

# **Productivity Commission Draft Report on Gambling (October 2009)<sup>1</sup>**

## **What does it mean for the gaming machine sector?**

### **Background**

Yesterday (21 October 2009), the Productivity Commission released its Draft Report on Gambling<sup>2</sup>. The Report represents a significant milestone in Australian gambling regulation and precedes a Final Report to be released in February 2010.

The Productivity Commission was requested by the Commonwealth Government to report on various matters relating to the gambling industry including:

- the social impact of the gambling industries;
- the implications of new technologies (such as the Internet), including the effect on traditional government controls on the gambling industries;
- the impact that the introduction of harm minimisation measures at gambling venues has had on the prevalence of problem gambling and on those at risk; and
- the effectiveness and success of harm minimisation measures.

This review represents the second review of the gambling sector conducted by the Productivity Commission, the first being in 1999.

The Productivity Commission has invited comments on the Draft Report. Written submissions should be made by **Friday 18 December 2009**. The Productivity Commission has scheduled a number of public hearings from late November until mid-December at which submissions relating to its Draft Report can be made.

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<sup>1</sup> The authors wish to thank Michael Camilleri for his contribution to this FocusPaper.

<sup>2</sup> See <http://www.pc.gov.au/projects/inquiry/gambling-2009>

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## **Public Concern**

Widespread public concern exists about the relationship between problem gambling and electronic gaming machines (“EGMs”). The impetus for the Productivity Commission’s Inquiry was driven largely by concerns about problem gambling, particularly with respect to EGMs.

Unsurprisingly, a large proportion of the Draft Report deals with EGMs and changes that can be made to their design so as to help prevent problem gambling. The Productivity Commission justifies this focus because EGMs:

- account for three quarters of the instance of severe problem gambling;
- are not properly understood, even by recreational gamblers; and
- are widely accessible throughout all Australian States and Territories (with the exception of Western Australia).

This FocusPaper covers only the more significant of the matters relating to EGMs raised in the Draft Report.

## **The Commission’s Draft Findings**

The Productivity Commission found that many gamblers have difficulty controlling the time and/or money spent on gambling. The Productivity Commission considered that features of EGMs make it difficult for genuinely informed choices to be made. Pre-commitment systems provide the best means of obtaining informed consent from gamblers. For gamblers who cannot control their behaviour, a simpler self-exclusion system is necessary.

The Productivity Commission found that the current bet limits (the amount of money that can be bet on a single spin<sup>3</sup>) are too high. Moreover, recreational gamblers typically bet at quite low levels and would not be adversely affected by a decrease in the bet limits. The Productivity Commission also considered that the limits on the maximum amount of money that could be inserted into an EGM is too high (given the low amounts bet by most gamblers per spin).

Also, the Productivity Commission considers EGM manufacturers receive insufficient guidance from regulators about whether particular features are likely to obtain regulatory approval.

Further, the Productivity Commission considers that the current regulatory environment has limited effectiveness in minimising harm. This occurs due to confusing, overlapping and inconsistent regulations. Burdens have been imposed unnecessarily on venues and suppliers.

## **The Commission’s Draft Recommendations**

The Productivity Commission recommended:

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<sup>3</sup> Current EGMs are complex devices which may feature numerous rows or “lines”. A gambler can bet varying amounts on each line. A “spin” refers to the outcome across all lines after the gambler has placed their bets.

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- the maximum bet limit should be reduced to \$1<sup>4</sup>;
- the maximum amount of cash that can be inserted into a EGM should be \$20<sup>5</sup>, with no further cash able to be inserted until the maximum credit on the EGM falls below \$20;
- by 2016, governments should implement a universal pre-commitment system for EGMs;
- self-exclusion should be simplified and capable of applying to all venues in a jurisdiction;
- EGMs should disclose the “expected” hourly expenditure and the percentage cost of play;
- new equipment should be compatible with systems that can provide player statements and dynamic warnings;
- gamblers’ capacity to obtain judicial redress against gambling providers that behave egregiously should be enhanced, possibly by the introduction of a new statutory cause of action;
- a shutdown period for EGMs in all hotels and clubs should commence earlier and be of longer duration than currently is the case;
- standards for EGMs should be reformed and require consistency across jurisdictions unless the costs of the variations can be justified by their likely consumer benefits;
- regulators should ensure that all of their requirements for EGMs and games are specified clearly and made available publicly; and
- a more consistent and coherent regulatory regime.

The Draft Report sets out considerable information regarding each recommendation, with particular detail paid to the objectives and means of operation of both a pre-commitment system and a self-exclusion system.

## **The Commission’s Requests for Submissions**

The Productivity Commission has requested submissions on:

- the use of loss-limiting measures in EGMs, as an appropriate harm minimisation measure;
- further views and information on the effects of jackpots on EGM use;
- the aspects of the design of a pre-commitment systems;
- whether a new statutory cause of action should be established in respect of “egregious” conduct by venues; and

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<sup>4</sup> The Productivity Commission recommended this requirement not apply to VIP and high roller rooms in casinos.

<sup>5</sup> See footnote 4 above



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- the period of shutdown that would best target problem gambling, with the least adverse side-effects on recreational gamblers.

The first three of these points are more relevant to gaming machine suppliers, while the last two bullet points are more relevant to venues.

**For more information, please contact:**

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