager cycles were played, players might simply play for longer. This suggests that slowing down the speed of games might actually increase the harm associated with gambling because the gambler would remain at the machine longer. Further research is required to clarify this point.”¹⁵⁴

The GIO noted that Sydney University had also found that slowing down the reel spin to five seconds did not affect the gambling behaviour of participants in the study¹⁵⁵.

¹⁴⁹ Sydney University Report, p. 60.

¹⁵⁰ Sydney University Report, p. 62.

¹⁵¹ Sydney University Report, p. 63.

¹⁵² Sydney University Report, p. 63.

¹⁵³ Sydney University Report, p. 64.

¹⁵⁴ Sydney University Report, p. 64.

¹⁵⁵ Sydney University Report, p. 64.



Sydney University concluded, in this respect, that:

“...there was no difference in the proportion of problem versus recreational gamblers who bet on wager cycles that were on average less than 5 seconds per bet. Only 14% of problem gamblers used wager cycles that were faster than the proposed 5 seconds speed. This suggests that if the speed of wager cycles were reduced to 5 seconds, this modification would affect only a small proportion of the minority of gamblers who experience problems with their gambling.”⁵⁶

The GIO added that Sydney University had concluded that:

“there is very weak evidence to suggest that slowing down the reel spin of electronic gaming machines may help a small proportion of problem gamblers but there is evidence of potential unintended negative consequences, specifically that it may simply extend the period of play for a cohort of individuals”⁵⁷.

The GIO noted that, in addition to the test bed work, Sydney University had assembled a focus group of “identified pathological gamblers” to consider the LAB proposals and had summarised the results of the focus group discussion as follows:

“In summary, the consensus was that most problem gamblers would adjust to any reduction in reel spin and would simply lead to similar levels of expenditure but over longer sessions with the possible prospect of increasing behaviours such as smoking and drinking.

The GIO submitted, in its 7 February 2002 submission to the LAB, that no measure should be adopted which is found to be likely to entice players to spend longer in gaming venues than they would if the measure was not adopted. The GIO noted Sydney University’s comment that:

¹⁵⁶ Sydney University Report, p. 66.

¹⁵⁷ Sydney University Report, p. 73.



- *“it is not uncommon for pathological gamblers to delay returning to work or home, fail to meet social commitments or leave children unaccompanied in cars while they satisfy their urge to gamble.”¹⁵⁸.*
- the lengthening of playing time *“may have unintended negative consequences, such as increasing the time that players gamble”¹⁵⁹.*

The GIO concluded, therefore, that it was *“clearly not advisable to adopt this measure on harm minimisation grounds alone”* and requested that it be withdrawn as a *“Provisional Determination”*.

The GIO noted that the CIE research found that slower game speeds were not amenable to analysis based on current turnover in the same way as the \$1.00 maximum bet proposal¹⁶⁰ but noted that the CIE was able to provide an estimate of the likely revenue risk if the measure was *combined* with the \$1.00 maximum bet proposal (as proposed by the LAB in the Provisional Determinations of 17 November 2000)..

The GIO advised the LAB that the CIE had estimated that the two measures would be likely to increase the revenue at risk in clubs by 23.53% (from 17% to 21%) and the revenue at risk in hotels by 5.13% (from 39% to 41%)¹⁶¹.

The GIO noted that the magnitude of these sums could be illustrated by the following calculations.

¹⁵⁸ Sydney University Research Report, p. 34.

¹⁵⁹ Sydney University Research Report, p. 65.

¹⁶⁰ CIE Report, p. xi

¹⁶¹ CIE Report, page xi.



- 4% of the estimated \$2.5 billion in revenue generated from gaming machines¹⁶² in clubs is \$100 million.
- 2% of the estimated \$898 million in revenue generated by gaming machines¹⁶³ in hotels is \$17.96 million dollars.

The GIO submitted to the LAB that the financial and subsequent social implications of the proposed measures “*would be catastrophic*” adding that “*Sydney University found that no material harm minimisation would be achieved through the reel spin measure*”.

Auckland University Research (2 May 2003)

The GIO notes that the research work commissioned by the GIO was independently evaluated by Auckland University at the request of the Department of Gaming and Racing. Auckland University’s report (which is confidential and cannot be released to IPART without the approval of the trustees of the Casino Community Benefit Fund).

The GIO respectfully observes that Auckland University did not replicate the Sydney University studies and therefore could not comment meaningfully on the results.

The GIO notes that Auckland University found¹⁶⁴, in relation to the \$1.00 Maximum Bet proposal, that “*the reel spin modification does not appear, at this stage, to be an effective harm minimisation strategy*”.

¹⁶² CIE Report, page 3 (1999 figure)

¹⁶³ CIE Report, page 6 (1999 figure)

¹⁶⁴ Auckland University, “Assessment of the Research on Technical Modifications to EGMs Final Report May 2003”, page 34.



The GIO supports this conclusion although (as indicated earlier in relation to the maximum bet issue) Auckland University, having not carried out the research that Sydney University had carried out, was not in a position to make a meaningful comment about the potential of this measure¹⁶⁵.

Other Jurisdictions

The GIO supports the approach taken in Victoria where reel spin rates are restricted in the Gaming Machine Control Act 1991 by reference to a figure which will not significantly impact on recreational players' enjoyment:

77C. *Spin rates*

(1) A gaming operator must not allow a game to be played on a gaming machine if the spin rate of the game is less than 2.14 seconds.

Penalty: 20 penalty units.

(2) Sub-section (1) does not apply to a game played on a gaming machine located in an area specified by notice of the Authority published in the Government Gazette if the gaming operator complies with the conditions, if any, specified in the notice.

The GIO notes that the Independent Gaming Authority in South Australia recently issued guidelines to manufacturers regarding the minimum reel spin intervals in the form of a statutory presumption that reel spins of less than 3.5 seconds will 'exacerbate problem gambling'.

¹⁶⁵ The GIO also repeats the comments made at page 60 regarding the Auckland University criticisms and refers IPART to Annexures G and H.



The GIO notes that gaming machine manufacturers and the industry in South Australia have objected to (and are continuing to) object to this statutory presumption on the basis that it is absolutely unjustified in the light of the Sydney University research work.

The GIO also notes that at recent hearing (on 19 August 2003) before the Liquor and Gambling Commissioner, Mr. Bill Pryor, Dr. Paul Delfabbro, an academic psychologist presenting evidence on behalf of an objector (to the game being considered for approval at the hearing), “No Pokies Campaign Incorporated” (an organisation associated with the Honourable Nick Xenophon, MP), stated to the Commissioner words to the effect that slowing machine reel speed doesn’t have much effect on problem gamblers because players “adjust their expenditure upwards”.

As far as the GIO is aware, reel spin speed is not restricted in any gaming jurisdiction in the World in relation to casino style gaming machines of the nature that exist in New South Wales.

The GIO still holds the views expressed to the LAB on this issue and respectfully requests that IPART comment on the LAB’s Provisional Determination 6 (as set out on page 42 of the LAB First Determination dated April 2001) based on the Sydney University Research and the CIE Research and support the GIO’s request that this Provisional Determination be reconsidered.



GIO EVALUATION TABLE 17

SLOWER REEL SPIN SPEEDS

Impact on Gamblers	Negative. Recreational players would find the new machines boring and therefore be deprived of entertainment value.
Impact on Problem Gamblers and “At Risk” Gamblers	No evidence of any positive impact.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Would impact on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – would reduce state revenues.
Impact on Recreational and Social Opportunities	Negative – would reduce enjoyment of recreational players.



20 Removal of visual and sound stimuli

The GIO notes that in the LAB's First Determination, the LAB proposed that consultation should take place on the question of whether sound from the gaming area may constitute "an attraction to the gaming area (when other forms of advertising or enticement may be forbidden) and in particular an allurements to young people."¹⁶⁶

The GIO suggested to the LAB on 8 June 2001¹⁶⁷ that:

"this proposal has no 'harm minimisation' value whatsoever. There is no evidence that problem gamblers are attracted by sounds of gaming or that restricting the extent of sound leaving the gaming area would influence problem gamblers not to engage in problem gambling."

The GIO suggested to the LAB that common sense dictates that if a problem gambler has gone to a gaming venue, the question of whether he or she is going to play or not will hardly be influenced by whether sound escapes from the gaming area.

The GIO added that, in relation to the issue of young people, there are already strict restrictions on young people and gaming areas.

The GIO suggested to the LAB that reducing the escape of sounds from gaming areas will not have any impact on the inclination of young people to play machines and added that

¹⁶⁶ LAB First Determination, page 51

¹⁶⁷ GIO Submission to LAB, "Response to LAB Determinations and proposals of 2nd May 2001" dated 8 June 2001, page 43.



the very act of 'hiding' gaming in the manner proposed could, in the GIO's view, well prove an inducement to young people as it arguably creates a mystique in relation to gaming by differentiating it from other forms of 'entertainment'.

The GIO suggested that it was actually preferable, from a 'harm minimisation' perspective, for young people to be able to see and hear gaming areas so that it does not take on the biblical character of 'forbidden fruit' and avoids creation of a hidden 'mystique'.

The GIO noted that there has never been any suggestion that sounds from racetracks should be restricted in any way based on the possibility of inducing people to play.

The GIO observed, in its submission to the LAB of 8 June 2001, that the LAB had suggested that the questions of whether *"sounds that suggest success or otherwise, such as cheers or bells or whistles or sirens, or "sympathetic" groans may arouse emotions, promote irrational responses, increase excitement, and/or constitute enticements to gambling or continue gambling"* and whether *"sounds similar to those used to maintain interest and excitement in arcade and computer games have a similar effect with gaming machines"* required investigation.

The GIO noted that the LAB had also suggested that the *"effects of various types of sounds on vulnerable personalities"* required investigation.

The GIO submitted to the LAB that *"each of these suggestions demonstrates an excess of zeal on behalf of the LAB"*.

The GIO submitted that there was simply no evidence that sounds of the nature described by the LAB attract problem gamblers, or, more significantly, that any changes to such sounds would discourage problem gamblers.



The GIO added that it believed that *“interference of this nature with the creative aspects of game design would represent an unparalleled, unjustified, irrational and totally inappropriate intrusion into the commercial nature of the gaming business”*.

The GIO noted that there has been no suggestion that horses, dogs, trots, racing cars and other sports on which bets can be placed should only be permitted to emit sounds which do not maintain interest and excitement nor would one expect such a suggestion to be made.

The GIO also noted that:

- gaming machine manufacturers devote considerable resources to developing products that appeal to players (in the same way that manufacturers of motor vehicles and consumable products do).
- manufacturers do not ‘target’ problem gamblers.
- the marketplace determines which products fail and which succeed.
- operators design their gaming areas and venues to appeal to the player.
- venues succeed or fail depending on their ability to provide an attractive entertainment experience for their customers.

The GIO stated to the LAB that it agreed that matters which can be clearly demonstrated to address harm are properly the subject of consideration by the LAB.



The GIO noted that the LAB also suggested that the question of whether “*artwork lighting should be able to be seen outside gaming areas as it may constitute an attraction to the gaming area...and in particular an allurement to young people*” require consideration.

The GIO repeats its comments regarding the concealment of gaming from young people and its likely consequences in this respect.

The GIO pointed out that Kenneth Graeme (1859-1932), a Scottish writer, stated that “*it is the restrictions placed on vice by our social code which makes its pursuit so peculiarly agreeable*”.

The GIO asked “is it not likely that placing restrictions of this nature on gaming would have exactly the opposite effect of what is intended by creating a mysterious hidden attraction?” The GIO stated to the LAB that it believes that there is simply no justifiable “harm minimisation” rationale for such a proposal.

Not only, the GIO said, is there no evidence that the visibility of artwork lighting from outside the gaming area attracts problem gamblers but there is also no evidence to suggest that by spending large amounts of money to prevent artwork lighting being seen from outside the gaming area, it would have any impact on the extent of problem gambling in NSW.

The GIO believes that the ‘hiding’ of gaming areas would have more of an impact in terms of alluring young people than keeping them fully visible.

In any event, whether the visibility of lighting constitutes an allurement or not is surely an academic question at best because there are very strict laws about under age gaming in NSW



and these are policed rigorously by operators who fully understand that their licenses are at risk if these laws are disregarded.

The GIO asked, of the LAB, how far it was reasonable to go? Sounds, colour, smell?

The GIO suggested that *“there is a point at which common sense and the protection of recreational players’ interests must override ‘exotic’ proposals of this nature championed in the name of ‘harm minimisation’”*¹⁶⁸ adding that this was particularly so when there is absolutely no evidence that the proposals would be in any way effective in terms of reducing problem gambling or ameliorating its impact.

The GIO notes that the Productivity Commission stated in 1999 that it “is not aware of persuasive evidence which suggest lighting and sounds seriously enhance the ability of the machine to condition player behaviour”.¹⁶⁹

The GIO’s views on these issues have not changed and the GIO requests IPART to give consideration to these views in commenting on this “harm minimisation” proposal.

¹⁶⁸ GIO Submission to LAB, “Response to LAB Determinations and proposals of 2nd May 2001” dated 8 June 2001, page 46.

¹⁶⁹ Productivity Commission Report, Volume 2, page 16.86



GIO EVALUATION TABLE 18

REMOVAL OF VISUAL AND SOUND STIMULI

Impact on Gamblers	Negative. Removal of or reduction in magnitude of visual and sound stimuli would have a significant impact on the entertainment offered by EGMs
Impact on Problem Gamblers and “At Risk” Gamblers	No evidence of any positive impact.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Would impact on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – would reduce state revenues.
Impact on Recreational and Social Opportunities	Negative – would reduce enjoyment of recreational players.



21 Requirement for human intervention in large payouts

The GIO notes that Clause 30 of the Gaming Machines Regulations 2002 (which mandates payment of prizes over \$1,000 by crossed cheque) and Clause 33 of the Casino Control Regulation 2001 (which mandates offering payment of prizes over \$1,000 by crossed cheque) provide for mandatory human intervention in payouts over \$1,000.

The GIO believes that there is no evidence that these requirements have assisted problem gamblers to any material extent.

Moreover, the GIO believes that the ready availability of cheque cashing facilities (often at usurious rates) defeats even the intent of such provisions.

The GIO believes that these provisions impact unnecessarily on recreational players who, on winning over \$1,000, find that they cannot utilise the funds to continue to enjoy their evening.

The GIO notes that there is no corresponding requirement imposed on the winners of lotteries or bets at racing events.

The GIO requests that IPART give consideration, at the very least, to recommending an increase in the current \$1,000 limit to \$3,000 on the basis that such a change be the subject of a trial period for one year (with a view to evaluating at the end of that one year whether the change has had any discernable impact on problem gambling in NSW).

The GIO notes, that, to its knowledge, this requirement has not been duplicated anywhere else in the World.



GIO EVALUATION TABLE 19

REQUIREMENT FOR HUMAN INTERVENTION IN LARGE PAYOUTS

Impact on Gamblers	Negative. Interrupting the peak enjoyment experience (a win in excess of \$1,000) with a mandatory trip to a cashier represents a very negative element in terms of providing entertainment to recreational players
Impact on Problem Gamblers and “At Risk” Gamblers	There is no evidence of any positive impact. Expensive cheque cashing facilities have proliferated in NSW since these provisions were introduced.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. Impacts on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – reduces state revenues.
Impact on Recreational and Social Opportunities	Negative – reduces enjoyment of recreational players.



22 Requirement for natural light in gaming venues

The GIO notes that, in Victoria, the Gaming Machine Control (Responsible Gambling) (Lighting and Views) Regulations 2001 provides for *“the retention of existing external views in gaming machine areas of approved venues and the casino”*.

Other than this limited requirement, the GIO is not aware of any other requirements that natural light be required in gaming areas nor is the GIO aware of any research that indicates that retaining natural light in gaming areas will reduce problem gambling or otherwise assist problem gamblers.

The GIO notes that Clause 28 of the Gaming Machines Regulation 2001 already requires hotels and clubs in NSW to ensure that clocks are kept in each part of the hotel or club in which gaming is conducted and that “clocks can be readily viewed by any person operating an approved gaming machine” and that Clause 31 of the Casino Control Regulation 2001 imposes a corresponding obligation on the Casino.

The GIO notes that a requirement that natural light be introduced to gaming venues would be prohibitively expensive for gaming venues with internal gaming areas and submits that there is no justification for such request.

Lighting levels are set in NSW gaming venues (and all other entertainment facilities) to provide the most comfortable atmosphere for patrons.

The GIO requests IPART to note that no such requirement has, to the knowledge of the GIO, been imposed in any other gaming jurisdiction and that there is simply no evidence



that such a requirement would assist problem gamblers or at risk gamblers in any material manner.



GIO EVALUATION TABLE 20

REQUIREMENT FOR NATURAL LIGHT IN GAMING VENUES

Impact on Gamblers	Negative. The cost of providing natural light in many venues would be significant and it would be necessary for many, if not most, venues to pass this cost on to the player. Some venues may find this impossible and would need to close.
Impact on Problem Gamblers and “At Risk” Gamblers	There is no evidence of any positive impact. Players have access to clocks and the internal lighting levels will not change so it is questionable whether any problem gambler or ‘at risk’ gambler would notice anyway (given their ‘preoccupation’ with gambling).
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. The cost of such a measure is likely to impact on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – would reduce state revenues.



Impact on Recreational and Social Opportunities	Negative – would reduce enjoyment of recreational players.
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23 Requirement for gambling patrons to be visible to people outside the gambling venue

As a preliminary matter, the GIO notes that this suggestion appears to be at odds with the LAB's suggestion that consideration be given to whether the "visual exposure" of children to gaming machines should be minimised¹⁷⁰ and the LAB's suggestion that consideration should be given to the question of whether artwork lighting should be capable of being seen outside gaming areas¹⁷¹.

The GIO suggests that:

- there is no credible evidence to support such a measure in terms of it reducing problem gambling in NSW;
- the cost of implementing such a measure would be so extreme as to render it impracticable; it in many venues it would be impossible to implement without a substantial rebuild of the venue;
- the different layouts of gaming venues make it impossible for such a measure to be introduced and applied fairly.

The GIO requests IPART to reject such a measure on these grounds.

¹⁷⁰ LAB First Determination, page 7

¹⁷¹ LAB First Determination, page 52



GIO EVALUATION TABLE 21

**REQUIREMENT FOR GAMBLING PATRONS TO BE VISIBLE TO PEOPLE
OUTSIDE THE GAMBLING VENUE**

Impact on Gamblers	Negative. Players enjoy their privacy. The cost of implementing such a measure in many venues would be significant and it would be necessary for many, if not most, venues to pass this cost on to the player. Some venues may find this impossible and would need to close.
Impact on Problem Gamblers and “At Risk” Gamblers	There is no evidence of that any positive impact would result. Problem gamblers and ‘at risk’ players are by definition ‘preoccupied’ with gambling and are likely to be the least impacted by such ‘visibility’.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. The cost of such a measure is likely to impact on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – would reduce state revenues.
Impact on Recreational and Social Opportunities	Negative – would reduce enjoyment of recreational players.



24 The impact of music being played and display of lights when a win takes place.

The GIO notes that the LAB raised a number of issues in relation to music and lights but has not, to the GIO's knowledge, previously raised the question of 'winning time out'.

The GIO is of the view that the music and lights displayed when a win occurs is an essential part of the gaming entertainment experience.

To remove or restrict such sound and music would seriously impact on the enjoyment of recreational players. This in turn would impact adversely on gaming venue revenues, employment in NSW and state gaming revenues.

What would this achieve?

The GIO understands that there is, to its knowledge, virtually no evidence to suggest that any such measures are likely to be effective in terms of reducing problem gambling in NSW.

The GIO observes that if any such measures were introduced, any problem gamblers who are particularly attracted by such sounds could either bring along their own music (through use of a Walkman or similar device) or alternatively may drift towards internet gambling where no such restrictions will ever apply.



GIO EVALUATION TABLE 22

IMPACT OF MUSIC BEING PLAYED AND A DISPLAY OF LIGHTS WHEN A WIN TAKES PLACE

Impact on Gamblers	Negative. Restrictions on music and lights would reduce the entertainment value offered by gaming machines to recreational players.
Impact on Problem Gamblers and “At Risk” Gamblers	There is no evidence of that any positive impact would result. Problem gamblers and ‘at risk’ players are by definition ‘preoccupied’ with gambling and are arguably the least likely group to be the least impacted by such restrictions.
Impact on Community Services including Counselling Services	Nil.
Impact on Gambling Providers, Gaming Machine Manufacturers and their Employees	Negative. The cost of such a measure is likely to impact on recreational players’ enjoyment and therefore on revenue and employment.
Impact on Community Projects	Negative – would reduce state revenues.
Impact on Recreational and Social Opportunities	Negative – would reduce enjoyment of recreational players.



Conclusion

The GIO appreciates the opportunity to express the views set out in this submission to IPART.

The GIO regards these issues very seriously as the changes that the measures represent can have very significant implications for the gaming industry and employment in NSW.

The GIO is anxious to reduce problem gambling in NSW but believes that NSW has implemented a number of wholly speculative measures which have not been adequately researched and which have had virtually no impact on problem gambling.

The GIO also believes that many of the measures under consideration can also be characterized as 'speculative' and not 'evidence based'.

The GIO believes that measures which cannot be shown to reduce problem gambling should not be implemented if they give rise to the possibility of adverse impact on recreational players.

The GIO requests IPART to give consideration to endorsing this view as a general principle.

The GIO has set out a summary of its views in the following table.



Table 2 Harm Minimisation Measures: Summary

<u>“Circuit-breakers”¹⁷²</u>	GIO Response	Page Reference
Compulsory Shut Down of Gambling Venues	GIO Members will respond individually	
Ban on Smoking in Gambling Venues	GIO Members will respond individually	
Periodic Shutdown of Individual Machines	Not supported	15
Periodic Information Messages to Gamblers Using Gaming Machines	Supported (subject to qualifications)	19
Restrictions on Alcohol Consumption by gamblers	GIO Members will respond individually	
Performance of Self-Exclusion Schemes	GIO Members will respond individually	
<u>“Information for Gamblers”</u>		
Requirements to Display Certain Signage	GIO Members will respond individually	
Display of Clocks in Gaming Machine Areas	GIO Members will respond individually	
Information in Brochures Required in Gambling Venues	GIO Members will respond individually	
Information on betting tickets, lottery and keno entry forms	GIO Members will respond individually	

¹⁷² Refer to comments on page 9.



Role of Community Services including gambling counselling services	Supported. Improved treatment is of critical importance to reducing problem gambling.	28
Contact Cards for Counselling Services	GIO Members will respond individually	
Compulsory Display of Payout Ratios and probability of winning specific prizes	Supported. Victorian PID format recommended.	32
General advertisements highlighting problem gambling	GIO Members will respond individually	
Display of monetary value of credits, bets and wins	Already implemented and supported.	38
Information for individual players on their gambling session	Supported as implemented in Victoria.	33
<u>“Liquidity Controls”</u> ¹⁷³		
Requirements for large payouts not to be in cash	GIO Members will respond individually	
Prohibition on providing credit for gambling	GIO Members will respond individually	
Requirement to locate ATMs away from gambling areas	GIO Members will respond individually	
Restrictions on note acceptors	Not Supported.	39
Lower limits on maximum bets on gaming machines	Not Supported.	63

¹⁷³ Refer to comments on page 9.



“Pre-commitment” or “smart” cards that enable financial limits to be set	GIO Members will respond individually	
Restrictions on daily cash limit in ATMs close to gambling venues	GIO Members will respond individually	
Reducing the maximum permissible win	Not Supported.	82
Further possible changes to affect the rate of play or loss per hour	GIO Members will respond individually	
Forced payment of wins when certain level is reached and payment then to be only by cheque	Not Supported.	90
<u>“Restricted Promotion of Gambling”</u>		
Controls on Advertising	Not Supported.	94
Controls over player reward schemes	GIO Members will respond individually	
Restrictions on promotions and other inducements to gamble	Not Supported.	99
Controls on gaming machine artwork	Supported as specifically proposed by LAB (see p.104). Extensive controls already in place.	103
Possible elimination of double up and other similar gamble features	Not Supported.	107
Availability of Alcohol and other refreshments to gamblers	Not Supported.	110
<u>“Community/Counselling Services”</u>		
Agreement with Counselling Services	GIO Members will respond individually	



Training for staff in gaming machine venues	GIO Members will respond individually	
<u>“Technical Measures”</u>		
Slower Reel Spin Speeds	Not Supported.	114
Removal of Visual and Sound Stimuli	Not Supported.	130
Requirement of human intervention in large payouts	Not Supported.	136
Requirement for natural light in gaming venues	Not Supported.	138
Requirement for gambling patrons to be visible to people outside the gambling venue	Not Supported.	142
The impact of music being played and display of lights when a win takes place.	Not Supported.	144