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CENTRE FOR ECONOMIC STUDIES



ADELAIDE & FLINDERS UNIVERSITIES

Social Impacts of Gambling: A Comparative Study

Final Report

Report commissioned by
Independent Gambling Authority

Report prepared by
The SA Centre for Economic Studies

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Author's Note

The agencies listed above provided SACES with information which we have not included in this report into social impacts of gambling. The Centre in its data request to regulators, collated information on the structure of the gaming industry in each jurisdiction, gambling harm minimisation policies and information related to self-exclusion programs and community support initiatives.

Glossary of Terms

ABS	Australian Bureau of Statistics
AHA	Australian Hotels Association
AIGR	Australian Institute for Gambling Research
ATM	automatic teller machines
CBF	Community Benefit Fund
CBS	Community Benefit Statement
CGS	Centre for Gambling Studies (New Zealand)
CLGCA	Casino, Liquor and Gaming Control Authority
CIS	Community Impact Statement
CSF	Community Support Fund
CSL	Community Support Levy
DHHS	Department of Health and Human Services (Tasmania)
DIA	Department of Internal Affairs (New Zealand)
DOJ	Department of Justice
EGD	electronic gambling device (US terminology)
EGM	electronic gaming machine
GCBF	Gambling Community Benefit Fund
GMD	gaming machine duty (New Zealand)
GRA	Gambling Research Australia
GRC	Gambling and Racing Commission (ACT)
GRF	Gambler's Rehabilitation Fund (South Australia)
GWC	Gaming and Wagering Commission (Western Australia)
HDI	Household Disposable Income
IAIA	International Association for Impact Assessment
IGA	Independent Gambling Authority (South Australia)
IPART	Independent Pricing and Regulatory Tribunal (NSW)
JCCBF	Jupiters Casino Community Benefit Fund
LAB	Liquor Administration Board (NSW)
LCA	local community area
LGA	local government area
LGNZ	Local Government New Zealand
LIA	local impact assessment (New South Wales)
NTLC	Northern Territory Licensing Commission
NZGS	New Zealand Gaming Survey
OLGR	Office of Liquor, Gaming and Racing (New South Wales)
OLGC	Office of the Liquor and Gambling Commissioner (South Australia)
PC	Productivity Commission
PGF	Problem Gambling Foundation (New Zealand)
PGL	problem gambling levy (New Zealand)
PGSSC	Problem Gambling Support Services Committee (Western Australia)
PME	Poker Machine Entitlements
QGC	Queensland Gaming Commission

QOGR	Queensland Office of Gaming Regulation
RWWA	Racing and Wagering Western Australia
RGF	Responsible Gambling Fund (New South Wales)
RGL	Department of Racing, Gaming & Liquor (Western Australia)
RGL	Racing, Gaming and Licensing Division of the Department of Justice (Northern Territory)
RGMAC	Responsible Gambling Ministerial Advisory Council
RST	Racing Services Tasmania
SACES	South Australian Centre for Economic Studies
SEIFA	Social and Economic Index for Areas
SHORE	Centre for Social and Health Outcomes Research and Evaluation (New Zealand)
SIA	social impact assessment
TAB	Totalisator Agency Board
TGC	Tasmanian Gaming Commission
TLA	territorial local authority (New Zealand)
VCGA	Victorian Casino and Gaming Authority
VCGR	Victorian Commission for Gambling Regulation

Executive Summary

The South Australian Independent Gambling Authority (IGA) commissioned the South Australian Centre for Economic Studies (SACES) to undertake this study of the social impacts of gambling. As stated in the Terms of Reference, this two-stage report “firstly describes the definitions and methodologies used by the Productivity Commission and regulatory bodies in Australia and New Zealand in relation to measuring the social impacts of gambling, and secondly, critiques those methodologies and definitions”.

The Productivity Commission’s (1999) report entitled *Australia’s Gambling Industries* was Australia’s first independent national report looking into the economic and social impacts of gambling and is still the most comprehensive study of its kind. The Productivity Commission listed what it considered should be included as social impacts of gambling, and assigned them a dollar value, so that it could arrive at an estimate of social costs and benefits and ultimately at a net value for social impacts.

SACES produced a summary of the Productivity Commission’s 1999 report and sent it to the Australian and New Zealand gambling authorities. These authorities were then asked about their approach to incorporating social impacts in their gambling licence applications, in light of the Productivity Commission approach.

The first key finding of the SACES study was that there is no widespread agreement on the **definition** of social impacts or social costs among gambling jurisdictions in Australia and New Zealand.¹ While social impacts or social costs and benefits are referred to in the legislation or operation guidelines of most gambling authorities, there are no clear definitions given. Rather, the gambling authorities tend to provide guidelines on how to have regard to social impacts as part of any gambling licence application. Varying by state and territory, this part of the application is included as part of a social or community impact assessment.

The second key finding is that there is no consensus, among jurisdictions, or among researchers, in how to **measure** the social impacts of gambling. Each jurisdiction has a process that must be followed that takes into account social impacts and the general approach to achieve this is to require that a list of impacts from a gambling decision be considered. Table E1 shows the processes to be followed that have regard to social impacts of gambling in the application for a gaming licence in each jurisdiction.

As shown in Table E1, in Victoria, there is required to be a public hearing as part of the application process. Several states require various levels of community consultation. For example, Queensland requires a formal consultation process with the businesses, residents and community organisations in the area, and all associated paperwork to be submitted with an application. In the ACT, NSW and Northern Territory it is required that there is a period when the application is advertised in local newspapers and a decision cannot be made until after this period. Most states and territories invite public submissions before making a decision. The process in Tasmania focuses on probity and financial aspects of an application.

¹ The gambling literature provides little guidance for gambling authorities, since it also has no consensus on the definition of social impacts. Views vary across researchers regarding the definition of social impacts, as do the approaches to measuring them.

Table E1
Application for gaming licences: Summary of the process

State/Territory Australia New Zealand	Process	Hearing (as part of the application process)	Possible to appeal decision
Victoria	socio-economic information must be included with an application	Yes	Yes
Queensland	Community Impact Statement (CIS)	No	Yes
New South Wales	Local Impact Assessment (LIA)	No	Yes
Northern Territory	Community Impact Analysis (CIA)	No	No
New Zealand	Local government carries out social impact assessments.	No	Yes
Australian Capital Territory	Social Impact Assessment (SIA)	No	Yes
Tasmania	social impacts not assessed as part of the application process	No	No
Western Australia	WA does not allow EGMs outside casinos	N/A	N/A

Source: SACES research.

In New Zealand an applicant for a gaming licence makes a submission to the local government – the territorial local authority (TLA) – and the TLA decides whether to provide consent before the application is passed to DIA which makes the ultimate decision whether to grant the licence. The applicant can go to the Gambling Commission to appeal against the DIA's decision. There is no public hearing as part of this process, but there is public consultation involved in the three-yearly reviews of each TLA's venue policy.

The third main finding of this report is with regard to whether there are **tests applied** in arriving at the decision as to whether to approve a gaming licence. It was found that rather than applying a specific test, the approach was for the applicant and gambling authority to follow a process. For some jurisdictions, if it was clear that the process had been followed then the application was approved. For others, there were certain requirements that had to be met and could result in an application being turned down – such as a gaming venue being too close to a school, or the applicant themselves not meeting the probity requirements. While including a number of these kinds of objective thresholds, once these are reached, the final decision tends to be based on subjective judgments by the gambling authority. With regard to social impacts, the test tends to be that the prescribed application process was followed and the overall conclusion, given all of the social and economic data, is that the application will not have a net negative effect.

In conclusion, the definition of social impacts, the measurements of social impacts and the tests applied to gaming licence applications relating to social impacts are subject to a high degree of subjectivity. There are some similarities across approaches by the gambling authorities in the Australian and New Zealand jurisdictions, but no one approach is the same, and can vary widely in terms of detail and process.

1. Introduction

This report is the culmination of a two stage study into the social impacts of gambling that firstly, describes the definitions and methodologies used by the Productivity Commission and regulatory bodies in Australia and New Zealand, in relation to measuring the social impacts of gambling, and secondly, critiques those methodologies and definitions.

This study was commissioned by the South Australian Independent Gambling Authority (IGA) as part of its role in undertaking and commissioning research into the social and economic impacts of the gambling industry. The Terms of Reference (see Appendix 1) provide a description of the purpose, background and research overview to this study including the specific research questions for both stages of the study.

A brief summary of the methodology or approach adopted by the South Australian Centre for Economic Studies (SACES) in undertaking the research is provided in Appendix 2. The structure of this report follows the Terms of Reference in that Chapter 2 presents the stance of the Productivity Commission, based on the 1999 report entitled *Australia's Gambling Industries*. This was Australia's first independent national report of the economic and social costs of gambling, and of the effects of regulatory structures in these industries, and is still the most comprehensive study of its kind. Specifically, the Productivity Commission investigated "the social impacts of the gambling industries, the incidence of gambling abuse, the cost and nature of welfare support services of government and non-government organisations necessary to address it, the redistributive effects of gambling and the effects of gambling on community development and the provision of other services". This chapter presents the Commission's definitions and methodologies.

The Productivity Commission has since produced a review of the 1999 report and subsequent papers by chairman Gary Banks entitled *The Productivity Commission's gambling inquiry: 3 years on* (2002) and *Gambling in Australia: are we balancing the equation?* (2007) and a brief consideration of both is included in this chapter.

Australian jurisdictions and New Zealand gambling authorities were provided with SACES' analysis² of the Productivity Commission's approach to the description and measurement of social impacts and were invited to respond to a series of questions regarding the Commission's approach. Chapter 3 summarises the responses by Australian jurisdictions and New Zealand to questions put to them by SACES about the Productivity Commission's approach.

Chapter 4 then considers in greater detail whether regulators in each jurisdiction measure social impacts and if so what definitions they apply and what methodology they use to measure and test for social impacts. SACES contacted each jurisdiction in Australia and New Zealand and put a number of questions to them in order to understand how they addressed the definition and measurement of social impacts arising from gambling. SACES also examined the suite of legislation in each jurisdiction to better appreciate the foundations of gambling policy as well as practical operations of the sector with regard to considerations of social impacts.

² SACES worked closely with staff of the Productivity Commission in preparing our summary analysis to ensure that it properly reflected the work of the Commission. While the Commission approved the summary paper for distribution, the analysis and final paper was the responsibility of SACES.

The approaches of the gambling regulators to consider social impacts in their assessment of applications for gaming licences is considered in this section. This last point may be viewed as the operationalising of the definitions and methodologies of social impacts (i.e. testing for social impacts). It pinpoints the practicality for authorities in taking the positive and negative impacts into account (i.e. maximising the benefits and minimising the costs) when allocating or approving gaming rights and assessing social and community impacts from the gambling industry.

Finally, SACES considered any research undertaken in each jurisdiction with regard to defining, measuring and testing for social impacts. An overview of responses from jurisdictions is included in Chapter 5. Conclusions and summary remarks in Chapter 6 complete this report.

2. The Productivity Commission Approach

Terms of reference

Stage 1 will involve a description of the Productivity Commission's definition of social impacts and any information about how the definition was determined, and a description of the methodology used by the Productivity Commission to measure and test for social impacts.

2.1 Introduction

In this chapter, SACES presents the main discussion points arising from the Productivity Commission (PC) 1999 report, *Australia's Gambling Industries*, and the subsequent related papers of 2002 and 2007. A copy of this overview was provided to each of the gambling-related agencies listed in Appendix 3 and a range of questions were put to them. The researchers essentially wanted to understand whether the PC approach had provided guidance to regulators and whether they had adopted or followed an approach consistent with the PC framework. Their responses to SACES' analysis of the Productivity Commission's approach are summarised in Chapter 3.

2.2 SACES analysis of the PC approach

Background

The Productivity Commission is an independent Commonwealth agency, and the Australian government's principal review and advisory body on microeconomic policy and regulation. It was instructed by the then-Treasurer Peter Costello, in accordance with the *Productivity Commission Act 1998*, to produce a report on the gambling industry in Australia "for a better understanding of the performance of the gambling industries and their economic and social impacts across Australia, including their impact on the retail, tourism and entertainment industries and on Commonwealth and State/Territory budgets. Little is known about the social impacts of the rapid growth in gambling".³

Scope of the report

The report, entitled *Australia's Gambling Industries*, was released by the PC in 1999 and is Australia's first independent national enquiry into the economic and social costs of gambling and the effects of regulatory structures in these industries. With regard to social costs, the PC was required to report on: "the social impacts of the gambling industries, the incidence of gambling abuse, the cost and nature of welfare support services of government and non-government organisations necessary to address it, the redistributive effects of gambling and the effects of gambling on community development and the provision of other services".

Methodology and data sources

This section provides an overview of the data sources and methodology used by the PC in its 1999 report.

³ *Australia's Gambling Industries*, Productivity Commission, 1999, Terms of Reference page 1.

The PC undertook three surveys during the first half of 1999:

- the National Gambling Survey of 10,600 people, asking about gambling preferences and spending, attitudes and impacts;
- the Survey of Clients of Counselling Agencies involving 400 gamblers attending a counselling agency, to understand their problems and how they were being addressed;
- the Survey of Counselling Services, to find out about their funding, caseload, methods of approach and outcomes.

The research is based on 1997-98 data. Other available data were also used as well as information provided by participants.

National approach

The PC's report and surveys produced estimates and conclusions about the impacts of gambling at the national level, but it is clear that many of the effects of gambling are very localised and many of the major issues surrounding the activity are related to local or regional factors. The PC warns against taking the national figures and assuming that they apply in the same way at a more local level.

Focus on social costs

The report focuses more on costs than benefits because:

...they have a particular policy importance. Without them, the gambling industry would be just like most other recreation and entertainment industries, and would seemingly require no different a set of policy, regulatory or taxation measures (p. 1.9).

Economics framework

In order to come up with a measure of social impacts, the PC uses the economic concept of consumer surplus, which it accepts is open to criticism, but nevertheless provides some pointers, while clearly limited in its accuracy and appliance. Simply defined, the consumer surplus that a person enjoys when buying a good is the utility or happiness derived from that purchase less the price paid, and may be measured in monetary terms. This monetary difference is the consumer surplus.

This approach brings a large number of assumptions regarding the cut-off between private and social costs; rationality; availability and accuracy of price and product information on which consumers base their decisions; homogeneity of monetary value of utility across all consumers; and the ability to sum utility across a population.

Assumption of rationality

In order for the concept of consumer surplus to be applied, the PC assumes that all non-problem gamblers act rationally with regard to all of their gambling decisions and behaviour. Problem gamblers are assumed to act rationally up to the point at which their expenditure exceeds that typically spent by regular gamblers.

The PC deals with the issue of rationality by assuming that 13 per cent of the costs incurred by problem gamblers count as benefits (as if they were non-problem gamblers) and the remainder are social costs (see section entitled 'Treating problem gamblers differently').

The assumption of rationality of gamblers is an area of contention among researchers from various disciplines. Rationality becomes questionable when addiction is involved and it is not a clear point at which a gambler switches from rational to non-rational behaviour. Also, is there sufficient information about the 'product' that gamblers are buying in order to make a rational decision? Many argue that there is not, for example, problem gamblers are known to chase losses, and have inflated expectations of wins. They also substantially under-report their losses.

Perfect information

Inherent in the assumption of welfare maximisation is the assumption that there is perfect market information upon which consumers base their expenditure decisions. However, it is widely accepted that the gambling environment is not characterised by perfect information, and people gambling do not know the 'price' of the product they are buying before they spend. EGM problem gamblers in particular, and some recreational gamblers, tend to spend (i.e. lose) more than they intended to, as a result of mistaken beliefs about the possibilities of winning and ways in which the gaming machines pay out.

The PC deals with this issue by making recommendations in the 1999 report aimed at improving the accuracy and availability of information about the 'product', such as chances of winning, the amount the person is spending, avoiding misleading advertising, and so on.

Costs assumed to be concentrated with problem gamblers

The social costs of gambling were assumed to be concentrated with the problem gamblers and the people closely associated with them. Other categories of gamblers were assumed to be acting rationally and achieving positive consumer surplus. Non-gamblers were not included in the analysis.

Defining problem gambling

The report summarises problem gambling as "a lack of control by the gambler over his or her gambling behaviour; and/or adverse personal, economic and social impacts which result from a gambler's actions – particularly the financial losses (relative to the gambler's means)". The PC used the South Oaks Gambling Screen (SOGS) test for gambling.

Calculating the number of problem gamblers

The PC assessed the number of severe and moderate problem gamblers across the country both as a proportion of the total adult population and as a proportion of people who gamble regularly (at least once a week). In addition to the data collected in the surveys, the PC consulted a number of specialists (researchers and practitioners) with specific regard to the problem gamblers, and also met with a number of problem gamblers in order to find out about their issues, motivators, patterns of behaviour, attitudes, and so on. The results are summarised in Table 2.1.

It can be seen from the table that in 1997-98, New South Wales and Victoria showed the highest estimated levels of problem gambling, while the lowest levels were in Tasmania and Western Australia. In the PC report the figures quoted are that in 1997-98, 1.0 per cent (130,000) of Australian adults were severe problem gamblers and an additional 1.1 per cent (163,000) were moderate problem gamblers, equating to a total of 293,000 people.

Table 2.1
Prevalence of problem gamblers and harm incidence in the adult population (per cent)

	SOGS 5+	Severe problems	Harm incidence^a
New South Wales	2.55	1.25	1.96
Victoria	2.14	0.82	2.05
Queensland	1.88	0.76	1.79
South Australia	^b	^b	1.44
Western Australia	0.70	0.17	1.50
Tasmania	0.44	0.09	0.12
Northern Territory	1.89	0.77	1.24
Australian Capital Territory	2.06	0.73	1.32
Australia	2.07	0.92	1.80

Notes: ^a A self-assessed indicator of significant adverse impacts on the life of the gambler.
 ^b The numbers derived for South Australia are 2.45 per cent for SOGS 5+ and 1.38 per cent for severe problems. These results appear to be unrealistically high and are likely to reflect sampling error.

Source: Productivity Commission report *Australia's Gambling Industries* (1999)

Private versus social impacts

Definitions provided in the PC report are as follows:

Private benefits and costs are those impacts of an activity which:

Are borne by those who were party to a decision to undertake the activity (called 'internal' impacts); and

Were rationally considered when they decided to undertake the activity.

Social benefits and costs are:

The proportion of the 'internal' benefits and costs which an individual did not rationally take into account when deciding to undertake the activity; plus

All 'externalities', which are those effects of an activity which are imposed involuntarily on others in society.

This is the traditional economist approach to distinguishing between private and social impacts. A private cost is assumed to be internalised, to affect the individual and possibly his/her family, and no one else. Thus society is assumed not to be affected. The individual is assumed to take these private costs into account when making consumption decisions. It is linked to the assumption of rationality of the decision-maker and to perfect information, in order that a rational and fully informed decision can be made.

The approach of the PC is to treat the costs imposed on the gambler's family as social not private costs. The importance of where this line is drawn lies in the resultant impact on public policy – the government's role to intervene focuses on social impacts rather than private impacts which are the result of the individual's choice or free will. As the PC states: "social costs and benefits as defined in this report are the benefits and costs that are relevant as a basis for possible government intervention in private decisions" (p. 4.2). Private impacts do not justify public policy because it is assumed that individuals are already making welfare-maximising decisions. Where social costs exist, there is a potential rationale for the government to intervene to improve market outcomes.

Intangible costs

Intangible costs of problem gambling include the emotional costs of depression, suicide and relationship breakdowns. These intangible costs can apply not only to the problem gambler, but also to their family and friends. In the PC's report, an estimate was made only for severe problem gamblers, though it notes (p. 9.10) that, while the emotional distress for families and parents of moderate problem gamblers was not measured, this is also a legitimate cost. As the PC states, it was the first to try to estimate intangible costs from gambling (p. 9.12).

It may be assumed that non-problem gamblers do not experience intangible costs (as the PC has assumed in this report) because their decisions are assumed to be made rationally, and they are thus assumed to have taken all costs into account in making their consumption decision.

By their nature, intangible costs are difficult to measure or to assign a dollar value. There is no market mechanism to guide the amount that people would pay to avoid them. As the PC states: "Their intangibility precludes precision or a point estimate, but the PC considers that the range of values provided here are a useful guide to their minimum magnitude." Thus, the PC's approach was to assign a range for these values, based on the compensation payment schedules used in New South Wales and Queensland for emotional harm. Less severe cases were valued between \$5,000 and \$15,000, and more severe cases between \$30,000 and \$50,000. It is acknowledged that the estimates may be on the high or low side, but it was deemed appropriate to come up with an estimated range.

Co-morbidity/causality

The PC adjusted its estimates of the social costs experienced by problem gamblers to account for causality/co-morbidity, whereby problem gamblers have other behavioural problems, not just related to gambling. The report (p.27) says:

What seems clear, is that for those for whom prior problems or disorders are contributory factors, gambling appears to exacerbate their problems in ways that would be hard to achieve through alternative outlets (alcohol and drug abuse being the exceptions).

Externalities: costs to people other than the problem gamblers

There are number of externalities or social costs that the PC discusses, some of which it chooses to put a dollar value on, and some of which it does not. These include crime, loss of productivity at work, depression, family break-ups and distress caused to those people associated with the problem gambler. With no market prices to provide guidance, they came up with a necessarily wide range of estimates. The list of costs estimated by the PC are given in Table 2.2.

The PC states that psychic and emotional costs to problem gamblers and their families should be included as social costs and a dollar value should be assigned to these costs. As shown in the table, the distress of family and parents is potentially the largest cost of all.

Table 2.2
Gambling cost ranges estimated by PC (1999)

Impact	Low (\$m)	High (\$m)
Bankruptcy	1.3	1.3
Productivity loss	28	200
Job change	59	59
Police, court and jail	14	14
Distress of family and parents	756	2,933
Break-up, divorce and separation	417	1,120
Violence	2.8	8.3
Depression and suicide	502	1,230
Gambling counselling services	20	20
Total	1,800.1	5,585.6

Source: Productivity Commission report *Australia's Gambling Industries* (1999)

Other externalities that the PC does not measure come from the replacement of the traditional nature of pubs for socialising by 'pokies dens', thereby affecting the fabric of society and causing costs to people who choose not to gamble but have lost their venue for socialising. It may be only a loss of atmosphere, or the impact of the noise of the pokies and the visual impact on the non-gambling area, or in some cases the non-gambling areas may be so squeezed out that there is little or no space to have a drink and socialise. This is potentially a social cost that is not measured.

The PC sees this shifting of expenditure from one activity to another as part of usual business practice, and says that this kind of shift is presumed to occur when the benefit of the new activity is higher than that of the old. Thus the decline of the old activity is not seen as a cost to society, although there are winners and losers from most changes in business practice. The PC states on page 10.19 of the report:

Normally, shifts in the nature of products and activities available to the community in response to changing consumer demand, relaxed government regulation or new innovations, are not seen as detrimental. Rather, they reflect a re-organisation of market activities to best meet the overall pattern or range of consumers' preferences. This does not imply that everyone's preferences will be perfectly catered for. What it does point to, however, is that such changes are likely to increase the fulfilment of people's preferences in aggregate.

It concluded:

So, while recognising that some people will lose out from the process of 'structural adjustment' within the entertainment and recreation sphere, the Commission does not see this in itself as embodying a net social cost.

There is also the issue that with a product such as gambling, some may consider that the provision of such facilities is more driven by supply than demand, and society may have these facilities introduced by the will of industry and government, rather than the decision of the general population. There are other non-economic factors at play in the introduction and regulation of EGMs whereby demand for these facilities may be considered to be driven, at least in part, by their supply (i.e. given the existing location of hotels and clubs), rather than the market being purely demand-driven. With this then comes externalities affecting the community by introducing gambling where they may be adversely affected by it, in terms of disliking its presence, and losing facilities that they may replace or squeeze out, as discussed above.

The PC has stated that the most that can be said is that supply taps into a previously unrecognised aspect of that demand, in the same way that any new product taps into the full range of wants and needs of consumers.

There is the related issue of the impact upon the norms and ethics of a community from increased availability and prevalence of gambling facilities. The PC agrees that surveys suggest that gambling can be contrary to, or could undermine, some established norms. The PC concludes (p. 10.22):

Overall, while the Commission recognises that gambling may indeed generate (potentially substantial) social costs through its effects on people's norms, ethics and preferences, it is unable to determine just how significant or pervasive these impacts may be.

Broader community impacts

Gaming machines can 'crowd out' other forms of entertainment such as live bands and alternative leisure activities. The PC noted that "this clearly has adverse impacts on some people, [while] it reflects the preferences of others and thus it is hard to see as involving a net social cost."⁴ Some submissions to the PC stated that gaming machines alter the nature of the community (as described in the previous quote), changing the nature and feel of the community and undermining norms of ethical and acceptable behaviour. The PC noted that the existence of these impacts and valuation of them "are not readily ascertained", but should they be widespread then these are costs government would need to take into account.

In favour of having gaming machines in clubs, some submissions cited the improved facilities that are provided because of the gambling revenue to clubs that is recycled back into community projects and nicer clubs. Clubs Victoria went as far as to say that: "gaming revenue returns are essential to create, promote and subsidise the necessary facilities, services and welfare activities".

There was said to be no evidence of significant criminal activity associated with the legalised gambling industry, aside from crime resulting from problem gambling. Also, with regard to rural versus metropolitan areas, the PC states, "The impact of gambling in country areas appears to differ little from the impact in city areas".

Excluded costs

Other costs which it was decided *not* to assign a dollar value to are:

- Impacts on non-regular gamblers – the survey only related to regular gamblers. Consequently, cost estimates will be understated, with this population group omitted.
- Future reduced earning capacity of problem gamblers due to bankruptcy, lower earning roles, or costs associated with bad debts.
- Impacts on physical health and the medical costs associated with related health problems such as depression.
- Emotional costs to families and friends of moderate problem gamblers.
- Indirect costs such as the sale of property. Also indirect emotional costs such as the long-term impacts on children from relationship breakdowns.
- Those who experience depression but less frequently than those included in the study.

⁴ Productivity Commission, *Australia's Gambling Industries*, Final Report Summary, 1999, p. 30.

- Actual suicides caused by gambling.

Benefits from gambling

The PC cites a number of benefits accruing to the community from the availability of gambling activities. Most Australians gamble at some point and the main benefit is the recreational enjoyment to the majority of these people. Other benefits include the social aspect of the activity, the hope of winning, the fun of playing the machine, and having somewhere safe and pleasant to pass time. Wins would also count as benefits, but wins are necessarily more than offset by losses in the aggregate. The PC uses the economist measure of consumer surplus to account for these benefits.

Benefits to the economy from job creation and revenue to the gambling industry are not counted as net benefits in the PC's report, since these benefits are assumed to be equally offset by resources shifting away from other parts of the economy.

The benefits that the PC includes in the report are:

- the benefits accruing to recreational gamblers, measured as their consumer surplus after consumption taxes;
- the revenue to governments from gambling taxes (which is a transfer of part of potential consumer surplus to the government);
- the estimated shortfall in value-for-money for problem gamblers as a result of their excessive level of spending on gambling (see next section).

The PC estimates that most gamblers (excluding all problem gamblers) receive an average of \$250 to \$400 in benefits each year, which is their own benefit excluding the tax going to government. (If **all** gamblers are taken into account, the value is much less, in the range \$5 to \$150 [also excluding tax revenue]).

Treating problem gamblers differently

The PC discusses the literature on rational addiction. It acknowledges the general acceptance that problem gamblers behave differently to recreational gamblers, in particular in having less control over the extent of their gambling. Therefore, the PC decided to treat them differently in this study in estimating the benefits they derive from gambling. Their benefits are discounted but not entirely, as the PC states has been done in some other studies, which count all expenditure by problem gamblers as losses for which they receive no benefit at all. The PC cites this as a reason for the social costs of gambling being overestimated in such studies, particularly some coming out of the USA.

The PC states that it is unrealistic to assume that problem gamblers receive benefits equivalent to their spending, and that they are achieving a significant consumer surplus. The adjustment is made by assuming that without the compulsive aspect of their gambling behaviour, problem gamblers would have gambled the same as regular recreational gamblers (an average of \$1,496 over the year), rather than the average \$12,200 that they did spend in 1997-98. (Note that the average spend for all recreational gamblers was estimated at \$644 per annum.) This \$1,496 equates to about 13 per cent of their total loss. The consumer surplus derived from their gambling is therefore assumed to relate to this 13 per cent, and any spending in excess of this amount is assumed not to provide any 'value for money' or consumer surplus. They do say that this does not mean that there is no benefit derived from this extra spending, but the benefits decline proportionately as spending increases. They

come up with a total of \$438 million as the part of their spending that equates to the behaviour of recreational gamblers, which compares to losses by problem gamblers of \$3.6 billion. Taking out the consumer surplus, this gives a net loss of \$2.7 billion.

Distributional effects

The PC warns against making value judgments about people on lower incomes spending proportionately more of their income on gambling, when their choices may be rational and in which case should not be interfered with. One of the related concerns is with regard to the tax collected on gambling revenue. In aggregate, people on lower incomes can end up paying proportionately more of their income on gambling taxes, hence the tax is regressive. The PC noted that “it is well established that gambling taxation is regressive, with lower income groups generally spending proportionally more on gambling – and thus shouldering more of the burden. The Commission’s analysis suggests that taxes on lotteries and gaming machines are the main source of this regressivity.”⁵

Accessibility

The PC cites accessibility to gambling products, notably EGMs, as a factor influencing levels of problem gambling:

Overall, the Commission considers that there is sufficient evidence from many different sources to suggest a significant connection between greater accessibility – particularly to gaming machines – and the greater prevalence of problem gambling. (p. 8.31)

Increasing numbers of women gambling

The PC calls this “the feminisation of problem gambling” (p. 8.21). They note that the socio-demographic nature of problem gambling is changing, from a male dominated phenomenon, to attract more and more women, particularly with the advent of gaming machines. Through their National Gambling Survey, the PC found that around 40 per cent of problem gamblers were female.

Identifying the costs of problem gambling

Chapter 9 of the PC report lists the categories of costs arising from problem gambling:

- financial costs (family debts and bankruptcy)
- effects on productivity and employment
- crime (theft, court cases, imprisonment)
- personal and family impacts (divorce, separation, depression, suicide)
- treatment costs (counselling services).

An important observation made by the PC in its overall assessment of the costs is that those which are easiest to measure account for a small share of the total.

While losses from gambling are estimated at an average of \$12,200 per problem gambler, the additional social costs are estimated to be in the range of \$6,100 to \$19,100 per problem gambler.

⁵ Productivity Commission, *Australia’s Gambling Industries*, Final Report Summary, 1999, p. 54.

Impacts of gambling on the retail sector

The PC looked at a number of studies into the effects of the legalisation of gambling on the retail sector. One issue was the differing operating rules for some businesses that compete for customers against gaming venues, which typically have more liberal guidelines. Another issue they highlighted was the pace of change in some areas, so that other businesses have just a short period of time in which to adapt to the changes. The PC found there to be no government case for intervention with respect to effects on the changing spending patterns of consumers.

Impacts of gaming machines on other gambling modes

Growing expenditure on gaming machines and in casinos has been shown to have impacted upon expenditure on other gambling modes, mainly racing and lotteries. Spending has declined on these modes in some states, although not all, but the trends were generally already in place before the increase in expenditure on gaming machines and in casinos. The PC sees structural change as part of the evolution of the gambling sector and not warranting government intervention.

Net impacts by gambling mode

The PC found differing implications by gambling mode. Lotteries, scratchies and casino gaming were all estimated to have consumer benefits which outweighed the social costs, and thus gave a net benefit. Gaming machines and wagering gave a range of net benefits between a positive and negative figure. Gaming machines produced by far the largest social costs, even at the lower end of the range compared with other modes. The net impact ranged between a large net cost and a smaller net benefit. The PC notes that in 1997-98, 76 per cent of money lost by problem gamblers was lost in electronic gaming machines, so it allocated 76 per cent of social costs to that mode. Thus, the pattern for the country as a whole, and for all modes, is largely influenced by the pattern exhibited by players of gaming machines.

Gaming machine revenue for Australia's 13 casinos exceeds that for table gaming — \$1.34 billion compared to \$1.14 billion in 2005/06. The PC separated the gaming machines operated by casinos from the casino data and added it to the gaming machine section, so the costs associated with casinos relates to casino games only, and not to their EGMs.

Understating the social costs from gambling

The PC states that it is aware that its methodology and conservative view has led to an understatement of the social costs from gambling. It also includes only those benefits from the consumption of gambling, excluding production-side benefits, and the benefits of replacing illegal gambling practices, thus also understating the total benefits.

Net impacts from gambling

At the time of the report, the PC stated that it was unable to say with any certainty whether the net impacts from gambling were positive or negative. It also hid differences between regions and states, saying only that there was evidence found of "a concentration of gaming machines in areas of low socio-economic status in Victoria, New South Wales and South Australia (although not in Queensland)".

2.3 Additional Productivity Commission papers

The PC has followed up the 1999 report with progress reports and assessments of where the industry has gone since then. On 21 November 2002 the PC Chairman Gary Banks presented a keynote paper, *The Productivity Commission's gambling inquiry: 3 years on*, to the 12th Annual Conference of the National Association for Gambling Studies in Melbourne. Banks also spoke at the Australian Gaming Expo Conference in Sydney on 19 August 2007, addressing *Gambling in Australia: are we balancing the equation?* Both papers are summarised below.

Banks (2002)

In his 2002 paper, Banks says that progress had been made since the 1999 report, in recognising these problems exist with the gambling sector, and that governments needed to do more to address them. The key points he makes are:

- it is unclear whether social costs had moderated (since 1999)
- government policy deficiencies remained, as did the need to improve regulatory governance
- there had been some progress in recognising the problems
- there had been a proliferation of a range of harm minimisation initiatives
- three areas need improvement – consumer protection; research structures; and policy-making processes and regulatory governance.

Banks lists seven priorities which still need attention:

1. There needs to be more research around what are the most effective harm minimisation measures, and this needs to be done *before* they are implemented.
2. More follow-up is needed of counselling/treatment services to analyse the outcomes and effectiveness of existing approaches.
3. Research in this area needs to be more transparent, and results disseminated.
4. Governments need to establish arrangements designed to promote independent research.
5. Jurisdictions should coordinate their data collection and research methodologies. Banks recommends a national research centre to orchestrate this process.
6. Industry compliance needs to be effectively monitored and enforced.
7. Banks states that the most important priority is to reform policy-making and regulatory governance arrangements. The main regulator in each jurisdiction must be independent.

Banks (2007)

Banks observed in his 2007 paper that growth in gambling expenditure had slowed since the release of the PC's 1999 report, after very strong growth in the 1990s. While sports betting and racing expenditure was relatively stable, the growth was almost all in the gaming sector, specifically poker machines (EGMs), which increased their share of total gambling expenditure from about 55 per cent in 1998-99, to 60 per cent in 2004-05 (compared to about 30 per cent in 1990). Banks notes that this is not a market equilibrium since machine numbers and accessibility are subject to regulation.

Per capita expenditure on gambling also plateaued (and fell slightly as a percentage of HDI). Consequently, gambling taxation revenue growth slowed and the share of total tax revenue declined in some jurisdictions (particularly in Victoria). There was a large variation in spending patterns across jurisdictions.

While acknowledging that the gambling industry had come a long way since the first PC report in 1999, Banks states that there is still work to be done. Again, Banks raises the issue of the need for an independent national research body, to be co-funded by governments (and *not* industry). He cites the alternative as being the US situation where disjointed research means that no one knows which research to believe, which then feeds into a less clear direction for policy.

3. Discussion of Responses from Jurisdictions

3.1 Introduction

The SACES analysis of the Productivity Commission's approach to the identification and measurement of social impacts was provided to each of the Australian and New Zealand jurisdictions.⁶ We were interested in their thoughts about the PC approach and how helpful they found it in forming their own respective policy and operational frameworks. We put a small number of questions to them as follows (tailored to agencies where appropriate):

1. We would be interested in your response to our summary of the Productivity Commission's report and approach to gambling issues. In particular, the Productivity Commission approach tends to favour a relatively free market with minimal government intervention and a central role for the individual consumer. The focus for their report is on the problem gambler. In practice, do you find this approach of focussing on the problem gambler too limiting, when in reality, communities are concerned with wider-reaching issues?
2. As a regulator do you consider your regulatory policy to be consistent with the Productivity Commission approach? How have you departed from their approach?
3. Regulatory policy addresses the characteristics of (1) gaming machines, (2) venues, (3) consumer protection for the individual and (4) community-level issues. In your view are any of these four areas a greater priority for regulatory policy/decisions?
4. To what extent do your operations as a regulator depart from the Productivity Commission assumptions of individual preference and consumer sovereignty, and lean more towards a community-wide public health approach?
5. Do you have in place a social impact assessment process? What is the aim of your social impact assessment process? Is it aimed more widely at the community level, or focussing mostly on the problem gambler?
6. Measures such as regional and venue-specific caps on gaming machine numbers imply a supply-side policy approach, which departs from the Productivity Commission approach. What is your justification for regional and/or state-wide caps for limiting accessibility, and influencing the location of gaming facilities and venues?
7. Smart cards and pre-commitment levels for gamblers are consistent with the Productivity Commission approach in helping problem gamblers prior to a gambling episode, and a significant harm minimisation measure. Have you considered introducing smart cards and pre-commitment levels? Why have you not adopted these measures? What is required in order to put such measures in place?

Several agencies said simply that they found the PC report to be a useful and informative reference point and gave no detailed response to our questions or overview of the report. Detailed responses were provided by Victorian, Queensland and New Zealand regulators and are summarised below, keeping to their own wording in order to accurately reflect their positions.

⁶ See Appendix 3 for a full list of agencies contacted.

Victoria

With regard to focusing gambling policy on the problem gambler, the Victorian Commission for Gambling Regulation (VCGR) says that it “considers the impact on problem gamblers where appropriate”. With regard to applications for new gaming venues or to expand EGM numbers, “the impact on problem gamblers is one of the considerations in making these assessments”. Section 1.1 of Victoria’s *Gambling Regulation Act* specifically identifies “the fostering of responsible gambling in order to minimise harm caused by problem gambling as one of its principal objectives”. However, in addition, as set down in the legislation, the VCGR:

... must not grant an application... unless satisfied that... the net economic and social impact of the approval will not be detrimental to the well-being of the community of the municipal district in which premises are located.

As in Queensland there are regional caps as well as venue-specific caps on the numbers of EGMs that may operate in the state.

With regard to a direct comparison between the approaches of the PC and the Victorian government, the VCGR sets out the requirements regarding individual and community-level considerations:

The Victorian regulatory framework attempts to balance individual rights and a broader public health approach. From 1 January 2008, the Charter of Human Rights Act (Vic) will require the VCGR to consider 20 separate human rights... when making decisions with respect to venue exclusions and an individual’s right to spend their money as they choose.

The legislative framework requires the VCGR to consider social impact (actually, the net economic and social impact) only for those applications which may result in new gaming venues or an increase in gaming machines at an already operating venue. In making these assessments, the VCGR attempts to balance the impact of the proposal on the problem gambler and at the community level.

The VCGR provided SACES with an example of an application for a new gaming venue which was refused, “with the reasons for decision clearly identifying community concern as a major reason”.

With regard to smart cards and pre-commitment levels for gamblers, the VCGR told SACES that:

... if an operator wished to introduce smart cards and pre-commitment levels of its own accord there is nothing preventing it from doing so, subject to gaining approval from the VCGR.

Crown has already introduced a form of smart card which includes pre-commitment levels for those players who wish to avail themselves of this facility. In addition, Crown is permitted to have up to 1,000 of its 2,500 gaming machines in a “specified area” of the casino. Machines in this area may be exempt from a number of responsible gambling requirements for gaming machines but only if players using those machines in the exempt mode use a card which allows them to set pre-commitment levels of expenditure or time.

Queensland

The Queensland gambling regulator, the Queensland Office of Gambling Regulation (QOGR), also focuses more widely on the community, rather than just the problem gambler at the individual level, as indicated by its requirement for a community impact statement (CIS) to accompany any gambling application. The CIS is “a comprehensive snapshot of the socioeconomic circumstances of the local community”. One component of the CIS addresses the prevalence of problem gamblers within the local area, but the statement’s overall focus is on the local community.

Although problem gambling is a very important social cost, it is not the only issue considered in the regulatory framework, as is reflected in the range of factors considered in the community impact statement process.

Queensland’s policy on problem gambling sits under the Queensland Responsible Gambling Strategy based on a public health framework. A broad range of measures target industry, consumers and the wider community, with essential components focused on prevention, education and early intervention measures.

Consumer protection is provided through the Queensland Responsible Gambling Code of Practice, which explicitly recognises that there are negative impacts resulting from gambling, even though most people gain enjoyment from the activity, and that these negative impacts can affect the individual, their family and the wider community. The Code of Practice involves industry, community and government in “creating and maintaining safe gambling environments”.

The QOGR states that:

Gambling policy in Queensland balances the benefits to the gambling industry with the need for incorporating safeguards that minimise harm to consumers and the general community.

Another point of departure from the PC approach is specifically with regard to the treatment of social versus private costs resulting from gambling. The QOGR states:

The Productivity Commission’s approach to regulating gambling would be to intervene where gambling creates a social cost. It would not intervene in the case of a private cost because it is assumed that individuals are already making welfare maximising decisions.

The QOGR regulates gambling in Queensland to maximise the benefits while minimising the harm for the community. It does not discriminate between costs to society and to the private individual.

The QOGR states that the Queensland Responsible Gambling Strategy is a “multi-pronged strategy” based on a public health framework, which targets the community, specified groups within the community and the individual, as cited:

The strategies are at the population level (through programs such as the Responsible Gambling Communication Awareness Campaign), while also targeting certain sub-sections of the community (through specific culturally and linguistically [CALD] diverse communities and Indigenous projects) and specific individuals (through policies such as the exclusions regime).

The PC does not recommend supply-side measures, such as limiting the availability of gambling products, leaving market-based decisions to the individual, according to the economic principle of consumer sovereignty. As is the situation in Victoria, the Queensland Government has introduced a policy of regional caps on EGM numbers, and the authorities

attached to each EGM may only be traded within three specified regions of Queensland. The QOGR noted the reasons for this:

The reason for not wanting operating authorities to be traded between regions is to maintain the distribution of electronic gaming machines across Queensland. This reasoning fits with the philosophy of QOGR that people should have equitable access to the leisure activity of gambling. Also the Office wanted to avoid the experience of the New South Wales Government whereby hotels were systematically bought up in country areas and their authorities transferred to more populated and profitable locations.

Queensland's response to the question about smart cards and pre-commitment levels for gamblers was as follows:

From QOGR's perspective the issue of pre-commitment has been under consideration for some time now. In early 2005, a card-based gaming system involving smart cards was trialled at a hotel site for a period of just under three months. Both qualitative and quantitative research methodologies were used as was the services of an experienced market research firm. Given the relatively small sample size of the first trial, a second trial is currently being planned. It is anticipated that this trial will commence in early 2008 once the system developers meet regulatory technical standards and satisfactory harm minimisation features.

New Zealand

New Zealand's Department of Internal Affairs (DIA) said that they find the PC approach too limiting and focused on what they see as the Australian focus of public policy objectives. Their response goes on to say:

In particular, New Zealand's Gambling Act 2003 does not include policy objectives relating to gambling industry profitability, raising revenue for government, or enhancing "consumer surplus" for "recreational" gamblers. New Zealand's current public policy approach is a clean break from the neo-classical economic approach that might be said to have informed our now-repealed Casino Control Act 1990.

The Gambling Act 2003 focuses on harm prevention and maximising community benefit (in particular, by requiring all profits of non-casino gaming machines to be allocated to community purposes). Non-casino gaming machine operators are, by definition and by virtue of the regulatory regime, explicitly not businesses and they do not have business objectives (although we do require them to operate in a "business-like" way). The Department of Internal Affairs regards them (though they do not tend to regard themselves) as part of the philanthropic sector, not part of the hospitality industry.

As far as the casinos are concerned, these are businesses. In effect, they are tolerated [but restricted] as a residual feature of a policy and regulatory environment that no longer exists.

The DIA also highlighted their unease with the focus of the PC approach on the problem gambler.

We do not consider problem gambling an "individual pathology", and think that the impacts of gambling on collectives are critical. We do not see consumer information on the one hand and psycho-social interventions on the other as the primary "solutions" to problem gambling. We are concerned that a focus on individuals overlooks the impact on communities, and particularly the differential impact on different communities. Even if, for example, gaming machines conferred a net benefit on society as a whole, the Department of Internal Affairs and the Ministry of Health would be concerned if they exacerbated the inequalities between communities within

our society (which the available research, and statistics from our problem gambling intervention services, suggest that they do).

The DIA supports the provision of information to consumers, as is advocated by the PC, and finds welfare economics useful in the analysis of the gambling environment. The DIA tells us that while many of New Zealand's regulatory interventions do concur with the PC approach, the thinking behind the regulations is not underpinned by the concept of individual consumer sovereignty or by the assumption that government should intervene largely only to correct market failure.

New Zealand's main point of departure from the PC approach is that:

... the Department of Internal Affairs and the Ministry of Health share harm prevention objectives, and that the integrated problem gambling strategy developed and implemented by the Ministry of Health is explicitly required to be focused on public health.

One example of the public health stance provided by the DIA is the social marketing programme begun by the Health Sponsorship Council and funded by the Ministry of Health, with the slogan *Problem Gambling – Our Communities, Our Families, Our Problem*.

Its focus is not on encouraging individual problem gamblers to manage or seek help for their problems, but on creating a supportive environment for public health and community action. It is difficult to see how the Productivity Commission's approach could lead to this sort of programme.

The DIA also observes that the PC approach is focused less "on differential impacts on collectives within society as a whole" than that followed by New Zealand. For example, public policy advice in New Zealand must be informed by considerations of the impacts of any policy change not only on society as a whole but also on groups within society, such as Maori, Pacific people, women, the disabled and young people.

With regard to the last question about whether New Zealand had considered introducing smart cards and pre-commitment levels, the response was as follows:

We have considered this. Two key issues are the significant cost of implementation and the absence of any unique identifier to prevent a player obtaining multiple cards. We have some doubts about the effectiveness of voluntary pre-commitment measures.

3.2 Summary

Victoria, Queensland and New Zealand were the only jurisdictions to provide comprehensive responses to our questions about their regulatory approach to gambling in direct comparison to the PC approach and recommendations.

However, the ways in which jurisdictions apply their gambling policies also provides a clear indication of the approach implicit to these regions, and these approaches are described in Chapter 4. For example, Western Australia cites social costs as the main reason for maintaining a ban on EGMs throughout the state:⁷

⁷ Citation from the document entitled, *The Western Australian Gaming Legislation*, posted on the website of the Western Australia regulator, the Department of Racing, Gaming and Liquor.

This [legislative] framework reflects the particular attributes of gaming and the assessment that where these issues are concerned the market will generally fail to protect the interests of consumers; will be unable to ensure limitation of criminal activities; and will encourage unacceptably high levels of gambling in the community with associated social costs.

Of those who did respond, it is clear that the PC approach is incorporated into their policy approach with the raft of consumer protection measures including advertising restrictions, the availability of self-exclusion schemes, provision of consumer information and other harm minimisation measures focusing at the individual consumer level. This is also true of the other Australian jurisdictions who all employ these kinds of measures. With regard to the consideration of smart cards and pre-commitment levels for gamblers, which would be consistent with the PC focus on the individual and consumer sovereignty, this kind of policy has made very little progress in any of the jurisdictions. With the range of harm minimisation measures introduced across Australia and New Zealand, it is also clear that jurisdictions have recognised the negative impacts of gambling, as highlighted in the PC report, and that gambling regulation must reflect this. An example of a policy to address community-wide impacts is through the use of regional or state-wide caps on the number of EGMs. The use of an upper-level cap on the number of gaming machines is essentially a supply-side measure to minimise harm and as such is a departure from the stance of the Productivity Commission.⁸

One key difference between licensing regimes are additional policy measures which broaden the focus to incorporate groups within communities and the communities themselves as a whole. However, most jurisdictions apply state-wide caps on the numbers of EGMs and also on EGM numbers by venue. Queensland applies a regional cap formula; Victoria (and effectively Queensland) allocates a split in machines between metropolitan and non-metropolitan areas; and Victoria treats hotels and clubs equally in terms of machine numbers. Northern Territory and Western Australia (at the Burswood Casino in Perth) both limit the number of EGMs according to the numbers of machines per capita of adult population. This is a supply-side measure and therefore a departure from the PC standpoint.

The Productivity Commission approached its national study from essentially an “economist perspective”; that is the economist approach to the analysis and evaluation of a product, activity or policy is to focus on the costs and benefits arising from it and assess whether the net impact is positive or negative. How costs and benefits themselves are calculated can vary, particularly with social costs, but economists use a range of approaches to assign a dollar value to all costs and benefits and then tally the total.

With the economist approach comes a number of assumptions about the nature of the individual consumer who, according to classical economic theory is generally assumed to make rational decisions, based on perfect market information, and aiming to maximise their own utility. It is an objective way of modelling people’s behaviour, be it nationally, or by characteristics such as consumers, producers or governments.

With regard to social costs and social impacts, there is debate among economists about what should be included, what should be measured and how. Some focus on the cost-benefit approach, some prefer the consumer surplus approach (as the PC did), and others criticise both of these methodologies. There are also criticisms within the economist arena about the ability to assign causalities to social costs.

⁸ The Productivity Commission reported that the “impact of gambling in country areas appears to differ little from the impact in city areas.”

Jurisdictions in Australia have tended to follow an economic framework with some reservations, and with some measures and policy considerations coming under the public health approach to varying degrees. Within Australia, Queensland has adopted a comprehensive approach to *regulating gambling for social impacts*, while other jurisdictions lie somewhere between these positions and the PC approach. In New Zealand, it is very much the *public health framework* which dominates, and is thus furthest from the PC economist stance. New Zealand does not consider problem gambling as an individual pathology and does not view consumer information as a primary solution to problem gambling or the differential impact on different communities.

4. Australian and New Zealand Jurisdictions and Framework

Terms of reference

Stage 1 will involve identifying if the regulators in each jurisdiction measure social impacts and, if so, cataloguing —

- the definition of social impacts used by each jurisdiction and any information about how the definition was determined;
- the methodology used by each jurisdiction to measure social impacts.

4.1 Introduction

This chapter sets out the legislative and organisational framework in each of Australia's states and territories, as well as New Zealand. For each of these jurisdictions, it provides information on the definition(s) of social impacts used and the respective methodologies to measure and test for social impacts. These are presented in the light of the PC's definition and methodology, as set out in Chapter 2.

Each of the Australian states, territories and New Zealand were firstly written to by the IGA to seek their cooperation in this study. All of the agencies contacted (which primarily included the gambling regulators for each jurisdiction) agreed to cooperate and nominated people for SACES to contact. Each agency was then provided with SACES' draft overview of their respective industry structure and regulatory framework and asked for their comments and where appropriate, for their corrections and updated information. In addition, we asked them a range of questions (tailored to each jurisdiction) in order to ascertain details of their licensing regimes and their views about social impacts including definitions of social impacts, measures thereof and the significance of social impacts on decision-making.

Licensing regimes have introduced a wide array of initiatives to minimise impacts – impacts that may manifest themselves at a regional, local, community, individual level – and may have the characteristic of economic and/or social impacts. Initiatives that are operational may or may not have been supported by evidence based research. Notwithstanding, a recognition of social (and other impacts) leads to, *inter alia*, restrictions at the venue level, funding for communities and an extensive array of harm minimisation measures. In questions tailored to each jurisdiction (as set out below), the researchers sought to document measures employed to minimise social impacts.⁹

Legislation

Which specific legislation is of direct relevance to the gambling industry? Is there an official definition of social impacts in the legislation? From the perspective of a regulator, what is the definition used when assessing gambling-related activities? What is the origin of this definition?

The practical influence of social impacts on decision-making

Is there a definition of social impacts used in the assessment of gambling-related activities, and if so what is the origin of this definition? In practical terms, what part does the assessment of social impacts (including costs and benefits) play in the allocation of gambling licences in your jurisdiction?

⁹ E.g. some jurisdictions allow ATMs in gambling venues. Some do not. Some jurisdictions have restrictions on note acceptors and impose maximum bet limits. We sought to understand what evidence based research had led to each action, what impact such initiatives had on problem gambling and how the benefits of these initiatives are assessed in terms of social impacts.

Measuring social impacts

How are social impacts measured or estimated if at all and where is this methodology set down in legislation or in the processes of the agencies?

Gambling licence applications

What current assessment requirements are in place with regard to applications for gambling licences? What factors would come into play in refusing a gambling licence application?

Gambling venues

What are the differences between types of venues, particularly hotels and clubs, in their applications for, and operation of, gambling-related activities?

Gambling-related research¹⁰

What are your priority areas for gambling-related research and what research have you commissioned, or been involved in, which looks at the social impacts of gambling, particularly defining and measuring social impacts?

The overviews incorporate the data and comments supplied to us by the agencies, and are presented in this chapter in the following structure for each jurisdiction:

- Regulators
- Acts
- Regulatory Functions
- Definition of Social Impacts
- Application Process (operationalising social cost)
- Tests Applied (as appropriate)

4.2 Victoria**Regulators**

The state gambling regulator is the Victorian Commission for Gambling Regulation. Gambling regulation is the responsibility of the Minister for Gaming, and racing regulation is the responsibility of the Minister for Racing.

Acts

The *Gambling Regulation Act 2003* consolidates and replaces the *Gaming Machine Control Act*, *Gaming and Betting Act*, *Public Lotteries Act*, *Club Keno Act*, *Interactive Gaming (Player Protection) Act*, *TT Line Gaming Act*, *Gaming No.2 Act* and the *Lotteries Gaming and Betting Act*. These Acts were thus repealed on 30 June 2004.

The legislation governing the conduct of gambling, the licensing of industry participants and the enforcement of legal obligations is set out in the following Acts and Regulations:

- Gambling Regulation Act 2003
- Casino Control Act 1991
- Casino (Management Agreement) Act 1993

¹⁰ Jurisdictions provided additional information on gambling industry structures, harm minimisation policies in place in each jurisdiction, services to communities (e.g. help services, funding programs) and community funding from gambling revenue. This information was helpful to the researchers in developing an understanding of each jurisdiction's response to the social impacts of gambling but is not included in this report.

- Gambling Regulation Regulations 2005
- Gambling Regulation (Signage) Regulations 2005
- Gambling Regulation (Commercial Raffle Organisers) Regulation 2006
- Gambling Regulation (Infringements Offences) Regulations 2006
- Casino Control (Boundary Redefinition Fee) Regulations 2005
- Casino Control (Licence Fees) Regulations 2005.

Other Acts of relevance are the *Liquor Control Reform Act 1998* and the *Racing Act 1958*, since gaming venues are required to hold one of two types of a liquor licence or a racing club licence.

Regulatory Functions

In Victoria, the regulation of the gambling industry is the responsibility of the Victorian Commission for Gambling Regulation (VCGR) which is an independent statutory authority. The Office of Gaming and Racing in the Department of Justice is the primary policy arm. The VCGR came into operation on 1 July 2004 with the introduction of the *Gambling Regulation Act 2003*.

The VCGR took over responsibility for the regulation of gambling from the Victorian Casino and Gaming Authority (VCGA), the Director of Gaming and Betting and the Director of Casino Surveillance on 1 July 2004. The main functions of the VCGR are to ensure that the state government's legislation on gambling is implemented; to ensure that gaming machines and gaming equipment are fully compliant with the law and free from criminal influence and exploitation; to ensure that all forms of gambling are conducted honestly; to advise the Minister of issues; and to minimise harm from problem gambling.

The Office of Gaming and Racing in the Department of Justice provides strategic policy advice and support to the Minister for Gaming, the Minister for Racing and the Secretary of the Department of Justice. Under a memorandum of understanding the Department of Justice through the Office of Gaming and Racing provides staff to the VCGR. The Office covers the following areas of responsibility: developing and implementing gambling legislation; advising the Ministers about issues; promoting responsible gambling strategies; providing services to deal with problem gambling; and providing leadership in gambling research initiatives.

Definition of Social Impacts

Social impacts are not defined in the legislation. However, the Victorian legislation requires an application for approval of premises, for an increase in the number of gaming machines approved in connection with a premises approval and for an increase in the number of gaming machines associated with a venue operator's licence to all be subject to the "no net social economic detriment" test.

Section 3.3.6 entitled 'Responsible authority may make submission' states that:

- (1) The relevant responsible authority may make a submission to the Commission on an application for approval of premises—
 - (a) addressing the economic and social impact of the proposal for approval on the well-being of the community of the municipal district in which the premises are located; and
 - (b) taking into account the impact of the proposal on surrounding municipal districts.

Application process (operationalising social impacts)

Social impacts were first introduced into the *Gaming Machine Control Act 1991* in 2000 and superseded in the *Gambling Regulation Act 2003*. Impacts are measured by both statistical indicia as well as from evidence presented at each inquiry – every application for new gaming premises or an increase in gaming machine numbers must be considered at a public inquiry where evidence is presented by the applicant. Local government also has an automatic right to be heard at these inquiries, but does not always take up this opportunity.

Venues and location are selected by proposed operators who can be clubs or hotel licensees. Each applicant has the support of either Tattersall's or TABCORP (this is not a requirement of the legislation, but a practical consideration as only Tattersall's and TABCORP could provide the machines if approval is granted). Each venue must be approved by the VCGR, who can only grant the application if satisfied there is no detriment to the well-being of the community of the municipality in which the proposed venue will be located. Applications for new gaming premises have been refused when the VCGR considered that it cannot be satisfied that there is no detriment. Some applications have been granted in part, i.e. approval has been given for a smaller number of gaming machines than were applied for. Under the legislation, certain decisions by the VCGR can be appealed to the Victorian Civil and Administrative Tribunal (VCAT), rather than only to the Supreme Court, and on occasion have been overturned. Applicants and local councils are able to appeal the Commission's decisions to approve new premises and/or increases in gaming machine numbers in existing venues. The municipal council can seek VCAT review of the VCGR's decisions if the council has made a submission to the VCGR in its initial consideration of the application.

It is mandatory for every venue to close for a continuous 4-hour period each day. Venues in the Melbourne Statistical Division can seek an exemption from this requirement to close, but must show net benefit to the well-being of the community of the municipality in which the proposed venue will be located. Under section 3.3.4 of the *Gambling Regulation Act 2003*, an application for approval of premises for 24-hour gaming must also be accompanied by a submission on the expected net economic and social benefit to the community. However, currently there are no venues with such an exemption.

Section 3.3.7 of the *Gaming Regulation Act 2003* entitled, '**Matters to be considered in determining applications**', requires that:

- (1) The Commission must not grant an application for approval of premises as suitable for gaming unless satisfied that—
 - (a) the applicant has authority to make the application in respect of the premises; and
 - (b) the premises are or, on the completion of building works will be, suitable for the management and operation of gaming machines; and
 - (c) the net economic and social impact of approval will not be detrimental to the well-being of the community of the municipal district in which the premises are located.
- (2) In particular, the Commission must consider whether the size, layout and facilities of the premises are or will be suitable.
- (3) The Commission must also consider any submission made by the relevant responsible authority under section 3.3.6.
- (4) If the relevant responsible authority does not make a submission under section 3.3.6, the Commission must seek the relevant authority's views on the application and must consider those views (if any) in determining the application.

As well as filling in the application forms for the VCGR¹¹ when applying to establish a new gaming venue or to increase the number of gaming machines, the applicant must submit a form providing socio-economic information entitled, 'Information from Applicants In Connection with An Economic and Social Impact Submission by a Local Authority'. This is required under the *Gambling Legislation (Responsible Gambling) Act 2000* which came into effect on 10 May 2000, and:

... makes provision for assessment of the economic and social impact of gaming on municipalities in the following circumstances:

- Applications for new premises approvals; and
- Applications to increase the number of electronic gaming machines at an approved venue.

The local authority may make a submission to the VCGR¹² about the economic and social impact of the application on the well-being of the community in that municipal district, and taking into account the impact on surrounding areas. The applicant, local authorities and industry representatives may also make submissions directly to the VCGR and are able to participate in a public hearing process. In practice, the social and economic impacts are assessed primarily according to objective tests, such as the number of machines, and are therefore relatively straightforward to ascertain.

The form contains questions about the SEIFA Index of Relative Socio-Economic Disadvantage (see Appendix 4) of the specific municipal district and of the surrounding areas, as well as questions about the venue patron profile, numbers of gaming venues and EGMs in the area and a number of other questions about crime, problem gambling, finances, and so on.

Social costs as defined in the form are (edited):

... negative effects (adverse consequences) of increased gaming provision which are likely to contribute to the decline of social infrastructure, social opportunities and social interactions, and an overall deterioration of the social capital of the municipal district. Where the social capital of a municipal district shows no net gain or loss, the social impact can be said to be neutral.

Social benefits as defined in the form are (edited):

... positive effects (favourable consequences) of increased gaming provision which are likely to contribute to development of social infrastructure, social opportunities and social interaction, and an overall improvement of the social capital of the municipal district.

Examples of social effects, as set out in the form, are (edited):

- The demand for community support services related to problem gaming behaviours. This may be reflected in individuals seeking addiction counselling, financial counselling, or relationship counselling.
- Effects on community life that may arise from the proposal. For example, whether new patrons will be drawn from particular demographic groups and what effects this might have.
- The potential effect of the proposal on crime in the municipal district.

¹¹ All forms required for the application process are available on the VCGR website.

¹² These submissions are on forms prepared by the VCGA, not yet replaced by new forms by the VCGR.

- The likely effects on problem gambling. The definition of a problem gambler adopted in Victoria is “the situation when a person’s gambling activity gives rise to harm to the individual player, and/or to his or her family, and may extend into the community”.
- Relationship and emotional impacts: domestic violence, child abuse or neglect, divorce, depression, or suicide which may be a result of increased problem gaming.
- Social, recreational and entertainment opportunities that have resulted from gaming at the venue (or proposed venue).

The net economic and social impact is defined as:

An evaluation which weighs up the positive and negative economic and social effects of the proposed change in gaming provision to estimate what the impact will be on the municipal district from the proposal.

The social impact of the proposal is defined as:

...the sum of the effects on the social infrastructure, social opportunities and social interactions (of the municipal district) in the short or medium term, and how this is likely to affect the well-being of the community. Includes consideration of benefits and costs (or favourable and adverse effects).

Under the *Gambling Regulation Act 2003* the Victorian Government expanded the opportunities for local councils to have input into the placement of gaming machines in their area. In the Victorian Government’s *Taking Action on Problem Gambling Strategy* released in 2006, reference was made to the government reviewing the matters to be taken into consideration by the VCGR in assessments for gambling licence applications. That review is underway at the time of writing.

Tests applied: decisions of the VCGR

Ocean Grove Bowling Club v CCGR, 26 September 2006

The applicant sought an increase in EGMs from 45 to 60. It was refused. The two main reasons given were firstly,

“gaming and other statistics relevant to the application including the concentration of machines.” The VCGR observed that there were 26 gaming venues within the City of Greater Geelong, with a total of 1,358 gaming machines. It observed that the density of gaming machines per 1,000 adults in the municipality was 8.63, which is almost 23 per cent higher than the State average. Ultimately this became an important consideration in the Commission’s decision. This was a clear test in terms of numbers and concentration of EGMs.

Secondly,

“the Commission also considered various benefits which were said to flow from the approval of an increase in the number of gaming machines at the club. These included a greater propensity for community donations and an enhancement of the physical facilities provided by the club. The Commission found that there were many matters about which the club should be commended, including the attitude that its present management displayed towards problem gambling. However, the Commission was not ultimately satisfied that the development plans of the club had been

sufficiently and clearly articulated to demonstrate the nature of the benefits that would accrue, both to members of the club and the wider community, if the application was approved. Hence, influenced by the statistics as to the propensity of gaming machines within the City of Greater Geelong, the Commission refused the application on the basis that it was not satisfied that the increase in the number of machines would not result in net detriment to the residents of the municipal district.”

Ultimately the concentration of EGMs was the test that the application failed. In addition, there was a calculation of the net economic and social impact, the test being whether the net impact was not “detrimental to the well-being of the community of the municipal district of Greater Geelong”.

Kilsyth and Mountain District Basketball Association Inc. v Victorian Commission for Gambling Regulation, 11 January 2007

Application for the establishment of a new gaming venue involving a transfer of machines within the municipal district. The application was refused, but overturned on appeal and the application can proceed.

Reasons given for initial opposition:

“Although the proposal does not involve any net increase in the number of gaming machines in the Maroondah municipal district, the council of the City of Maroondah opposes the approval of the premises as suitable for gaming as it is concerned about the extent and impact of problem gambling within its municipal district. It is also concerned that the approval of the premises for gaming will have a detrimental impact on the social and economic wellbeing of the community of its municipality.”

The tests applied by the Commission are illustrated in their decision:

“the Commission decided to refuse the application, essentially for three reasons. First, it is noted that the ‘gaming indicia’ for the municipality were significantly higher than average: in this respect the Commission was referring to both the gross sum spent on gaming machines in the City of Maroondah and the number of gaming machines per 1,000 adults in Maroondah. Second, the Commission thought there was more than adequate gaming facilities in existing clubs and hotels in the area; indeed, that the new venue might adversely impact upon some existing venues, including Club Kilsyth. Third, the Commission was concerned with aspects of the management structure of the project, in particular the extent to which profits would be expropriated as rent to a private company.”

4.3 Queensland

Regulators

The Queensland Office of Gaming Regulation (QOGR) is the state regulator of gambling in Queensland. QOGR is a portfolio office within Queensland Treasury.

Acts

QOGR operates according to:

- Gaming Machine Act 1991
- Keno Act 1996
- Wagering Act 1998
- Casino Control Act 1982
- Charitable and Non-profit Gaming Act 1999
- Lotteries Act 1997
- Interactive Gambling (Player Protection) Act 1998

Regulatory Functions

The Queensland Gaming Commission (QGC) is an independent statutory body set up under the provisions of the *Gaming Machine Act 1991*, which details its functions and responsibilities. The functions and responsibilities of QGC include issuing, cancelling and suspending licences (including Gaming Machine Licences, Monitoring Operators Licences and Major Dealers Licences); stipulating the permitted gaming hours at sites and other operational conditions; and setting the maximum number of machines operable at sites. QGC also has responsibility for hearing some appeals relating to other gaming Acts. QGC reports to the Minister responsible for the regulation of the state's gaming industry. The Queensland Office of Gaming Regulation (QOGR) was established in 1995. The *Gaming Machine Act 1991* states that QOGR is to provide the QGC with administrative and advisory services and to fund its expenses.

QOGR regulates commercial gambling, which covers casinos, gaming machines, charitable gambling, interactive gambling, Keno, lotteries, racing and sports wagering. Regulatory activities include licensing premises and persons, investigating complaints, conducting prosecutions and ensuring gambling industry compliance with the legislation. It monitors venue compliance with the *Gaming Machine Act 1991*.

Definition of Social Impacts

QOGR does not have a specific definition or test of 'social impacts', which it uses when assessing gambling-related activities. Community Impact Statements (CIS), discussed in the 'Application Process' section below, provides a list of impacts that were drawn from a variety of research in the area, including the 1999 Productivity Commission report, *Australia's Gambling Industries*.

Gaming Machine Act 1991

Under *Part 3 Gaming Machine Licences*, subsection *Authorisation of gaming machine gambling*, section 55B says,

Community impact statement and statement of responsible gambling initiatives required for application of significant community impact

- (1) An application of significant community impact must be accompanied by—
 - (a) a community impact statement; and
 - (b) a statement of responsible gambling initiatives for the licensed premises or proposed licensed premises.
- (2) The purpose of a community impact statement is to help the commission assess the social and economic implications of the grant of the application.
- (3) The purpose of the statement of responsible gambling initiatives is to help the commission assess the adequacy of the applicant's approach to encouraging responsible gambling.
- (4) In preparing a community impact statement or a statement of responsible gambling initiatives, the applicant must have regard to relevant guidelines issued by the commission.
- (5) A community impact statement and a statement of responsible gambling initiatives are to be regarded as part of the supporting material for an application.

Note: 'significant community impact' is defined as: new licences; new venues; or a significant increase in the number of machines (i.e. ten or more for hotels and 20 or more for clubs).

Application process (operationalising social impact)

QGC assesses applications for new gaming licences and increases to existing licences. Applicants are directed to *Queensland Gaming Commission Guidelines – Applicants for Gaming Machine (Site) Licences and Increases* to ensure they provide the correct and sufficient information. They must also abide by the Commission's Guidelines on Community Impact Statement.

The *Policy Direction for Gambling in Queensland* released by the Queensland Government in April 2000 set out how the future direction for gambling in Queensland would "continue to be based on achieving a balance between the social and economic costs and benefits of gambling". Consequently, a number of amendments were made to the *Gaming Machine Act 1991* in December 2000, including:

- providing QGC with the authority to grant or refuse an application for a new gaming licence or an increase to an existing licence, and the power to take social and community issues into account in the licensing decision; and
- making it compulsory for applications of 'significant community impact' to be accompanied by a community impact statement.

A Community Impact Statement and a statement of responsible gambling initiatives are to be regarded as part of the supporting material for an application.

A Community Impact Statement (CIS) is an assessment of the social and economic impacts on a local community area (LCA) that are likely to result from the successful application for a gaming machine licence. Applicants must include a CIS with their licence applications to QOGR (if applications are of 'significant community impact') and QGC makes the final decision to grant the licence(s).

QOGR does not require the use of a specific methodology to assess social impacts. The CIS must include a range of socio-economic data about the affected local area (which is comprised of a number of census collection districts) as well as comparative Local Government Area (LGA) and Statistical Division information. Characteristics of the LCA are central to the application since this is the geographical area which will be most affected by a successful application. The applicant must provide an overview of the LCA, which includes the area's history, demographics, future plans, and so on. As part of the demographic profile, data should be provided on a number of characteristics of the LCA, including total population; age and sex distributions; ethnicity; occupation; income distribution; employment patterns; household costs; and the SEIFA Index of Disadvantage for the LCA and LGA.

There is a 28-day advertising period during which the CIS is made available to the public from QOGR, and QOGR also makes a copy available to the local, state and federal government members and the local Gambling Help service. Advertisements are required to be placed twice in local newspapers as well as on a visible board outside the venue. Submissions for and against the proposal received as part of this advertising process are considered along with other information submitted with the application.

There must also be formal consultation with local residents, businesses and organisations in the community. This may be done face-to-face, by telephone or by mail out, surveying between 100 to 400 residents over 18 years of age, the number depending on the venue size and location; businesses in the immediate vicinity of the proposed site; and representatives from the following: welfare and emergency providers; financial assistance counselling services; health care providers; business and industry associations; community leaders; cultural or community groups; and a representative from the nearest Gambling Help service provider. Applicants may follow a questionnaire provided by QOGR, available from the QOGR website.

Impact Assessment Process

QGC requires that details be provided on each of the three areas of social, economic and net impacts (see CIS Guidelines section 9) as listed below.

1. Social Impacts

- Problem gambling in the LCA: the prevalence of problem gambling; demand for help services; indicators of financial or emotional stress.¹³
- Gaming sensitive sites¹⁴ in LCA – how close are they to the proposed site and how are they likely to be impacted.
- Accessibility of gaming machines and venues in the LCA – numbers of sites, machines, site density, machine density, accessibility of the site.
- Expenditure (net losses) on gaming machines in the LCA, and per adult.
- Compatibility with the amenity or character of the LCA.
- Synergy with neighbouring businesses, residences and community facilities.
- Lifestyle, recreational and other social impacts, including the social value of financial and non-financial contributions to the LCA.

¹³ For example, low discretionary income, high levels of welfare benefits, high unemployment, low educational attainment; high housing costs, low levels of home ownership, high levels of public housing, high levels of crime or high levels of disadvantage.

¹⁴ QOGR does not have a specific definition of a 'gambling sensitive site'. The CIS uses a list of entities that would be considered gambling sensitive sites (such as schools and help services). The key reason for the examples selected is that they are sites that are likely to attract people who have gambling problems or people that are likely to be socio-economically disadvantaged.

- Effectiveness of the site's responsible gaming activities, i.e. whether it has adopted the Queensland Responsible Gambling Code of Practice (see below).

2. Economic Impacts

- Site employment: numbers of employees (expressed as full-time equivalents, or FTEs) at the venue; additional FTEs if the proposal is successful; whether employees are sourced from the local area, etc.
- Impact on local business, for example, possible business closures or openings, impact on sales by other businesses and impact on local employment.
- Projected net gaming revenue for a 12-month period, both absolute and as a percentage of total projected net revenue from the site.
- Economic value of contributions to the LCA and other impacts, including sponsorships and donations; contracts to supply goods and services; value of development or construction resulting from the proposal.

3. Net Impact

- The application must provide a conclusion about the net social impact, net economic impact and net overall impact of the proposal on the LCA. Any areas of concern in this process should be highlighted.

Once QOGR is satisfied with the assessment of an application, it then submits the application to QGC for its determination, along with its own report and recommendation.

Tests applied: decisions of QGC

The researchers were advised by the Queensland Office of Gambling regulation there are “no formal tests *per se* and no hard and fast rules” applied against each application. In practice, while essentially a subjective decision, the QGC examines the CIS as a whole but there are not particular “cut-off points or set of criteria that must be met”. Factors such as the socioeconomic status of the area and the density of machines are clearly significant factors. SACES was informed that the decisions of the QGC, while the applicant is advised, are not made public. Any appeal of the decision is made to the relevant Minister. There is no single database of rejected applications, while the annual reports of the last two years indicate the number of rejections in each year was zero.

Refusals for applications have been due to the unsuitability of premises or surrounds, for example, sites lacking a range of facilities or the venue is assessed to be overly reliant on gaming based on projected revenue and ratio of gaming floor space, or sites located within the confines of a shopping centre. That is to say, they were generally not rejected because of any test of social impacts. Other factors that may bring about a negative result to an application are probity issues or the financial viability of a site.

However, a determining factor in large club increases in EGMs is the degree of the club's contributions to the community, which are examined at length. The researchers were advised that it is rare that applications are refused on purely social grounds. Where this has occurred, for example in Logan and Bundaberg, strong objections from local authorities or the general public have been a significant factor in support of refusal.

4.4 New South Wales

Regulators

The state's gambling regulator is the New South Wales Office of Liquor, Gaming and Racing (OLGR), which is part of the Department of Arts, Sport and Recreation. As of 1 July 2008, a new independent body was set up to cover liquor and gaming licence applications and disciplinary outcomes. This body is called the Casino, Liquor and Gaming Control Authority (CLGCA), and replaces the Licensing Court of New South Wales, Liquor Administration Board (LAB) and the Casino Control Authority (CCA) of New South Wales.

Acts

The OLGR administers the following Acts with relation to gambling (other Acts administered by the OLGR are listed in Appendix 5):

- Casino Control Act 1992
- Gambling (Two-up) Act 1998
- Gaming Machines Act 2001
- Gaming Machine Tax Act 2001
- Lotteries and Art Unions Act 1901
- NSW Lotteries Corporatisation Act 1996
- Public Lotteries Act 1996
- Totalisator Act 1997
- Unlawful Gambling Act 1998

The *Casino, Liquor and Gaming Control Authority Act 2007* established the CLGCA.

Regulatory Functions

The CLGCA is responsible for performing casino, liquor and gaming machine regulatory and other decision-making functions on behalf of government. It has similar responsibilities for registered clubs. The New South Wales OLGR in the Department of the Arts, Sport and Recreation, formerly the Department of Gaming and Racing, supports the CLGCA in its day-to-day operations.

The Commissioner of the OLGR reports to the Director-General for the Department of Arts, Sport and Recreation. The OLGR regulates four industry sectors – liquor, gaming, racing and charities. The four key areas of concern to the OLGR are: industry integrity (meeting community expectations and regulatory standards); industry sustainability; responsible practices (harm minimisation and responsible conduct in the provision and consumption of liquor and gambling); and agency performance.

The OLGR is responsible for developing and implementing policy; ensuring compliance with legislation and technical standards for gaming machines; monitoring revenue collected from gaming activity; and provides administrative and secretariat support for the operation of the Responsible Gaming Fund, which funds services for problem gamblers.

It also works to minimise the harmful effects of problem gambling by providing mechanisms for venues to conduct gambling activities responsibly.

The Director of Liquor and Gaming is a statutory officer within the OLGR, with powers and responsibilities set out in the *Liquor Act 2007*, the *Registered Clubs Act 1976* and the *Gaming Machines Act 2001*. The Director of Liquor and Gaming's role is to investigate all liquor and gaming licence applicants to establish their fitness to hold a licence, and may object to licence applications on probity and other public interest and statutory grounds. The Director may investigate licence holders, registered clubs and associates over any breaches of licence conditions, illicit activity or misconduct on licensed premises and registered clubs, and breaches of the *Liquor Act*, *Registered Clubs Act* and *Gaming Machines Act*. Where appropriate, the Director initiates prosecutions and disciplinary action to be heard by the Casino, Liquor and Gaming Control Authority.

Definition of Social Costs

As discussed in the next section, a local impact assessment or LIA may be required when a venue wishes to increase its number of gaming machines, to be submitted to the CLGCA.

However, there appears to be no definition of social impact provided in the accompanying literature. According to the *Gaming Machines Act 2001*, s.37(3)(d) (now repealed), the LAB was required to be satisfied that the “overall economic and social impact of granting the application will not be detrimental to the local community”. As stated in the Independent Pricing and Regulatory Tribunal (IPART) 2004 study (p.95), this required the LAB “to weigh unclear costs and benefits of a range of potentialities for each SIA submitted. These could include problem gambling prevalence, employment implications and recreational effects. They could also include impacts for which proxies are particularly difficult to develop, such as psychological or emotional impacts on problem gamblers and their families”. The SIA refers to the social impact assessment which was replaced on 31 January 2009 by the LIA, as discussed below.

The relevance of the IPART study is that it points to a diverse range of factors which the CLGCA (previously the LAB) may consider to test or to determine the overall economic and social impact in making a determination based upon information contained in the SIA – see **Tests applied: Decisions of the LAB**.

Application Process

With the passing of the *Gaming Machines Act 2001*, hotels and registered clubs were issued with gaming machine entitlements. Section 19 of the Act allows for these entitlements to be transferred between clubs and between hotels (but not between the two types of venues). Those clubs and hotels wishing to purchase entitlements may be required to submit a LIA to the CLGCA and have it approved prior to lodging their transfer application with the OLGR. Once a club is registered it is permitted to operate gaming machines subject to obtaining approval from the CLGCA to install machines on the premises.

From 31 January 2009, the local impact assessment (LIA) process replaced the SIA process. The aim of the LIA is “to assess the impact of additional gaming machines in a local government area” (source: OLGR website).

If a venue wishes to introduce EGMs or to increase the number of EGMs it is permitted to own and operate, i.e. increase its EGM threshold, it must apply to the CLGCA. No LIA is required to accompany a threshold increase application when entitlements are being transferred within the same local government area (LGA) or the venue receiving the entitlements is in a band 1 LGA and the increase sought is no more than 20.

The classification of the LGA and the amount of increase sought will determine whether a Class 1 LIA or Class 2 LIA is required, as discussed further below. In the limited circumstances where an LIA is not required, the gaming machine threshold increase application must be accompanied by a Poker Machine Entitlement (PME) transfer application. An additional requirement has been placed on clubs with over 450 machines in circumstances when, due to the number of machines sought or if they are transferring them from within their own LGA, they do not have to undergo an LIA. In this circumstance they have to include some additional information with their threshold increase application demonstrating the appropriateness of the increase sought by providing the following information, and an LIA would not be required since this sort of information is provided in the documents listed below.

An assessment of the impact of the additional gaming machines on the amenity of the local area (such as increased traffic volume from increased patronage). This assessment should also describe the action that will be taken by the venue to manage any negative impact.

Information on the appropriate harm minimisation and responsible gambling measures currently in place at the relevant venue (in addition to those already required by law).

Information on additional benefits to club members and the local community that will result from having extra gaming machines.

Source: Gaming machine threshold factsheet, OLGR, January 2009.

If a venue is granted an increase in its PME threshold, this is not a permanent allowance. For example, if an increase is granted for 30 extra EGMs and only 15 are added during the permitted time period, then the threshold will be reduced to the actual number. For a Class 1 LIA, the venue has up to two years to acquire the machines, and for a Class 2 LIA the time period is a maximum of five years. For “a club establishing in a new development area” and a Class 1 LIA approval, the time period is five years.

As stated above, an LIA may not always be required when a venue applies to increase its number of EGMs. The classification of the LGA where a venue is located determines whether the venue is required to complete a LIA. Each LGA is classified into Band 1, 2, or 3 according to its EGM density, EGM expenditure and Socio-Economic Indexes for Areas (SEIFA) disadvantage score.

The classifications for LGAs were approved by the CLGCA on 29 January 2009 and as stated on the OLGR website, these classifications are to be reviewed and updated in accordance with changes in EGM expenditure and density on a quarterly basis.

There are three bands of LGA which were set by the CLGCA according to whether they are located in the greater Sydney metropolitan region or in the country region of NSW. A ranking system was applied to each LGA according to the following:

- density of poker machine entitlements (including hotel *Liquor Act* poker machine permits) as at 19 January 2009;
- total gaming machine expenditure per capita (ABS estimated populations for 2007) for the quarters ending August 2008 for clubs and September 2008 for hotels; and
- 2006 index of relative socio-economic disadvantage score (ABS).

The OLGR fact sheet entitled *New LIA process* (February 2009) defines each LGA band as follows:

Band 1 LGAs are generally characterised by being low gaming machine density, low gaming machine expenditure and high SEIFA areas while Band 3 LGAs are high gaming machine density, high gaming machine expenditure and low SEIFA areas. Band 2 LGAs are generally moderate gaming machine density, moderate gaming machine expenditure and moderate SEIFA areas.

Using this method of classification, the top 25 per cent of LGAs in each region go into Band 3, 25 per cent into Band 2 and the remainder into Band 1. The CLGCA will review this method in 2010 and take submissions from stakeholders about this process.

There are two classes of LIA – the Class 1 LIA and Class 2 LIA. The CLGCA assesses and determines which class LIA is required based on the classification of the applicant venue's LGA at its lodgement date.¹⁵

A Class 1 LIA must be completed when:

- (a) the venue is located in a Band 1 LGA and a mid-range increase (21-40) in the gaming machine threshold is sought; or
- (b) the venue is located in a Band 2 LGA and a low range increase (up to 20) in the gaming machine threshold is sought.

For a Class 1 LIA the applicant must demonstrate that the proposed increase in the gaming machine threshold will provide a *positive contribution* to the local community.

A Class 2 LIA is more comprehensive than the Class 1 LIA. It must be completed when:

- (a) the venue is located in a Band 1 LGA and a high range increase (40+) in the gaming machine threshold is sought; or
- (b) the venue is located in a Band 2 LGA and a mid-range (21-40) or high range (40+) increase in the gaming machine threshold is sought; or
- (c) the venue is located in a Band 3 LGA and any increase in the gaming machine threshold is sought.

For a Class 2 LIA, the applicant must demonstrate that the proposed increase in the EGM threshold will have an *overall positive impact* on the local community.

Information that must be provided in the LIAs are listed in Appendix 6. In the preparation of the LIA, the OLGR provides social profile information for the applicant to be appended to the LIA, as listed in Appendix 7. This information must be provided for all LGAs within 5km of the venue.

For a new hotel or club, an application to increase the EGM threshold (which will automatically start at zero for a new venue) must also include a map of the area in which the venue is located, and show the location of any school, hospital or place of public worship within 200 metres of the venue, to be included as part of the evaluation of the application.

¹⁵ No LIA is required when the transfer of EGM entitlements occurs within the LGA; or the receiving venue is situated in a Band 1 LGA and the increase in the EGM threshold sought is no more than 20.

The application and a copy of the LIA must first be submitted to the local council where the venue is located and to the local police. The following groups must also be notified of the application: the Council of Social Service of NSW, the local area health service, and any other organisation in the LGA which receives funding from the Responsible Gambling Fund for counselling and treatment services. These agencies then have 30 days to make a submission. The applicant must also place an advertisement in the local newspaper and display a notice in a conspicuous area outside the venue stating that an application has been made, that it can be viewed on the OLGR website and that anyone can make a submission within 30 days. The applicant must provide a full report of all consultation and all associated documentation.

The CLGCA assesses the LIA and if it supports it, and the requirements have been met for the threshold increase application, then the increase is granted. Decisions are published on the OLGR website. Decisions may be appealed in the Supreme Court.

The venue has up to five years from the date of approval to acquire the additional EGM entitlements. Otherwise, at the end of the five years, the threshold will be reduced by the unused amount.

Tests applied: decisions of the LAB

Social Impact Assessment, Class 2

Proposed Hotel B Sports Bar & Brasserie, Main St, Blacktown

Applicant Copatress Pty Limited (Licensee P Coombes). Fifteen gaming machines are sought. Application denied.

“The Board is obliged to apply the statutory test as at the present time notwithstanding that the SIA(DC1) was prepared in July 2002, based on figures then available.”

“In relation to s37(3)(a) of the Gaming Machines Act relating to compliance with the requirements of the Act and the Regulations, the Applicant has demonstrated that the gambling activities will be conducted in a responsible manner and that there is no school, place of public worship or hospital in the immediate vicinity of the hotel, and that the Hotel premises are not within a Retail Shopping Centre. The key remaining issue is whether the SIA satisfies the Board that the overall economic and social impact of granting the application will not be detrimental to the local community.”

An analysis of the local community is presented looking at SEIFA index for the LGA, number of gaming machines in the LGA; adults per gaming machine in the LGA compared to the NSW average; average expenditure per adult in the LGA compared to the NSW average, number of machines in hotels and clubs in the local community, etc.

While noting the positive benefits in the application; the LAB followed the Productivity Commission methodology in calculating benefits and costs and concluded:

“The Board is therefore satisfied that a consideration of Productivity Commission formulae confirms the earlier stated conclusion that based on the material contained in the SIA the Board cannot be satisfied that overall economic and social impact of granting the application will not be detrimental to the local community. Moreover, in view of the stated inability of the Applicant to provide a hotel with anything like the asserted standard and benefits, without the full number of machines sought, the Board does not consider a partial approval under s37(6) could enable it to be so satisfied. The Board therefore declines to approve the SIA Class 2 for 15 gaming machines.”

Social Impact Assessment Class 2**Twin Towns Juniors****Proposed: to install 30 Poker Machines****Applicant: Twin Towns Services Club (TTSC). Application: Granted**

The proposal is for Twin Towns Services Club Ltd (TTSC) to install 30 poker machines at its premises known as Twin Towns Juniors (TTJ).

The LAB concluded that

“The SIA material satisfies the Board that the overall economic and social impact of granting the application will not be detrimental to the local community. The Board grants the application for an increase in the SIA threshold to 30.”

The tests to date appear to be an analysis of the SIA and whether it was done correctly and covered every relevant cost and benefit and every consideration required, such as the impact on problem gambling.

4.5 Northern Territory**Regulators**

The Territory’s gambling regulators are the Northern Territory Licensing Commission and the Licensing and Regulation Division within the Northern Territory’s Department of Justice.

Acts

The legislation administered by the Licensing and Regulation Division is as follows:¹⁶

- Gaming Control Act 1993 (except provisions relating to taxes and levies)
- Gaming Machine Act 1995 (except part 8)
- Racing and Betting Act 1983 (except provisions relating to turnover tax)
- Soccer Football Pools Act 1978 (except provisions relating to duties)
- Totalisator Licensing and Regulation Act 2000 (except provisions relating to wagering tax)
- Unlawful Betting Act 1989
- Sale of NT TAB Act 2000
- Northern Territory Licensing Commission Act 1999

Regulatory Functions

The Northern Territory Licensing Commission (NTLC) is an independent statutory authority established by the *Northern Territory Licensing Commission Act 1999*. The NLTC has powers to regulate and enforce legislation relating to racing, gaming and licensing. It also acts as an independent tribunal, with responsibility for licensing and in matters related to managing gaming machines in casinos and in hotels and clubs and other activities.¹⁷

Within the Northern Territory’s Department of Justice (DOJ), the Licensing and Regulation Division regulates and monitors the gaming industry. The Licensing and Regulation Division provides policy advice, while Northern Territory Treasury collects gaming taxes. The main areas regulated and administered by the Licensing and Regulation Division are: casinos,

¹⁶ Plus Liquor Act 1978; Private Security Act 1995; Kava Management Act 1998; Prostitution Regulation Act 1992; Tobacco Control Act 2002.

¹⁷ Other activities include liquor, kava, private security and escort agencies.

online gaming, community gaming machines, gaming equipment suppliers, and foreign, commercial, charitable and trade lotteries. It also administers legislation and develops policy that seeks to minimise harm from activities associated with gambling. The Licensing and Regulation Division provides enforcement support for the NTLC.

The Licensing and Regulation Division liaises with NT TAB, which monitors all gaming machines in Northern Territory clubs and hotels to ensure a fair return to players and compliance with the *Gaming Machine Act*. NT TAB is a private monitoring agency owned by UNiTAB (Tatts Group Limited) that undertakes the monitoring function of gaming machines under a licence.

The Operations Branch of the Licensing and Regulation Division manages licensing and the enforcement of gaming legislation. It manages audits and compliance checks; assessment of licence applications; dispute processes; and oversees the technical quality of gambling systems.

Definition of Social Impacts

Social impacts are not mentioned in the *Northern Territory Licensing Commission Act 1999*. In the *Gaming Machine Act 1995*, social impacts are referred to in section 2A(d) as follows:

2A. Objects

The objects of this Act are –

- (a) to promote probity and integrity in gaming;
- (b) to maintain the probity and integrity of persons engaged in gaming in the Territory;
- (c) to promote fairness, integrity and efficiency in the operations of persons engaged in gaming in the Territory;
- (d) to reduce any adverse social impact of gaming; and
- (e) to promote a balanced contribution by the gaming industry to general community benefit and amenity.

While social impacts are not defined in the legislation *per se*, the relevant sections (sections 25, 41A and 41B) of the *Gaming Machine Act 1995* do stipulate a number of parameters which must be used to assess community impact in relation to gaming machines. In relation to other forms of gambling the primary focus is in maintaining the integrity of the gambling industry. Applicants undergo financial and probity checks to ensure they are suitable to operate a particular enterprise. A representative from the Department of Justice told SACES that it is expected that social impacts will be incorporated more directly into decision-making.

Application process (operationalising social impacts)

Applications for gaming licences must be submitted to the NTLC. As stated above, the Operations Branch of the Licensing and Regulation Division assesses gaming licence applications. The NTLC has the power to approve or decline an application.

In accordance with the *Gaming Machine Act 1995*, a gaming application must be accompanied by a community impact analysis (CIA) if the application is for an increase of more than five gaming machines or if otherwise required. Pursuant to section 41B, applicants are required to publish a suitable notice informing the public that an application has been made. Members of the public are entitled to obtain a copy of the CIA from the Director of Licensing, and to lodge a submission in relation to any application. A CIA is required to

enable the applicant, the community and the NTLC to determine whether the application is likely to be in the best interests of the community and is discussed below.

Community impact analysis

A community impact analysis is described in the DOJ guidelines as “an assessment of the likely social and economic impact a proposed new gaming machine operation or the proposal to increase the gaming machine numbers at a venue will have on the community”.

Section 41A of the *Gaming Machine Act 1995* states:

A community impact analysis must be in the form approved by the Commission and must provide the following details:

- (a) the suitability of the premises to which the application relates having regard to the size, layout and facilities of the premises;
- (b) the suitability of the premises to which the application relates having regard to the primary activity conducted at the premises;
- (c) the suitability of the location to which the application relates having regard to the population of the local area, the proximity of the premises to other gaming venues and the proximity of the premises to sensitive areas such as schools, shopping centres, other community congregation facilities, welfare agencies, banks and pawn brokers;
- (d) the appropriateness of problem gambling risk management and responsible gambling strategies;
- (e) economic impact of the proposal including contribution to the community, employment creation and significance or reliance of the venue to or on tourism.

The information and data provided by the applicant needs to be sufficient for the NTLC to consider these criteria and assess community impact. As set out in the DOJ guidelines, information may include, but not be necessarily limited to the following:

The venue:

- The primary activity conducted on the premises.
- Other facilities and activity provided within the premises.
- The location.
- The nature and type of operation including the theme and concept.
- The size of the proposed operation – the venue as a whole and the area and layout to be allocated for gaming.
- The number of existing gaming machines and the number of new gaming machines sought.
- The capacity of the venue to cater for the (additional) gaming machines.
- The current and targeted patron profile.
- The venue employment and contribution to the community.

The immediate locality:

- The population density.
- The demographics of the immediate neighbourhood.
- The primary focus of the immediate neighbourhood (whether it is for residential or commercial use).

- Whether the business is in an isolated location, in a town centre or in the city.
- Whether or not the immediate area has a specific focus, such as a tourist or entertainment precinct.
- The types and level of tourism and the importance of tourism to the local area.
- The amenity or character of the local community, including the history and any development plans.
- Neighbouring business and community facilities.
- The number, proximity and distribution of other gaming venues in the immediate neighbourhood (the Licensing and Regulation Division can provide this information on request).
- The number (density) of gaming machines in the immediate neighbourhood.
- The proximity to gambling sensitive areas¹⁸ such as schools, welfare agencies, banks, social services providers, shopping centres, churches, problem gambling service providers, pawn shops, etc.

The surrounding neighbourhood:

- The distance from surrounding communities and any access barriers from those communities.
- The population density.
- The demographics of the surrounding neighbourhood.
- The primary focus of the immediate neighbourhood (residential or commercial).
- Whether the surrounding communities are isolated, is another town centre or is another city.
- Whether or not the surrounding area has a specific focus.
- The availability and distribution of gaming machines in the surrounding neighbourhood.

Responsible gambling strategies:

- The applicant must describe how the venue will manage problem gambling risks and identify and describe the responsible gambling strategies it will adopt to minimise harm to problem gamblers and those at risk of becoming a problem gambler.

One perceived advantage of this process of assessment is that the NTLC can exercise wide discretion in relation to applications. Applications for gaming machines may be refused if, in the NTLC's opinion, there is a significant risk of negative social impacts which, in turn, are not outweighed by identified benefits. As stated in the *Gaming Machine Act 1995* the decision of the Commission is final. There is no appeal avenue if a gaming application is rejected. There is no record kept of why a gaming application is rejected or approved.

¹⁸ Gambling sensitive areas are defined as places where children and young people attend, any welfare organisations which provide community welfare activities, gambling help service providers and pawn brokers. The NLTC also recognises that problem gamblers are over-represented within the Indigenous population, households with an income of less than \$20,000 p.a., those from non-English speaking backgrounds, etc. Accordingly, regions consisting of a high percentage of people in these groups are also considered gambling sensitive areas.

4.6 New Zealand

Introduction

The gambling regulatory framework and industry structure in New Zealand differs in many ways to that across Australia. It is worth providing a brief overview of key differences in industry structure. As described in the following sections, New Zealand gambling has been regulated since the 1930s so that it acts as a source of funding for the community. The gaming machines are owned by corporate societies and these bodies must operate on a non-commercial basis. EGMs are licensed and placed in hotels and clubs and the proceeds are only to be used for community fund-raising. This is in contrast to the Australian system whereby hotels and clubs usually own the EGMs. In addition, in New Zealand, the local government authorities are responsible for approving licences to operate EGMs, while in Australia the state gambling bodies have this role.

Another key difference between the two countries is that in New Zealand the problem gambling levy goes to the Ministry of Health which is responsible for the country's problem gambling strategy. The separation of problem gambling funding, service provision and research from the gambling sector is something that has not been seen in Australia. Furthermore, as discussed below, the New Zealand Ministry of Health is following the path of a public health approach to dealing with problem gambling.

The Department of Internal Affairs (DIA) commissioned the country's most comprehensive study of the New Zealand gambling sector, entitled *Social and Economic Impacts of Gambling in New Zealand*, released in 2001. This review highlighted differences between Australia and New Zealand in terms of gambling prevalence and expenditure. New Zealand was shown to have a higher prevalence of gambling participation at 87 per cent compared to Australia's 82 per cent arrived at by the 1999 PC study. Also, in 1999-2000, Australians spent \$13.2 billion on gambling which is an average of \$931.64 per adult. In New Zealand the total gambling expenditure figure for 1999-2000 was \$1.3 billion, which averaged out to \$436 per adult (those gamblers aged 15 and over).¹⁹

The government introduced legislation altering the country's approach to regulating the sector from a market-based approach to a public health approach as described below.

Regulators

There are two primary regulatory agencies in New Zealand which are responsible for the legislation of the gambling industry. These are the DIA and the Gambling Commission. The Inland Revenue Department has a regulatory role only in the sense that it collects the duty and problem gambling levy payable by gambling operators.

Acts

Current law governing gambling activities in New Zealand is as follows:

- Gambling Act 2003 (this Act repeals and replaces the Casino Control Act 1990 and the Gaming and Lotteries Act 1977)
- Racing Act 2003
- Gaming Duties Act 1971

¹⁹ It should be noted the Australian figures include only adults of 18 years of age and over, so the figures for New Zealand are not directly comparable.

The following Regulations have been made under the *Gambling Act 2003* to help achieve the objectives of the Act:

- Gambling (Class 4 Banking) Regulations 2006
- Gambling (Electronic Monitoring Fees) Regulations 2006
- Gambling (Licensed Promoters) Regulations 2005
- Gambling (Prohibited Property) Regulations 2005
- Gambling (Fees and Revocations) Regulations 2004
- Gambling (Problem Gambling Levy) Regulations 2007
- Gambling (Harm Prevention and Minimisation) Regulations 2004
- Racing (Harm Prevention and Minimisation) Regulations 2004
- Gambling (Class 4 Net Proceeds) Regulations 2004
- Gambling (Infringement Notices) Regulations 2004

Bookmaking and advertising of overseas gambling are not authorised under the *Gambling Act 2003* – these activities are prohibited and illegal.

Also of relevance to the financial aspects of the New Zealand gambling industry are the Acts relating to income tax, goods and services tax (GST) and financial transactions, as follows:

- Goods and Services Tax Act 1985
- Income Tax Act 2004
- Financial Transactions Reporting Act 1996

Regulatory Functions

Since the 1930s most forms of gambling in New Zealand have been regulated for the specific purpose of ‘community benefit’, that is, as a source of funding for community activities and to protect the community from harm or undue risk including gambling-related criminal activities.

New Zealand’s primary regulatory agency is the DIA which administers gambling legislation; licenses gambling activities (except for casino gambling); ensures compliance with the legislation; and provides public information and education. A specialist unit within DIA called the Gambling Compliance Group is responsible for gambling law enforcement and licensing. In addition, the DIA provides advice to the New Zealand Government on gambling policy; sets operating standards and regulates compliance in casinos; sets standards for game rules and equipment; monitors compliance with the *Gambling Act 2003*; and assesses the suitability of people looking to work in the gambling industry. The *Gambling Act 2003* (fully effective 1 July 2004, but significant provisions came into force from September 2003) has the following objectives, as set out in section 3 of the Act, to:

- (a) control the growth of gambling; and
- (b) prevent and minimise the harm caused by gambling, including problem gambling; and
- (c) authorise some gambling and prohibit the rest; and
- (d) facilitate responsible gambling; and
- (e) ensure the integrity and fairness of games; and
- (f) limit opportunities for crime and dishonesty associated with gambling; and

- (g) ensure that money from gambling benefits the community; and
- (h) facilitate community involvement in decisions about the provision of gambling.

The Gambling Commission is an independent statutory body established under the *Gambling Act 2003*, with its functions set out in section 224. The main functions may be summarised as follows (this summary was provided by the Gambling Commission, 30 November 2007):

- To consider and determine applications for casino operator's licences and the renewal of casino venue licences.
- To approve agreements, and changes to agreements, between casino operators and casino venue [licence] holders.
- To consider and deal with complaints about the way the DIA has handled complaints in relation to class 4 gambling.²⁰
- To specify, vary and revoke casino licence conditions.
- To advise Ministers and facilitate consultation on the setting of the Problem Gambling Levy.
- To consider and determine appeals against regulatory and licensing decisions made by the DIA.

Thus, in short, the Gambling Commission is responsible for licensing casinos and hearing appeals against DIA decisions regarding casino and class 4 gambling. However, the *Gambling Act 2003* (sections 10 and 11) specifically says that there are to be no more casinos and no increase in the opportunities for gambling within existing casinos. There was in fact a moratorium on new casinos in place prior to the *Gambling Act 2003* being passed, and the *Gambling Act 2003* provisions superseded this moratorium.

The local government, known as territorial local authorities (or TLAs), have two statutory roles which are to develop a gaming venue policy for its district and to issue gaming consents. The TLAs are represented collectively by Local Government New Zealand (LGNZ). As discussed below, gaming licence applications must be approved by the relevant TLA before being submitted to DIA.

Definition of Social Impact

With regard to gambling venues, the *Gambling Act 2003* says: TLAs must adopt a class 4 venue policy which 'must have regard to the social impact of gambling within the territorial authority district'. While social impacts are not defined, section 101(4) of the Act provides guidance on those factors which should be considered:

- (4) In determining its policy on whether class 4 venues may be established in the territorial authority district, where any venue may be located, and any restrictions on the maximum number of gaming machines that may be operated at venues, the territorial authority may have regard to any relevant matters, including:
 - (a) the characteristics of the district and parts of the district;
 - (b) the location of kindergartens, early childhood centres, schools, places of worship, and other community facilities;
 - (c) the number of gaming machines that should be permitted to operate at any venue or class of venue;

²⁰ Class 4 gambling refers to gaming machines operating outside casinos.

- (d) the cumulative effects of additional opportunities for gambling in the district;
- (e) how close any venue should be permitted to be to any other venue; and
- (f) what the primary activity at any venue should be.

Also, as cited above, section 3 of the Act refers to ‘harm’, ‘problem gambling’ and ‘responsible gambling’ and these terms are all defined in the Act. Harm is defined as follows:

harm—

- (a) means harm or distress of any kind arising from, or caused or exacerbated by, a person’s gambling; and
- (b) includes personal, social, or economic harm suffered—
 - (i) by the person; or
 - (ii) the person’s spouse, partner, family, whanau, or wider community; or
 - (iii) in the workplace; or
 - (iv) by society at large.

The Act explicitly prohibits the granting of any new casino licences. There were a total of 1,277 submissions received by DIA as part of the 2001 Gaming Review which preceded the passing of the *Gambling Act 2003*. The issue of community involvement in decisions about casinos and gaming in their area ranked third in the number of related submissions. The final decision on limitations on casino numbers and operations reflected the views of the public. However, there was also opposition to the ‘no more casinos’ decision, particularly from Maori who supported establishing a casino in Rotorua.

With regard to the renewal of casino licences, the *Gambling Act 2003* requires that the application must be accompanied by a casino impact report. Section 134 states:

- (3) A casino impact report must be prepared by a person approved by the Commission as independent of the applicant, and must
 - (a) report on the expected social and economic effects on the local and regional areas affected by the operation of the casino, and on New Zealand generally, of
 - (i) the continued operation of the casino; and
 - (ii) the closure of the casino; and
 - (b) report on matters identified by the Gambling Commission.
- (4) The Gambling Commission may specify the research to be undertaken in preparing a casino impact report.
- (5) The applicant for renewal of a casino venue licence must pay for the casino impact report.

Application process (operationalising social impact)

Applications for gambling licences must be submitted to the DIA. Under the *Gambling Act 2003*, the DIA must refuse a licence if the requirements set out in the Act are not met. The Act has a number of aims (as set out earlier) and there are thus a strict set of criteria directed at those objectives.

While the DIA has the opportunity to commission and assess social impact reports with respect to a specific venue, it informed the researchers that it does not do so, largely due to the unfavourable cost/benefit ratio of performing such a task. Most new gaming machine venues in New Zealand are restricted to a maximum of nine machines and there are a wide variety of

regulatory requirements designed to prevent and minimise the risk of harm at any venue. DIA must not grant or renew a licence if it is not satisfied on any of these matters.

Under the *Gambling Act 2003*, there are six categories of gambling. Operating gaming machines outside the casinos is categorised as class 4 gambling, for which two licences are required. These are a class 4 operator's licence and a class 4 venue licence for each venue that operates these machines. Only a corporate society can operate class 4 gambling. A society is a body established and conducted entirely for purposes other than commercial purposes. Therefore, a gaming machine operator must be totally non-commercial and take one of four corporate forms specified in the Act (each of which is subject to its own disciplines in addition to the disciplines imposed by the Act).

Gaming machines are licensed in hotels and clubs in New Zealand only as a form of community fund-raising. This could be considered as a specific arrangement to provide positive social or community impacts from the operation of gaming machines. Prior to applying to establish a new (non-casino) gaming machine venue or TAB site, or to increase the number of machines at an existing venue, the corporate society must apply to the TLA for consent, and this consent must accompany any application for a class 4 venue licence.

All councils are required to consider social impacts, but they do this in very different ways. Some have undertaken quite extensive social impact assessments (e.g. Nelson City Council), while others have done the minimum required of them. In providing (or declining) consent for a gaming application, the *Gambling Act 2003* requires the TLAs to follow a process rather than to produce a document. If a TLA does not follow the required process it runs the risk that the policy it develops will be legally challenged. Essentially the TLA is required to "have regard to the social impact of gambling within the Territorial Authority district" but there is no specific definition of social impact. The social impact assessment carried out by the TLA is for a district or city as a whole rather than being specific to an application. Applications are only turned down if they do not meet certain elements of the policy, such as the TLA area cap on EGM numbers being reached, or the location being assessed as inappropriate, for example, because the venue is located too near to a school. The TLAs only provide venue consent and consent over the number of machines in a venue. They can ask for further information if required (though this is not specified in legislation). There is no system of appeal if a gaming application is turned down.

A key issue for councils in New Zealand in carrying out social impact assessments was reported to be the cost – while councils can recover the costs of venue consents from applicants, they cannot recover the costs of developing or renewing their gambling venue policies and performing social impact assessments. TLAs in New Zealand also cite problems in developing their gambling venue policies and performing social impact assessments, due to the lack of robust data and information.

TLAs are required to review their gambling venue policies every three years. Many (but not all) are on the same cycle. When these policies are being reviewed, the TLA must consult with the community, as set out in the *Gambling Act 2003* and in the *Local Government Act 2002*. They typically take submissions. Once the policy is in place, the approval or disapproval of gaming licence applications is an administrative process only. While local authorities are required to have a comprehensive policy looking at social impacts, the actual consent granted can only address two matters – the location and the number of machines. Some councils have been including conditions relating to signage and advertising, but DIA considers that these are *ultra vires*. Thus, the TLAs are essentially only really involved in

setting the number of gaming machines. Some TLAs have caps on the number of gaming machines set as a ratio of the resident population (some using population figures based on resident numbers provided by Statistics New Zealand and others using census night figures). The DIA “has no information on their effectiveness”.

Once the DIA makes its decision about a gaming licence application, it is possible for the applicant to appeal to the Gambling Commission, according to section 224 of the *Gambling Act 2003*.

4.7 Australian Capital Territory

Regulators

The Territory’s gambling regulator is the ACT Gambling and Racing Commission (GRC).

Acts

The Commission administers gaming and racing laws according to the following legislation:

- Gambling and Racing Control Act 1999
- Unlawful Games Act 1984
- Unlawful Games Regulation 2007
- Gaming and Betting Act 1906
- Games, Wagers and Betting Houses Act 1901
- Race and Sports Bookmaking Act 2001
- Betting (ACTTAB Limited) Act 1964
- Race and Sports Bookmaking Act 2001
- Racing Act 1999
- Casino Control Act 2006
- Casino Control Regulation 2006
- Casino Control Act 1988 (Repealed)
- Casino Control Regulation 1992 (Repealed)
- Gaming Machine Act 2004
- Gaming Machine Regulation 2004
- Gaming Machine Act 1987 (Repealed)
- Gaming Machine Regulation 1987 (Repealed)
- Interactive Gambling Act 1998
- Lotteries Act 1964
- Pool Betting Act 1964
- Gambling and Racing Control (Code of Practice) Regulation 2002

Regulatory Functions

The GRC was established by the *Gambling and Racing Control Act 1999*. The GRC’s major objectives are to regulate gambling and racing activities in the Australian Capital Territory (ACT) according to Territory legislation; to review gaming laws to ensure their continued appropriateness; to manage research and data collection in regard to the social and economic

impacts of gambling in the ACT; to ensure gaming compliance with payments of fees and taxes; and to manage its resources. Applications for gaming licences must be submitted to the GRC for consideration and the GRC has the power to refuse and to revoke licences.

More specifically, as stated in the *Gambling and Racing Control Act 1999*, the functions of the GRC include the following (edited):

- regulating the activities of casinos, machine gaming, lotteries, racing (according to the *Racing Act 1999*), betting, and interactive gambling;
- approving gaming and racing activities;
- monitoring and researching the social effects of gambling and of problem gambling;
- providing education and counselling services;
- engaging in community consultation, as appropriate, on matters related to its functions;
- reviewing legislation and policies related to gaming and racing and making recommendations to the Minister on those matters;
- monitoring, researching and funding activities relating to gaming and racing;
- investigating and conducting inquiries into issues related to gaming and racing and the activities of people in relation to gaming and racing, for the purpose of exercising functions under a gaming law;
- collecting taxes, fees and charges imposed or authorised by or under gaming laws.

The GRC must exercise its functions “in the way that best promotes the public interest, and in particular, as far as practicable promotes consumer protection; minimises the possibility of criminal or unethical activity; and reduces the risks and costs, to the community and to the individuals concerned, of problem gambling”.

With respect to the Canberra Casino, the GRC’s primary objectives are to ensure that gaming activity is conducted fairly and in accordance with approved rules and operating procedures; that the casino operates in accordance with the provisions of the *Casino Control Act 2006*; and that the Voluntary Exclusion Scheme provided for by the *Casino Control Act 2006* is administered appropriately.

Definition of Social Impacts

Applications for gaming machine licences must be accompanied by a social impact assessment (section 11 of the *Gaming Machine Act 2004*).

Part 3 of the *Gambling and Racing Control Act 1999* is entitled ‘Role of commission in dealing with social effects of gambling’. The full text of Part 3 is given in Appendix 8. In this Part, Division 3.1: *Monitoring and research* states that the GRC “must monitor the social and economic effects of gambling and problem gambling in the ACT”. With regards to research, the GRC “may conduct or sponsor conduct or sponsor research into the social and economic effects of gambling in the ACT”.

In terms of directly addressing the social effects of gambling, Division 3.2: *Dealing with social effects of gambling* states that a code of practice may include guidelines about advertising; providing information about losing and winning; limiting facilities such as automatic teller machines and credit facilities; and providing a voluntary self-exclusion scheme for problem gamblers.

Application process (operationalising social impacts)

As stated above, applications for gaming licences must be submitted to the Gambling and Racing Commission (GRC). Applications must be accompanied by a social impact assessment (section 11 of the *Gaming Machine Act 2004*) when the application is for: a new gaming machine licence; the relocation of an existing gaming machine licence; or additional gaming machines for an existing licensee. As set out in section 18 of the Act,

- (1) A social impact assessment for an initial licence application or licence amendment application is a written assessment of the likely economic and social impact of the operation of gaming machines under the proposed licence or the licence as proposed to be amended.
- (2) The regulations may make provision in relation to social impact assessments, including, for example—
 - (a) the requirements that must be satisfied by a social impact assessment; and
 - (b) the matters to be addressed by a social impact assessment; and
 - (c) the information to be given in a social impact assessment.

The applicant must publish an advertisement about the application in a newspaper published and circulating in the Australian Capital Territory. The advertisement must state that the social impact assessment will be available for comment for six weeks. The GRC must make the social impact assessment available for inspection by members of the public at the GRC's office during ordinary business hours during the comment period, and must not make a decision on the application until this comment period has ended.

Social impact assessment

Part 3 of the *Gaming Machine Regulation 2004* (see Appendix 8) sets out the requirements for a social impact assessment (SIA) as referred to in section 18 of the *Gaming Machine Act 2004*. Part 3 (10) states that the SIA must “provide an objective analysis of the likely economic and social impact of the operation of gaming machines” for any gaming machine licence application. Part 3 (11 and 12) list the matters to be addressed by the SIA and the information to be provided. This focuses on the nature of, and likely impacts on, the local community. Specific data to be provided are (as set out in Part 3, Section 12):

- (a) the number and location of existing gambling outlets in the local community;
- (b) details of the population of the local community, including the number of adults and average incomes;
- (c) expected gaming machine revenue of the applicant for the next three years if the application is approved;
- (d) expected community contributions of the applicant for the next three years.

Further data may also be requested by the GRC. The GRC does not conduct a public hearing as part of the SIA process.

The reason for the GRC's decision is provided in the document notifying the applicant of their decision. The applicant may also request a statement of reasons why the decision was reached, within 28 days of receiving notification of the decision. The applicant is entitled to apply to the ACT Administrative Appeals Tribunal, which is an independent body which can agree with, change or reject the original decision, or provide its own decision. This process may include the Tribunal arranging one or more conferences between the applicant and the decision maker. If a settlement cannot be reached, then a hearing will be held.

4.8 Western Australia

The Western Australian Royal Commission into Gambling (1974) recommended against the introduction of gaming/poker machines in hotels and clubs. Thus, Western Australia has never licensed hotel and club gaming and thus stands apart from all other jurisdictions in Australia. Gaming machines are permitted in the state's one casino, the Burswood Casino which is situated in Perth.

Regulators

The state's gambling regulators are the Western Australian Department of Racing, Gaming and Liquor, and the Gaming and Wagering Commission (GWC) of Western Australia.

Acts

GWC is established under the *Gaming and Wagering Commission Act 1987* and administers gaming and wagering activities in the state, specifically the *Casino Control Act 1984*, the *Casino (Burswood Island) Agreement Act 1985* and the *Gaming Commission Act 1987* through a service delivery agreement with the Department of Racing, Gaming and Liquor.

Western Australia's gaming, racing and wagering legislation may be summarised as follows:

- Bookmakers Betting Levy Act 1954
- Betting Control Act 1954
- Casino (Burswood Island) Agreement Act 1985
- Casino Control Act 1984
- Gaming and Betting (Contracts and Securities) Act 1985
- Gaming and Wagering Commission Act 1987
- Gaming Commission (Continuing Lotteries Levy) Act 2000
- Kalgoorlie and Boulder Racing Club Act 1904
- Racing Restriction Act 2003
- Racing and Wagering Western Australia Act 2003
- Racing and Wagering Western Australia Tax Act 2003
- Western Australian Trotting Association Act 1946
- Western Australian Turf Club Act 1892
- Western Australian Turf Club (Property) Act 1944

Regulatory Functions

The Western Australian Department of Racing, Gaming and Liquor administers racing, gaming and liquor legislation and policy and is directly answerable to the Minister for Racing and Gaming. The Department is responsible for licensing these activities and providing industry support services. It promotes lawful racing, gambling and liquor-related activities, with regard to harm minimisation and maintaining public confidence in these industries. Essentially a regulatory body, it inspects and audits the casino and gaming, betting and liquor licensing. It also provides executive support to the Gaming and Wagering Commission (GWC); the Problem Gambling Support Services Committee; and the Gaming Community Trust.

The GWC is responsible for the administration of gaming and wagering activities in Western Australia. The GWC formulates and implements policy to regulate gambling and to minimise harm from the activity. It is responsible for issuing licences, permits and approvals for people, premises, gaming, equipment and gambling operations, and may withhold or revoke approvals. Where appropriate, it may choose to investigate or inspect relevant premises. It also administers the scheme whereby the bookmakers' betting levy is collected. The GWC also administers the *Casino Control Act 1984* and *Casino (Burswood Island) Agreement Act 1985*.

Definition of Social Impacts

Social impacts – costs or benefits – are not defined in any of the legislation administered by the Department of Racing, Gaming and Liquor. In this regard, no specific definition of social impacts is used.

The document entitled, *The Western Australian Gaming Legislation*, available on the Department of Racing, Gaming and Liquor website, documents the background and history of the current Western Australian legislation relating to gaming and wagering. Gaming machines are illegal throughout the state outside the casino.

The WA Royal Commission into Gambling (1974) recommended against the introduction of gaming/ poker machines as follows:

We do not feel that we should recommend the legalisation of poker machines in Western Australia. From our observations we formed the opinion that poker machine playing is a mindless, repetitive and insidious form of gambling which has many undesirable features. It requires no thought, no skill or social contact. The odds are never about winning. Watching people playing the machines over long periods of time, the impressionistic evidence at least is that they are addictive to many people. Historically poker machines have been banned from Western Australia and we consider that, in the public interest, they should stay banned. (Report of the Royal Commission into Gambling 1974, p.72).

Successive Western Australian governments have maintained this stance with gaming machines remaining illegal and prohibited in hotels and clubs. However, the WA Royal Commission recommended that gaming machines may be permitted only in the state's one casino, the Burswood Casino in Perth, as stated:

In relation to casinos the Commission recommended that a casino should be established in Western Australia. The Commission reported that a casino under strict licensing conditions would not pose any threat to the social or economic well being of the community.

With regard to gambling in general, and with specific reference to gaming machines, the WA Royal Commission argues in favour of consumer protection, citing externalities in the form of costs to society caused by gambling, as follows:

Gambling is thought to impose costs on society when gamblers become 'addicted' and consume beyond the level that is socially optimal. These costs are imposed on themselves and others (a reciprocal externality is produced) and involve society in significant treatment costs to deal with the problem. Particular forms of gaming – most notably gaming machines – appear to be most associated with the generation of significant social costs.

The WA Royal Commission also refers to economic and social benefits, which accrue from some forms of gambling, due to the contributions made to community activities and organisations, which also helps take some of the pressure from the local and state governments in financing community causes. In the document, the WA Royal Commission states:

Ensuring that only legitimate community based organisations may apply and be granted a permit [for gaming] generates economic and social benefits. Economic benefits are derived directly by the organisations competing in the community gaming market. Organisations are able to raise funds themselves and they are therefore less dependent on government support to achieve their community aims.

Social benefits are derived from the funds generated from community gaming when these funds are used to undertake various community activities. It is difficult to quantify the benefit with this. However, based on the recent study of the economic and social benefits of Lotteries Commission discretionary grants,²¹ a strong case can be made for this funding arrangement. That study indicated that there was a considerable community benefit derived from the fact that many social initiatives could be pursued which were initiated by the affected community and carried through by it and which would not have been funded if all funding had been delivered directly by government agencies consistent with the policy of the day.

In summary, it can be seen from the citations above that the WA Royal Commission placed a strong emphasis on economic and social costs and benefits (to the individual and society) in the arguments for and against gambling legislation.

Application process (operationalising social impacts)

In regard to tests applied by gaming regulators, in Western Australia there is no definition of social impacts and hence no operational tests. Because gaming machines are not permitted in hotels and clubs then clearly there is no such requirement for a “social impacts tests”.

In regard to the casino: an impact assessment must be carried out by the casino operator if it wishes to expand its facilities. The major measurement tools used by the GWC when considering increases in EGM numbers at the Burswood Entertainment Complex are:

- Comparison across all states/territories of gambling expenditure as a percentage of household disposable income; and
- EGM ratio per 1,000 adults – a national comparison and historical comparison of EGMs operating at Burswood.

An unofficial benchmark that has been used as a key indicator since the casino opened is to limit the number of electronic gaming machines per 1,000 adult population (the ratio has been kept at around one machine per 1,000 adults). It may be acceptable for the casino to increase the number of EGMs within this constraint.

In regard to the establishment of TAB Agencies: the GWC requires RWWA to obtain social and economic impact statements from the local authority; police; and health and financial perspectives of the region where the agency is to be established. A questionnaire is required to be completed for each aspect. This is set out in section 7(1ba) of the *Gaming and Wagering Commission Act 1987* and sections 52 and 53 of the *Racing and Wagering Western Australia Act 2003*. The Department of Racing, Gaming and Liquor has guidelines on what must be included.

²¹ “Social and Economic Impact Assessment of Lotteries Commission Grants”, Lotteries Commission, 1996.

In regard to community gaming: the *Gaming and Wagering Commission Act 1987* provides for issue of permits to charitable groups, sporting bodies and community-based not-for-profit organisations for the purpose of raising funds from gaming-related activities. Applications for a licence to host gaming functions of any kind must be submitted to the Department of Racing, Gaming and Liquor.

4.9 Tasmania

Regulators

The state's gambling regulators are the Tasmanian Gaming Commission (TGC) and the Director of Racing, who heads Racing Services Tasmania. Racing Services Tasmania is an administrative unit of the Department of Infrastructure, Energy and Resources.

The TGC is independent of the Tasmanian Government and the gaming industry and is supported in its role by the Liquor and Gaming Branch of the Revenue, Gaming and Licensing Division of the Department of Treasury and Finance.

Acts

The TGC operates according to the following legislation:

- Gaming Control Act 1993
- TT-Line Gaming Act 1993

Racing Services Tasmania operates according to the following legislation:

- Racing and Gaming Act 1952
- Racing Regulation Act 2004
- TOTE Tasmania Act 2000

Regulatory Functions

The TGC is the regulator of gaming in Tasmania. Its roles and powers are established under the *Gaming Control Act 1993* and the *TT-Line Gaming Act 1993*. The TGC regulates gaming machines, Keno, casinos and wagering conducted by way of a telecommunication device and, since 1 July 2001, minor gaming. It is also responsible for the licensing and regulation of gaming on board the two Spirit of Tasmania ships, and any other ship operated by a state shipping company, the licence for which is currently held by TT-Line Company Pty Ltd (TT-Line). Only Keno, gaming machines and the Racetrax game are permitted on board the two Spirit of Tasmania ships.

The functions of the TGC are specified under section 125 of the *Gaming Control Act 1993*.

Racing Services Tasmania (RST) has responsibility for administering aspects of the *Racing Regulation Act 2004*. The commercial aspects of racing and breeding are the responsibility of TOTE Tasmania, under the *TOTE Tasmania Act 2000*. The Director of Racing is responsible for administering the *Racing Regulation Act 2004*.

Definition of Social Impact

There is no official definition of social impact in the legislation governing gambling in Tasmania. Notwithstanding, Section 151 of the *Gaming Control Act 1993*, states that the Treasurer must “cause an independent review of the social and economic impact of gambling in Tasmania to be carried out every 3 years”. While the general meaning of “social impact” is not defined in the Act, it is understood that the original passage of the Act was accompanied by an undertaking from the Treasurer to conduct “a baseline study of the extent and impact of gambling in Tasmania with particular reference to problem gambling”.²²

Application process (operationalising social impact)

Applications for gaming licences must be submitted to the TGC. Application forms are available from the TGC’s website. The application process for a casino licence or gaming operator’s licence is focused on ensuring a high level of probity and integrity in respect of the conduct of gambling activities, rather than operationalising the potential social impacts of gambling. For instance, section 23 of the *Gaming Control Act 1993* specifies that the matters that must be considered when determining an application include: applicants have a good repute in relation to character, honesty and integrity; applicants have a sound and stable financial background; applicants have sufficient business ability and financial resources to successfully manage and sustain a casino or gaming operation.

²² Roy Morgan Research (2001), p. 1.

5. Summaries of Findings about Jurisdictions

Terms of reference

Stage 1 will involve —

- summarising definitions and approaches to assess social impacts;
- information required in licence application process;
- a cataloguing of any research undertaken in each jurisdiction with regard to defining, measuring and testing for social impacts, including —
 - ◆ a brief description of the research, including identification of the focus of the research — a gambling product or the gambling industry as a whole;
 - ◆ identification of the definition of social impacts used, and the methodology used to measure social impacts;
 - ◆ a summary of any caveats identified regarding the definition and methodology used;
 - ◆ a summary of any justifications given regarding the definition and methodology used;
 - ◆ a brief summary of the findings.

5.1 Introduction

This chapter compares and contrasts the approaches to defining and measuring social impacts from gambling, and the application processes for EGM licences, across Australian and New Zealand jurisdictions, as described in Chapter 4. It then provides an overview of the gambling-related research in each jurisdiction.

5.2 Defining social impacts

While each jurisdiction refers to social effects, social impacts, social costs, and any other similar terminology, **there are no definitions provided by any of the legislation.** However, some of the states have provided lists of what should be considered and in what ways, and what data should be provided, so this acts as a proxy to a precise definition. This section summarises the findings from Chapter 4 on this particular point.

In **Victoria**, gaming applications must be accompanied by a submission which addresses “the net economic and social benefit that will accrue to the community of the municipal district” and “taking into account the impact of the proposal for approval on surrounding municipal districts”. These economic and social benefits and the ‘impact’ on the area are not defined in the legislation. The submission includes completing a form which contains a number of questions about the socio-economic status of the area and of the surrounding areas, the venue patron profile, numbers of gaming venues and EGMs, and so on. In practice, social impacts are measured by both statistical indicia as well as from evidence presented at each inquiry.

In **Queensland**, the legislation requires that a Community Impact Statement (CIS) be submitted with a gaming licence application, if applications are of ‘significant community impact’, in order to help the Queensland Gaming Commission assess the social and economic implications if the application is approved. There is no specific definition of social impacts. The CIS process uses a comprehensive list of impacts drawn from research in the area, set out under the three headings of social impacts, economic impacts and net impacts.

In **New South Wales**, the licensing regime requires that when a venue wishes to increase its number of EGMs, it must apply to the CLGCA to increase its gaming machine threshold, as discussed in Chapter 4. Depending on the location of the venue and the number of additional machines being sought, the applicant may be required to submit a local impact assessment (LIA) or for clubs applying to increase their entitlement above 450, the requisite documents and information must cover “an assessment of the impact of the additional gaming machines on the amenity of the local area”; “describe the action that will be taken by the venue to manage any negative impact”; and provided information on “benefits to club members and the local community”. The information provided with the LIA must “assess the impact of additional gaming machines in a local government area”.

In the **Northern Territory**, social impacts are referred to in the gaming machine legislation but not defined, but a number of parameters are set out which must be used to assess community impact. There is a possibility that social impacts will be incorporated more directly into decision making, following the completion of current research.

In **New Zealand**, social impacts are not defined. New Zealand legislation, the *Gambling Act 2003*, states that the territorial local authority (TLA) will assess social impacts or must have regard to the social impact of gambling within the territorial authority district. While each TLA must consider social impacts, they do so in different ways so that there is no uniform application of a test for social impacts. The principal licensing authority (the DIA) does not in practice take into account social impacts when licensing venues.

In the **Australian Capital Territory**, applications for gaming machine licences must be accompanied by a social impact assessment (SIA). According to the gambling legislation, the Australian Capital Territory’s gambling regulator, the GRC, “must monitor the social and economic effects of gambling and problem gambling in the ACT”. The SIA must “provide an objective analysis of the likely economic and social impact of the operation of gaming machines” for any gaming machine licence application, and there is a list of specific data to be provided.

In **Western Australia**, in respect of gaming machines, by legislation they are only permitted in the casino. There is no social impact licensing process administered by the regulator.

Tasmanian gaming legislation does not provide for a regulatory social impact test. The application process for gambling licences focuses on the probity and integrity of gambling activities, rather than the potential social impacts.

5.3 EGM licence application processes

Across Australia and New Zealand, there is a wide variation in the application process for gaming licences and requirements that must be met. Each state’s procedure is outlined below.

Most of the jurisdictions require some form of social or community impact assessment to accompany applications, which go by varying titles and require a varying range of information. As discussed below, New South Wales and the Australian Capital Territory both require a social impact assessment, Queensland requires a community impact statement, the Northern Territory requires a community impact analysis and the Victorian application must be accompanied by a submission which addresses “net economic and social benefits”. A public hearing is held to consider the submission. Table 5.1 summarises this information.

Table 5.1
Application for gaming licences: Summary of the process

State/Territory Australia New Zealand	Process	Hearing (as part of the application process)	Possible to appeal decision
Victoria	socio-economic information must be included with an application	Yes	Yes
Queensland	Community Impact Statement (CIS)	No	Yes
New South Wales	Local Impact Assessment (LIA)	No	Yes
Northern Territory	Community Impact Analysis (CIA)	No	No
New Zealand	Local government carries out social impact assessments.	No	Yes
Australian Capital Territory	Social Impact Assessment (SIA)	No	Yes
Tasmania	social impacts not assessed as part of the application process	No	No
Western Australia	WA does not allow EGMs outside casinos	N/A	N/A

Source: SACES research.

Victoria

In Victoria, applications for new gaming venues or an increase in EGM numbers are submitted to the VCGR and must be considered at a public inquiry with evidence presented by the applicant. Local government is entitled to be heard at these inquiries. Applicants are normally backed by either Tattersall's or TABCORP who provide the machines. The VCGR may grant the application only if it believes there to be no detriment to the well-being of the community where the proposed venue would be located. To this end, the applicant is also required by the legislation to submit a form providing socio-economic information relating to the economic and social impacts of the application on the community. The form contains questions about the SEIFA Index of Relative Socio-Economic Disadvantage of the specific municipal district and surrounding areas, as well as questions about the venue patron profile, numbers of gaming venues and EGMs in the area, crime, problem gambling, finances, and so on. In practice, these impacts are assessed using objective tests, and it is therefore a relatively straightforward process.

Queensland

In Queensland, a CIS must accompany any gaming licence application of 'significant community impact' submitted to the QOGR, the Queensland regulator. According to QOGR, Queensland's regulatory framework is based on the principles of integrity, fairness and harm minimisation, with a broad 'state and community balance' objective. Although problem gambling is a very important social cost, it is not the only issue considered in the regulatory framework, as is reflected in the range of factors considered in the CIS process.

QOGR told the researchers that it regulates gambling in Queensland to maximise the benefits while minimising the harm for the community and that in doing so, it does not discriminate between costs to society and to the private individual. One component of the CIS discusses the prevalence of problem gamblers within the local area. However, the overall focus of the CIS is the local community area.

There is no specific methodology to assess social impacts, rather the CIS must include a range of socio-economic data about the affected local area as well as comparative Local Government Area and Statistical Division information. Information about the affected local

area must include an overview of the area's demographics including population; age and gender distributions; ethnicity; occupation; income distribution; employment patterns; household costs; and the SEIFA Index of Disadvantage. The QOGR sets out these requirements in guidelines for the CIS. A 28-day advertisement period is required as is consultation with local residents, businesses and organisations in the community.

New South Wales

In New South Wales, from 31 January 2009, if a hotel or registered club wants approval to operate additional EGMs at their venue they must comply with the new requirements of the gaming machine threshold scheme, which includes the local impact assessment (LIA) process. They will be required to submit an LIA, a poker machine entitlement (PME) transfer application, and in certain circumstances clubs applying to increase their entitlement above 450 must include some additional information demonstrating the appropriateness of the increase sought. Whether threshold increase applications must be accompanied by an LIA depends on the size of the increase sought and what the classification is for the local government area (LGA) that the venue is located in.

If an LIA is required, the classification of the local government area in which a venue is located and the size of the proposed increase will determine whether this is to be a Class 1 or Class 2 LIA. The Class 2 LIA requires more detailed information about the impact of the venue, and must demonstrate that the proposed threshold increase will have an overall positive impact on the community.

The application and LIA (if required) must be submitted to the local council and the local police. The following organisations must be notified: the Council of Social Service of NSW, the local area health service, and any local organisation which receives funding from the Responsible Gambling Fund for counselling and treatment services. These organisations have 30 days to make their submissions. The applicant must place an advertisement in the local newspaper and display a notice in a conspicuous area outside the venue stating that: an application has been made, it can be viewed on the OLGR website, and that anyone can make a submission within 30 days. The applicant must provide a full report of all consultation and associated documentation.

The CLGCA makes the decision about the threshold increase application and decisions are published on the OLGR website. Decisions may be appealed in the Supreme Court. The venue has a specified time period of two or five years (depending on the nature of the application) from the date of approval to acquire the additional EGM entitlements. Otherwise, the threshold will be reduced by the unused amount.

Northern Territory

In the Northern Territory, applications for gaming licences must be submitted to the NTLC and must be accompanied by a community impact analysis (CIA) if the application is for an increase of more than five EGMs or if otherwise required. Section 41A of the *Gaming Machine Act 1995* sets out the requirements of the CIA. The Northern Territory Treasury provides the guidelines for preparing the CIA, which consists of providing a variety of information on the venue; the immediate locality; the surrounding neighbourhood; and responsible gambling strategies, as detailed further in Chapter 4. The information provided by the applicant must be sufficient for the NTLC to make its decision.

New Zealand

In recent years, the New Zealand government made a definite switch from a market-oriented to a public health approach. As DIA told the researchers, New Zealand's current public policy approach is a clean break from the neo-classical economic approach that might be said to have informed the now-repealed *Casino Control Act 1990*.

In New Zealand, applications for gambling licences must be submitted to the DIA in accordance with the *Gambling Act 2003*. Any application for a class 4 venue licence must be accompanied by consent from the local authority (TLA). All councils are required to consider social impacts, but the reality varies widely. Some do a full SIA, others do just minor checks. TLAs are required to have a gaming venue policy, which if considered inadequate can be legally challenged. The *Gambling Act 2003* requires the TLAs to follow a process rather than to produce a document. DIA has not commissioned any social impact reports with respect to a specific venue, and DIA informed the researchers that it is unlikely to do so. However, most new gaming machine venues in New Zealand may only operate a maximum of nine EGMs and there are a number of regulatory requirements designed to prevent and minimise the risk of harm. DIA will not grant or renew a licence if it is not satisfied on any of these matters.

Australian Capital Territory

In the Australian Capital Territory, applications for gaming licences must be submitted to the GRC and must be accompanied by an SIA when the application is for a new licence; the relocation of an existing licence; or additional machines for an existing licensee. The applicant must publish an advertisement about the application in a newspaper published and circulating in the Australian Capital Territory, and the SIA must be available for comment for six weeks. Requirements are set out in the *Gaming Machine Act 2004*. The SIA must provide an objective analysis of the likely economic and social impact for any gaming machine licence application. The information provided must focus on the likely impacts on the local community and tends to be specific, such as the number of existing gambling venues in the area; profiles of the local population, including the average income; expected gaming machine revenue if the application is approved; and expected community contributions by the applicant. Further data may also be requested by the GRC.

Western Australia

Western Australian legislation permits gaming machines only in the Burswood Casino.

If an applicant wishes to establish a TAB Agency, the regulator, the GWC, must be provided with social and economic impact statements from the local authority; police; and health and financial profiles of the relevant region. A questionnaire must be completed for each aspect, as set out in the *Gaming and Wagering Commission Act 1987* and *Racing and Wagering Western Australia Act 2003*. The RGL has guidelines on what must be included.

Tasmania

The Tasmanian process of obtaining EGM licences is very different to other jurisdictions, being based primarily on probity, without the community involvements and concern about social impacts. Section 23 of the *Gaming Control Act 1993* requires that applicants have good character, honesty and integrity; a sound and stable financial background; and business ability and financial resources to run a casino or gaming operation.

5.4 Overview of research by jurisdiction

The researchers asked the regulators in each jurisdiction in Australia and New Zealand whether they had commissioned any research projects into defining and measuring social impacts. This section provides a summary of the information provided in response to this question. It can be seen that there is no consistency between the approaches to gambling-related research and that the focus of research is diverse. Some jurisdictions have specified research agendas in the area of social impacts and/or gambling and some do not. Some tend to rely primarily on research carried out by the national research agency Gambling Research Australia (GRA), as discussed below, which represents all Australian states and territories.

There are relatively few studies at the state and regional level looking at economic and social impacts, while none of the studies focus on defining and measuring social impacts specifically.

Gambling Research Australia

Gambling Research Australia (GRA) was established by the Ministerial Council on Gambling, which comprises the national, state and territory ministers responsible for gambling. The Ministerial Council on Gambling has the objective: “to minimise the adverse consequences of problem gambling via the exchange of information on responsible gambling measures and by acting as a forum for discussion and facilitation of the development of an effective interventions framework” (source: GRA website).

GRA undertakes the National Gambling Research Program which has the following six priority research areas:

- National approach to definitions of problem gambling and consistent data collection;
- Feasibility and consequences of changes to gaming machine operation such as pre-commitment of loss limits, phasing out note-acceptors, imposition of mandatory breaks in play and the impact of linked jackpots;
- Best approaches to early intervention and prevention to avoid problem gambling;
- Major study of problem gamblers, including their profile, attitudes, gambling behaviour and the impact of proposed policy measures on them;
- Benchmarks and on-going monitoring studies to measure the impact and effectiveness of strategies introduced to reduce the extent and impact of problem gambling, including studies of services that exist to assist problem gamblers and how effective these services are;
- To research patterns of gambling and consider strategies for harm reduction in specific communities and populations, such as Indigenous, Rural, Remote or Culturally and Linguistically Diverse communities, young people or older people.

Gambling research in Victoria

The Office of Gaming and Racing in the Department of Justice provides “leadership and support for gambling research initiatives”. Research comes under the following headings: gaming machine related research; problem gambling services research; racing and wagering related research; and research measuring problem gambling. Victoria has commissioned relatively wide-ranging research with the objective to “better understand the financial, psychological, familial, recreational, legal and employment impacts of problem gambling on people's lives. More than ever, attention is being given to examining effective treatments and

interventions for gamblers, as well as determining if earlier interventions can prevent a recreational gambler from becoming a problem gambler". These studies have looked at the impacts of gambling on specific sectors of the economy, for example: *The Impact of the Expansion in Gaming on the Victorian Retail Sector*; *The Impact of the Expansion of Gaming on the Tourism, Entertainment and Leisure Industries*; *Hotel and Club Industry Gaming Impact Study*. Others have looked at impacts on groups of people, for example: *Community Facilities Resulting from the Providers of Gaming in Victoria*; *Impact of Electronic Gaming Machines on Small Rural Communities*; *Impact of Gaming Venues on Inner City Municipalities*; *Older people and gambling*.

Specifically aimed at assessing community impacts, the VCGA commissioned the *Survey of Community Gambling Patterns and Perceptions* which was carried out annually starting in 1992 until 2000. Further community impacts studies since then have included *Community Impacts of Electronic Gaming Machine Gambling (Victoria and Western Australia)*, December 2005.

Gambling research in Queensland

The Queensland Office of Gaming Regulation (QOGR) has six priority areas for gambling-related research, namely community knowledge and research, early intervention and prevention, problem gambling treatment and support services, safer gambling environments industry and community partnerships, and gambling legislation.

This is a wide-ranging set of objectives for the research to cover. Queensland research has covered prevalence surveys, harm minimisation measures, focusing on specific groups in the community, and looking at problem gambling and psychological factors. No studies have been commissioned on the tests for, and measurement of, social impacts of gambling.

Gambling research in New South Wales

In July 2003, the New South Wales government asked the Independent Pricing and Regulatory Tribunal (IPART) to undertake a review of the effectiveness of gambling harm minimisation measures in New South Wales. The report of that review entitled, *Gambling: Promoting a Culture of Responsibility*, was released on 23 July 2004, following an initial paper in 2003, entitled *Review into Gambling Harm Minimisation Measures*.

In addition to the IPART study, the Responsible Gambling Fund (RGF) has funded research into harm minimisation measures. Examples are: *An Assessment of Member Awareness, Perceived Adequacy and Perceived Effectiveness of Responsible Gambling Strategies in Sydney Clubs*; *Evaluation of the Impact of the Three Hour Shutdown of Gaming Machines*; and *Testing of Harm Minimisation Messages for Gaming Machines*.

Other main areas researched have focused on the prevalence of gambling and the psychological causes of problem gambling. No research has been commissioned on measuring the social impacts of gambling.

Gambling research in the Northern Territory

The Northern Territory has not commissioned studies into the measurement of social impacts of gambling.

Gambling research in New Zealand

In New Zealand, research into gambling has been carried out by DIA, the Ministry of Health and research groups within academia. There have been no commissioned studies into the measurement of, and tests for, social impacts.

The Centre for Social and Health Outcomes Research and Evaluation (SHORE) has undertaken a research project: *Socio-Economic Impacts of Gambling: Developing a methodology for assessing the socio-economic impacts of gambling in New Zealand* in 2006 in which a methodology for measuring the impacts of gambling and approaches for measuring the social and economic impacts of gambling were considered (see Appendix 9). This is the only study to set out an approach measuring a range of social (and economic) impacts that the researchers could locate.

Gambling research in the Australian Capital Territory

Most of the GRC-commissioned research in the Australian Capital Territory investigates some aspect of the social impact of gambling, including geographical, demographic or cultural bases. Looking at specific groups, examples include: *Young Men and Gambling in the ACT: An Exploratory Study of Attitudes, Perceptions and Engagement* (Sept 2005); and *Adolescent Gambling in the ACT: Prevalence, Risk Factors and Opportunity for Controls and Interventions* (March 2005). However, none of these studies are specifically concerned with the test for, or measurement of, social impacts.

Gambling research in Western Australia

Gambling regulators in Western Australia have not commissioned research into the measurement of social impacts of gambling.

Gambling research in Tasmania

Tasmania's Treasurer is required by Section 151 of the *Gaming Control Act 1993* to "cause an independent review of the social and economic impact of gambling in Tasmania to be carried out every 3 years". It is a requirement that part of the proceeds from the Community Support Levy be distributed for the purpose of research into gambling.

Prior to the current *Social and Economic Impact Study*,²³ the Gambling Support Program of the Department of Health and Human Services had the role of developing and managing a gambling research agenda. There were regular gambling prevalence studies, in 1994, 1996 and 2000 and the *Fourth Study into the Extent and Impact of Gambling in Tasmania with Particular Reference to Problem Gambling* was conducted by Roy Morgan for the Gambling Support Program and was published in 2006. Other publications have focused on annual reporting of financial details. No research has been commissioned on the measurement of social impacts of gambling.

²³ SA Centre for Economic Studies (2008), "Social and Economic Impact Study into Gambling in Tasmania".

5.5 Conclusions

In summary, while there is widespread interest (and concern) with the range of impacts that potentially may arise from the liberalisation of gambling across Australia, there is a paucity of research devoted to understanding and devising a measurement methodology to quantify and to test for social impacts. What research has been commissioned tends to focus on a single issue – the impact of gambling and crime, the impact of tourism and so on. Most international commissioned research tends not to separate out economic and social impacts, but to view these as interdependent and then to devise measurement tools to assess the impacts.²⁴

The only studies which address social impacts do so in conjunction with economic impacts and there **is no piece of work which defines or measures social impacts specifically**.

²⁴ See Anielski, M. (2008), a framework to assess the socio-economic impact of gambling, was recently proposed by Anielski.

6. Conclusions and Summary Remarks

A review of the literature²⁵ shows that there is no consensus among researchers as to the *definition* of social impacts or tests and measures of social impacts. In jurisdictions where some form of impact assessment process is required, such as a community impact statement (CIS) or social impact assessment (SIA), it is usually the case that a statement of economic and social impacts is required, to then reach a conclusion about net social impacts, net economic impacts and net overall impacts.

New Zealand explicitly states that “it is not possible to separate economic and social impacts from gambling and therefore the policy approach must encompass both.”

Australian jurisdictions do not define social impacts in the legislation.

However, in jurisdictions where an application for a new gaming premises or an increase in the number of machines is sought, then submissions are generally required to address economic and social impacts at the community or municipal district level.

In Chapter 2 ...

- We describe the methodology and findings of the 1999 Productivity Commission report entitled *Australia’s Gambling Industries*, the most comprehensive study of the impacts of gambling across Australia. The PC report uses the economic, market-based framework to define and measure social and economic impacts from gambling. It brought social impacts into the forefront of discussions around gambling. SACES presents the key discussion points arising from the 1999 report and the subsequent papers by PC chairman Gary Banks, presented in 2002 and 2007.
- The PC report provides estimates of gambling participation, expenditure patterns, the prevalence of problem gamblers, and the social and economic costs and benefits arising from gambling for Australia as a whole. Social costs are assumed to centre around problem gamblers and their families.
- The PC recommends a number of factors to be addressed by gambling regulators. It recommends probity controls and information for consumers. It does not suggest constraining the availability of gambling products. It recommends a focus on efforts to educate, inform and empower the individual to make the best decisions for themselves, focusing on the individual and consumer sovereignty. It identifies consumer protection measures, including self-exclusion schemes, advertising restrictions, information for gamblers, health warnings, and restricted access to ATMs and credit.
- Responses from the jurisdictions across Australia show that the PC approach is incorporated into their gambling policy approach (either explicitly or implicitly) with the implementation of consumer protection measures including advertising restrictions, self-exclusion programs, provision of consumer information and other harm minimisation measures focusing at the individual consumer level. We conclude that the economic framework is generally dominant in Australia.
- The New Zealand DIA supports many of the interventions advocated by the PC, such as ensuring full provision of consumer information and focusing some harm minimisation measures at the individual consumer level. However, the thinking

²⁵ See Appendix 10 for summary of major findings from international and national literature on social impacts.

behind these measures is not to focus on individual consumer sovereignty or on government intervention to correct market failure.

- The general approach in New Zealand is a departure from the PC approach and is more towards a public health stance. Their focus is not primarily on the individual but on the community as a whole, and on the differential impacts of gambling on different parts of the community.

In Chapters 3 and 4 ...

- Chapter 3 presents the legislative structures, and the methodologies to measure and test for social impacts in Australia's states and territories and New Zealand.
- As with the literature, there is a comparable lack of consensus between jurisdictions in the definition of social impacts (if at all), the measurement thereof and tests by regulators to assess social impacts.
- While the application processes for EGM licences vary, from Queensland's community impact statement to New South Wales's local impact assessment, all jurisdictions are shown to require a social impact assessment of some sort, with the exception of Tasmania and Western Australia.

Summary remarks

While we are not providing recommendations as to the best practice for defining, measuring and testing for social impacts, there are a number of points that are able to be drawn from the literature and from our research and consultation with the gambling sectors of the jurisdictions.

- There is little or no consensus in the literature as to what should be included under the heading of social impacts.
- Several jurisdictions include social impacts in their gambling licensing process to some extent, including in Queensland, New South Wales, the Northern Territory and New Zealand.
- Approaches in each jurisdiction vary widely regarding gambling licence application processes and requirements, and to the extent that they require information on social impacts.
- Information from regulators and from a literature review on the question of social impacts leads to the observation that regulators have found it difficult to separate economic and social impacts from gambling. The most common approach in CIS and SIA requirements is that guidelines are based around an objective economic framework which seeks to define and list economic impacts, social impacts and net impacts.
- Regulators seek to carry out an assessment of social (and economic) impacts through the use of community impact statements (CIS) or social impact assessments (SIA) in a timely and cost effective manner. In addition, they seek to incorporate community impacts through consultation and feedback and in Victoria, community participation is by invitation to participate in a public hearing process.

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Appendix 1

Terms of Reference

Purpose

1. The purpose of this research project is to undertake a two stage study that firstly, describes the definitions and methodologies used by the Productivity Commission and regulatory bodies in Australia and New Zealand in relation to measuring the social impacts of gambling, and secondly, critiques those methodologies and definitions.

Background

2. Section 11(1)(aab)(i) of *Independent Gambling Authority Act 1995* identifies that a function of the IGA is to undertake, assist in or co-ordinate research into the social and economic costs and benefits to the community of gambling and the gambling industry.
3. The Productivity Commission in its landmark inquiry report of 1999 — *Australia's Gambling Industries* — undertook an exercise to estimate the value of the social costs of gambling. The Productivity Commission quantified the social costs of gambling by developing a methodology that involved assigning a proxy value to intangibles such as psychic (depression and thoughts of suicide) and emotional impacts.
4. To the IGA's knowledge, since the Productivity Commission's report, no further work with regard to measuring the social impacts of gambling has been undertaken to the same extent in South Australia, in other Australian jurisdictions or New Zealand, other than minor components within economic impact studies.

Research overview

5. Noting the reference in the IGA's Act with regard to research into the social costs and benefits of gambling and the gambling industry, the IGA has identified a need to initially consider how social impacts are measured in Australia and New Zealand, and what is encompassed by the term social impacts in those jurisdictions. In this regard, the IGA seeks to undertake a two-stage research project.

Stage 1

6. Stage 1 will involve —
 - identifying if the regulators in each jurisdiction measure social impacts and, if so, cataloguing —
 - ◆ the definition of social impacts used by each jurisdiction and any information about who the definition was determined;
 - ◆ the methodology used by each jurisdiction to measure social impacts;
 - including with the jurisdictional catalogue of definitions and methodologies, a description of the Productivity Commission's definition of social impacts and any information about how the definition was determined, and a description of the methodology used by the Productivity Commission to measure and test for social impacts;
 - summarising —

- ◆ common aspects of the definitions and methodologies used by the regulatory bodies in each jurisdiction and the Productivity Commission;
- ◆ points of difference with regard to definitions and methodologies used by the regulatory bodies in each jurisdiction and the Productivity Commission;
- ◆ any pros and cons identified by regulatory bodies in each jurisdiction and the Productivity Commission with regard to the definition and methodology they use/have used;
- seeking each regulatory body's view about the definition of social impacts and the methodology used by the Productivity Commission to measure and test for social impacts;
- for those regulatory bodies not measuring social impacts, identifying if they have an interest in doing so;
- a cataloguing of any research undertaken in each jurisdiction with regard to defining, measuring and testing for social impacts, including –
 - ◆ a brief description of the research, including identification of the focus of the research – a gambling product or the gambling industry as a whole;
 - ◆ identification of the definition of social impacts used, and the methodology used to measure social impacts;
 - ◆ a summary of any caveats identified regarding the definition and methodology used;
 - ◆ a summary of any justifications given regarding the definition and methodology used;
 - ◆ a brief summary of the findings.

Stage 2

7. Stage 2 will involve an expert critique of the particular definition and methodologies used by each jurisdictional regulator, as well as that used by the Productivity Commission.

Appendix 2

Approach to Research on Social Impacts of Gambling

In order to undertake this study SACES conducted an extensive literature review on social impacts in order to understand whether there is an agreed framework in the literature regarding how social impacts might be defined, measured and tested for. This exercise helped inform SACES of the range of approaches to definition, measurement and research and provided a platform to review the methodology adopted by the Productivity Commission.

The sequential stages to the research then followed:

- invitation to participate in the study was forwarded by the IGA to each jurisdiction;²⁶
- SACES confirmed participation with each jurisdiction;
- research staff prepared draft overviews of the regulatory framework in each jurisdiction and this overview along with tailored questions on, *inter alia*, measuring social impacts and licensing applications was forwarded to each jurisdiction for comment;
- SACES then summarised the Productivity Commission's approach and circulated our analysis to each jurisdiction with questions related to "how helpful they found the PC approach in forming their own respective policy and operational frameworks" in regard to measurement of, and testing for, social impacts;
- draft/summary material was sent back to each jurisdiction to check for accuracy, errors of omission, etc., and also to request a listing of any research reports commissioned on social impacts of gambling and any final questions posed by research staff; and
- draft and final reports were prepared and forwarded to the IGA.

²⁶ All of the gambling regulators from each jurisdiction agreed to participate in the study and nominated people for SACES to contact.

Appendix 3

Agencies Contacted for this Project

New Zealand

Gambling Commission
Gambling Compliance Group, Department of Internal Affairs
Centre for Gambling Studies
Ministry of Health
Local Government New Zealand

Queensland

Queensland Office of Gaming Regulation

Western Australia

Department of Racing, Gaming and Liquor
Lotterywest

Australian Capital Territory

ACT Gambling and Racing Commission

Tasmania

Revenue Gaming and Licensing Division, Department of Treasury and Finance

Victoria

Victorian Commission for Gambling Regulation

New South Wales

Liquor Administration Board
NSW Casino Control Authority
Office of Liquor, Gaming and Racing

Northern Territory

Racing, Gaming and Licensing Division, Northern Territory Treasury

Commonwealth

Productivity Commission

Appendix 4

SEIFA Indexes

SEIFA = Social and Economic Index for Areas. There are four SEIFA Indexes calculated by the Australian Bureau of Statistics (ABS) based on census data which are tools to allow ranking of areas in terms of economic and social well-being. These are:

- Index of Disadvantage – focuses on low income earners, relatively lower educational attainment and high unemployment.
- Index of Advantage\Disadvantage – a new index, this is a continuum of advantage to disadvantage. Low values indicate areas of disadvantage and high values indicate areas of advantage.
- Index of Economic Resources – includes variables associated with economic resources, such as rent paid, income by family type, mortgage payments and rental properties.
- Index of Education and Occupation – includes all education and occupation variables only.

Appendix 5

Other New South Wales Acts Administered by the OLGR

- Wagga Wagga Racecourse Act 1993
- Australian Jockey Club Act 1873
- Charitable Fundraising Act 1991
- Greyhound and Harness Racing Administration Act 2004
- Greyhound Racing Act 2002
- Harness Racing Act 2002
- Hawkesbury Racecourse Act 1996
- Innkeepers Act 1968
- Liquor Act 1982
- Liquor (Repeals and Savings) Act 1982
- Racing Administration Act 1998
- Racing Appeals Tribunal Act 1983
- Registered Clubs Act 1976
- Sydney Turf Club Act 1943
- Thoroughbred Racing Act 1996

Appendix 6

Information That Must Be Provided in the Class 1 LIA and Class 2 LIA

Class 1 LIA

All Class 1 LIAs must include an executive summary of no more than three pages. The main body of the LIA must be no more than ten pages.

A Class 1 LIA must include:

- if it's a new hotel or club, a map showing the location of any school, place of public worship or hospital within 200 metres of the venue;
- details of the benefits that the venue will provide to the local community if the additional gaming machines are approved; and
- details of harm minimisation and responsible gambling measures in place in the venue.

Class 2 LIA

All Class 2 LIAs must include an executive summary of no more than five pages. The main body of the LIA must be no more than 30 pages.

In accordance with the *Gaming Machines Regulation*, the following information needs to be supplied in the LIA:

General information

A Class 2 LIA must include the:

- gaming machine threshold for the venue and the amount of the proposed increase sought;
- name, address and licence number of the venue;
- name of the local government area the venue is situated in and the names of any local government area within 5km of the venue;
- map of the area within a radius of 1km of the venue which shows the location of the venue and the location and name of:
 - any other clubs and hotels
 - any school, hospital or public place of worship
 - any sporting or community facility
- name and address of the business owner;
- contact details of the business owner.

This information must be provided in one section at the beginning of the LIA.

Specific information

A Class 2 LIA must also include:

- a description of the facilities provided by the venue and the activities conducted by the venue;
- trading hours of the venue;

- floor plan and details of the area set aside for the playing of gaming machines;
- a player patron profile which shows the distribution of places of residence, gender, occupation, age and other relevant information such as the cultural or ethnic background of patrons;
- details of any expected increase in patronage as a result of the additional gaming machines;
- details of harm minimisation and responsible gambling measures (in addition to those required by law) which are in place in the venue.

These Guidelines may specify other additional information to be included in the LIA. The Authority may also determine that additional information might be required.

Venue specific information

In the Class 2 LIA, applicants will need to include a list specifying the perceived positive social impacts and economic benefits that the additional gaming machines will have on the local community. Details of the benefits that the venue will provide must also be supplied.

Any negative social or economic impact on the local community which will result from the additional gaming machines must also be specified including any actions which will be taken to lessen the impact.

The propositions that will not be taken as benefits include:

- that a financial benefit to the applicant is the same as an economic benefit to the local community
- an impact assessment is a quantified result
- there is only one community (i.e. everyone is the same).

The LIA should also provide the following information:

- the nature of the application – i.e. if the application is to increase gaming machine numbers or an application for the approval of a new venue
- number of existing gaming machines, if any, and the number of additional entitlements sought
- average profit per gaming machine at the venue for the most recent four quarters (Note: OLGR will provide this directly to the Authority for consideration)
- current patron profile including mapped distribution of patrons' place of residence, distribution of patrons' gender, occupation and age using a survey of patrons consistent with standards set out in the guidelines; and relevant qualitative information (e.g. culture or ethnicity or other distinctive qualities).

Gaming and social profile data

The following information will be provided by OLGR to a preparer of a Class 2 LIA to be appended to the LIA:

- gaming machine density (number of gaming machines per adult) in the LGA for the last five years
- adult population of LGA at census and as estimated for each year between censuses for last five years

- number of gaming machines in clubs and in hotels in the LGA for the past five years
- current entitlements for clubs and for hotels in the LGA
- current list of LGAs and the relevant band they are in.

If the local community of a venue covers more than one LGA, then the above data must be provided for each relevant LGA.

Appendix 7

Social Profile Information Provided by OLGR

The following social profile information will be provided by OLGR to a preparer of a Class 2 LIA to be appended to the LIA:

- population;
 - no. in age group 18-24
 - no. in age group 60+
- Indigenous population, includes numbers of both Aborigines and Torres Strait Islanders;
- country of birth of persons;
- number and percentage of population that did not complete year 12 of high school;
- unemployment levels;
- number employed as labourers;
- number employed as administrative and support services;
- the income distribution of the LGA;
- comparison of gaming machine expenditure with household income for the LGA;
- SEIFA indices;
- number and percentage of relationship by household.

The above social profile data must be provided for all LGAs falling within a 5km catchment of the venue.

The Authority may add other social profile data which it considers to be relevant.

Appendix 8

ACT Gaming Machine Regulation 2004

Part 3 Social impact assessments

9 Definitions—pt 3

In this part:

gaming machine proposal, for a social impact assessment—see section 10 (2).

local community, for a social impact statement, means the community within 3km of the relevant premises.

relevant premises means—

- (a) for a social impact assessment for an initial licence application—the premises proposed to be licensed; or
- (b) for a social impact assessment for a licence amendment application to increase the number of gaming machines authorised to be operated under a licence—the licensed premises; or
- (c) for a social impact assessment for a licence amendment application to change the licensed premises by moving gaming machines to different premises—the premises to which the machines are proposed to be moved.

10 Requirements for social impact assessment—Act, s 18 (2) (a)

- (1) A social impact assessment for an initial licence application or licence amendment application must satisfy the requirements of this section.
- (2) The assessment must provide an objective analysis of the likely economic and social impact of the operation of gaming machines under the proposed licence or the licence as proposed to be amended (the *gaming machine proposal*).
- (3) The assessment must identify, and provide an analysis of, the positive aspects or benefits of the gaming machine proposal as well as the negative aspects or detriments of the proposal.
- (4) All statements or material included in the assessment must be—
 - (a) objective rather than subjective or speculative; and
 - (b) based on identifiable factual information.
- (5) The sources of the information must be clearly and specifically identified.
- (6) The assessment must identify—
 - (a) the entities and institutions (*affected entities and institutions*) in both the local community and the broader Canberra community that may be affected by the gaming machine proposal; and
 - (b) on a map of the local community included in the assessment, the location of affected entities and institutions in the local community; and
 - (c) the likely impact (both positive and negative) on affected entities and institutions in both the local community and the broader Canberra community.

Examples of affected entities and institutions

- 1 nearby residences, shops and other business
- 2 other gambling venues
- 3 schools
- 4 sporting and community facilities
- 5 places of worship

11 Matters to be addressed by social impact assessment— Act, s 18 (2) (b)

- (1) A social impact assessment for an initial licence application or licence amendment application must address the following matters:
 - (a) the existing level of gaming activity currently being conducted in the local community;

- (b) the population profile of people living in the local community, including an analysis of age and average income;
- (c) available relevant information about patrons in relation to the relevant premises;

Examples of relevant information

- 1 where patrons live
- 2 spending patterns of patrons
- 3 time spent at the premises by patrons

Note An example is part of the regulation, is not exhaustive and may extend, but does not limit, the meaning of the provision in which it appears (see Legislation Act, s 126 and s 132).

- (d) the positive aspects or benefits of the gaming machine proposal for—
 - (i) the local community; and
 - (ii) the broader Canberra community;
 - (e) the negative aspects or detriments of the gaming machine proposal for—
 - (i) the local community; and
 - (ii) the broader Canberra community;
 - (f) the gambling harm minimisation measures proposed to be taken in relation to the gaming machine proposal;
 - (g) the likely overall net economic and social impact of the gaming machine proposal.
- (2) This section does not limit the matters that may be addressed.

12 Information to be given in social impact assessment— Act, s 18 (2) (c)

(1) To the extent that the information is available to the applicant, the following information must be given in a social impact assessment for an initial licence application or licence amendment application:

- (a) the number and location of existing gambling outlets in the local community;
- (b) details of the population of the local community, including the number of adults and average incomes;
- (c) expected gaming machine revenue of the applicant for the next 3 years if the application is approved;
- (d) expected community contributions of the applicant for the next 3 years.

(2) This section does not limit the information that may be given in a social impact assessment.

19 Publication of social impact assessments by applicant

(1) This section applies if an applicant for a licence or amendment of a licence is required to provide a social impact assessment.

(2) The applicant must publish an advertisement about the application in a newspaper published and circulating in the ACT.

Note If a form is approved under the Control Act, s 53D for an advertisement, the form must be used.

(3) The advertisement must state that—

(a) the social impact assessment for the application will be available for inspection by members of the public at the commission's office during ordinary business hours for 6 weeks after a day stated in the advertisement (the **6-week comment period**); and

(b) any written submissions about the social impact assessment may be made to the commission within the 6-week comment period.

(4) Before the beginning of the 6-week comment period, the applicant must give the commission—

(a) the social impact assessment for the application; and

(b) a copy of the advertisement for the application mentioned in subsection (2).

(5) On or before the day the advertisement is published, the applicant must place a sign (the **information sign**) containing information about the application in a prominent position

outside each public entrance to the premises to which the application relates, and ensure that the sign stays at the entrance for the 6-week comment period.

(6) The information sign for an application must include the following:

(a) a description of the application;

(b) a statement of when and where the social impact assessment for the application will be available;

(c) an invitation to make written submissions to the commission about the social impact assessment within the 6-week comment period;

(d) when the 6-week comment period ends;

(e) details of where to get more information about the application.

(7) The commission must make the social impact assessment available for inspection by members of the public at the commission's office during ordinary business hours during the 6-week comment period.

(8) The commission must not decide the application until the 6-week comment period has ended.

Part 3 Role of commission in dealing with social effects of gambling

Division 3.1 Monitoring and research

17 Monitoring and research

(1) The commission must monitor the social and economic effects of gambling and problem gambling in the ACT, including the need for counselling and other services.

(2) The commission may conduct or sponsor research into the social and economic effects of gambling in the ACT.

(3) The Minister, or a resolution of the Assembly, may require the commission to address particular matters when exercising its functions under this section.

(4) The commission must, at intervals of not less than 12 months, provide reports to the Minister on the results of its activities under this section.

(5) The Minister must present a report under this section to the Assembly within 14 sitting days after receiving it.

Division 3.2 Dealing with social effects of gambling

18 Code of practice

(1) A regulation may prescribe 1 or more codes of practice to apply to specified classes of people who are licensed or otherwise authorised to do things under a gaming law.

(2) A code of practice may include, but is not limited to, guidelines about the following:

(a) advertising, promotional practices and the offering of inducements;

(b) providing objective and accurate information about losing and winning;

(c) limiting facilities that make it easy for a gambler to spend more than the gambler originally intended, such as automatic teller machines, credit facilities and allowing people to pay by cheque or credit card;

(d) providing mechanisms to allow problem gamblers to exclude themselves using a licensee's facilities for gambling;

(e) training staff to recognise and deal appropriately with people who are problem gamblers or are at risk;

(f) developing methods of dealing with staff or clients who are problem gamblers or are at risk.

- (3) The commission must, for each licence under a gaming law that permits the licensee to conduct gambling, develop and review a code of practice to apply to the licensees and make recommendations to the Minister for appropriate regulations.

19 Education and counselling

- (1) The commission may carry out or sponsor—
- (a) counselling for people with gambling problems; or
 - (b) publicity and education programs—
 - (i) providing consumer information for different kinds of gambling; or
 - (ii) about the risks of gambling; or
 - (iii) about dealing with gambling problems.
- (2) The Minister, or a resolution of the Assembly, may require the commission to address particular matters when exercising its functions under this section.

Appendix 9

Social and Economic Impacts List, SHORE (2006)

The following is the list of social and economic impacts addressed in the New Zealand study by SHORE in 2006:

Measuring prevalence and intensity of different gambling modes

1. To measure the prevalence of different modes and intensity of gambling.
2. To describe the prevalence of different modes and intensity of gambling among different age, gender, ethnic and socio-economic status groups.

Measuring a range of social and economic impacts as they relate to different gambling modes

Physical health

3. To measure the impacts of gambling on the individual gambler's physical health.
4. To measure the impact of gambling on the physical health of gamblers' families/whanau, friends and wider community.

Mental well-being

5. To measure the impacts of gambling on the individual gambler's mental wellbeing.
6. To measure the impacts of gambling on the mental well-being of gamblers' families/whanau, friends and wider community.

Material well-being

7. To measure the impacts of gambling on the individual gambler's material wellbeing.
8. To measure the impacts of gambling on the material well-being of gamblers' families/whanau, friends and wider community.

Housing or accommodation

9. To measure the impacts of gambling on the individual gambler's housing or accommodation situation.
10. To measure the impacts of gambling on the housing or accommodation situation of gamblers' families/whanau, friends and wider community.

Relationships with family/whanau and friends

11. To measure the impacts of gambling on the individual gambler's relationships with families/whanau and friends.
12. To measure the impacts of gambling on relationships with family/whanau and friends held by gambler's families/whanau, friends and wider community.

Care of children

13. To measure the impacts of gambling on the individual gambler's care of children.
14. To measure the impacts of gambling on the children in the care of gamblers' families/whanau, friends and wider community.

Care of elderly and other dependents

15. To measure the impacts of gambling on the individual gambler's care of elderly and other dependents.
16. To measure the impacts of gambling on the elderly and other dependents in the care of gamblers' families/whanau, friends and wider community.

Perceptions of self

17. To measure the impacts of gambling on the individual gambler's perception of self.
18. To measure the impacts of gambling on the self perception of gamblers' families/whanau, friends and wider community.

Study or employment related training

19. To measure the impacts of gambling on the individual gambler's study or employment related training.
20. To measure the impacts of gambling on the study or employment related training of gamblers' families/whanau, friends and wider community.

Work life and employment

21. To measure the impacts of gambling on the individual gambler's work life and employment.
22. To measure the impacts of gambling on the work life and employment of gamblers' families/whanau, friends and wider community.

Criminal activity

23. To measure the impacts of gambling on any criminal activity carried out by the individual gambler.

Appendix 10

A Review of the Literature on Social Impacts

- The review of the literature shows that there is no consensus among researchers as to the *definition* of social impacts or tests and measures of social impacts.
- There is no universal agreement on what *constitutes* social impacts which feeds into consensus as to what should be measured, how and why. This situation stems from the fact that the definition and measurement of social impacts (and hence) social costs and benefits is a relatively new area of research and application.
- There is a great deal of debate from people of a range of disciplines including economists, psychologists, sociologists and criminologists on the question of social impacts. There is also input from policy-makers, consultants, planners, industry stakeholders and gambling regulators.
- With a multitude and variety of contributors to the debate, the methodologies, standpoints, assumptions, priorities and approaches are equally varied, and often subject to inconsistencies and/or bias in the research according to who has commissioned, and who is carrying out, the work.
- In the literature there are three principal frameworks to classify approaches by researchers and policy-makers – the economist, sociologist and psychologist approach. All have merit and all tackle the issues of defining, measuring and regulating for social impacts from different standpoints. The economics-based approach has advantages in its objectivity, measurability, transparency and transferability. This is the approach taken by the Productivity Commission.
- One approach arising from the literature review is to bring all of the relevant disciplines together, combining their strengths from within their own area of expertise, and informing an economics-based process.
- Recommendations coming out of the Whistler Symposium²⁷ centre around the need for an impact assessment process; risk assessment of gambling activities; and the role of gambling legislation in establishing impact assessment processes.

²⁷

The First International Symposium on the Economic and Social Impact of Gambling (September 2000), held in Whistler, British Columbia, Canada.