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Submission on the draft Gaming Control Amendment (Future Gaming Market) Bill 2021

Introductory comments

My fundamental position is that electronic gaming machines (also referred to as EGMs, poker machines or “pokies” in this submission) are a social and economic drain on Tasmania and should be removed altogether from hotels and clubs. In other words, pokies are a net negative on our society and we would be better off without them. However, although the above point needs to be stated, I am a pragmatist so will consider any reform that genuinely mitigates the harm caused by pokies, and the ending in 2023 of the Federal Group monopoly provides such an opportunity for reform.

In this submission I address each of the four dot points designated “policy aims” contained in the introduction to the *Future of Gaming in Tasmania* consultation paper July 2021, and argue that none of these policy aims are met with the proposed legislation.

Policy Aim 1: Create a sustainable industry

Without real and effective harm minimisation measures, the poker machine industry in Tasmania is not sustainable, either socially or economically.

In 2020-21 Tasmanians spent over \$117 million on poker machines in pubs and clubs. An aggravating consequence is that the machines are not evenly distributed across the community; they are concentrated in areas of social and economic stress such as in the City of Glenorchy located within my electorate of Clark. In Glenorchy, the average pokie losses per adult is over \$600 per year, the highest for all municipalities and compares to a state average of \$272 per adult per year.

As Mayor of Glenorchy from 2014 to 2021, I saw first-hand the social and economic costs to my community where \$2 million is lost on poker machines every month. That’s \$2 million not spent on food and essentials in local supermarkets and businesses. Add to this the stress on families, increased domestic violence, debt-related self-harm and suicide, and crimes or acts of dishonesty that are associated with gambling addiction, there is no circumstance under any analysis that the poker machine industry could be described as “sustainable”. Research has found that moderate-risk gamblers on average affect three other people, while problem gamblers, affects six others.

And the Government's intention to reduce the poker machines cap from 2,500 to 2,350 is a conjuring trick, as the current number of machines sits at 2,305, meaning another 45 can still be added to the fleet. The question is, where will these machines go when the individual licences are granted? Most likely to Glenorchy where the industry syphons the most money.

The social costs of pokies-related problem gambling almost certainly exceeds state revenue from EGM gambling taxes and fees, with the Government collecting just \$50 million a year. Independent analysis (ACIL Allen Consulting) estimates the economic costs to the state could be twice that figure or more, but unfortunately the Government does not properly account for social costs in recent years. But we do know that in 2011 the Social and Economic Impact Study of Gambling in Tasmania put the social and economic costs of problem gambling including prison, bankruptcy, depression, violence and productivity loss, at up to \$144 million every year. This is a dreadful return on investment for the Tasmanian taxpayer and there can be no doubt that the costs far exceed any

benefits, meaning that the poker machine industry in Tasmania is neither economically or socially sustainable.

But we do have an opportunity right now to make the machines more sustainable and less likely to attract and exploit problem gamblers. If one aim of the *Future of Gaming of Gaming in Tasmania policy* is to create a sustainable industry, then the Government must acknowledge its responsibilities and adopt the genuine harm minimisation measures I outline in this submission, and I am sure are also contained in other submissions.

Policy Aim 2: Provide the highest standard of probity

I am concerned with the Government's intention to tender to the private sector the rights to operate the networking monitoring licence for EGMs in hotels and clubs. It seems likely the Federal Group, given it already has infrastructure in place and thus a competitive advantage, would win the tender locking in additional profits and control to this gaming behemoth. In any event, network monitoring should not be handed to any private sector operator, and in particular not to a business like Federal with an interest in the outcome.

Fortunately an opportunity presents itself now to return scrutiny and monitoring into Government hands. If the public is to have confidence in the probity of the gaming product it is essential that the industry inspection and reporting is conducted by Government officers, and not by vested and conflicted private interests. The tendering option for networking monitoring must therefore be scrapped.

Another probity concern is that there is no future point at which all agreements end to allow for the licencing regime to be re-evaluated. As disastrous to the Tasmanian community (in nearly all respects) as the 2003 secret deal to extend Federal Group's monopoly contract until 2023 turned out to be, at least it provided a date to reassess the operations of the industry. That opportunity is lacking in the proposed reforms because the licences to operate EGMs in hotels and clubs will be for a period of up to 20 years; however, if traded sometime before the lease expires, the new operator will be granted a further 20 year lease from the date of transfer.

The prospect therefore is that the industry could continue, effectively, in perpetuity as there will always be licences in play as the leases are rolled over. To consider reform at a future point, the government of the day would need to legislate to terminate licences, a politically difficult and problematic move with no guarantee it would ever occur. This is a significant and unsatisfactory probity concern as it allows the industry to continue to operate even if there are community concerns of moral or financial impropriety.

It is pertinent that the Tasmania's Liquor and Gaming Commission oppose the direct, multi-licence model believing it would increase social harm and be difficult to regulate. The Government must not allow for lease extensions beyond the original 20 years.

Policy Aim 3: Ensure returns from the gaming industry are shared appropriately among the industry, players and Government representing the community

I note that the Government will double the Community Support Levy, which is a positive move. However, it is essential that 100 percent of this money is spent on assisting problem gamblers, such as addiction counselling services and support programs for gamblers and their families.

It is also essential that suburbs and communities at the highest risk of experiencing gaming addiction are targeted – the money must be made available to those with the most need. After all, it is these

people through their losses that provide the bulk of the fund. While the Government refuses to adopt real and effective harm minimisation measures, the impost on those least able to pay will continue and returns from the gaming industry will not be shared appropriately, irrespective of the of tax rates, licence agreements and the distribution of returns.

Additionally, I have concerns with the proposed licencing, tax and fees regime for the industry. It appears that the Federal Group will benefit from a significant tax cut on their casino poker machines. Hotels and clubs will certainly receive a windfall gain in the capital value of their businesses because of the individual venue and machine licences they will receive.

The "reforms" proposed by the Government – tinkering with the tax rates and fees, increasing the community support levy, reducing the state-wide cap on the number of the machines by 150, and adopting an individual licencing model – will make no difference to the thousands of Tasmanians who are or will become hooked on this highly addictive product. All the Government is doing is some redistribution of the super profit amongst the beneficiaries of the predatory poker machine industry: the victims will continue to lose their money just as freely, regardless.

Policy Aim 4: Continue to minimise harm caused by problem gambling

Claims made in *Future of Gaming in Tasmania* consultation paper that Tasmania's harm minimisation framework is regarded as "best practice" is preposterous. To my knowledge there are no credible, independent harm minimisation researchers that would support that claim. In any event, if the Government's current measures are so "best practice" then, given the social misery they cause, they clearly aren't working and need to be changed. The measures I propose that will help break the addiction cycle are:

- \$1 maximum bet limit per spin (currently \$5);
- slower spin speeds, at least six seconds;
- set maximum jackpots to \$1,000 (instead of \$25,000);
- increase the return to player to 95% (currently 85%);
- disallow sounds/message responses that disguise losses as wins;
- disallow false near misses;
- introduce regular machine shut-downs to provide breaks in play;
- limit opening hours for gaming venues.

These measures are designed to mitigate common problem gambling behaviors by not only reducing the amount that can be gambled, but by lessening the time spent at the machine by lengthening the spin interval and by reducing hours of operation to allow the gambler to leave the machine, even for a short time. In addition, the lights, sounds and design of the machines which can seduce gamblers are moderated, while setting much lower jackpots lessens the lure of the "one big win" as problem gamblers "chase" losses.

None of these measures are new, unproven or difficult to implement. They have been variously proposed for many years by independent and respected researchers such as Associate Professor Charles Livingstone from Monash University's School of Public Health and Preventive Medicine, the Federal Government's Productivity Commission, and Tasmania's Liquor and Gaming Commission. In addition, they are endorsed by well-regarded social reformers such as Rev Tim Costello AO and social service providers including the Tasmanian Council of Social Service. Even the Liberal Party took a policy to support one dollar bet limits to the 2010 election, only to be quietly dropped not long after.

The poker machine industry likes to promote its product as fun and entertainment. The problem is that everything about the current settings are deliberately designed to blur the line between common sense and addiction, to keep you sitting at the machines hoping to hit that big jackpot. The machines, as they stand, are intended to be highly addictive – small wins draw you in, the lights and sounds sooth and promise more.

The reforms I propose make the machines less addictive and slow the amount and rate of losses. If this really is a leisure activity, then the recreational punter will scarcely notice the difference. If it is a bit of fun with your mates, or a shared thrill after a meal or a night out, or if you want to drop in for half an hour after work to wind down, then you can go right on playing. You don't need a spin every three seconds or bet the maximum every time; you won't want to sit there to four in the morning or until all your money is gone. Even at six second spin intervals on a five-cent machine with three lines, you'll still outlay \$270 every hour. Imagine how long your money will last at \$5 per spin?

That's not entertainment, that's exploitation of the lonely, desperate and vulnerable. Should our government really be sanctioning that?

Summary

My constituents tell me loud and clear that they do not want poker machines feeding crime, suicide, childhood poverty and domestic violence into their communities, and I am sure every other politician is hearing the same message. When I talk privately to my political colleagues from all parties they almost invariably profess a dislike for poker machines but they, like the addicts, are too drawn into the lure and the fear of these machines: the lure of taxation swelling the treasury, and the fear of the wrath of the industry should they dare interfere with the profits. MPs have learned their lesson.

But, as I acknowledged in my introduction, the purpose of this consultation is not to seek the removal of the machines – that's a battle that will continue to be fought – but to ensure, if we must have them for the present, that we make the best of it that we can.

My conclusion is that none of the aims of the Government's policy are genuinely achievable without real and effective harm minimisation measures, which I outline above. That's because, as long as the industry's business model is rooted on exploiting addicted gamblers, it can never be sustainable on any financial or social measure and, with so much money at stake, we can never have confidence in the standard of probity or that the returns will not continue to be perversely skewed towards the poker machine operators. So it's business as usual – blatant wealth transfer from the poor to the rich.

Tasmanians loses at all levels: financially, socially and morally.