

## **Opening Address to the Productivity Commission Gambling inquiry**

**15 December 2009**

I would like to thank the Commission for the opportunity to speak today about the impact of the draft report on the Club Movement.

I am the President of ClubsAustralia and Chairman of ClubsNSW as well as Chairman of the Steelers Club in Wollongong.

With me is acting CEO of ClubsAustralia and ClubsNSW, Anthony Ball and Josh Landis, Manager of Government Relations for ClubsNSW and Australia.

ClubsAustralia's full written response to the Draft Report will be provided on the 18<sup>th</sup> and will fully address each finding and recommendation as well as the research and evidence behind them.

ClubsAustralia is of the view that the Productivity Commission's Draft Report is flawed in a number of key areas.

The evidence presented to support many of the findings is, we believe, deficient and does not support the extreme recommendations proposed.

If implemented, a number of the recommendations would have a hugely detrimental impact on clubs, their members and those that rely on clubs for economic and social support.

What stands to be lost is laid out in our first submission, and those of more than 120 clubs and club supporters.

Unfortunately these submissions did not carry any weight with the Commission and the report has therefore surprised and disappointed the Club Movement.

ClubsAustralia has found a systematic approach has been taken throughout the Draft Report: the *costs* of gambling on gaming machines have received analysis, but the *positives* from gambling to the economy, jobs, infrastructure and 'the social good' have been ignored.

This is despite Terms of Reference #3 and #5, which required the Commission to undertake such analysis.

ClubsAustralia therefore asks – why did the Commission ignore two of the Terms of Reference? In our view, the absence of cost-benefit analysis is a serious omission.

It is notable in this regard that the Commission has virtually ignored the findings of IPART's inquiry into the NSW Registered Clubs Industry, which was conducted only two years ago.

The IPART report balanced the positives of clubs against the negatives and concluded by being supportive of NSW clubs and the \$811 million per year social contribution they make to their communities - supported by gaming revenue.

The Commission's decision to ignore the numerous pro-club submissions and evidence is not only a failure to meet the Terms of Reference but, ClubsAustralia believes, is also a contributing factor to the Commission's recommendations.

For example, by recommending mandatory pre-commitment, the Commission has effectively recommended that the majority of the 200,000 poker machines in Australia be replaced within six years.

It has not costed this recommendation, assessed the impact of that cost on small clubs run by volunteers, determined a likely impact on recreational or problem gamblers, questioned whether gamblers might switch to less restrictive forms of gambling to avoid pre-

commitment or estimated the extent of the likely fall in revenue for venues and governments.

There has also been no assessment of the impact of reduced revenue on club employment, charitable contributions, ability to generate tourism or service debt.

Without such analysis, it is not apparent how the Commission can come to the conclusion that pre-commitment or other recommendations have merit.

The Commission's focus on venue-based gambling extends to a lack of attention to the issue of personal responsibility.

'Personal responsibility' as a phrase appears only twice in the entire Draft Report.

Yet the Commission quotes research which shows most problem gamblers "self correct" within 12 months, meaning self-help options are effective and are needed more than dramatic changes to poker machines.

The law, as shown in the Victorian Supreme Court's decision in *Kakavas v Crown Casino*, is that gamblers must take personal responsibility by utilising the self-help options that exist.

The court decided that Kakavas' was not like Ulysses, tied to the mast, because he – like any problem gambler – could self-exclude.

And, if he wanted to end the self exclusion so he could gamble and the venue denied him that right it would not be allowing him *freedom of choice*.

*To ask that of any casino is to require the casino to assume the mantle of God.*

The judgment continued

*The seeds of tyranny are to be found in the footsteps of those who profess to know more about what is good for the subjects of their attention than do the subjects themselves.*

In a recent case heard by the High Court, the claimant alleged that licensed venues have a *duty of care* for their patrons, including a duty to limit how much alcohol they drink.

Three of the High Court judges issued a separate judgment from the otherwise unanimous decision by five of the nine judges in the High Court, to warn of what they called “interfering paternalism”.

The Commission’s Draft Report strays dangerously close to this.

Targeted responses to assist problem gamblers are available, effective, affordable and supported.

Indeed, the Draft Report recommended a number of these.

ClubsAustralia therefore believes options which target problem gamblers should be given preference over measures which affect everyone, and have a substantial negative affect on employment, economic activity and social capital.

The Commission has claimed in the Draft Report that measures with even “modest efficacy” in reducing problem gambling merit implementation.

Yet the finding on which this statement relies – that there is a \$450 million cost saving for every 10 per cent fall in problem gambling – has not been proven.

The Commission has also omitted to identify the extent to which such savings can be realised; that is, the level at which the prevalence rate will realistically 'bottom out'.

Queensland's latest study shows prevalence of only 0.37 per cent, down consistently in each of four studies from 0.83 per cent eight years ago.

The Commission gives no indication of how much further problem gambling prevalence can realistically fall.

It must be accepted that the rate of problem gambling will never be nil and that as the prevalence rate falls, the cost to further decrease the rate will increase as harm minimisation becomes more intrusive.

ClubsAustralia believes the cost and impacts of such intrusion must be understood and properly weighed against recommendations.

ClubsNSW has utilised KPMG-Econtech to conduct expert analysis of the impact of reductions in annual revenue of 10, 20 and 30 per cent.

ClubsAustralia believes a 30 per cent downturn is conservative if any of the most severe recommendations were implemented.

We can only guess at the cumulative impact of all of the recommendations.

The KPMG analysis at 30 per cent downturn using 2007/08 figures would reduce club revenue by \$2 billion per year and cost 11,500 jobs in NSW clubs alone over the short run.

These figures, which only relate to clubs in NSW, would likely double if extrapolated to clubs nationally.

The Commission would no doubt presume that this army of unemployed would soon find work in other industries but the analysis shows that, particularly in rural and regional areas where clubs are major employers and tourism generators, the impacts of unemployment will be long term.

This impact would put a substantial hole in state and territory government revenues that would have to be sourced elsewhere, presumably through new or increased taxation.

It would also hurt many working Australian families.

If the Commission is true to its statement that it must concern itself with the welfare of the entire community, then this must be considered.

It is important to say that ClubsAustralia is not opposed to all of the recommendations put forward in the Draft Report.

ClubsAustralia sought from the start of this process to be constructive and made a number of recommendations in our six point plan for reducing problem gambling.

It is pleasing to see some of these have been taken up by the Commission.

However, ClubsAustralia takes issue with the Draft Report's dominant focus on poker machines to the near-exclusion of other forms of gambling.

The Commission found that the growth of revenue from poker machines over the last ten years was only 12 per cent, or 1.1 per cent per year (compounded).

This rate of growth does not typically cover inflation.

By comparison, internet gambling is experiencing average growth of 25 per cent per year.

Yet amazingly the Commission has seen fit to recommend that internet gambling be liberalised.

ClubsAustralia is of the view that the modest growth rate of poker machines, together with evidence of declining problem gambler prevalence rates, negates the need for a fundamental rethink of current efforts to mitigate problem gambling on gaming machines.

By recommending to reduce the revenue clubs can earn from poker machines, clubs will be unable to meet their liabilities and these invaluable assets will be lost forever from the community.

If that happens, who will coordinate the 70,000 volunteers that operate through clubs, who will fund the charities?

What does that mean for communities throughout the country which rely on their clubs for jobs, meals and social interaction?

What does it mean for surf life saving, for our returned servicemen and women, for rugby league and AFL at junior and professional levels, for golf and bowls which will no longer be available at affordable prices for ordinary Australians?

Who will build and maintain the sporting and social infrastructure that Australians enjoy because of our not-for-profit clubs?

ClubsAustralia is deeply concerned that the Draft Report has not taken into account the very serious impacts of its recommendations.

We look forward to further discussing our concerns and hopefully convincing you of the need to revisit recommendations that, in our view, fail a thorough cost-benefit test.