



30 January 2004

Matthew Pearce
Project Manager - Gambling Harm Minimisation Review
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Matthew,

Re: Review into Gambling Harm Minimisation Measures (ref: 03/213)

Thank you for your advice that the following six reports, commissioned by the Casino Community Benefit Fund, were publicly released on 15 December 2003.

1. A C Nielson, 2003, *Evaluation of the Impact of the Three Hour Shutdown of Gaming Machines – Final Report*, May.
2. Auckland UniServices Limited, 2003, *Assessment of the Research on Technical Modifications to Electronic Gaming Machines in NSW, Australia – Final Report*, May.
3. Consumer Contact, 2003, *Testing of Harm Minimisation Messages for Gaming Machines*, May.
4. Dickerson, M., Haw, J., and L. Shepherd, 2003, *Psychological Causes of Problem Gambling: A Longitudinal Study of At Risk Recreational EGM Players*, March.
5. Hing, N., 2003, *An Assessment of Member Awareness, Perceived Adequacy and Perceived Effectiveness of Responsible Gambling Strategies in Sydney Clubs*, September.
6. NIEIR (National Institute of Economic and Industry Research), 2003, *The Economic Impact of Gambling*, July.

The NSW Gaming Industry Operators group (“GIO”) appreciates the opportunity to provide this comment on the reports to the NSW Independent Pricing and Regulatory Tribunal (“IPART”) Review into Gambling Harm Minimisation Measures.

The GIO seeks to comment on the reports numbered above (2), (3), (4) and (6). Whilst the GIO does not propose to comment on reports (1) and (5) directly, its members may well choose to do so individually on some or all of the reports.

Report (2), the “Auckland UniServices Limited, 2003, *Assessment of the Research on Technical Modifications to Electronic Gaming Machines in NSW, Australia – Final Report, May*” was considered by GIO members and by the original researchers during June and July 2003 and responses were provided to the Department of Gaming and Racing (“DGR”). Copies of those responses are attached as follows:

- Appendix A: Correspondence of 1 August 2003 from the GIO to the DGR.
- Appendix B: Correspondence of 4 July 2003 from the Centre for International Economics to the GIO.
- Appendix C: Correspondence of 8 July 2003 from the University of Sydney Gambling Research Unit (USGRU) to the DGR.

Report (3), “Consumer Contact, 2003, *Testing of Harm Minimisation Messages for Gaming Machines, May*” has been considered by the GIO and a submission is attached as Appendix D.

Report (4), “Dickerson, M., Haw, J., and L. Shepherd, 2003, *Psychological Causes of Problem Gambling: A Longitudinal Study of At Risk Recreational EGM Players, March*” has been considered by the GIO and a submission is attached as Appendix E.

Report (6), “NIEIR (National Institute of Economic and Industry Research), 2003, *The Economic Impact of Gambling, July*” has been considered by the GIO and a submission is attached as Appendix F.

We trust this comment provides an informed perspective on the research reports.

Yours sincerely,



Ross Ferrar
for NSW Gaming Industry Operators group



NSW GAMING INDUSTRY OPERATORS GROUP (“GIO”) SUBMISSION to the NSW INDEPENDENT PRICING AND REGULATORY TRIBUNAL (“IPART”)

30 January, 2004

**COMMENTS ON RESEARCH PAPER¹ BY PROFESSOR MARK
DICKERSON ET AL SUBMITTED TO IPART BY THE DEPARTMENT
OF GAMING AND RACING**

¹ *“The Psychological Causes of Problem Gambling: A Longitudinal Study of At Risk EGM Players” by Professor Mark Dickerson, Dr. John Haw and Ms. Lee Shepherd, University of Western Sydney, School of Psychology, Bankstown Campus*



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1 EXECUTIVE SUMMARY

The NSW Gaming Industry Operators Group (“GIO”) wishes to thank IPART for the opportunity to comment on the *“The Psychological Causes of Problem Gambling: A Longitudinal Study of At Risk EGM Players”*, a research paper by Professor Mark Dickerson, Dr. John Haw and Ms. Lee Shepherd, University of Western Sydney, School of Psychology, Bankstown Campus, dated January 2002 – March 2003, released by the Department of Gaming and Racing (“DGR”) on 15 December 2003 by publication on the DGR website.

The time frame within which the GIO has been given the opportunity to comment on the 48 page research paper (i.e. from 15 December to 30 January) has required the GIO to focus on key issues rather than the underlying research.

The GIO rejects the authors’ principal conclusion, namely that regular players of gaming machines who are not “medically disordered or pathological gamblers” suffer harmful effects from gaming through impaired control and that this can only be addressed from a policy perspective through a mandatory card based gaming system requiring all players to make pre-commitment decisions before gaming and outside the gaming area.

The reasons why the GIO rejects the authors’ conclusions and recommendations are set out, in summary form, in the following section (“Summary of Concerns”) and in greater detail in the balance of this submission.



2 SUMMARY OF CONCERNS

The GIO has ten principal concerns with “The Psychological Causes of Problem Gambling: A Longitudinal Study of At Risk EGM Players” by Professor Mark Dickerson, Dr. John Haw and Ms. Lee Shepherd, University of Western Sydney, School of Psychology, Bankstown Campus:

(1) Impaired Control: the Cart before the Horse?

The authors seem to be suggesting that impaired control arising from impulsivity, depression and non-productive coping strategies can be meaningfully addressed through a mandatory pre-commitment strategy.

The GIO believes there is a significant ‘cart before the horse’ element to this view. Surely it is the impulsivity, depression and non-productive coping strategies that need to be addressed through specific treatment of individuals?

(2) Assumptions made by the Authors

The authors assume that the prevalence of problem gambling is directly related to accessibility to gambling (which is disputed by the GIO). The GIO believes that problem gamblers will access gaming machines and engage in harmful behaviour no matter what restrictions are placed on machines, machine numbers or machine availability. The GIO believes that the solution to problem gambling involves improved information for all players and improved support for problem gamblers.

The authors assume that a new scale (the Scale of Gambling Choices or SGC) is an accurate and reliable measure of impaired control.

The GIO has some serious concerns about the reliability of and assumptions underlying this new scale, the lack of precision in the concepts and the failure to take



into account the significance of budgeting and player practise. These are detailed in paragraph 4.2.

(3) Methodology Issues

The GIO has concerns about the methodology of the research. No explanation of player recruitment is provided; however, it is disclosed that players were paid to participate. Such payment may have influenced players in some manner that is inconsistent with an objective response (i.e. players may have been motivated to accommodate the desires of the researchers) and hence may have impacted on the quality of the result of the survey.

(4) Equating Bereavement to Impaired Control

The GIO believes it is wrong to equate bereavement to impaired control during gaming because of the different degrees of control involved. The GIO accordingly questions the validity of the results of the authors' "uncontrollable loss analysis".

(5) Time Line Follow Back Method ("TLFB")

The GIO has serious concerns about the TLFB utilised by the authors. The disclosure regarding provision of "memory aids" appears deficient. The GIO believes that this technique may artificially produce more consistency than should be the case.

The GIO is also concerned about conclusions being drawn from such a small sample size. Only 10 of the participants completed TLFB questionnaires in relation to the first 12 months of the study. GIO members expect much larger sample sizes in all research.



(6) Recruitment

The GIO is concerned about the lack of disclosure and discussion regarding recruitment of players and the high drop out rate (41%). In particular, reasons for dropout and the likely impact on the research results are not disclosed.

(7) Link between Depression and Impaired Control

The GIO believes that the relationship between depression and impaired control as portrayed by the authors fails to note that it seems likely that people who are depressed and therefore vulnerable to a loss of control in virtually all of their activities (including gambling) are generally depressed because of a pre-existing event in their lives. It seems likely that that the depression and anxiety require treatment and counselling, rather than the impaired control in a gaming context.

(8) Budgets and Impaired Control

The GIO considers that the authors have failed to recognise the significance of (and discuss) budget setting in their analysis and failed to give enough weight to the significance of setting of budgets for gaming (even when varied from time to time). The GIO believes that individuals who set gaming budgets for themselves (which may be financial or time related) cannot be said to suffer from impaired control to any extent. The authors apparently disagree with this proposition and the GIO believes that such disagreement undermines the validity of the entire report.

(9) Lack of Precision and Logical Flaws

The GIO was concerned about the lack of precision in the research report in terms of the authors' tendency to make sweeping statements without an attempt to define terms (what does 'control' mean?) or to support such statements made by reference



to the actual research. The GIO also perceives a number of logical flaws in the analysis that was carried out (discussed in paragraph 5.8 of this submission).

(10) Authors' Recommendations

The GIO believes that the authors' policy recommendations are not supported by the research and seem to reflect pre-existing policy pre-dispositions by the authors rather than policy based on evidence arising from objective research. This is evident from the lack of reference to pre-commitment anywhere in the report until the authors' conclusion and recommendations.



3 IMPAIRED CONTROL: THE CART BEFORE THE HORSE?

The authors of the paper under review found that *“the results of their study indicated that depression was both a predictor of concurrent impaired control over gambling and future impaired control”*² and that *“impulsivity, depression and non-productive coping styles were the only significant predictors of impaired control”*.

The GIO suggests that depression is a predictor of concurrent impaired control over a very broad range of behaviours, which may – or may not – include problem gambling on Electronic Gaming Machines (“EGMs”).

The GIO suggests that many – if not most – of the different behaviours produced by depression have the potential to be harmful individuals if pursued to excess.

The extent to which impulsivity, depression and non-productive coping strategies give rise to other harmful behaviours was, unfortunately, not the subject of the paper or the underlying questionnaire.

However, the GIO respectfully submits that this issue is relevant in relation to the question of whether the findings of the research should be applied specifically (and only) to gaming machines and whether it is the impulsivity, depression and non-productive coping strategies experienced by various individuals that need to be addressed rather than EGMs.

There appears to be a ‘cart before the horse’ element to this analysis.

² *Executive Summary, Page III*



The GIO respectfully suggests that impulsivity, depression and non-productive coping mechanisms are likely to lead to a wide range of potentially harmful concurrent and non-concurrent behaviours which may or may not include problem gambling.

While problem gambling may well comprise one of these categories of harmful behaviour, it seems reasonable to suggest that the treatment and counselling strategies required to address “impulsivity, depression and non-productive coping styles” should be more broadly based and should focus on the individual’s particular problems.

The GIO does not dispute that “impulsivity, depression and non-productive coping styles” may lead to problem gambling. However, the GIO believes that the analysis set out in the paper under review appears to suggest, by implication, that problem gambling is the only problem produced by such traits and that the authors’ recommendations will in some way address the problem.

The GIO believes that such individualistic psychological problems are likely to lead to a range of harmful behaviours, of which problem gambling on EGMs may be one. If, however, EGMs did not exist, it is suggested, the harmful behaviour of these individuals would manifest itself in some other way.

It is also suggested that treatment and counseling of the individuals experiencing such psychological problems is a public health issue with much broader parameters than problem gambling. The sledgehammer recommendations of the authors seem unlikely to resolve such individuals’ problems, which seem likely to manifest themselves in some other way.



4 IMPACT OF AUTHORS' ASSUMPTIONS

4.1 Accessibility

The GIO notes the authors' comment that:

"In the original funding application it was noted that, "The prevalence of problem gambling is directly related to the degree of accessibility of gambling, particularly gaming machines" In Australia 1 in 5 regular players (at least once per week) are 'at risk' of gambling related harmful impacts (Productivity Commission, 1999)." ³

The GIO disputes that problem gambling and accessibility are proportionately related in the manner apparently assumed by this statement. The GIO notes that the authors make the following assertion immediately after that statement:

"Research has shown that regular recreational players are on a continuum with problem players and rapidly cycle into and out of problematic levels, typically without intervention or therapy." ⁴

The GIO suggests that the bald assertion that non-problem gamblers 'cycle into' and 'cycle out of' problematic levels, demands that the alleged "research" be formally cited.

The GIO also notes that the reason why accessibility is referred to at this point (which does not become clear until the end of the paper) is that the authors are recommending to the reader that *all* gaming machines should be restricted from an access perspective by compulsory pre-commitment technology because the authors mistakenly believe that all regular players are at risk.

The GIO disputes the authors' assumption that accessibility to machines gives rise to more problem gambling, because problem gamblers will not be influenced by access issues. The GIO believes that problem gamblers will find machines and work their way around restrictions unless proper counseling and treatment is provided to such problem gamblers.

³ Introduction, page 5

⁴ Introduction, page 5



4.2 Scale of Gambling Choices (“SGC”)

The GIO notes that the research carried out by the authors utilises a ‘new’ scale, the scale of gambling choices or SGC which is described by the authors as follows:

“The major dependent variable in the pilot studies was the extent to which regular players experience a subjective sense of not being in control of their gambling, unable to limit their expenditure and chasing their losses. This was measured by the Scale of Gambling Choices (SGC), which is a relatively new measure of gambling behaviour. There is now data from over 500 regular egm players on this scale. The mean score was 40 (range 16-90) indicating that the typical regular player experiences loss of control during a session of play at least some of the time and the scores of some players show strong similarities with results from a group of problem gamblers attending for treatment (N = 81; the SGC correlates strongly with the South Oaks Gambling Screen or SOGS: $r = 0.80$) As the players recruited play once a week or more often (mean = 2.29 times per week), and for long sessions (mean=134 minutes), even to “sometimes” lose control over expenditure would put the player at risk of harmful impacts. Therefore, the term “harmful gambling” has been used to describe this central variable and is of more relevance to regular egm players.”⁵

The GIO has great difficulty with the proposed new scale. The term ‘control’ is not defined and the suggestion that a ‘typical’ recreational player ‘loses control’ of his or her gambling ‘at least some of the time’ is an extraordinary one. The suggestion is clearly at variance with the concept that problem gambling is between 1% and 2% of Australia’s adult population (the Productivity Commission’s estimate) and that such problem gambling prevalence levels includes problem gambling which did not require treatment.

Recreational players typically set themselves a budget for playing. This is confirmed by the authors’ finding that *“many of the players who maintained control over their gambling spoke of being able to set realistic time and monetary budgets and stick to them”⁶*.

⁵ Introduction, page 5 to 6

⁶ Project Objectives, page 17



The GIO suggests that when a budget is set and followed, it is virtually impossible to characterize the player as experiencing ‘loss of control’ *at any time*. The concept of budget setting does not seem to have been addressed in this research.

The authors note that “*impaired control has sometime been defined/measured in terms of gambling more, and gambling more often provided an increased 'opportunity' to lose control.*”⁷. The GIO disputes the notion that a decision to increase the size of a bet is always an indication of loss of control. The intentions of the authors in making statements in this regard elude the GIO.

The authors also state that “*the pilot results have indicated that players who play more frequently are at greater risk of impaired control, gambling harmfully, but this pathway is less strong than the way in which impaired control can lead to higher involvement in gambling.*”⁸

Again, the GIO has great difficulty with the concept that players who play “more frequently” are at greater risk of losing control. The term “more frequently” is ill-defined. The authors recognise limitations in ‘this pathway’ (see above). Despite these limitations, the authors propose that ‘impaired control’ is a ‘natural experience’ (see extract below) of a ‘regular’ EGM player and the GIO also has great difficulty with this proposition:

“Also, from the perspective of responsible gambling, the finding that impaired control is a common and 'natural' experience of the typical regular egm player challenges recent harm minimisation policies. It questions whether strategies can assist players to stay in control or whether egms themselves can be modified to permit the typical player to make an informed decision to purchase another game within a session lasting over two hours.

Finally, at a practical level the pilot studies have helped develop an appropriate methodology and demonstrate strong support from the gaming industry in assisting with data collection on regular egm players. The current study will employ a methodology refined in the pilot studies for the purpose of assessing the psychological

⁷ Introduction, page 6

⁸ Introduction, page 6



predictors of problem gambling and to develop an understanding of the transition of individual players from recreational gaming to harmful gaming.”⁹

The thrust of the authors’ argument appears to be that even if a player is provided with the information they require to make informed decisions about gambling, even a ‘typical’ (i.e. recreational player) is incapable of using this information to ‘control’ their gambling. Such information might include a particular long-term theoretical Return To Player, prize structure and hit rate.

The GIO believes, with respect, that such an argument flies in the face of common sense.

If recreational players set budgets for themselves – in some manner – it is extremely difficult to see how they can be characterized as suffering from impaired control. It is even more difficult to understand how one can leap to the proposition that the information that the GIO has proposed for disclosure to all players through “player information displays” will not assist them to control their gaming (which seems to be implied by the authors).

The GIO also notes that 65% of the players that were interviewed for this research spent \$50 or less per gambling session¹⁰, suggesting that most of the players were indeed setting budgets for themselves in some manner.

The GIO finds it impossible to conclude that typical players suffer from impaired control in such a situation.

⁹ *Introduction, page 6*

¹⁰ *Project Design, page 14*



5 RESEARCH ISSUES

5.1 Methodology

The GIO believes that effective objective research into gaming requires voluntary unpaid participants enlisting in the program and a “neutral” data collection approach intended to establish reliable, unbiased data.

Participants who do not voluntarily agree to participate in the programs may well be motivated (by such incentives) to assist the researchers to achieve their goals by answering obvious ‘leading’ questions in the manner that the question ‘invites’. The authors concede that such incentives were offered: *the “use of \$20 vouchers was utilised to ensure recruitment of initial participants. Furthermore, a \$30 ‘Coles’ voucher was offered as incentive for the completion of the 4 further telephone interviews.”*¹¹

The GIO respectfully submits that the questions utilised by the authors in the questionnaire are unsophisticated and transparent (see page 33 of research paper) with the result that even the least intelligent participant must clearly have been able to see the direction that the researchers were heading in and, given the incentive provided, were more likely to want to assist the researchers in achieving their goal than not. The 41% drop out rate disclosed by the authors¹² begs the question of what was said by the authors and/or their research participants to the remaining participants to persuade them to remain in the program.

5.2 Perceived Difficulties with Coping Analysis

The GIO notes that the authors utilised a “coping analysis” which is used in ‘uncontrollable loss situations’ such as ‘bereavement’:

¹¹ *Project Design, Page 10*

¹² *Project Design Page 12*



“The measure of coping style used previously was replaced with the short version of the Coping Orientation to Problems Experienced (COPE)(Carver et al. 1989). This change is based on research experience with regular egm players (Shepherd & Dickerson, 2001 Australian Journal of Psychology, in press). At baseline the measure will be used in its dispositional format, assessing a person's usual style of coping with an uncontrollable loss situation such as bereavement and then at follow-up in the situational form of how the person copes with the specific gambling money loss situation.”¹³

The GIO believes that it is questionable whether it is appropriate to apply uncontrollable loss analysis utilised in the context of situations which are *truly* uncontrollable to situations in which participants have a much greater degree of control (i.e. they can decide where and when to gamble and they can decide how much to gamble, at what rate they gamble and the period for which they gamble).

The use of a tool which relates to situations where there is absolutely no control seems highly problematic as it appears to assume the lack of control which is subsequently ‘found’ to exist.

5.3 Time Line Follow Back Method (TLFB)

The GIO respectfully suggests that the TLFB and, in particular, the use of “memory aids” is an artificial method of propping up the consistency of answers of respondents to convey an element of consistency (and therefore reliability) which is not justified. The authors describe the use of this methodology as follows:

“The TLFB is a behavioural assessment method where individuals retrospectively fill in a calendar indicating the frequency and intensity of target behaviours (Sobell & Sobell, 1992). The use of memory aids is encouraged in order to assist respondents in identifying key dates or events.”¹⁴

The authors do not describe the ‘memory aids’ used as part of the TLFB. The GIO presumes that participants are reminded of their previous answers in a manner which

¹³ Project Design Page 11

¹⁴ Project Design, page 12



encourages them to both confirm their previous answers and answer the same questions moving forward in the same manner so as to demonstrate consistency and reliability.

The GIO has great difficulty with the use of this tool in this manner as the GIO believes that artificial consistency in trends is produced through the use of TLFB.

The GIO also questions whether the TLFB can be relied upon given the extraordinarily small participation levels. Only 10 players from the original sample completed the TLFB questionnaire in respect of the first 12 months of the study, raising serious doubts about the validity of the conclusions.

5.4 Recruitment

Other than the incentives provided, very little is disclosed about the recruitment process or the efforts taken (if any) to procure a representative group of players for this study.

The voluntary withdrawal of more than one third of the participants and the subsequent dropping of a further 10% of participants (the total drop out rate was 41%) is not fully explained¹⁵ nor are reasons advanced for why 32 of the remaining 212 remaining participants (from the original 360) were aged between 18 and 24 years.

The significance of this weighting and the relevance of demographics and other player traits are not discussed thoroughly, which again raises serious doubts about the validity of the conclusions.

5.5 Correlation between Depression and Impaired Control

The authors found a correlation between depression and impaired control which they described as follows:

“As predicted short term negative emotion (depression) was significantly and positively correlated with impaired control over gambling (measured by the Scale of Gambling Choices) when measured

¹⁵ Project Design, page 12



concurrently. However, the ability of the depression variable to predict impaired control over gambling in the future was slightly diminished.”¹⁶

However, the GIO believes that depression is likely to give rise to a number of issues for sufferers *including* a general impaired control in relation to *many* if not all the activities undertaken by depressed individuals.

The significance of such a correlation in the context of gambling behaviour and EGMs is not discussed in detail.

The GIO notes that the authors concluded:

“Hence, it may be concluded that depression is a predictor of future impaired control of gambling almost as strongly as when measured concurrently with the Scale of Gambling Choices.”¹⁷

The GIO believes that, if anything, this finding confirms the belief held by the GIO that many of the individuals who become problem gamblers are in fact individuals who have been impaired in some way (say, through depression) by a pre-existing event or series of events in their lives.

The GIO believes that this suggests that measures such as technical restrictions on machine design, changing the gaming environment and/or limiting access through caps etc are unlikely to be effective solutions for the problem gambler. The most effective solution is clearly likely to be specific treatment and counselling interventions tailored for the individual involved.

5.6 Social Support and Impaired Control

The GIO notes that the authors found that “it can only be concluded that social support did not show any significant relationship with impaired control”¹⁸ which was the opposite of what they expected to find.

¹⁶ *Project Design, page 16*

¹⁷ *Project Design, page 16*

¹⁸ *Project Design page 16*



The GIO suggests that if this finding is correct, it indicates how resilient problem gamblers are to the support structures currently available and, presumably, to measures of a similar nature taken by venues, underlining the importance of specific treatment programs of the nature run by Sydney University's Gambling Clinic.

5.7 Predictors of Impaired Control

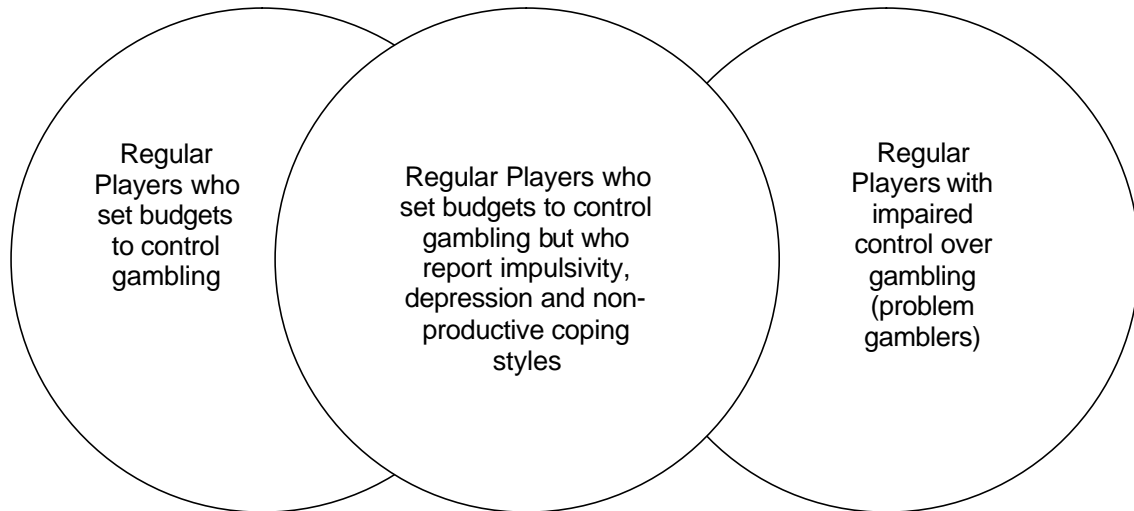
The GIO has no difficulty with the suggestion that 'regular' poker machine players who report high levels of impulsivity, negative emotion depression and non-productive coping styles report greater levels of impaired control over gambling as set out below:

“The major psychological variables (impulsivity, excitement seeking, depression, social support, non-productive coping, alcohol use) were entered into a multiple regression equation with impaired control over gambling as the dependent variable. Also included were the demographic variables of age and gender, acting as covariates. Results revealed that impulsivity, depression and non-productive coping styles were the only significant predictors of impaired control ($p < .01$). It can be concluded that regular poker machine players who reported higher levels of the impulsive personality trait, higher levels of the negative emotion depression and higher levels of the non-productive coping style were also reporting greater levels of impaired control over their gambling. These psychological variables were able to explain a significant proportion of the variance between players in impaired control (26%).”¹⁹

However, the GIO notes that many, if not most, recreational players set budgets or limit their gambling in other ways (i.e. size of bet, denomination of machine, time etc) and questions the extent to which impulsivity, depression and non-productive coping styles can be said to be predictors of impaired control over gambling for people that report these variables yet can control their gambling through budgets etc.

In other words, using the following Venn diagrams, how large is the group in the central circle?

¹⁹ Project Objectives, page 17



Is it possible that these predictors are only applicable to the small group of people who cannot control their gambling (the third circle from the left)?

In other words, is it correct to attribute a degree of likelihood of becoming a problem gambler to people reporting these traits yet controlling their gambling through budgets?

The authors expressly recognise that “*many of the player’s who maintained control over their gambling spoke of being able to set realistic time and monetary budgets and stick to them*” but do not disclose the extent to which the impulsivity, depression and non-productive coping style variables were associated with this group of players.

5.8 Lack of Precision in Findings

The GIO is concerned about the lack of precision and, to some extent, poor logic associated with these findings.

In the following passage, the authors suggest that more players than a few “mentally disordered or pathological gamblers” experience the “harmful impacts of gambling” and put forward the proposition that impaired control over the duration of a session is a “natural and expected human response” to an “emotionally stimulating” experience:



“Whichever regression models are preferred the results show that it is very common for regular EGM players to experience impairment of their ability to control their session spend and how often they visit the venue to play. Unsurprisingly this impairment of control over gaming is the main cause of harmful impacts arising from gambling. The erosion of self-control arises from the player’s current number of hours spent gaming per week, the strength of the emotion they experience during play, made worse by any mild depressed or negative mood they ‘bring’ with them to the venue and by a more impulsive personality.

In other words, the idea that the harmful impacts of gambling arise in a few mentally disordered or pathological gamblers is utterly false. It seems that if one plays a gaming machine for 4 hours or more per week, making 13 purchases of a game per minute, find the process emotionally stimulating and an escape from the frustrations of everyday life, then impaired control over the duration of the session is a natural and expected human response. Even those players who do not report impaired control describe a variety of ways in which they actively take steps to ensure that they stay in control of how much they spend and how often they visit the venue. Most regular players of EGMs find that the process of play requires personal planned efforts to stay within a preferred budget but none-the-less nearly half such players fail to maintain control at least some of the time.”²⁰

The GIO has difficulty with these ‘results’ due to the lack of precision (i.e. lack of reference to and reliance on specific survey results) associated with the propositions set out above and a number of illogical aspects of the analysis.

The lack of precision is evident in the suggestion that nearly half of the players who maintain control by setting budgets for themselves fail to maintain control ‘at least some of the time’.

What does this mean?

Is it being suggested that players who set budgets and then revise budgets suffer from impaired control? This seems an extraordinary proposition if the revised budget is then adhered to.

What does ‘failure to maintain control at least some of the time’ really mean? How is this statement justified? How is such failure measured?

²⁰ Results, page 22



The GIO has two observations to make about the logic associated with this results summary.

The first observation that the GIO wishes to make is that the authors appear to be suggesting that impaired control arises from an emotionally stimulating experience; no observation is made by the authors to the effect that *any* “stimulating” experience will generally result in a desire for more of that experience.

Is it not important to identify the extent to which the normal desire for more of the stimulating experience can be said to involve a loss of control?

After all, a person performing virtually any activity for the first time who intends to only perform the activity once and then decides, as a result of the stimulating experience, to ‘do it again’ can be said to experience an impairment of control.

If this is what the authors have found, it is, with respect, not an earth-shaking finding.

On the other hand, if they are suggesting an additional layer of ‘loss of control’ beyond what might be regarded as normal (in the sense described above), the proposition is not sufficiently well described or supported.

The second observation that the GIO wishes to make in relation to the logic associated with the analysis relates to the apparent suggestion by the authors that ‘regular’ players who do not suffer from a psychological disorder and who are not pathological gamblers nevertheless suffer impairment of control as a result of the “player’s current number of hours spent gaming per week, the strength of the emotion they experience during play, made worse by any mild depressed or negative mood they ‘bring’ with them to the venue and by a more impulsive personality”.

Are the authors saying, in effect, that players can and often do change their minds about the extent to which they intended to play EGMs?



The GIO believes that:

- players should be free to change their mind about the number of games they had intended to play without it being labelled an 'impairment of control' and
- any group of players who suffer mild depression or have an impulsive personality and may be inclined to play more because of that (but do not suffer from a psychological disorder and who are not pathological gamblers) fall into the category of mild problem gamblers identified by the Productivity Commission which noted that many of these players may not require treatment; and
- players who set budgets and generally stick to them (although they may change their budgets from time to time) are unlikely to be problem gamblers;
- if the authors are suggesting that there is an 'at risk' category of player who does not suffer from any psychological or pathological gambling but who suffers impairment of control warranting regulatory intervention, far more research is required to justify the proposition and to distinguish the proposition from the concept that individuals are different to each other, experience different moods from time to time, are impulsive from time to time, change their minds (and budgets from time to time) and these characteristics impacts on their behaviour.

6 AUTHORS' RECOMMENDATIONS/ACTIONS

6.1 "Reframing Responsible Gambling as Consumer Protection"

It appears to the GIO from the following statement and the concept that responsible gambling needs to be 'reframed' as consumer protection, that the authors are suggesting that virtually nothing can be done to protect 'regular' players from EGMs because harmful effects result from regular usage.:

"In brief the risk of the harmful impacts,

- *.for alcohol arise from excess*
- *.for gambling/gaming arise from regular usage.*

*In developing responsible gambling policy this distinction needs to be born in mind: the goal of preventing excess, as in alcohol, can only be achieved by ensuring that the ordinary regular player's normal enjoyment and loss of control does not result in excessive expenditure of time and money i.e. it is regular players who need to be the focus of harm prevention strategies."*²¹

Unsurprisingly, the GIO rejects the proposition that the risk of harmful impacts for gaming arises from regular usage.

Firstly, the research referred to in this paper simply does not support the conclusion of the authors that all regular players suffer harmful effects from gaming.

Secondly, the implicit statement that all responsible gaming policy measures are ineffective is rejected.

Not only is this view not supported by the vast majority of experts in this area (as is evident from a review of the National Association for Gaming Studies Journals), but the

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GIO believes that the (proposed) GIO player information displays, the (existing) player information brochures and the range of counselling and self-exclusion programs supported by GIO members in NSW simply cannot be rejected as ineffective in so cavalier a manner.

The GIO believes that players can and should be educated about gaming machines and about potential problems that can be encountered.

The GIO accepts that consumer protection is also important and perceives provision of basic consumer information to all players to permit them to make “informed decisions” about gambling as very important.

Improving the amount of consumer information available to players certainly underlies part of the GIO’s efforts to persuade regulators to adopt player information display technology in NSW (in the same way that that technology has been adopted in Victoria).

However, the principal reason for advocating the disclosure of this information is to permit relevant and accurate information to be made available to problem gamblers and their treatment providers to address specific problems that individual problem gamblers have and, in particular, to overcome the specific erroneous beliefs about machines that many hold.

The GIO rejects any suggestion that this is a wasted exercise.

6.2 “Safeguarding the Right of Gamblers to Make Rational Decisions About Expenditure Limits”

The GIO is puzzled by the following comments made by the authors under the heading “safeguarding the right of gamblers to make rational decisions about expenditure limits”:



“As argued previously (Dickerson, 2003) this could guide the future responsible provision of continuous forms of gambling by requiring that the purchase point be removed from the loss of control process inherent in the gambling sequence itself:

- *to a point in time prior to the commencement of the session, and*
- *to a place away from the gaming room floor.*

*This argument reaffirms that rather than pre-commitment being just one of many possible consumer protection options (as listed by the Productivity Commission, 1999) it should be considered **the** protective measure preferred by regulatory bodies. Given the nature of the impaired control reported by regular players (includes difficulties in limiting the number of sessions per week as well as session length/spend) a player’s decision to limit time and/or money expenditure to a particular amount would have to hold for a specified period with the minimum perhaps being for the next week i.e. a cooling off period.”²²*

The GIO has three concerns in this regard:

- the research paper makes virtually no reference whatsoever to pre-commitment strategies until the recommendation in the conclusion. While there is a cross reference to another paper, the propositions in the conclusion are simply not supported by any analysis or research into pre-commitment in the balance of the paper. The GIO believes that this seriously undermines the authors’ recommendations;
- the GIO believes that the concept of “safeguarding” the right of players to make rational decisions about expenditure limits is, with respect, nonsense; players already have the “right” to make any decision they wish about expenditure; what the authors are in fact recommending, without justification, is that players’ “rights” should be “infringed” rather than “safeguarded” by imposing pre-commitment of the nature envisaged by the authors on players;
- the “pre-commitment” concept envisaged by the authors is a mandatory pre-commitment scheme which would require all players to use cards; this would impact very significantly on the enjoyment of gaming in NSW by the vast majority of NSW players which would result in:
 - (i) a significant reduction in entertainment for recreational players;
 - (ii) a reduction in gaming expenditure;
 - (iii) a consequent reduction in employment;
 - (iv) the closure of many venues

²² Recommendations/Actions, page 25



- (v) a significant reduction in Government gaming revenues

The GIO supports the offering of voluntary pre-commitment to players through non-mandatory account cards but believes that neither players nor venues will install such systems unless the regulations and legislation are altered to encourage both players and venues to voluntarily participate in a non-mandatory pre-commitment scheme.

6.3 Reappraisal of Cognitive Behaviour Techniques

The GIO notes that the authors believe that their research suggests that the reappraisal of cognitive behaviour techniques (that are currently being utilised successfully around the world as well as in NSW) is required:

“if strong emotional responses to the gaming process make a significant contribution to the erosion of self-control then this challenges the assumption that problem gamblers may be able to return to a controlled level of gaming/gambling, a typical treatment objective. Perhaps this is only possible if the player does not respond emotionally to the gaming i.e. no longer enjoys it so much? Certainly it is recommended that controlled gambling as a preferred treatment outcome be reappraised and carefully evaluated, as it may be harder to achieve than controlled drinking.”²³

The GIO notes that these comments suggest that the authors are effectively advocating the ‘abstention’ model rather than the ‘harm reduction’ model of treatment and questions, given the weight of expert opinion supporting the ‘harm reduction’ model and the absence of any research data in the authors’ paper supporting an abstention solution, whether this recommendation is valid.

7 CONCLUSION

The GIO rejects the authors’ principal conclusion, namely that regular players of gaming machines who are not “medically disordered or pathological gamblers” suffer harmful effects from gaming through impaired control. The GIO also rejects that this can only

²³ Recommendations/Actions, page 25



be addressed from a policy perspective through a mandatory account based gaming configuration, requiring all players to make pre-commitment decisions outside the gaming area before playing. The GIO also believes that the research underlying this report suffers from the defects outlined above and that the authors' recommendations are, to a large extent, not supported by that research.



**NSW GAMING INDUSTRY
OPERATORS GROUP (“GIO”)
SUBMISSION to the
NSW INDEPENDENT PRICING
AND REGULATORY TRIBUNAL
 (“IPART”)**

30 January, 2004

**COMMENTS ON DEPARTMENT OF GAMING AND RACING TESTING
OF HARM MINIMISATION MESSAGES FOR GAMING MACHINES**



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1 EXECUTIVE SUMMARY

The NSW Gaming Industry Operators Group (“GIO”) wishes to thank IPART for the opportunity to comment on the *Consumer Contact Report* (dated February-May 2003) released by the Department of Gaming and Racing (“DGR”) on 15 December 2003 by publication on the DGR website.

The GIO supports responsible gambling in NSW. Its commitment to responsible gambling is clearly demonstrated by the fact that the GIO suggested the original messaging measures in its June 2000 submission to the NSW Liquor Administration Board (“LAB”). Whilst the GIO is aware of no substantive evidence that such measures will effectively address problem gambling issues, GIO members believe that non-intrusive messaging will not negatively impact recreational play.

The GIO respectfully suggests that intrusive measures would substantially destroy the enjoyment derived by recreational players from playing gaming machines and would negatively impact employment, the economy, communities and government revenue in NSW. Accordingly, intrusive messaging should be the subject of appropriate authoritative, transparent independent research to establish the economic outcome of any proposed policy measures before any such policy is developed or implemented.

The GIO still supports the form of messaging that it suggested in its submission to the LAB in June 2000 (which was provided to IPART on 19 December 2003).

The form of message suggested by the GIO comprised a ‘translucent’ box that scrolled across an unused area of the screen over a period of approximately 3-4 seconds every half hour. Such a message did not interrupt the game or distort the screen.

The message did not obscure any meters or player information. The messaging did not comprise any sort of ‘enforced break in play’.



Significantly, players could see through the translucent message to the ongoing game.

At the time that such messages were under discussion, the 'harm minimisation' messages that were contemplated were those set out in the current legislation/regulations¹ namely:

**DON'T LET GAMBLING TAKE CONTROL OF YOUR LIFE
GAMBLING CAN BECOME ADDICTIVE
EXCESSIVE GAMBLING CAN RUIN LIVES
EXCESSIVE GAMBLING CAN DESTROY FAMILIES AND FRIENDSHIPS
EXCESSIVE GAMBLING CAN LEAD TO THE LOSS OF YOUR HOME AND OTHER ASSETS
EXCESSIVE GAMBLING CAN AFFECT YOUR HEALTH**

These short messages could be read easily – even by slow readers or by people for whom English is not the primary language – within the 3 to 4 seconds allowed for the message to pass across the screen.

Significantly, such messaging was considered by the GIO not to impact on the enjoyment of the game by recreational players (who comprise the vast majority of players²).

The messaging proposed by the DGR which formed the subject of the Consumer Contact report is very different to that suggested by the GIO.

As the GIO understands it, the messaging that was used by Consumer Contact interrupts the game, is very emotive, takes much longer than 3 to 4 seconds to scroll across the screens, blanks out the screen while the message is played and is run more frequently than once every 30 minutes.

¹ *Registered Clubs Amendment (Responsible Gambling) Regulation 2000, Clause 30L(5)*

² *The Productivity Commission estimated that 2.1% of Australia's adult population either had moderate problems with gambling (which may not require treatment) or had severe problems with gambling.*



2 SUMMARY OF CONCERNS

The GIO has seven principal concerns with the messaging proposal underlying the Consumer Contact Report:

- (1) Impact of Proposed Messaging on Recreational Players
- (2) Inadequacy of Research Into Impact of Proposed Messaging on Problem Gamblers and 'At Risk' Players
- (3) Rationale for On Screen Messaging has Changed
- (4) The Effectiveness of an Enforced Break in Play
- (5) The Effectiveness of Messages in Addressing Problem Gamblers
- (6) Competition Policy
- (7) Fairness

Each of these concerns may be summarised as follows:

(1) Impact of Messaging on Recreational Players

When the NSW Gaming Industry Operators ("GIO") suggested, in June 2000, to the Liquor Administration Board ("LAB") that 'on-screen' messages be used to convey responsible gaming information to players, the GIO believed that such on-screen messages might provide players – particularly problem gamblers - with useful responsible gaming information *without* interfering with the enjoyment of gaming by the vast majority of players.

The GIO responsibly proposed messaging that scrolled across the screen once every half an hour and on specific occasions, conveying short messages set out in current legislation.



It was never intended that emotionally disturbing messages should interrupt play by recreational players at more frequent intervals.

The GIO estimates that the proposed messaging would damage the gaming entertainment experience to such an extent that gaming revenues would drop by between 33% and 50% with catastrophic consequences for the industry, state employment and NSW government revenue.

The messages proposed are very different to those proposed by the GIO.

The proposed messages are 'confrontational' emotionally disturbing messages, such as "HAVE YOU FELT BAD OR GUILTY ABOUT YOUR GAMBLING?". Such messages are inappropriate for any entertainment activity.

If such messages are employed in relation to virtually any product, there is little doubt that they would have a very adverse impact on consumption (as they constitute 'negative' advertising). Because of the very adverse impact of such messages, the GIO suggests that there is an even stronger case to ensure that they are effective before they are employed.

(2) Inadequate Research into the Impact of Proposed Messaging on Problem Gamblers and 'At Risk' Players

The Consumer Contact Report is a *market research* report carried out by two market researchers whose qualifications are not disclosed. The GIO believes that this sort of study should not form the basis for any policy making decisions in this very complex area. As Sydney University stated in the 2001 Research Study funded by the GIO:

"Evidence –based guidelines developed within the health area define levels of evidence that are required to have confidence in the effectiveness of any intervention strategy. Uncontrolled trials are considered to be the weakest form of evidence. Uncontrolled trials refer to the introduction of a strategy or intervention followed by an observation of changes in the population for study. Such evidence is generally considered to be



suggestive of that the intervention (or harm minimisation strategy) may possibly be effective, however, such a strategy should not be assumed to be effective.”³

The GIO suggests that the report should be rejected for policy making purposes, but that suitable research should be properly developed in consultation with industry representative bodies and conducted before any policy decision is considered in regard to messaging.

(3) Rationale for On Screen Messaging has changed.

When on-screen messaging was first proposed by the GIO in June 2000, the amount of information available to problem gamblers and at-risk players was very different to the information made available to players today.

Players are now exposed to very extensive responsible gambling information which is displayed by way of a fixed message on each machine, in a variety of signs throughout venues, in pamphlets and, significantly, in a state-wide television advertising campaign.

The impact of such information on players appears to have been significantly strengthened by a state wide ban on the advertising of gaming products.

This raises the important questions of (i) the extent to which the *additional* proposed messaging information *really* assists problem gamblers (in the context of the messages they are already exposed to) and (ii) the extent to which the *additional* messaging information will influence recreational players to stop playing or reduce their playing.

³ *The University of Sydney: Final Report: The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling, Alex Blaszczyński, Louise Sharpe, Michael Walker, November 2001, page 40.*



The GIO accordingly suggests that, because the extent of communication to problem gamblers and ‘at risk’ gamblers has grown to such a large extent, over the last few years, the original rationale for messaging has been diluted to the point where messaging should be reconsidered in the broader current context.

(4) The Effectiveness of an Enforced Break in Play

The messaging apparently under consideration by the DGR involves an ‘enforced break in play’. Although this concept has been promoted as being an effective method of dealing with problem gambling, relatively little research has been carried out to establish either (i) just *how* effective short ‘breaks in play’ really are for problem gamblers and at risk players or (ii) how such breaks in play would impact on *recreational* players.

The GIO suggests that it is essential for such work to be carried out before any policy decisions are made in this area and suggests that these issues could be examined as part of the research work referred to above.

(5) The Effectiveness of Messages in Addressing Problem Gamblers

The GIO believes that it is inappropriate to seek to justify the messaging because EGMs are considered by some to be ‘the most serious problem’ for problem gamblers. This rationalisation overlooks the fact that a very small percentage of players are impacted and the preferred (and far more effective) method of addressing problem gamblers is to improve counselling and treatment services.

Messaging should not be selected because it is an ‘easy’ policy choice to make or because it might create the impression that ‘something is being done’ about problem gambling. If messaging has virtually no positive impact on problem gamblers but a significant negative impact on recreational players, it should not be implemented.



(6) Competition Policy

The imposition of messaging requirements on gaming machine operators without imposing similar requirements on other forms of gambling such as State Lotteries, is likely to impact on recreational players' consumer preferences for different forms of gambling in an entirely predictable manner.

Recreational players who change their gambling preferences to buying lottery tickets rather than gaming would be driven to change their preferences towards a NSW Government controlled monopoly by NSW Government policy.

The GIO believes that such an approach is unlikely to be in the public interest and is certainly not the only way to achieve a harm minimisation outcome.

If this is the case, implementation of messaging on gaming machines in the manner discussed in the Consumer Contact report is possibly inconsistent with the Commonwealth Government's National Competition Policy.

(7) Fairness

The GIO has already advised the LAB that enforced breaks in play will impact unfairly on players who are participating in linked jackpots because they will be deprived, for a period, of the chance of competing fairly with other players for that linked jackpot.

The LAB has acknowledged this as a concern and has stated that it should not be permitted to occur.

In conclusion, the GIO supports the concept of messaging that it suggested in June 2000 but is opposed to the messaging concepts underlying the Consumer Contact research and suggests that more research is required if that form of messaging remains under consideration.



3 MESSAGING - BACKGROUND

On 9 June 2000, the GIO recommended⁴ to the Liquor Administration Board (“LAB”) that consideration be given to introducing a requirement that, in relation to new machines:

- (i) mandates a ‘pull through’ message that runs across the screen of each machine every 30 minutes;
- (ii) mandates a ‘pull through’ harm minimization message that runs across the screen of each machine when in excess of \$100 is inserted;
- (iii) mandates a “pull through” harm minimization message each time the proposed new \$500 (hotels and clubs) or \$1,000 (Star City) ‘cash input limit’ is reached.

These messages were suggested as a preferable alternative to a proposal (“Proposal 4”) by the LAB that players be interrupted – at random intervals – with a message asking them whether they would like to continue playing or not.

That LAB proposal comprised an ‘enforced break in play’ and it is precisely that ‘enforced break in play’ that would, in the GIO’s view, substantially destroy the enjoyment derived by recreational players from playing gaming machines and negatively impact employment, the economy, communities and government revenue in NSW – without materially impacting problem gamblers.

The GIO also pointed out that the proposed interruptions “would disadvantage certain players particularly those playing mysteries or jackpot linked machines and endeavouring to win a particular jackpot.”⁵

⁴ GIO Submission dated 9 June 2000, p. 24

⁵ GIO Submission dated 9 June 2000, p. 24



The LAB disagreed with the GIO in relation to the need for an ‘enforced break in play’ when responding to the GIO with a ‘Provisional Determination’ on 17 November 2000.

However, the LAB agreed that the proposed messaging should “not disadvantage a player from participating in mystery or other jackpots or losing other playing benefits of machines”⁶.

Unfortunately, any ‘enforced break in play’ will have this impact in a NSW ‘X’ Series environment.

On 15 December 2000, the GIO responded to the LAB’s “Provisional Determination”. The GIO stated:

“The industry group has been advised, by the manufacturers, that it is simply not possible to avoid such a disadvantage if the original system of “enforced breaks” is pursued... (it) is suggested that it is inappropriate to interfere with the essence of the entertainment experience unless it is absolutely critical to do so to protect the problem gambler. The Board is accordingly requested to reconsider the concept of an “enforced break” and the “chances of winning/losing” message concept in favour of the “pull through” messages recommended by the industry group.”⁷

Messaging of the nature proposed by the GIO was ‘mocked up’ by a major gaming machine manufacturer and demonstrated to the Minister for Gaming and Racing, the Chairperson of the Liquor Administration Board and a number of senior officers of the Department of Gaming and Racing.

⁶ LAB Provisional Determination, 17 November 2000, page 12

⁷ GIO Submission to the LAB dated 15 December 2000, page 34



The 'mock up' messages comprised a 'translucent' box that scrolled across an unused area of the screen over a period of approximately 3-4 seconds every half hour.

Such a message did not interrupt the game or distort the screen. The message did not obscure any meters or player information. The messaging did not comprise any sort of 'enforced break in play'.

Players could see through the translucent message to the ongoing game.

At the time that such messages were under discussion, the 'harm minimisation' messages that were contemplated were those set out in the current legislation/regulations⁸ namely:

**DON'T LET GAMBLING TAKE CONTROL OF YOUR LIFE
GAMBLING CAN BECOME ADDICTIVE
EXCESSIVE GAMBLING CAN RUIN LIVES
EXCESSIVE GAMBLING CAN DESTROY FAMILIES AND
FRIENDSHIPS
EXCESSIVE GAMBLING CAN LEAD TO THE LOSS OF YOUR
HOME AND OTHER ASSETS
EXCESSIVE GAMBLING CAN AFFECT YOUR HEALTH**

Whilst the GIO is unaware of evidence that these messages positively impact problem gamblers, their specification in legislation precludes the proposal of alternatives.

These short messages (used in the mock up) could be read easily – even by slow readers or by people for whom English is a second language – within the 3 to 4 seconds allowed for the message to pass across the screen.

Significantly, such messaging was considered by the GIO not to impact on the enjoyment of the game by recreational players (who comprise the vast majority of players⁹).

⁸ Registered Clubs Amendment (Responsible Gambling) Regulation 2000, Clause 30L(5)



The proposed messaging did provide very visible 'responsible gaming' information to all players in a unique and direct manner.

That manner involved presenting the messages every 30 minutes of continuous play and when in excess of \$100 was inserted by the player and when the proposed new cash input limit (\$500 for hotels and clubs and \$1,000 for Star City) was reached.

The GIO believes that its recommendation represented (and still represents) an appropriate responsible industry response to problem gambling issues.

In April, 2001, the LAB released its "First Determination" and, in relation to messaging, stated:

"The Board agrees with the submission that the prescribed messages should be required to scroll across the screen at least once during every 30 minutes of continuous use and that the content of those messages should be consistent with all other harm minimisation messages.

The Board agrees that meters, fault information, status information or the reel area should not be obscured by the messages required by this proposal and shall require the scrolling of the messages to occur in an otherwise unused area of the screen."¹⁰

However, the LAB did not change its view in relation to enforced breaks in play:

"...the Board does not accept the submission that an enforced break in play should not be supported."¹¹

The GIO is very concerned that the concept of an 'enforced break in play' has not been evaluated by authoritative independent research to establish either (a) the impact it would have on recreational players or (b) whether it would in fact reduce problem gambling.

The GIO's views as to these matters are set out below.

⁹ *The Productivity Commission estimated that 2.1% of Australia's adult population either had moderate problems with gambling (which may not require treatment) or had severe problems with gambling.*

¹⁰ *LAB First Determination, Page 37*

¹¹ *LAB First Determination, Page 36*



4 IMPACT OF PROPOSED MESSAGING ON RECREATIONAL PLAYERS

4.1 Impact on Recreational Players vs. Problem Gamblers

The GIO is concerned about the impact of the proposed messages on recreational players.

The GIO believes that that, while many problem gamblers appear to be strongly motivated to gamble and therefore to disregard warning messages, the recreational gambler is not so strongly motivated and accordingly is more likely to be negatively impacted by such messages even though he or she is 'not at risk'.

Recreational players in New South Wales have already been exposed to recent extensive television advertising which some contend suggests that anyone who plays a gaming machine is at risk of becoming a problem gambler¹².

The GIO believes this is quite untrue as demonstrated by the Productivity Commission Report (around 1 percent of the adult population is estimated to have severe problems with their gambling; a further 1.1% is estimated to have moderate problems: Productivity Commission Report, Volume 1, Page 2).

The DGR's television advertising may have had the effect of 'demonizing' the playing of gaming machines for the recreational player.

The GIO believes that the television advertising campaign should be discontinued until independent evidence is produced that it actually reduces problem gambling.



At the very least, the GIO suggests that the advertising campaign should be assessed to determine whether it has actually reduced problem gambling or otherwise assisted problem gamblers.

In this regard, the GIO believes that the metric of 'number of telephone calls to G-Line' is, at best, superficial.

At present, the GIO believes that there is no evidence that the DGR's advertising has helped address problem gambling. Indeed, the GIO believes that current television advertisements suggesting that it is appropriate for families of problem gamblers to leave problem gamblers are actually more likely to be counter-productive than helpful¹³.

The GIO does not accept that an increase in the number of calls to G-Line is an empirical indication that problem gambling has been reduced or even significantly impacted by the advertising.

However, recreational players are arguably less 'driven' to play machines and therefore more likely to be influenced by such negative advertising. The GIO suggests that the potential impact of the emotional messages currently under consideration on recreational gamblers is cumulative because recreational players have already been exposed to the negative television, radio and tabloid campaigns. Because these campaigns characterize all players as either potential problem gamblers or problem gamblers, the potential impact of negative messaging on recreational players is now much greater than may have previously been the case.

The GIO suggests that the proposed messaging is likely to impact on the recreational player for two principal reasons.

¹³ This view was expressed by a visiting Canadian academic at the NAGS conference in Melbourne in 2002.



Firstly, the recreational player has no terms of reference to utilise to assess whether he or she is a problem gambler.

In this respect, the GIO refers IPART to a Report to the President and Congress of the United States on *Health Hazards Associated with Alcohol and Methods to Inform the General Public of these Hazards*.

The Report identified a difficulty that is suggested to be equally relevant in this context:

“Although both Departments believe the problems of alcoholism and other alcohol-related health hazards to be an extremely significant public health problem, it is not clear at this time that the risks associated with alcoholic beverages could be effectively communicated through labeling. A difficulty stems from the fact that it has not been established that moderate alcohol consumption is hazardous for most alcohol consumers.” (emphasis added).

The GIO believes that it is equally true to state that it has simply not been established that moderate gaming activity is hazardous for recreational players.

It is accordingly suggested that all messages should be framed to ensure that recreational players will not be caused unnecessary uncertainty.

Secondly, the GIO notes that gaming will be the *only* entertainment activity in NSW where the Government effectively ‘taps the consumer on the shoulder’ and says ‘do you know what you’re doing?’

The proposed messaging is a very real and regular interference with the freedom of NSW recreational players to enjoy themselves.

No one asks the purchaser of a Lotto ticket whether they can afford the ticket.



No one asks the punter at a race track or at a harness racing event whether they are gambling to excess.

The GIO suggested, in good faith, that informative machine messaging (as outlined above) might assist problem gamblers in its considered opinion. However, the GIO is concerned that the suggestions it made in good faith are now being taken to unreasonable extremes without consultation and that inadequate research is being conducted into the impact of these new messages.

4.2 Destruction of the Entertainment Experience

The GIO believes that the messaging tested by Consumer Contact would virtually destroy the entertainment experience associated with gaming and estimates that gaming revenue could fall by between 33% and 50% (and possibly more).

This is because the messaging tested is emotionally disturbing, very negative and interrupts recreational players for up-to-22 seconds per message during a break in play.

These characteristics combine to give rise to an extraordinary degree of destruction of the entertainment experience.

Recreational players of gaming machines are always keen (some might say impatient) to get on with the next reel spin as part of the entertainment experience.

The degree of frustration arising from any enforced break in play (let alone for a period of up to 22 seconds) and the scrolling of a message would prove so overwhelming for most players that it would, in the GIO's view, have two impacts.



Firstly, of course, it will proportionately reduce the amount of money spent on gaming over time simply because so many gaming machines will be unavailable to play during such messaging sessions.

Secondly, it will result in significant numbers of recreational players simply abandoning gaming as an entertainment experience. The emotional aspect of the message will, it is believed, have an even greater impact on recreational players (and limited, if any, impact on problem gamblers).

The GIO believes that players enjoy gaming in much the same way as moviegoers enjoy visiting the cinema. They become immersed in the entertainment experience. An interruption, through display of messaging which destroys that enjoyment, is likely, in the GIO's view, to virtually destroy gaming as a competitive entertainment experience.

The interruption is considered to be similar in impact to messages appearing on screen for up to 22 seconds on each occasion every half hour during a movie. Moviegoers would simply cease to attend movies and would turn to DVDs or videos (provided such messaging is not present).

A reduction in gaming activity of the magnitude projected by the GIO would have a catastrophic impact on gaming venues in NSW, would result in significant and widespread new unemployment and would have a very significant negative impact on NSW Government revenues.

It would, in all likelihood, provoke a concerted and prolonged campaign by the community as a result of the inevitable loss of community facilities which would necessarily be abandoned by operators suffering the downturn in operating revenue.



The GIO has estimated that the NSW gaming industry (which comprised 1,388 registered clubs, 1,828 hotels as of 30 June 2002¹⁴, Star City and the TAB) directly employ over 193,500 staff in NSW¹⁵.

The GIO accordingly estimates that a revenue fall of between 33% and 50% is likely to result in at least a corresponding proportion of direct job losses (between 63,800 and 96,700 direct job losses) produced both by venue closures and cost cutting and a similar percentage impact in terms of indirect job losses.

The NSW Government collected \$415.5 million from Club Gaming devices and \$343.5 million from Hotel gaming devices in 2002-2003. A further sum was collected indirectly by way of GST on gaming machine play.

If messaging of the nature under consideration was introduced on 30 June, 2003, the GIO estimates that the Government should anticipate, for 2003-2004, a fall in its revenue from gaming machines in clubs and hotels by 33% (\$253 million) to \$506 million.

The GIO believes that, given that no material benefit can be shown to be likely to be achieved by the proposed measure, this proposal should be seriously questioned and reconsidered.

¹⁴ DGR Annual Report 2001-2002

¹⁵ 120,000 in clubs, 67,000 in Hotels, 3,500 in Star City and 3,000 at TAB – GIO Submission dated 9 June 2000, p. 5



5 INADEQUACY OF RESEARCH

5.1 Consumer Contact

The GIO believes that, with all due respect to Consumer Contact, effective research into the impact of messaging on problem gamblers and recreational players can only be carried out by qualified practitioners with a thorough background in problem gambling research.

The Consumer Contact Report is a *market research* report carried out by two market researchers. The GIO believes that this type of study should not form the basis for any policy making decisions in this very complex area. As Sydney University stated in the 2001 Research Study funded by the GIO:

“Evidence –based guidelines developed within the health area define levels of evidence that are required to have confidence in the effectiveness of any intervention strategy. Uncontrolled trials are considered to be the weakest form of evidence. Uncontrolled trials refer to the introduction of a strategy or intervention followed by an observation of changes in the population for study. Such evidence is generally considered to be suggestive of that the intervention (or harm minimisation strategy) may possibly be effective, however, such a strategy should not be assumed to be effective.”¹⁶

The GIO believes that the study commissioned by the DGR does not even rate as the “weakest form of evidence” (to use Sydney University nomenclature) as it was not carried out by qualified practitioners with a problem gambling research background. The GIO suggests that the report should be rejected as input for policy making purposes.

¹⁶ *The University of Sydney: Final Report: The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling, Alex Blaszczyński, Louise Sharpe, Michael Walker, November 2001.*



5.2 Perceived Difficulties with Consumer Contact Report

(a) “Resonating” and “Target Gamblers”

The Consumer Contact report suggests that a “trilogy” of messages “resonate” with “target gamblers”.

The GIO has difficulty interpreting several such comments and the method of selection of the “target gamblers”.

The term “resonate” does not appear to reconcile with the inconsistent comment (page 4 of the report) that the effectiveness of the (same) messages is “somewhat limited” and the comment (page 4) that there is a “significant problem” with the structure of the (same) messages?

The report does not disclose qualifications held by Consumer Contact personnel for assessing the “target gamblers” or whether messages “resonate” with them.

(b) “Denial” and Changing Gambling Behaviour

The GIO finds the comments made regarding “denial” on page 5 of the report confusing and unhelpful.

The GIO finds it astonishing that a market research group was tasked with identifying from a series of ten messages which were apparently conceived by the DGR (no other explanation is provided for the genesis of these messages) “the greatest potential to issue a call to action to consider changing gambling behaviour”.



This is an extraordinarily complex question. There are many problem gambling research experts in Australia and internationally with appropriate qualifications who could provide a reasoned properly researched educated response on this issue. That the question was entrusted to a market research firm is of great concern to the GIO.

(c) Validity of Focus Group Research

Focus group research, even when conducted by qualified experts in problem gambling, has been held to be of questionable value in this field. As Sydney University¹⁷ stated in reference to its own focus group research:

“the data derived from this stage of the project is subjective in nature and derived from a relatively small number of problem gamblers. The conclusions drawn, while informative, should not be interpreted as being as robust as the empirical data obtained from the environmental studies rather, it should be viewed as hypothesis generating and conclusions should be the subject of further confirmatory research”.

The fact that no similar qualification appears in the Consumer Contact document is also of great concern to the GIO¹⁸.

(d) Selection of Participants and Payment

The “research method” described on pages 8 through 14 suggests to the GIO that the approach taken to this research task was inadequate for the purposes of accredited University research.

¹⁷ *The University of Sydney: Final Report: The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling, Alex Blaszczyński, Louise Sharpe, Michael Walker, November 2001, page 77.*

¹⁸ *It is acknowledged that a “Cautionary Note” suggesting that the findings are suggestive not definitive appears at the bottom of page 13. This qualification (and the cautionary note revealing the small base (44)) appears grossly inadequate when compared with the reference point qualifications set out in the Sydney University Report.*



Participants were paid to participate but it is not disclosed how much was paid or how such payment might have influenced their behaviours.

How the participants were selected is not revealed. Consumer Contact stated (page 9) that all survey participants “were problem or regular poker machine gamblers, with regular gamblers the majority” but the selection criteria are not further explained or quantified.

(e) Identification of Problem Gamblers

The “problem gamblers” were identified through being asked whether they played machines three times a week and whether they answered yes to the question “do you think you play the poker machines too often”?

GIO members are astonished at this simplistic approach, which appears to be an inappropriate methodology for a purportedly objective research task. The identification of problem gamblers is clearly extraordinarily complex as is evident from the many learned papers on screening processes such as the South Oaks Gambling Screen which, whilst widely used, is interpreted differently by different researchers.

(f) Memory Test vs. Research

The “stimulus” described on page 10 seems no more than a memory test. The instructions provided to participants are not revealed. GIO members are concerned that the data acquisition methodology is not revealed or explained.

(g) Artificial Environment

The environment in which the ‘research’ took place was far removed from a real gaming environment. It is not disclosed whether players played machines with money, with their own money or with money provided by the researcher.



These issues are, of course, critical to the question of realism (and therefore the very integrity of the research).

The machines used for the study are not described nor is the methodology associated with displaying the messages. The interval at which messages were displayed is not described nor is the significance of why the particular display was chosen.

We are told that of the two machines, one displayed the messages “in running order” while the other showed the messages “in random order”. The rationale (apart from ascertaining any differences in response) for the two different displays is not disclosed. The GIO cannot see any worthwhile reason for the distinction.

(h) Researchers’ Qualifications to Findings

The researchers themselves acknowledge that the research carried out “only” suggests that a message is “noticeable” rather than “persuasive”. In other words, the research appears to essentially comprise a simple “memory test” rather than a thorough psychological assessment of the merits of the proposed messages.

The conclusions drawn (that the messages were effectively targeting problem gamblers) may also be characterised as simplistic (players were asked whether the messages were effective).

(i) Analysis of Messages

The analysis of the ten messages (page 24) appears superficial to GIO members.

The relevance of the ‘tonality’ of the message and its ‘personal relevance’ to gamblers is questionable.



In summary, the GIO suggests that the Consumer Contact report should not be relied on for policy making purposes.

5.3 Problem Gamblers May Not Be Significantly Assisted

The GIO suggests that, for the reasons set out below, it is important to establish whether problem gamblers will be significantly assisted by such messaging.

The GIO is aware of very little authoritative research work on messaging and problem gambling.

However, the limited amount of authoritative research carried out to date includes a number of suggestions that such warnings may not be particularly effective in terms of targeting high risk players and indeed may even increase the levels of expenditure by lower risk groups.

The GIO accordingly suggests that messaging requires thorough authoritative research before it is considered for policy development, let alone implementation.



6 RECENT RELEVANT RESEARCH

6.1 Atlantic Lottery Corporation Video Gaming Responsible Gaming Feature Research

Recent ground breaking Canadian research¹⁹ into messaging (termed ‘pop-up’ messages, which ‘popped up’ at a 60 minute, 90 minute and 120 minute duration) has indicated that:

- “...higher risk players, especially Problem Gamblers, are least likely to expect to derive any benefit from the message (~10% to 18% versus 23% to 43% of lower risk players)”²⁰;
- only 25% of players “feel that any of the pop-up reminders will have a positive effect in terms of keeping track of time or money while playing.”²¹;
- “For both liking and perceived effectiveness, Non-Adopters, who have less experience with the new terminals, consistently evaluated the pop-up messages more positively than Adopters suggesting that there may be more theoretical than practical value in the features”²² (emphasis added);
- messaging after the first 60 minute message did not preferentially target “those at higher risk”²³
- the 60 minute message had a “slight but significant”²⁴ effect in reducing high risk players’ expenditure but exposure to the next message (the 90 minute message)

¹⁹ *Atlantic Lottery Corporation Video Gaming Responsible Gaming Feature Research – Final Report – Dr. Tony Shellinck and Tracy Schrans, October 2002*

²⁰ *Ibid, Conclusions and Recommendations, page 5-22*

²¹ *Ibid, Conclusions and Recommendations, page 5-22*

²² *Ibid, Conclusions and Recommendations, page 5-21*

²³ *Ibid, Conclusions and Recommendations, page 5-22*

²⁴ *Ibid, Conclusions and Recommendations, page 5-23*



“had no impact on expenditures for high risk players but was significantly associated with increased expenditures among the low risk players.”²⁵ (emphasis added);

- the 120 minute message “had no impact on expenditures for high risk players but exposure was significantly associated with increased expenditures for low risk players.”²⁶

The reported ‘implications’ of the study included a statement that:

“Not only are the later messages (90 minute, 120 minute and 5 minute cash out warning at 145 minutes) unlikely to preferentially target the high risk players during a particular session of play, but it also appears that exposure to those messages are associated with increases in time and money spent among low risk players.”²⁷

The Report recommended that a 60 minute pop up message should be retained because “although the effect on player behaviours was not strong, the findings indicate that, for at least some players, exposure to the 60 minute reminder had a significant impact for reducing session length in general and expenditure by higher risk players specifically”²⁸ and because “at a per session level, only the 60 minute message preferentially targeted higher risk players”²⁹.

Although the research did not deal specifically with thirty minute messages (it was suggested that 30 minute messages be considered in further research), the GIO believes

²⁵ *Ibid, Conclusions and Recommendations, page 5-24*

²⁶ *Ibid, Conclusions and Recommendations, page 5-22*

²⁷ *Ibid, Conclusions and Recommendations, page 5-25*

²⁸ *Ibid, Conclusions and Recommendations, page 5-26*

²⁹ *Ibid, Conclusions and Recommendations, page 5-26*



that the clear implication of the study is that the degree to which problem gamblers are likely to be assisted by such messages is questionable.

The Canadian study also dealt with a 'mandatory cash out feature' (similar to that under consideration by the Board), noting that for "those players who are cognizant of elapsed time or who are there to play until their money is gone, the mandatory cash out feature will have minimal influence in discouraging excessive play."³⁰

The GIO considers that most problem gamblers are likely to be aware of elapsed time (particularly in the light of the time displays on machines and clocks in venues) but notes that little research appears to have been carried out in this area.

The GIO submits that until it is affirmatively established that problem gamblers are not aware of elapsed time (despite on screen clocks, venue clocks, wrist watches, toilet, meal and drink breaks, machine switching etc), the Canadian conclusion that mandatory cash out 'will have minimal influence in discouraging excessive play' appears to be strong.

The GIO also notes that Sydney University's Gambling Unit's submission to IPART³¹ notes that the Canadian research suffered from a technical flaw although it is not clear how significant the impact of this flaw is:

"The research plan involved interviewing regular players before and after the introduction of new machines having a range of harm reduction features. It was expected that players who played primarily on the new machines would play for less time and lose less money than players who continued to play on the older machines. Unfortunately the introduction of the new machines occurred before the first survey in many cases. Much of the data analysis is oriented to overcoming this complication at the time of data collection."

³⁰ Ibid, *Conclusions and Recommendations*, page 5-32

³¹ "Harm Minimisation in Relation to Gambling on Electronic Gaming Machines", *Submission to IPART, Gambling Research Unit, University of Sydney*, page 21



Finally, the GIO notes Sydney University's conclusion³² in relation to the study (which suggests that the features employed were not successful in reducing 'problem play'):

“The harm minimization features included on the new machines were not associated with decreased expenditure or decreased session length as reported by the players. However, the introduction of harm minimization measures was associated with a decrease in reported number of sessions per month played by problem players. This decrease in sessions may have been caused by the introduction of harm minimization features. However, this explanation becomes unlikely when it is realised that problem players could have continued to play the old machines if they wished, but preferred the new machines. Why then did the problem players not continue to play more frequently than low risk players by the final survey? Alternative explanations include, regression to the mean (extreme scores tend to change towards the mean in repeated measures designs due to random error), sensitisation effects by participating in the repeated surveys, and spontaneous recovery. If the introduction of harm minimization features was effective in reducing problem play, then the effects would have been expected primarily in session length and expenditure (to which the harm minimization features were directed). These changes were not found.”

6.2 United States Department of Health Study of Warning Labels

The United States Department of Health and Human Services³³ commissioned a comprehensive report by Macro Systems Inc on health warning labels in June 1987; the conclusions of this review (a Report to Congress) were that the literature indicated that:

- *Perceptions of risk are determined by how easily a person can imagine or recall instances of the hazardous outcome. In the case of a frequently used product, the potential must be made credible or people will underestimate them.*
- *Consumers tend to ignore label information which they feel is not useful to them or is not important to their goals*

³² “Harm Minimisation in Relation to Gambling on Electronic Gaming Machines”, Submission to IPART, Gambling Research Unit, University of Sydney, page 26

³³ Review of the Research Literature on the Effects of Health Warning Messages – A Report to the United States Congress, June 1987



- *The probability of harm has to be seen as exceeding some threshold before people will respond to the risk. The content of warning labels can present risk probabilities in different ways, some more effective than others (e.g. lifetime probabilities of traffic fatalities vs. single trip possibilities)*
- *The reading levels of the target population will influence the response to warning labels. Abstract or technical terms should be avoided if they are not within the reading levels of the target audience.*

The GIO believes that problem gamblers and ‘at risk’ players may well disregard the warnings either because of their ‘commitment’ to gambling (i.e. consider the warnings are ‘not useful’ to them and ‘not important’ to their goals) or because of the nature or characteristics of their particular form of ‘problem gambling’.

No research has been carried out to establish whether the proposed warnings are effective in terms of actually reducing problem gambling or even discouraging the group of “potential” problem gamblers that the Board Chairman has referred to in recent times.

6.3 TIGER Research into Effectiveness of Warning Labels

The Institution for Gambling Education and Research (“TIGER”) at the Psychology Department and Psychological Services Centre at the University of Memphis³⁴ recently carried research into the effectiveness of gambling labels (not yet published) that suggests that although warning messages do have informational value they “ may not significantly affect gambling behaviour”³⁵.

³⁴ <http://gambling.memphis.edu/>

³⁵ *Evaluation of Gambling Warning Labels: “This analog study examined whether warning messages would increase gamblers' knowledge of odds and influence gambling behavior on a computerized roulette game. Participants (N=101) were randomly assigned to receive instructions on roulette, instructions plus a brief warning about the risks of gambling and the odds of winning, or instructions, warning messages and self-regulatory information on how to control*



6.4 Can Warnings Inadvertently Encourage the Behaviour they seek to Prevent?

Other studies suggest that well-intended Government health warnings may even 'boomerang' by actually increasing the desire, in the message recipient, to engage in the very behaviour that is sought to be discouraged:

“Common sense leads one to expect that the presence of a Government health warning should discourage people from buying a product. The presence of such a warning should reduce the desirability of a product as the warning provides negative information about the product and, when coupled with an advertisement, the Government health warning should reduce the effectiveness of the advertisement. There is evidence from psychological literature however that the relationship between added information and attitude change is not as simple as common sense suggests. Some research has focused on the size of the discrepancy between the favorability of a person’s attitude towards an object and the favorability of the new information. . . Where there is either very little or a very great difference between the favorability of the new material and the individual’s own attitude, then very little attitude change takes place. Where the extent of the difference falls between these two extremes, then the amount of attitude change is much greater.

their gambling. Participants were then allowed to play roulette. In contrast to those who received only roulette instructions, participants in the two message conditions showed increased knowledge of the risks and odds of gambling. The self-regulation component produced significant reductions in gambling-related irrational beliefs. Across conditions, participants did not gamble differently. These results suggest that warning messages have informational value and that self-regulation strategies hold promise for producing at least cognitive change in gamblers. However, such messages may not significantly affect gambling behavior. A manuscript is currently under review for publication.” (emphasis added)



However, if the new information is extremely discrepant, then a so-called 'boomerang' effect occurs and the attitude change occurs in the direction opposite to that of the new material."³⁶

The GIO suggests that the discrepancy between a problem gambler's belief system and the material in the proposed warning messages is likely to be 'highly discrepant'.

It would be every unfortunate if warning messages encouraged the very behaviour that they are trying to discourage in the group that is sought to influence. This study suggests that messages may be likely to be ineffective in discouraging recreational gamblers from playing gaming machines.

The views expressed by Michael Hyland and James Birrell appear to be supported, for other reasons, by Dr. Theodore H. Blau³⁷, the President of the American Psychological Association, when giving evidence in relation to warnings on cigarette packaging:

"The underlying argument for placing an addiction label on cigarette smoking seems to be that by doing so, cigarette smoking will decrease. In truth, if the goal of labeling cigarette smoking an addiction is to cause people not to smoke then all the evidence is that, if anything, such a label may have just the opposite effect. There is no evidence that labeling smoking an addiction will keep people from starting smoking. As to quitting, the scientific studies we have indicate that people who believe smoking is an addiction are less likely to quit than persons who believe smoking is a habit. A very real concern in placing an addiction label on smoking should be the misinterpretation of science in the name of public policy."

Other writers suggest that messages conveying information on personal vulnerability to damage when combined with information on a threat to the individual can be

³⁶ "Government Health Warnings and the "Boomerang" Effect", Michael Hyland and James Birrell, *Psychological Reports*, April 2, 1979

³⁷ Statement for the Record to the Subcommittee on Health and the Environment to the Committee on Energy and Commerce of the United States House of Representatives, March 17, 1983, at p. 9.



counterproductive because they can stimulate a belief that protective action is impossible 'by undercutting feelings of competence'³⁸.

The GIO believes that there is sufficient conflict in available information to warrant researching the effectiveness of the proposed messaging before it is considered for policy development, let alone implementation.

³⁸ "The Smoking Problem: A Review of the Research and Theory in Behavioural Risk Modification", Howard Leventhal and Paul D Cleary, *Psychological Bulletin*, 1983, Volume 58, No 2, p. 370 at p. 375.



7 RATIONALE FOR ON SCREEN MESSAGING HAS CHANGED

7.1 Is there any reason to believe NSW players require more warnings?

The GIO asks whether there is any reason to believe that the existing extensive level of warnings and messages (together with the ban of gaming advertising) prevailing in NSW gaming venues is inadequate.

The GIO believes that it is time to consider when players can reasonably be said to be 'over-messaged' and whether messages might be counter-productive because their value is destroyed through over-exposure.

7.2 Original GIO suggestion made when far less information was available

When the GIO suggested on screen messaging, it was at a time when far less information was available to players than is currently the case.

The GIO recommends that any research into on screen messaging should focus on the additional incremental benefit (if any) that may be derived by problem gamblers (and at risk gamblers) beyond the benefit already derived from the television campaigns, warnings on machines, in venue warnings and absence of any advertising of gaming in New South Wales.

If the incremental benefit is non-existent or very small, the GIO submits that such non-existent or very small benefit must necessarily be weighed, in an objective manner,



against the very considerable costs and other negative impacts associated with this proposal.

7.3 Player Information Displays

The GIO suggests that Player Information Displays (of the nature utilised in Victoria) which provide players with a wealth of information about the machines and games they are playing are now far more likely to be effective in terms of conveying critical information to NSW players than the original messaging concept.

Players, particularly problem gamblers and 'at risk' players are arguably so 'messed out' by the type of warnings envisaged by the DGR's messaging proposal that the impact is likely to be marginal at best.

However, Player Information Displays which communicate the odds of winning and the return to player of the actual games being played by the player are likely – if properly presented – to encourage players to *want* to know the characteristics of the game they are playing and to *voluntarily* access the second screens.

The GIO believes that the fact that a player voluntarily accesses it suggests that the detailed information is more likely to be effectively communicated and absorbed than the very brief information 'forced' on a player through the messages proposed in the Consumer Contact study.



8 THE EFFECTIVENESS OF AN ENFORCED BREAK IN PLAY

8.1 More Research Required

The messaging apparently under consideration by the DGR involves an ‘enforced break in play’. Although this concept has been anecdotally promoted as an effective method of dealing with problem gambling, relatively little research has been carried out to establish either (i) just *how* effective ‘breaks in play’ really are for problem gamblers and at risk players or (ii) how such breaks in play would impact on *recreational* players.

The GIO suggests that it is essential for such work to be carried out before any policy decisions are made in this area and suggests that these issues could be examined as part of the research work referred to above.

8.2 Significance of Typical Patterns of Play

The GIO notes the following comment by Sydney University³⁹ on *typical patterns of play* suggests that players are unlikely to be influenced by such breaks on single machines (because they will miss them):

“the typical pattern of play for all gamblers (including problem gamblers) involves relatively short periods of play on large numbers of machines, rather than intensive play on few machines. The implication of this conclusion is that pop-up messages that occur one hour or later in the play of a machine are likely to miss the target. Only 3.4% of machine sessions reach the 60 minute mark, and the evidence available shows that these ‘intensive players’ include both problem and non-problem players.”

³⁹ “Harm Minimisation in Relation to Gambling on Electronic Gaming Machines”, Submission to IPART, Gambling Research Unit, University of Sydney, page 35



8.3 Significance of Typical Loss Per Hour

Sydney University⁴⁰ also points out that the most popular current method of playing a machine yields an expected loss per hour of \$15 on a one cent machine (the most common variety):

“It is possible to play a 1c machine in such a way that many hours will elapse for little cost. Furthermore, a 1c machine played with a maximin strategy (the most popular approach to play) yields an expected loss of 2c per game or \$15 per hour. Although pop-up messages will reach intensive players on 1c machines, it is likely that the majority of such players will be non-problem players (since non-problem players outnumber problem players in venues).”

The GIO questions whether enforced breaks in play are likely to lead to players changing their gambling strategies by betting more to avoid the breaks in play. If this is a result of the introduction of breaks in play, the GIO suggests that breaks in play would adversely impact on problem gamblers and at risk players by influencing them to increase their bets. Such an outcome would clearly be an ineffective “harm minimisation strategy”.

8.4 Canadian Research

The Canadian Research into messaging suggested that the anticipated influence of breaks in play on problem gamblers may be illusory:

As Sydney University⁴¹ pointed out, in commenting on the Nova Scotia study in its submission to IPART:

⁴⁰ “Harm Minimisation in Relation to Gambling on Electronic Gaming Machines”, Submission to IPART, Gambling Research Unit, University of Sydney, page 35

⁴¹ “Harm Minimisation in Relation to Gambling on Electronic Gaming Machines”, Submission to IPART, Gambling Research Unit, University of Sydney, page 29-30



“In the Nova Scotia study, continuous play on any one machine was terminated after 150 minutes. Five minutes prior to the mandatory cash out, the player received a warning of the impending cash out. The intent of the mandatory cash out is to force a break in what may become excessive play. It is assumed that the break will give the player time to collect his or her thoughts and gain control over the situation. If it is the case that problem players are more likely than non-problem players to trigger the five minute warning and reach the mandatory cash out, this feature would be expected to have relatively greater effect on problem players.

The results from the Nova Scotia study show that the five-minute warning and mandatory cash out feature had no effect on either session length or expenditure, and no differential effect for problem players. A majority of problem players (63%) reported disliking the five-minute warning in contrast to no risk (38%) and low risk (40%) players. The mandatory cash out was disliked by 73% of problem players compared to 32% of no risk players. Thus, problem players dislike the compulsory termination of play after two and a half hours more than do recreational players, but it has no effect on either their average session length or the amount of money lost. Since the average session length for problem players is 144.5 minutes and since problem players report cashing out of one machine and continuing to play on another machine 65% of the time, the actual occurrences of mandatory cash out must be quite rare. The available evidence suggests that the mandatory cash out, with or without a five minute warning, is unlikely to have any significant impact on the play of problem gamblers.”

8.5 Impact on Recreational Players

It is suggested that the impact of breaks in play on recreational players is likely to be negative for the simple reason that requiring anyone to stop doing what they are enjoying – even for a short period – is understandably likely to be poorly received. The GIO believes that although problem gamblers and at risk players are likely to be ‘driven’ enough to wait until the break in play is over and resume gambling (precisely the opposite of what is intended), recreational players are far more likely to be sufficiently negatively influenced by a mandatory break in play to stop their session immediately in favour of alternative entertainment activities including other forms of gambling.

This is likely to have a significant impact on gaming revenues for NSW gaming venues and for the Government.



9 THE EFFECTIVENESS OF MESSAGES IN ADDRESSING PROBLEM GAMBLERS

The GIO is strongly influenced by the submission of the Gambling Treatment Unit of Sydney University and believes that the conclusion that can be drawn from that submission is that problem gamblers and at risk players are far more likely to be assisted by approaches such as cognitive therapy (“CT”) than by messages.

Sydney University’s submission noted the effectiveness on problem gamblers of CT (significant reductions in expenditure over long periods).

The GIO believes that the provision of treatment of this nature to problem gamblers is far more deserving of attention and legislative/regulatory intervention than the imposition of messaging on the vast majority of players.

The GIO believes that approaches such as the cognitive theory of gambling suggests that messaging is likely to be ineffective because the theory (as explained below⁴²) postulates that players’ erroneous beliefs that losses will be recouped are not impacted by personal experience to the contrary.

The GIO believes that it is likely that such erroneous beliefs will be equally impervious to messages.

“The cognitive theory of gambling differs from other theories by assuming that the hope of winning money is central to persistence at gambling. Despite the fact that all forms of gambling are structured to provide participants with an expected loss, and despite the personal experience of losses, the gambler continues because he or she thinks, erroneously, that winning is likely and losses will be recouped (Walker, 1992; Ladouceur

⁴² Effectiveness of Treatments for Problem Gambling, Submission of the Gambling Treatment Unit of Sydney University to IPART, page 2 to 3.



& Walker, 1996).

Cognitive theory differs from other theories by emphasizing the centrality of erroneous thinking about gambling, the importance of winning money as a motivation, and the excessive loss of money as the source of most gambling problems. The main alternatives to cognitive theory are behaviour theory, the addiction model, and the escape motive. According to behaviour theory, gambling is acquired through processes of reinforcement. Since gambling can be learned in the same way by anyone, a full explanation must include why the majority of people gamble, many people gamble regularly, but only a few (2%, Productivity Commission, 1999) gamble excessively. The core assumption is that gambling does not become excessive for most people because of self control (a learned ability to defer short term rewards in favour of longer long term goals and rewards – Strayhorn, 2002)."

Sydney University⁴³ points out that:

"Evidence from a wide range of studies demonstrates the involvement of erroneous thinking in gambling strategies used by individuals (Wagenaar, 1988; Walker, 1992; Toneatto et al., 1997; Ladouceur et al., 1998). Players fail to understand randomness and its implications, believe they have more control over the outcome of the gambling event than is in fact the case, misattribute the causes of wins and losses, become entrapped by the gamblers' fallacy, and behave superstitiously. The erroneous thinking is such that it is reasonable and defensible to persist in gambling despite the evidence to the contrary."

The GIO submits that these issues cannot be effectively addressed by messaging.

As Sydney University⁴⁴ points out:

"CT is a set of procedures which aim to modify the cognitions of the individual. The assumption is that since it is cognitions that control the behaviour, the best way (but not the only way) to modify behaviour involves modifying the thinking that underlies the behaviour. Rachman (1996) stated that cognitive therapy has supplied the content of therapy (what must be modified and how it can be modified)."

⁴³ Effectiveness of Treatments for Problem Gambling, Submission of the Gambling Treatment Unit of Sydney University to IPART, page 3.

⁴⁴ Effectiveness of Treatments for Problem Gambling, Submission of the Gambling Treatment Unit of Sydney University to IPART, page 3.



The necessary modification of thinking, it is submitted, simply cannot be achieved through messages of the nature proposed in the Consumer Contact study. The intervention required to modify erroneous thinking is explained by Sydney University⁴⁵ as follows:

“Having established that cognitions about winning are linked to the persistence of gambling, the counsellor next aids the gambler to verbalize their “theory of winning”. The cognitive model assumes that all gamblers have at some point elaborated a theory for winning, or gaining an edge in their preferred form of gambling. Once again, the theory of winning that all gamblers hold has a developmental history. Exploration of this history can be very insightful.

Having guided the gambler to articulate their theory personal of winning, the counsellor next employs Socratic questioning to expose the faulty assumptions in relation to the theory of winning held by the gambler. Socratic questioning is essentially a series of questions designed by the counsellor that lead the gambler towards a confrontation with inconsistencies in their beliefs. For example, Socratic questioning can be used to confront the gamblers report that winning is not a motivation. A skilled counsellor is thus able to employ Socratic techniques, to demonstrate that cognitions about winning are the central motive.

Having established that certain beliefs are inconsistent, the counsellor then assists the gambler in correcting their beliefs. This is usually achieved with a variety of concrete examples, logical exercises, and visual images. For example, gamblers (and people in general) often have difficulty in fully appreciating the concept of randomness. The world around us is highly ordered, systematic and predictable. Our daily routine is filled with events that reinforce schemas relating to the lawfulness in nature. The world of gambling however, operates in accordance with the principles of randomness. Despite the fact that the word random is a part of the gamblers lexicon, it is often the case that schemas correlating to the concept of randomness are either lacking or undeveloped. It is also the case the such knowledge is best delivered not just conceptually, but visually. Since humans are highly visual creatures, we tend to relate well to visual imagery. There are variety of techniques and examples that allow gamblers to “picture randomness”, in order to encourage a greater understanding of the concept.”

Such intervention appears likely to present a far more effective approach than the proposed messaging.

⁴⁵ Effectiveness of Treatments for Problem Gambling, Submission of the Gambling Treatment Unit of Sydney University to IPART, page 4.



10 NATIONAL COMPETITION POLICY

10.1 Competitive Neutrality

The Commonwealth Government's National Competition Policy ("NCP") obliges State Governments to apply competitive neutrality principles to all significant government business activities, where appropriate⁴⁶.

The National Competition Council ("the Council") asked State Governments to add monopoly licensing legislation for gambling activities to their NCP review schedules because the licences restrict competition.

States were required to identify any government businesses providing gambling services and confirm that they are subject to full competitive neutrality provisions, or demonstrate that competitive neutrality is not relevant.

10.2 Harm Minimisation and NCP: the "Only Way" Test

The National Competition Council has observed that if State Governments wish to use to achieve harm minimisation objectives by imposing restrictions on gambling activities, *"there is still a need to establish that the form of restriction is the only way of achieving the stated objectives of legislation"*⁴⁷.

⁴⁶ National Competition Council: *Regulating Gambling Activity; Issues in Assessing Compliance with National Competition Policy; Council Paper, October 2000, page 1*

⁴⁷ National Competition Council: *Regulating Gambling Activity; Issues in Assessing Compliance with National Competition Policy; Council Paper, October 2000, page 2*



In these cases, jurisdictions do not need to argue that the rationale for the restrictions is a net public benefit, only that restrictions are the only way of achieving the outcome. In other words, the ‘only way’ test is considered a lower threshold test than the net public benefit test (discussed below).

The GIO questions whether the “only way” test would be satisfied if the NSW Government chose to impose messaging of the nature proposed in the Consumer Contact Study on gaming machines *without* imposing identical messaging requirements on State Lotteries.

NSW State Lotteries currently operate in a uniquely protected position in terms of State Lotteries entitlement to saturate the NSW public with unqualified gambling advertising while gaming venues are seriously competitively disadvantaged by:

- an apparently anti-competitive advertising ban;
- being required to bear negative government advertising about their gaming products;
- being required to display warnings in a manner entirely inconsistent with the corresponding requirements on State Lotteries.

The GIO submits that the “only way” test is not satisfied because the imposition of such messages on gaming without imposing corresponding message requirements on State Lotteries cannot be said to be the “only way” of achieving “harm minimisation”. Indeed, based on the comments set out in this submission, it is not clear that such messaging will have any impact on problem gambling or “at risk” players.

It is, however, clear that it will influence recreational players away from gaming and towards lotteries. Although there has been even less research into lottery problem gambling than EGM problem gambling, it is acknowledged generally that it exists. The



GIO submits that there is no justification for discriminating against gaming machines any further in this regard.

10.3 The Net Public Benefit Test

In addition to the “only way” test, State Governments are required to establish a rigorous public interest justification for discriminating against the private sector in favour of the public sector through anti-competitive legislation or regulations.

The Council has observed⁴⁸ that:

“Under NCP, a rigorous public interest justification in terms of harm minimisation would need to be demonstrated for a difference in regulation of hotels, casinos and clubs. In the absence of such a case, there should be equivalent treatment. The Council notes that this may be a gradual process to take into account the possible increase in overall machine numbers.”

The GIO questions why this principle does not apply equally to the regulation of State Lotteries and gaming both in the context of the current advertising ban and in relation to the proposed messaging restrictions.

⁴⁸ National Competition Council: *Regulating Gambling Activity; Issues in Assessing Compliance with National Competition Policy; Council Paper, October 2000, page 9*



11 FAIRNESS

11.1 Linked Jackpots

The GIO has already advised the LAB that enforced breaks in play will impact unfairly on players who are participating in linked jackpots because they will be deprived, for a period, of the chance of competing fairly with other players for that linked jackpot. The LAB has acknowledged this as a concern and has stated that it should not be permitted to occur. It is, however, unavoidable in an 'X' series environment. The GIO believes that this issue alone comprises sufficient justification for dispensing with 'enforced breaks in play'.

Players who have elected to spend money on a linked jackpot in reliance on representations as to how that link operates are likely to find that they cannot play the link in the manner suggested by the representations made to them because of an 'enforced break in play'. In a 'worst case' scenario, a player who wishes to place a bet at a particular moment (because he or she believes that it is an appropriate moment to place the bet to maximize his/her chances of winning) may find that he/she is unable to do so because of an 'enforced break' interrupting the game.

The GIO notes that the LAB states, in its current submission to IPART⁴⁹, that *"the prospects of disadvantage to individual players and their perception of unfairness should their machine be shutdown and others not, when coupled with possible disadvantages for the players of such machines which are in link systems, makes the proposal impractical."*

⁴⁹ Liquor Administration Board Submission to IPART, page 30.



12 Conclusion

The GIO is very concerned about the messaging under consideration by the DGR and discussed in the Consumer Contact Study. The GIO requests that IPART give consideration to recommending that the proposal be abandoned in its entirety for the reasons outlined above, namely:

- (1) Impact of Proposed Messaging on Recreational Players;
- (2) Inadequacy of Research Into Impact of Proposed Messaging on Problem Gamblers and 'At Risk' Players;
- (3) Rationale for On Screen Messaging has Changed;
- (4) The Effectiveness of an Enforced Break in Play;
- (5) Problem Gamblers arguably need Help not Messages;
- (6) Competition Policy;
- (7) Fairness.

The GIO supports the concept of messaging that it suggested in June 2000 but is opposed to the messaging concepts underlying the Consumer Contact research and suggests that more research is required if that form of messaging remains under consideration.

The GIO suggests that appropriate authoritative, transparent independent research is conducted to determine:

- (a) whether *any* messaging is really likely to reduce problem gambling in the current heavily messaged environment in NSW;



- (b) whether the proposed messaging will impact on the recreational player and, if so, whether the messaging can be amended or adjusted to minimise and if possible reduce this impact (i.e. by reference to 'excessive gambling' only); and
- (c) whether the proposed messaging will impact on gaming revenue, employment in NSW and NSW Government gaming revenue.

The GIO respectfully requests IPART to recommend that appropriate authoritative, transparent independent research is undertaken to establish the economic outcome of any proposed policy measures which go beyond the messaging supported by the GIO before any such policy is developed or implemented.



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Mr Ross Ferrar
Executive Officer
Australian Gaming Machine Manufacturers Association
133 Alexander Street
CROWS NEST NSW 2065

Dear Mr Ferrar

RE: AUCKLAND UNIVERSITY REPORT

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

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

On page 26 of their report, the reviewers state:

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

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

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

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



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

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

Kind regards

ROSS CHAPMAN
Director, CIE Sydney
29 January 2004

8 July 2003

Jill Hennessey
Director, policy and Development
Department of Gaming and Racing
323 Castlereagh Street
Sydney

Dear Ms. Hennessey,

Re: Auckland UniServices Ltd (2003) *“Assessment of the research on technical modifications to electronic gaming machines in NSW, Australia: Final Report”*.

Thank you for forwarding a copy of the above Report prepared by the Auckland UniServices (AU) on the methodology and conclusions contained in the University of Sydney Gambling Research Unit's (USGRU) study commissioned by the Gaming Industry Operators Group for comment.

Overall, we were pleased to see that the general conclusions of the independent evaluation report conducted by the Auckland UniServices confirmed that the extensive literature review conducted by the USGRU accurately reflected the published literature on the topic of harm minimisation, and that the quality of the research is “technically sound”, “at an intermediate level of excellence” and “has generated new ideas, interpretations or critical findings” (p. 37). It is worth noting that the independent group of AU reviewers congratulate both the USGRU and the Centre for International Economics (CIE) for its initiative and contributions in pursuing this important line of research in naturalistic settings, and its recognition of the time and budgetary pressures that imposed difficult limitations. It is particularly noteworthy that the independent reviewers did not offer any significant criticism of the fundamental methodology or research design employed by the USGRU.

We also note that the conclusions of the independent AU Report both in the executive summary and its key findings are essentially in keeping with the conclusions of the USGRU Report. The differences in conclusions largely reflect differences in emphasis or minor differences in interpretation.

The independent AU Report offers three conclusions, as follows (p. 6):

1. The reel spin modification does not appear, at this stage, to be an effective harm minimisation strategy.
2. The reduction in maximum bet size shows strong potential as a machine-based modification to minimise harm associated with problem gambling
3. The reconfiguration of bill acceptors could be a potentially effective harm minimisation strategy if it was to be implemented together with other considerations such as proximity to ATMs. In isolation, the modification of bill acceptors itself does not appear supported for its effectiveness in harm minimisation.

The independent AU Report contains a consensus that there was no evidence from the USGRU's Report to support the notion that the introduction of the reel spin modification would represent an effective harm minimisation strategy. Accordingly, the independent AU Report supports the accuracy and reliability of the interpretation of data reached by the USGRU in this regard.

There is also general agreement that there was evidence from the USGRU Report that suggested that reducing the maximum bet would be a potentially helpful harm minimisation strategy. There is minimal difference between the two Reports with regard to the interpretation of findings related to maximum bet. It is important to underscore the fact that the discrepancies are related to the extent to which introducing this change would minimise harm, not whether the evidence suggests that it would have some effect.

The authors of the independent AU Report conclude that there are inconsistencies between the results of various studies conducted and the general conclusions reached, but we would dispute this claim. It is argued that the “inconsistencies” are one of emphasis. That is, given the limitations clearly delineated in the research cited in the reports (e.g. lack of representativeness of the sample, the opportunity of players to switch to an unmodified machine, the effect of observation on play), one can conclude that “it appears likely” that this modification would minimise harm.

This is essentially the same statement made by the authors of the independent AU report that the modification shows “strong potential”. We argue that it is more appropriate to be cautious in interpreting the results of a set of related studies containing inherent limitations, and to note that any individual change to a machine feature is likely to have a relatively small impact on the complex phenomenon of problem gambling within the community. Since only 7% of problem gamblers were observed to play more than \$1 per wager, it is likely that this modification would be helpful to those 7%, but not the 93% who do not use this machine feature. *We do not disagree with the notion of the introduction of this modification on the basis of the available research. However, we are*

more cautious than the independent AU reviewers in advancing the claim that this will make a significant impact, and suggest that there may be a range of other machine modifications and other strategies with greater harm minimisation potential. We urge the Department of Gaming and Racing to support further systematic research into clarifying this issue.

There is some disagreement about the conclusions related to the bill acceptor modification. The USGRU Report concluded that there was no evidence to support the introduction of this modification. The independent AU Report essentially concurred that reducing the bill acceptors to accept only \$20 or less was not supported by the research. However, on the basis of comments by pathological gamblers in focus groups (Study 4 of the USGRU Report), the AU reviewers conclude that coupled with other modifications this modification may be helpful. We believe that this latter comment is speculative and not necessarily supported by data. We disagree with the independent reviewers about the relative weight that should be given to findings from the focus group study.

It is emphasised that focus groups are essentially helpful in generating hypotheses to be tested in larger samples using quantitative research designs. The focus group methodology relies on retrospective report of what factors *might* have reduced gambling problems for a sample of problem gamblers who were currently in treatment. It is well known that peoples' reports of behaviour and their actual behaviours are often poorly correlated. This is particularly true if the reports of behaviour are retrospective. Therefore, self-report data should be regarded as being inherently unreliable in this context. Hence, to give the same weight to findings from the focus group study involving less than 30 participants (Study 4) as to the behavioural study (Study 2) involving more than 700 participants is inappropriate and reflects a lack of scientific rigour.

Moreover, in NSW there are legal matters related to the placement of ATM machines that were in place at the time the original research was conducted. Hence, the combination of this legislation and changing the bill acceptors has been 'tested' and found not to influence play. *Therefore, we reiterate our original conclusion that there is no evidence to suggest that the bill acceptor modification would result in a reduction of harm associated with problem gambling.*

Although there are some misunderstandings, inaccuracies and misinterpretations in the review report, these do not influence our general support of its findings with the caveats described above. Nonetheless, for the sake of thoroughness, we append a detailed response (Appendix 1) to some of the minor criticisms that were made in that report to the various methodologies, analyses and interpretations.

We congratulate the Department of Gaming and Racing in pursuing an independent evaluation of the USGRU study. In the context of the study being commissioned by the gaming industry, an independent review of the research methodology and interpretation of data is essential in establishing the objectivity, reliability and validity of the research undertaken. The independent AU Report has achieved this. We trust that the Department of Gaming and Racing, having commissioned this independent AU Report, will now feel

confident in the results of the original USGRU Report prepared by the Gambling Research Unit at the University of Sydney and feel able to act on its recommendations.

We would, of course, be happy to provide any further information that you require.

With kind regards

Professor Alex Blaszczynski
Professor in Psychology

Dr. Louise Sharpe
Senior Lecturer in Psychology

Dr. Michael Walker
Senior Lecturer in Psychology

COPY

Appendix 1

Additional comments on the Auckland UniServices Ltd (2003) “*Assessment of the research on technical modifications to electronic gaming machines in NSW, Australia: Final Report*”.

The authors of the University of Sydney’s Gambling Research Unit (USGRU) considered it appropriate to offer comment, clarification and correction on several points that were raised in the Auckland UniServices (AU) independent evaluation report. The following response is not intended to be an exhaustive coverage of all the points contained in the AU report.

Literature review

The AU states that the USGRU report “...*seems to be a reasonable representation of the available literature*’. It is noted that the AU conducted its own extensive and comprehensive literature review and were unable to locate any articles of relevance to the terms of reference of the USGRU study. In essence, it reached the identical conclusions of the USGRU report that there is a paucity of information and research on the effects of changes to gaming machine features. Consequently, we argue that the literature we conducted is in fact more than a *reasonable representation*.

The AU includes a non-critical summary of several articles that became available after the release of the USGRU report. In this context, the AU refer to the Schellinck and Schrans (2002) report as being of relevance to both the USGRU and CIE reports but fail to adequately explain how and in what way.

Inconsistency in defining problem gambling

The critique notes (p.23) that in the early part of the report, a SOGS score of 5+ defines a problem gambler whereas in the later part of the report SOGS 5-9 defines a problem gambler at risk and SOGS 10+ defines a problem gambler.

The reviewers have located a difference in terminology. However, the impact of this difference is minimal. The reason for this is that consistently throughout the report problem gambling refers to scores of 5+.

The intent of the division of SOGS 5+ into two components (SOGS 5-9, SOGS 10+) was to add some enable a clearer picture of the impact of the modifications on problem gamblers. It was unfortunate that the group SOGS 5-9 was labelled 'at risk'. A better label may have been low scoring problem gamblers. Then SOGS 10+ might have been labelled 'serious problem gamblers'. The term 'serious problem gamblers' was actually used in the report to refer to the SOGS 10+ group.

The impact of the labelling is minimal. In Table 12, analysis of time spent playing the machines is in terms of SOGS 5+ and the conclusion is that there is "... no evidence that problem gamblers avoided modified machines more than did non-problem gamblers."

Figure 3 shows the time spent playing machines as a function of SOGS scores. The division into 5-9 and 10+ categories clarifies the relationship.

In table 13, the players are subdivided by SOGS scores into 0, 1-4, 5-9. There were no 10+ scores. The text refers to "problem gambler(s) with a SOGS score of ten or more" and to "participants with problems (SOGS 5-9)".

On p.76, the term 'problem gamblers' refers to SOGS 5+ and the group with SOGS 10+ are referred to as 'serious problem gamblers'.

The AU critique notes (p.23) that the change in criteria may lead to major misinterpretation because expenditure was affected but problem gamblers could not be examined because of the small sample of SOGS 10+.

In fact the major problem was not sample size (18 serious problem gamblers and 86 'at risk' of serious problem gambling would have been sufficient) but the fact that the majority of players did not play the Pirates machines at all. As mentioned in the report, the 18 serious problem gamblers did not play the Pirates machines at all. The report refers to the 'limited evidence' available. No statistically sound conclusion can be drawn but this is not due to the labelling or categorisation, but to the small number of individuals who played the Pirates machines.

Comments on the statistical analysis (p. 49ff)

(1) The four outcome variables are "very strongly related". Therefore presenting results for each "*grossly over emphasises the findings.*"

Comment

The high inter-correlation is recognised in the report (p.69). The report also states that cash-in is the most stable measure. Presenting results for all three measures provides clarification in the view of this researcher. Without all three measures, it may be thought that one component may have behaved differently to another. The claim that there is gross over emphasis appears to lack foundation.

(2) There is no indication of response rate.

Comment

Response rate is irrelevant to the expenditure analysis since the data relates to all players using the machines. Response rate refers only to the individually based time data. All players who entered Studies 1 and 2 were included.

(3) There is no mention of how missing data was handled.

Comment

The way in which missing data was handled is described in paragraph 1 on p.70.

- (4) "The study design is a factorial one but the analysis compares each modification combination with the "standard". It is seen as a very poor analysis."

Comment

One wonders what analysis would be more powerful than the comparison of a modification combination with an independent standard. ANOVA tests the effects within the four group design. Multiple linear regression tests the decrements in cash from standard to modified machines. The analyses were advised by statisticians. The judgement that this is "a very poor analysis" seems personal and unsupported. Certainly, the claim that the analysis is "seen" as very poor is presented without any statistical analysis, poor or otherwise.

- (5) "Take" is not presented correctly.

Comment

The review suggests that a large win is not presented in Table 8 and that this contradicts the definition. This claim is not true. The large win is shown in the table and the value without the large win is shown in parentheses. "Take" is the least stable figure calculated. It is for this reason that the emphasis is placed on "cash-in"(see p.69).

- (6) "Cash in - cash out" compared to "Cash in" alone

Comment

The reviewer states that, "As the only difference in these measures is created by the random nature of the machine either this is a chance occurrence or the random nature of the machines was altered by the modifications." The reviewer fails to understand that "cash in - cash out" depends upon the number of games played on average. If a player plays the machine for sufficiently long, "cash out" will be zero and "cash in - cash out" will be the same as "cash in". If the player enters money and then cashes out without playing, then "cash in - cash out" will be zero. Thus, "cash in -cash out" is a measure of persistence in playing (as stated in the report p.72). The comparison of "cash in - cash out" for standard and modified machines therefore provides a measure of the attractiveness of the modifications to players. Since "cash in - cash out" is higher for standard machines than for modified machines, we can conclude that players persisted in playing standard machines for longer than modified machines and that the standard machines were therefore more attractive than the modified machines.

The reviewer also suggests that the analysis was done with four venues in the one case and three in the other (as if this might account for the differences rather than the persistence in play referred to above). This suggestion is completely erroneous and without foundation.

- (7) Time on machine is dismissed as showing no difference between problem and non-problem gamblers.

Comment

Section 9.12 states the expectation that, "problem gamblers will spend relatively more time on the standard machines compared to non-problem gamblers. Since problem gamblers spent a much smaller amount of time on the standard machines (108 minutes) than non-problem players (397, 849 minutes) but comparable time on the modified machines, there was no point in testing the hypothesis statistically: the H_0 could not be rejected on the data available.

(8) No measure of variability for the data in section 9.3.

Comment

We agree that this is an oversight.

In summary, the critical analyses offered by the AU independent reviewers are of such a nature that they do not undermine the methodology employed by the USGRU, or the accuracy and validity of the overall conclusions reached on the effectiveness of the specified changes to design of gaming machines as a harm minimisation strategy.



1st August, 2003

Ms Jill Hennessy
Director, Policy and Development
Department of Gaming and Racing
GPO Box 7060
Sydney NSW 2001

Dear Ms Hennessy,

Re: Research Review Report

Thank you for your correspondence of 8th June 2003 which enclosed a confidential copy of the Assessment Report prepared by Auckland UniServices Ltd.

Copies of the Report were provided to members of the Gaming Industry Operators group and the original researchers, the University of Sydney and the Centre for International Economics. The researchers' responses are enclosed.

The NSW Gaming Industry Operators group ("GIO") reiterates the views expressed in its submission of 7th February 2002 that the research carried out strongly suggests that the three measures currently under consideration:

- are unlikely to achieve the harm minimisation expectations envisaged; and
- are likely 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 notes comments made by the University of Sydney Gambling Research Unit ("USGRU") that "the independent reviewers did not offer any significant criticism of the fundamental methodology or research design employed".

GIO members are pleased that the significant research work it commissioned and funded in 2001 appears to have been largely validated by Auckland UniServices Ltd. Accordingly, GIO members consider that the research conducted by the USGRU and the Centre for International Economics provide strong grounds for the measures which had been contemplated to be abandoned.

Your advice regarding any planned future action regarding these measures would be appreciated.

Yours sincerely

Ross Ferrar
for NSW Gaming Industry Operators group



**NSW GAMING INDUSTRY
OPERATORS GROUP (“GIO”)
SUBMISSION to the
NSW INDEPENDENT PRICING
AND REGULATORY TRIBUNAL
 (“IPART”)**

30 January, 2004

**SUBMISSION REGARDING
ECONOMIC IMPACT OF GAMBLING STUDY BY
NATIONAL INSTITUTE OF ECONOMIC AND INDUSTRY RESEARCH**



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1 EXECUTIVE SUMMARY

The NSW Gaming Industry Operators Group (“GIO”) wishes to thank IPART for the opportunity to express its views regarding the *Economic Impact of Gambling Report* (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics) released by the Department of Gaming and Racing (“DGR”) on 15 December 2003 by publication on the DGR website.

The GIO is disappointed that the report was not released in July 2003 by the DGR for consultation prior to the IPART inquiry. The GIO has experienced great difficulty in providing detailed analysis and comments in relation to a report of this size (165 pages) and complexity when the report was finally released for comment, with five other reports, immediately before Christmas and with a deadline of 30 January for comments.

The GIO considers the issues addressed by the report very significant in terms of the economic implications for NSW of many of the “harm minimisation” measures that are in place or under consideration.

The GIO suggests that:

- a number of key assumptions made by the researchers appear to be flawed; in particular, the use of SOGS 7+ as a test of problem gambling for prevalence purposes, reliance on the view that NSW has 32% more than the “Australian average rate of problem gambling” and an assumption that lotteries and Lotto do not give rise to problem gambling;
- the two key findings of the report (a benefit of \$1.035 billion and 71,708 problem gamblers) appear to be inherently questionable due to their extraordinary precision in a field where even the Productivity Commission could only estimate



costs and benefits within a range of \$5.5 billion after a major survey and analysis exercise;

- the report appears to reveal implicit bias, preconceived outcomes and an apparent absence of objectivity in a number of areas particularly an unexplained increase of the Productivity Commission's Problem Gambling statistics;
- the dismissal of inconsistent ABS Household Expenditure Survey statistics is unwarranted without detailed explanation; further analysis is required;
- the report has failed to acknowledge, refer to or analyse highly material research in this field; by overlooking that research, the authors may have devalued the significance of the report for any purposes as it is incomplete;
- the issues arising out of and associated with the task attempted by the authors are very complex. The analysis appears simplistic and makes many unexplained assumptions about subjective decisions by consumers;
- the GIO believes that the study underestimates the positive contribution of gambling to the economy particularly because the report chooses to overlook the 'consumer surplus' associated with gambling.



2 \$1.035 Billion Per Annum Net Benefit

The GIO notes that the researchers found that

“...gambling in New South Wales has a net benefit to the income of New South Wales households of \$1.035 billion per year, or \$8.47 per household per week.”¹

The GIO has difficulty with the both the quantum and precision of this estimate.

Given that the Productivity Commission, with all its resources and capabilities, could only estimate within a range of \$5.5 billion, it seems extraordinary that NIEIR could arrive at such a precise estimate.

The GIO believes that this purported precision may cast doubt on the accuracy of the entire report.

The GIO also has difficulty with the estimate of 71,708 problem gamblers in NSW and the associated estimate that those problem gamblers ‘lost’ \$27,000 each and cost the state \$7,700 each or \$576 million.

The principal reasons for the GIO’s concerns are:

- that the NIEIR estimate is derived from calculations based on a SOGS 7+ score, the applicability or otherwise of which is not explained or, apparently, considered.
- the limitations of SOGS as a prevalence measure of problem gambling are well known and should be discussed thoroughly in any such report.

¹ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 1 (Executive Summary)



- The GIO is not satisfied with the estimate that there are significantly more problem gamblers in NSW than any other state; and notes NIEIR's comment that:

“According to the Dickerson method, New South Wales has 32 per cent more than the Australian average rate of problem gambling. This implies that the prevalence of problem gambling in New South Wales is 1.44 per cent of the adult population (1.32 * 1.09 per cent), or 71,708 problem gamblers;”²

The GIO has great difficulty in accepting that there are nearly one third more problem gamblers in NSW to the remaining states and is not prepared to accept such an estimate without detailed explanation of the basis of research underlying a statement it considers outrageous.

- The use of the term ‘lost’ in connection with the supposed expenditure of \$27,000 appears to betray an absence of objectivity on the part of a purportedly objective economic researcher. Gaming machine players do not ‘lose’ money even when so portrayed by the anti-gaming lobby.

Gaming machine players ‘spend’ money on a chosen form of entertainment in precisely the same way that a moviegoer spends money at a cinema or a diner spends money at a restaurant.

Gaming machine play is a form of discretionary expenditure. Characterizing such expenditure as a ‘loss’ seriously undermines the objectivity of the report, in the GIO’s opinion.

² Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 63



3 Bias and an Absence of Objectivity

The GIO is concerned about the overt bias and apparent absence of objectivity evident in the NIEIR report. This concern is based upon:

- The significant NIEIR exaggeration of problem gambling statistics. Rather than using the Productivity Commission's estimate that 1 per cent of the Australian adult population is estimated to have severe problems with gambling and another 1.1% of the Australian adult population is estimated to have moderate problems with gambling (which may not require treatment), the NIEIR asserts that:

"Put simply, between 1 and 2 per cent of the adult population, depending on the definition, incur significant difficulties and costs from gambling."³

The GIO notes that the Productivity Commission estimated that 1.1% of Australian adults have severe problems with gambling. If 'severe' means the same thing as 'significant', which appears to be a reasonable assumption, it would also seem reasonable to ask the NIEIR to explain the basis on which it has practically doubled the Productivity Commission estimate.⁴

- The assumptions made regarding contribution to gaming revenue from problem gambling. NIEIR states:

"We assumed that problem gamblers do not participate in lotteries, lotto or keno, but are responsible for 10 per cent of casino revenue, 22 per cent of racing revenue and 38 per cent of gaming machine revenue."⁵

The GIO finds this assumption outrageous.

³ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 1

⁴ The GIO also has reservations about the accuracy of the Productivity Commission estimate

⁵ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 3



We know that problem gamblers do in fact participate in lotteries and lotto, so the first part of the assumption is clearly wrong. The GIO disputes the assumption in its entirety and is concerned that no discussion is evident to support it.

Further, the inconsistency between ABS Household Expenditure Survey (“HES”) data on gambling statistics noted on page 4 requires analysis and discussion, rather than an apparently curt dismissal. One cannot simply dismiss ABS data without explanation.

For example, NIEIR asserts, in reference to the ABS HES statistics, that:

“there is serious under-reporting in the gaming machine and casino expenditure categories”⁶.

However, NIEIR does not apparently consider the extent to which the data may be accurate or otherwise. The discrepancy may arise from tourist expenditure, expenditure by visitors from other states and expenditure by visitors from other LGAs. The expenditure data may be flawed. The NIEIR consistently appears to reject the HES data on expenditure and embrace the HES data on persons gambling⁷?

- The discussion of the concept of “expenditures foregone to finance gambling” appears to represent a significant degree of preconceived bias in that it overlooks the fact that gambling expenditure is discretionary *entertainment* expenditure. If the money is not spent on gambling, on what possible basis can it be suggested or implied that it would be spent on “housing mortgages” and “wealth accumulation”?⁸ The GIO suggests that it is far more reasonable to assume, given its character as discretionary *entertainment* expenditure, that if it is not spent on gambling, it would be spent on an alternative form of *entertainment*.

⁶ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 53

⁷ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 53

⁸ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 3



- The NIEIR reluctantly credits gambling with generating more income than other alternatives even though this finding is quite obvious to the GIO if only because of the relatively small amount of leakage of gaming machine expenditure from the NSW economy (which is not discussed by the NIEIR).

The NIEIR puts its conclusion this way, which the GIO regards as a far from objective analysis:

“NIEIR’s point of view is that Australia would be much better off if it invested more, and financed more of this investment from its own savings; however this would require a total re-casting of economic policy. In the meantime, gambling can be credited with generating more income than the alternatives foregone.”⁹

- The NIEIR makes a number of assertions regarding gambling and addiction which are not supported by evidence. These assertions include comments such as:

“Despite its deliberate bias in favour of consumer sovereignty, economics recognises that there are limits. One of these limits arises where a product or service is addictive, and may lead to long-run personal harm. It is recognised that gambling is associated with immediate harm to problem gamblers and their families. Even when people are not problem gamblers, they may live to regret that they spent on entertainment rather than (say) education or asset accumulation.”¹⁰

NIEIR’s assertion that *all* gambling “is associated with immediate harm to problem gamblers and their families” is another outrageous and unsupported statement, which the GIO considers to be inappropriate for a purportedly objective economic study.

⁹ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 5

¹⁰ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 36.



4 Estimating the Costs of Problem Gambling

The GIO has difficulty with the methodology outlined in Chapter 6 of the NIEIR Report. The GIO notes that the NIEIR records – in reference to the prevalence of problem gambling and the sociology of problem gambling - that:

“...it is not considered within the scope of this report or the expertise of the authors for any of this material to be critiqued or re-estimated. We will, however, use a selected amount of this research to present a feasible set of estimates and distributional patterns that provide an estimate of the local incidence of the cost of problem gambling.”¹¹

The GIO asks how any sort of estimate of the costs of problem gambling could have been reached if the authors themselves admit deficient expertise in these areas? In a recent *Wager* article on estimating the costs and benefits of gambling, the authors¹², note the importance of sociological issues and the difficulties associated with the estimation of social costs and benefits:

“...the attribution of costs (is recognized) as a confounding issue in many gambling cost analyses. (Collins and Lapsley) contend that researchers and economists must be careful to identify costs that are directly attributed to gambling rather than merely costs associated with the behavior but due to some other factor. Also, researchers must make a distinction between costs, versus debts and transfers (i.e. pecuniary costs). For example, some costs borne by members of the community are exactly matched by benefits received by others, resulting in no net costs to society as a whole. Many prior gambling-impact studies have failed to consider these differences, resulting in calculations that support any statement from “gambling is an insignificant problem” to “gambling imposes massive social costs” (Wynne & Schaffer, 2003).”...

“As with costs, analyses of benefits vary according to definitions. For example, individuals belonging to particular religions or cultures might not consider certain types of recreation (e.g. gambling) as beneficial. Further, the private benefits of

¹¹ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 62

¹² <http://www.thewager.org/current.htm> (3 of 5) [1/21/2004 8:42:45 AM] The Wager 9(2): Building a Better Economic Model: Weighing Costs and Benefits of Gambling



gambling are often subtle. However, just like the theater, sports events or concerts, gambling as a form of entertainment might yield health benefits and reduce medical costs as well as social and recreational benefits. Collins and Lapsley also advise caution when analyzing the social benefits of gambling. Employment, tourism and tax revenue are examples of frequently claimed social benefits. Nevertheless, researchers should always carefully weigh these potential social benefits against counterfactual comparisons. Counterfactual comparisons consider scenarios running contrary to the facts. For example, what would be the economic impact if a particular form of gambling ceased? Would gamblers save their money, spend it on another recreational activity, or both save some and spend some? Each of these conditions would result in a different calculated sum for social benefits.”

The issue is dealt with in more detail by Wynne and Shaffer¹³ who note that the issue of measuring the socio-economic impact of gambling was the subject of the “First International Symposium on the Economic and Social Impact of Gambling” held in Whistler, British Columbia in 2000 where no less than 60 Gambling Researchers met to develop an internationally acceptable set of guidelines and framework for assessing the positive and negative impacts and the full social and economic benefits and costs of gambling.

The GIO cannot fathom why the NIEIR did not refer to this 2000 study (or any of the Whistler Symposium Papers) in Chapter 6 which deals, primarily, with estimating the costs of gambling.

The GIO also refers IPART to Volume 19, Number 2 of the Journal of Gambling Studies (Summer 2003) which deals exclusively with measuring the socioeconomic impact of gambling.

¹³ “The SocioEconomic Impact of Gambling: The Whistler Symposium”, *Journal of Gambling Studies*, Volume 19, No.2, Summer 2003, page 114.



5 Opportunity Costs Methodology

In Chapter 7 of the NIEIR report, the authors state that:

“It remains to estimate the impact of activity foregone. To do this it is necessary to first determine what type of activity would have occurred in the absence of gambling.”¹⁴

The GIO believes that it is simply not possible to accurately carry out this task as the decisions involved are highly subjective.

While elements of the research are of interest to the GIO¹⁵, the GIO believes that it is not possible to accurately estimate the impact of foregone activity in the manner set out in the NIEIR study. As Collins and Lapsley conclude:

“many of the problems attributable to gambling involve intangible rather than tangible costs which are by their nature difficult to value. Innovative techniques for valuing intangibles tend to throw up a wide range of results reducing the degree of comparability between studies. With intangibles constituting such a high proportion of total costs, the cost estimates tend to be extremely sensitive to the intangible valuation methodology adopted.”¹⁶

The GIO has great difficulty, as noted earlier, with the authors’ finding that:

¹⁴ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 70

¹⁵ Particularly the finding of “**the clear evidence that households that gamble have on average higher levels of current financial resources than those that do not gamble. This is in part due to the large number of non-gambling households that report very low levels of total spending, predominantly elderly households.**” Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 71

¹⁶ “The Social Costs and Benefits of Gambling: An Introduction to the Economic issues”, David Collins and Helen Lapsley, *Journal of Gambling Studies*, Volume 19, No 2, page 147.



“...it would be defensible to assume that the increase in gambling expenditures is funded by a reduction in housing investment, investment in capital and financial assets.”¹⁷

The GIO believes that there is at least an equally strong case for arguing that because gambling expenditure is perceived as discretionary entertainment expenditure, when it is not spent on gambling, it is more likely to be spent on another form of entertainment rather than on “housing investment, investment and financial assets” except, possibly, to the extent that such expenditure is perceived as ‘entertainment’ (i.e. gambling on the stock market).

¹⁷ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 74



6 Positive Impact of Gambling

Notwithstanding the issues raised above, the GIO endorses the general nature of one of the key findings of the authors, namely that:

“The economic impact of legal gambling in New South Wales is positive. As compared to a hypothetical state in which there is no gambling...”¹⁸

However, the GIO is far from satisfied that the NIEIR quantification of the positive impact of gambling on the NSW economy, as set out below, is accurate:

“...it provides approximately \$1 billion worth of additional income to the households of New South Wales per year, at an average rate of \$8.47 per household per week when the impacts are measured over a five year period.”¹⁹

Moreover, in the GIO’s view, the authors’ decision not to include a ‘consumer surplus’ element in their calculation²⁰ - in contrast to the approach taken by virtually all other economic studies (including the Productivity Commission) is indefensible.

Collins and Lapsley note in this respect:

“Gambling yields benefits in the same way that any other commercially viable form of entertainment yields benefits. There may be no permanent physical output from gambling but this is no different from the many other forms of service provision such as the theatre, sports or concerts. For most gamblers, gambling is a form of entertainment. Economic theory values consumption benefits according to the value of “consumer surplus” – the difference between what consumers would be willing to pay for a particular good or service and what they actually have to pay.”

The GIO notes that “consumer surplus” is a private benefit rather than a public benefit but nevertheless believes that it should properly be considered when framing public policy.

¹⁸ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 111

¹⁹ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 111

²⁰ Economic Impact of Gambling Report (dated July 2003) prepared by the National Institute of Economic and Industry Research (trading as National Economics), page 112



7 Conclusion

The GIO suggests that:

- a number of key assumptions made by the researchers appear to be essentially flawed; in particular, the use of SOGS 7+ as a test of problem gambling for prevalence purposes, reliance on the view that NSW has 32% more than the “Australian average rate of problem gambling” and an assumption that lotteries and Lotto do not give rise to problem gambling;
- the two key findings of the report (a benefit of \$1.035 billion and 71,708 problem gamblers) appear to be inherently questionable due to their extraordinary precision in a field where even the Productivity Commission could only estimate costs and benefits within a range of \$5.5 billion after a major survey and analysis exercise;
- the report appears to reveal implicit bias, preconceived outcomes and an apparent absence of objectivity in a number of areas particularly an unexplained increase of the Productivity Commission’s Problem Gambling statistics;
- the dismissal of inconsistent ABS Household Expenditure Survey statistics is unwarranted without detailed explanation; further analysis is required;
- the report has failed to acknowledge, refer to or analyse highly material research in this field; by overlooking that research, the authors may have devalued the significance of the report for any purposes as it is incomplete;
- the issues arising out of and associated with the task attempted by the authors are very complex. The analysis appears simplistic and makes many unexplained assumptions about subjective decisions by consumers to be of any real value;



- the GIO believes that the study underestimates the positive contribution of gambling to the economy particularly because the report chooses to overlook the ‘consumer surplus’ associated with gambling.

The GIO is disappointed that it has not been provided with the opportunity to analyse the NIEIR report in greater detail.

The GIO believes that the contribution of the gambling industry in NSW to the NSW economy has been significantly underestimated by this report and requests that the report be abandoned or recompiled in consultation with the GIO.