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***Proposed Mildura Casino - Position Paper for  
Mallee Family Care Board***

**Prepared by Prof E W Russell  
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## **Discussion Paper**

### **Purpose**

This Paper has been prepared to assist the Board of Mallee Family Care to decide on its position regarding a proposal to establish a Casino in Mildura. The paper first provides some background and then suggests a Position (A) for the proposal stage involving five principles that are recommended for consideration. Position (B) is suggested in the event the proposal proceeds and is approved.

It is suggested that a Position should be succinct so that it can readily be understood by the community and policy makers, and should comprise a small number of key principles. At Appendix 4 an example of a Position on Electronic Gaming Machines (EGMs) adopted by the City of Kingston is given for comparison and reference.

### **The Mildura Casino Proposal**

This Mildura casino proposal became public in mid-October 2009 when press reports appeared as to a \$300-\$400 million proposal from a Syndicate comprising Mr John Haddad, former Managing Director of Federal Hotels<sup>1</sup> and Mr Don Carrazza, Proprietor of the Mildura Grand Hotel.<sup>2</sup> It was reported that the proposal had been discussed with Victorian Premier Mr Brumby, but not yet made public. The design is said to include a 220 room hotel, convention centre, health resort and restaurant.<sup>3</sup>

The possibility of any new Casino in Victoria has been made possible with the expiry of the exclusivity aspect of Crown Casino's licence. Proposals have emerged for new casinos in Mildura and Bendigo.

### **Differences between Casinos and existing Poker Machine Venues**

There are already seven poker machine venues and 290 Electronic Gaming Machines (EGMs or Poker Machines) in the Rural City of Mildura, with further venues in adjoining parts of New South Wales such as Wentworth, Dareton, and Buronga. These provide extensive opportunities for machine gambling.

A casino normally provides additional forms of gambling in addition to poker machines. These additional forms include table games such as roulette and blackjack. Casinos may also seek to attract wealthy gamblers from elsewhere (known as "high rollers") who may wish to combine gambling with visits to exotic locations, notably those such as Macao or Las Vegas where multiple gambling opportunities exist, although lavish incentives are said to be offered by Australian casinos to attract these "high net worth gamblers" to their facilities.

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<sup>1</sup> Federal Hotels is the licensee of the two casinos in Tasmania, Wrest Point and Country Club Tasmania (PC (2010), p. 2.29)

<sup>2</sup> Sunraysia Daily, Herald-Sun, Melbourne 15 October 2009

<sup>3</sup> Australian Financial Review, 11 February 2010, p.48

Beyond poker machines and table gaming, casinos often add dining, accommodation, conference, convention and entertainment facilities to the complex of buildings making up the casino. Such is the case with the proposal suggested for Mildura.

## **Summary of Likely Benefits to the Mildura Community**

The following benefits could be associated with the introduction of a Casino and Entertainment Centre to Mildura:

- **A new recreational opportunity** (table gambling) which gives enjoyment to some people and is not currently available in Sunraysia would be provided. It is important to note that the provision of this “enjoyment” was identified by the Productivity Commission as the “main source of benefit from the liberalisation of gambling” , not employment or other benefits;

*The benefits from liberalisation of the gambling industries come primarily from the satisfaction that consumers obtain from the ability to access what for many is a desired form of entertainment.*

*-Productivity Commission, Australia’s Gambling Industries, vol 1, p. 5.1*

- **Employment.** Jobs would be created during the construction of the casino and there would be ongoing employment for hospitality industry staff. There is likely to be some increase in the availability and range of employment but note that the Productivity Commission said that “net gains in jobs and economic activity are small when account is taken of the impact on other industries of the diversion of consumer spending to gambling.”<sup>4</sup>
- **Creation of a Conference/Convention centre.** The current proposal would see the creation of a larger and more integrated conference facility in Mildura than currently exists and this may attract to the area conferences and conventions that would otherwise be held elsewhere;
- **Creation of a large entertainment venue** suitable for rock concerts and other large recreational events. This also forms part of the current proposal.

It will be noted that the benefits of a Casino are likely to be limited to recreational enjoyment for some people, employment benefits during construction and operation, and the possible added value of a convention centre and entertainment venue. However if the provision of the convention and entertainment venues are excluded, since they represent community infrastructure which need not be conditional upon the flow of gambling revenue, the overall public benefit is quite limited. On the other hand, there may be substantial private benefit to be gained, albeit at the price of substantial social costs imposed but not met by the proposed venue. The following analysis of these social costs aligns with the findings of the monumental 1999 Productivity Commission study of these issues, *Australia’s Gambling Industries*, currently being updated with an extensive Draft Report open to public consultation.

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<sup>4</sup> Productivity Commission, (1999), *Australia’s Gambling Industries*, vol 1, p. 5.1

## Summary of Likely Disbenefits to the Mildura Community

- **Problem Gambling:** Problem gambling occurs when a gambler is no longer able to contain his or her recreational gambling without adverse affects on his or her social circumstances. These adverse affects can include family breakup, loss of family assets, the commission of crime to cover gambling costs or debts<sup>5</sup>, and suicidal thoughts or actions or other forms of self-harm. It is estimated that 2.5% of the population are problem gamblers or gamblers at “moderate risk”<sup>6</sup> – which, against Sunraysia’s population of 60,000<sup>7</sup>, would mean some 1500 individuals would fall into these categories, of whom 900 would be problem gamblers.

Productivity Commission estimates are that for each Problem Gambler, five other people are affected to some degree. This amounts to a substantial social impact. Gambling opportunities in Sunraysia are already extensive so the role of the proposed casino would be to further extend rather than create this problem. It may well be that a policy of reducing the existing number and/or accessibility of electronic gaming machines may be more appropriate than a policy of adding to them, since the Productivity Commission notes that “the prevalence of problem gambling is related to the degree of accessibility of gambling, particularly gambling machines”.

***a policy to reduce harm arising from problem gambling must combine a number of elements. It must include both a binding maximum price (minimum payout ratio) and a reduction in the total supply of gambling services.***

-Professor John Quiggin, Review of Productivity Commission, *Australia’s Gambling Industries*

- **Flow on effects of Problem Gambling: Bankruptcy, Family Breakdown, Crime etc:** The Productivity Commission has identified 21 areas of flow-on problems, many serious in nature, that result from problem gambling. A chart showing causal relationships is at Appendix 1. Key impacts of problem gambling may be summarised as follows:

<sup>5</sup> McMillen and Masterman Smith have noted that the University of Melbourne study of the Victorian Gambler’s Help Data Base suggests that “10.5% of gambling funds were sourced from ‘illegal sources’”, *Community Impacts of Electronic Gaming Machine Gambling: Part A, p207*

<sup>6</sup> The Productivity Commission estimate is that in NSW 2.55% of the population fall into the category of problem gamblers. The rate of problem gambling has been contentious, however Appendix 3 provides a reconciliation of the Productivity Commission figures with lower figures asserted by Clubs NSW. The Productivity Commission 2009 Draft report suggests a lower prevalence for Victoria of 0.7 to 1.4% for problem gamblers and a further 2.3-2.8% of gamblers at “moderate risk”. (PC 2009, p. 4.24)

<sup>7</sup> The population of the Rural City of Mildura in March 2008 was 53000 (ABS), to which may be added the population of the Shire of Wentworth of 7159 giving a total for the region of 60281 (Source ABS, also *Mildura Region Economic Profile 2009*)

<b>Work and Study</b>	<b>Job loss</b>	
	Absenteeism	
	Poor Performance	
<b>Personal Life</b>	Stress	
	Depression/Anxiety	Suicide
	Poor Health	
<b>Financial</b>	Hardship	
	Debt	
	Asset Losses	Loan Sharks
	Bankruptcy	
<b>Legal</b>	Theft	Imprisonment
	Domestic Violence	
<b>Interpersonal</b>	Relationship breakdown	
	Impacts on others	
	Neglect of family	
<b>Community services</b>	Load on public purse	
	Load on charities	

Source: Productivity Commission, *Australia's Gambling Industries*, Report 10, Summary, p.25, Fig 8

- **Mental Health Issues:** An important aspect from the point of view of MFC in considering the expansion of gambling in its catchment is the relationship of gambling to mental health. On the one hand, vulnerable people appear to be more susceptible to gambling, which may provide distraction, comfort and the promise of easy wealth, all of which may for a short time help to assuage grief or emotional pain. On the other hand, gambling may magnify existing mental health problems by increasing financial hardship or relationship strain.

*Some groups of consumers – such as people with intellectual or mental health disabilities, poor English skills, and those who are emotionally fragile (say due to grief) – may be particularly vulnerable to problems while gambling...some problem gamblers may have pre-existing conditions such as bipolar disorder or impulsivity disorders that may predispose them to problems with their gambling...*

**-Productivity Commission, 2010.p 3.09-3.10**

It could be expected that an increase in gambling in Mildura would impact these groups in the community and that Mallee Family Care and similar organisations would be required to provide support services for them.

- **Disenfranchisement:** The imposition of a casino on Mildura is likely to involve overriding the wishes of the local community. Surveys indicate that 92% of the overall population do not wish to see further expansion of poker machines and 70 per cent believe poker machines do more harm than good.

Mr John Haddad is quoted as saying that he will only proceed with the proposal if Mildura wants it, while Premier Brumby has stated that he will give consideration to a casino in Mildura if there is general support for it. But the question is how such general

support would be measured. For example, a plebiscite of the local community could result in general opposition whereas some other mechanism might be taken to amount to “consent” (eg Council support, or absence of strong opposition at a Planning Panel or VCAT hearing). For these reasons an important aspect of the community’s stance on the proposed Casino needs to be a position as to how the community’s views on the proposal are to be measured or obtained.

- **Urban Transformation:** The Casino proposed for Mildura involves a location in the centre of the City, in one of the most accessible and iconic sites the community possesses, namely the Riverfront area and the area between it and the main shopping centre and restaurant precinct. In his initial public comments, Mr John Haddad stated that “*The land there can go right to the river and you would open up the riverfront. It would be marvellous for Mildura and also for Victoria*”.<sup>8</sup> Such a development would be transformational, and alter the character of the centre of the city from one of tranquil beauty to one of intense development. For some people, this may be a desirable transformation, as Mr Haddad suggests. Others may feel such a development to be inappropriate as to scale, function and impacts.

It is a generally accepted planning principle that gambling venues should be separated from shopping centres to restrict the risk of problem gamblers being attracted to venues while performing normal shopping activities. The proposed casino location contravenes this principle.

The proposed casino involves the privatisation of public lands in the riverfront precinct. Such lands are an irreplaceable community asset and arguably should not be privatised for the benefit of a small section of the community and investors.

It could be expected that gambling activity would occur 24 hours a day, 7 days a week. The continuous service of alcohol may also give rise to issues related to alcohol fuelled violence in the surrounding areas.

These are matters of public interest; they are also planning issues which would be addressed through formal channels should a formal proposal for a Mildura casino emerge, however with social issues concerning 24-hour drinking venues and alcohol fuelled violence giving rise to much contemporary concern these are highly relevant issues to the current proposal.

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<sup>8</sup> Herald-Sun, 15 October 2009

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## Can the Social Damage of a Casino be offset?

Because of the compromised position state governments find themselves in as bodies drawing substantial revenue from gambling taxes while wishing to demonstrate some concern for the known negative social impacts, a variety of mechanisms exist to “offset” the damage. These include:

- Portraying the beneficial effect of gambling revenue in supporting state services as a whole. For example, there is a Health Benefits Levy on all EGMs in Victoria.<sup>9</sup> This is basically a weak argument since it overlooks the regressive social incidence of gambling, that is, the poor are made to pay more than their share where revenues are raised by regressive measures such as gambling tax;
- Earmarking a significant revenue flow for socially beneficial projects. In Victoria, the principal mechanism for this is the Community Support Fund, to which 8.33% of EGM revenues are paid. The problem with such a fund from the point of view of Mildura residents is that they have very limited influence on the priorities for funding via this Fund.

My analysis at Appendix 2 below suggests that Mildura receives less than its fair share (on a per capita basis) of CSF disbursements, assuming that a proportionate share (\$464,500) of the \$2.327 million provided by CSF to St Lukes Anglicare for the program *Taking Action on Problem Gambling* in the Loddon Mallee Region flows to Mildura. It may not.<sup>10</sup>

Considerable amounts of the funds received by Mildura last year through CSF were for basic community infrastructure including such items as a \$415,000 mobile library, an \$87,000 fire truck for Merbein, and SES infrastructure. Some of these items appear to be basic community infrastructure which might more appropriately be funded directly by government. Should a casino be introduced, with a commensurate rise in gambling revenue to the State from Mildura, the questions of whether CSF in Melbourne is the right body to determine payments for Mildura purposes, and whether Mildura receives its fair share of such funding on a per capita basis, are magnified. As suggested in the position paper below, Mildura could consider requesting direct return of these revenues for local allocation rather than continuing with allocation by a Melbourne based body<sup>11</sup>.

In New South Wales, clubs with poker machine revenue above \$1 million dollars annually are required to provide funding for community projects under the Community Development and Support Expenditure program (CDSE), and these payments have included some to Victorian bodies such as \$3000 from the Wentworth Club for Merbein

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<sup>9</sup> EGMs at Crown Casino will be exempt from this levy from 2012 under an agreement with the Victorian Government. If a casino licence were to be granted for Mildura, such an exemption would be needed to place it on a level playing field with the position enjoyed by Crown. Ref Herald-Sun 12 May 2009, “Crown Casino gets more tables...”

<sup>10</sup> It is understood that St Luke’s Anglicare delivers problem gambling services via Centacare, which employs one problem gambling worker to cover Sunraysia, Robinvale and Ouyen.

<sup>11</sup> The Victorian Auditor-General reported in 2009 that the CSF “cannot presently be assessed as it has no explicit objectives and there is no monitoring, evaluation or reporting on its overall effectiveness”. *Weekly Times* 18 November 2009

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Aged Care in 2006.<sup>12</sup> The Coomealla Club donated \$149,000 for sporting and community projects in 2008-09, some of which were in Victoria.<sup>13</sup>

- Support for help for problem gambling, gambling research and gambling advocacy. These activities, while helpful, are in the nature of relatively limited bandaids that are not proportionate to the scale of the injury. As indicated in the Table at Appendix 2, last year some \$2.327 million was provided to St Luke's Anglicare for Problem Gambling Services in the Loddon Mallee Region. On a population basis this would translate to an entitlement for expenditure in Mildura on problem gambling of \$464,500.<sup>14</sup> It is believed that the resources allocated by St Lukes Anglicare to Problem gambling in Mildura (under contract to Centacare) equate to the funding of one full-time position.
- Local earmarking, under which a gambling licensee is required to plough back a small proportion of his profits into local facilities. While this mechanism can provide some local benefits to sporting clubs and the like, it is a provision often abused in recent years in Victoria when licensees have been authorised to spend such sums on such items as the provision of smoking rooms, paying their landlords rent and other private benefits.
- Creating a capacity for local philanthropy (in that the licensee receives so strong a revenue flow that he can make philanthropic gestures to assuage community concerns) and
- The provision of cheap meals or entertainment to seniors or other patrons<sup>15</sup>, although it should be noted that the Productivity Commission's current Draft Recommendations classify such "freebies" as 'inducements to gamble' and recommend they be prohibited.<sup>16</sup>

A review of these offsets suggests that in general., it would be preferable for support for local sporting clubs, seniors and community facilities be provided by state and/or local government on the basis of a fair and progressive tax base, rather than be provided through random actions of government or licensee largesse in diverting a revenue stream largely financed by the hardship of problem gamblers. These facilities should be provided, but on the basis of fair contributions – and only state or local government are likely to be capable of ensuring that equity.

Should a casino be established at Mildura, the scope of gambling activities will be extended and so too will be the issues of the extent to which Mildura receives a fair share of earmarked revenue, and whether that share is sufficient to manage the social impacts. The Productivity Commission's Draft Report discusses the merit of a holistic "Public Health" approach to problem gambling, and perhaps MFC could consider the design and financing of such a program in considering its future strategy.

If a Casino is established in Mildura, a specialised independent body – such as a Sunraysia Gambling Foundation – should be established by legislation to allocate earmarked revenue according to local priorities to ensure Mildura receives its fair share of earmarked revenue and

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<sup>12</sup> Wentworth Shire Council News 28 August 2006

<sup>13</sup> Coomealla Club, Annual Report 2008-09

<sup>14</sup> St Luke's Anglicare website.

<sup>15</sup> For example, the financial statements of the Coomealla Club for 2009 show a subsidy to meals including Pensioner meals of \$391,143 for the financial year 2008-09. Coomealla Club, *Annual Report*, 2008-2009.

<sup>16</sup> Productivity Commission (2009) p 8.38

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that the use of such revenue is used to best effect to minimise community harm. There are good precedents for such Foundations in New Zealand and Canada.

## **Conclusion**

The introduction of a casino with associated convention centre and entertainment centre to Mildura may offer the following benefits:

- Enjoyment of additional types of gambling activity not currently on offer in Sunraysia, particularly table gaming;
- A convention centre which may attract new visitors and income to the area;
- An entertainment venue suitable for events such as large rock concerts which would provide some additional entertainment opportunities for young people;
- Some short term employment in the construction of the casino;
- Some longer term employment in the casino (probably at the expense of employment elsewhere in the community as spending is diverted to gambling);
- Substantial profit to the promoters.

On the other hand, there are very substantial disbenefits

- Greater gambling availability resulting in the complex range of social and family problems known to be associated with problem gambling – but particularly family stress, family breakdowns, mental health problems including depression and suicide, debt, theft, bankruptcy, etc. Many of these problems fall within the direct scope of Mallee Family Care and the Financial Counselling Services – so it is directly relevant for MFC to adopt a position on this matter;
- Diversion of income and employment from other businesses and employment opportunities in Sunraysia to the casino;
- Transformation of the city centre of Mildura by the creation of a large casino and entertainment centre, likely to operate on a 24 hours a day 7 days a week basis and to give rise to problems associated with alcohol fuelled violence;
- Privatisation of a large piece of iconic publicly owned riverfront land, that is one of the city's finest public vistas and attributes;
- Inadequate offsets such as Community Support Fund payments that may or may not be fairly allocated to Mildura on a per capita basis, may not reflect community priorities, and may be insufficient to deal with social, mental health and financial impacts arising from the expansion of gambling;
- Disenfranchisement of the community if the project is imposed without a valid mechanism for obtaining consent.

Balancing these benefits and disbenefits is a matter of values. For those who place high value on economic activity, private profit and development but a low value on social and family impacts, the casino may seem attractive. For those who value community, the minimisation of harm from gambling, crime and alcohol abuse, and the protection of the urban form and publicly owned spaces in the centres of Mildura, this casino proposal is unlikely to be attractive.

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A suggested position for MFC follows, in two stages:

- A position while the proposal is under consideration
- A position in the event the proposal is approved.

**A. Mallee Family Care [Recommended] Position on Proposed Mildura Casino**

- **Mallee Family Care is opposed to the introduction of a Casino in Mildura because of the social harm that increased gambling availability will produce, particularly family stress and family breakdown, mental health issues, household debt and bankruptcy, theft, crime and alcohol fuelled violence;**
  - **Mallee Family Care considers that the ratio of Electronic Gaming Machines to population in Mildura and adjoining parts of NSW is excessive and that the direction of policy should be to reduce the total number of machines in the municipality, and not to provide extra gambling facilities via a Casino;**
  - **Mallee Family Care is opposed to the creation of a Casino contiguous to the Mildura CBD as this will make gambling opportunities too accessible; privatise iconic public riverfront land, and transform the precinct by the scale of the development and through the impact of 24/7 entertainment and alcohol consumption in the area;**
  - **Mallee Family Care insists that any Casino proposal be subject to a valid community plebiscite, and strongly opposes any attempt to impose such a facility on the community without the community's consent;**
  - **Mallee Family Care requests the Mildura Rural City Council to evaluate the need for a convention centre or new entertainment venue in Mildura and to report as to whether such facilities should be publicly provided.**
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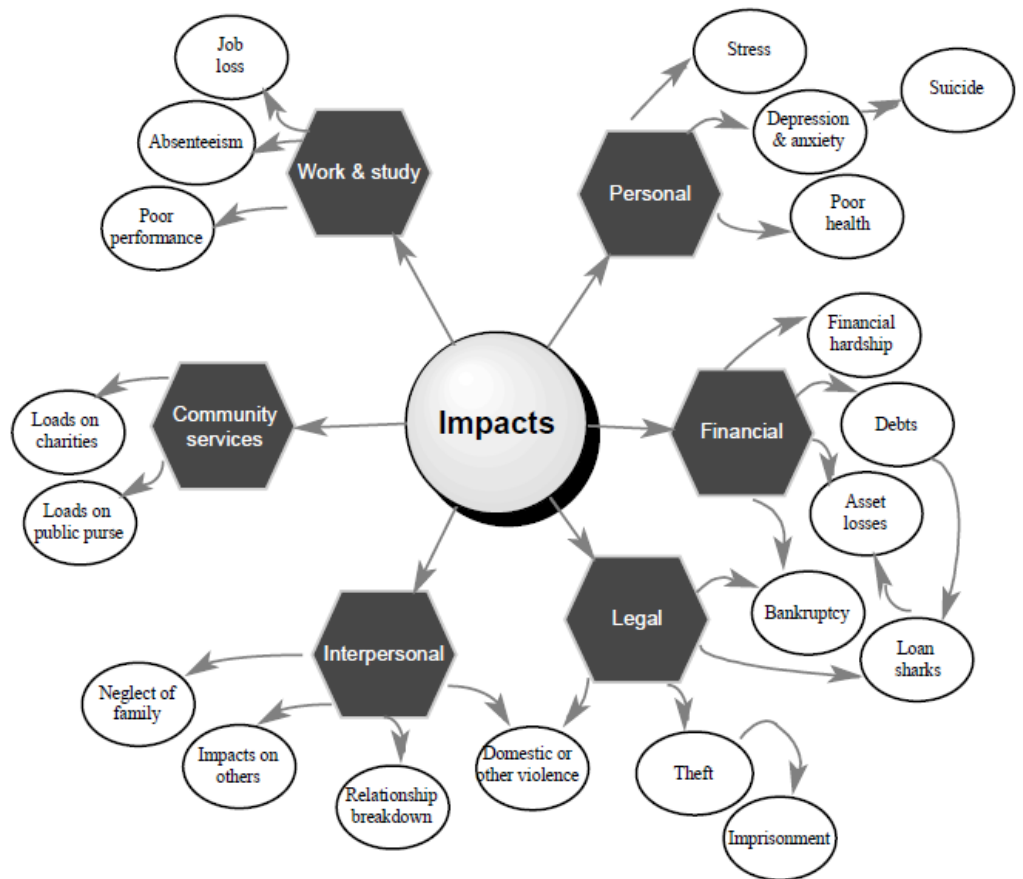
**B. Mallee Family Care Position [Recommended] Position if a Mildura Casino is Approved: If such a casino is approved, MFC submits:**

- There should be no net addition to the number of EGMs in the municipality – the casino operator should be required to negotiate for the relocation of EGMs from existing poker machine venues in Mildura;
  - The Casino should not be built contiguous to the Mildura CBD but on private land away from shopping centres and requiring no privatisation of public land;
  - Legislation should provide for the creation of a Sunraysia Gambling Foundation to which all earmarked community benefit funds from existing EGMs in Mildura and from any new Casino should be paid, to enable local priorities to prevail in offsetting community and social costs of the casino, and to ensure that there are local resources to assist in managing negative social impacts of expanded gambling facilities.
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### Appendix 1: Productivity Commission analysis of Social Harm resulting from EGMs

This table illustrates far-reaching social impacts from problem gambling. Without the expansion of gambling in the region, there are likely to be some 1000 problem gamblers in Sunraysia. Many of the social and mental health impacts are of the kind that would require help from Mallee Family Care or similar organisations. Making gambling more accessible through a Casino is likely to increase the incidence of these impacts.

Figure 7.1 Impacts of problem gambling



Source: Productivity Commission, *Australia’s Gambling Industries*, vol. 1

## Appendix 2:

### Community Support Fund Program Payments to Mildura 2008-09

This table has been prepared to show where last year's Community Support Fund allocations to Mildura bodies were allocated. It is notable that funds applied to dealing directly with the social impact of problem gambling in the region are quite limited. This is particularly so if the \$465,400 Mildura per capita share of the \$2.327 million allocated to St Luke's Anglicare for problem gambling in the Loddon Mallee region was not spent in Sunraysia.

#### COMMUNITY SUPPORT FUND PAYMENTS TO MILDURA 2008-09

Program	Total Exp 2008-09	Notes	Sunraysia Share			
			L-M Region	Sunraysia		
Taking Action on Problem Gambling			1	2,327,000	465400	St Lukes Anglicare Loddon-Mallee
					30,000	Primary Care Partnership Mildura Ru (Gamblers Help Service System)
Advance Program for Youth Development					8589	Chaffey Secondary College
					9725	Merbein Secondary College
					9725	Mildura Senior College
					9725	Mildura Specialist School
					817	Vic College of Koori Education Mildur
Better Pools Program					Nil	
Art in the Suburbs					Nil	
Community Advancement Fund					Nil	
Community Building Initiative					Nil	
Community Enterprise Initiative					15000	East End Community House, East Mi
Community History Grants					Nil	
Community Renewal					Nil	
Community Safety Emergency Support					42546	SES Vehicle Access Extension
					87000	Merbein CFA Nissan Patrol



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## Appendix 3: Prevalence of Problem Gamblers

Australian Broadcasting Corporation

# FOUR CORNERS

UPDATE

## A NOTE ON THE PREVALENCE OF PROBLEM GAMBLING IN NSW

A note from reporter Jonathan Holmes on Problem Gambling in NSW.

Reporter: **Jonathan Holmes**

Date: **18/09/2007**

ClubsNSW, the umbrella organisation representing the 1,400 or so registered clubs in NSW, which between them own over 74,000 pokies, declined to take part in the Four Corners report "[Hokey Pokie](#)", first broadcast 10 September, 2007 on ABC TV.

However ClubsNSW and its president, David Costello, have frequently claimed that the recent »'[Prevalence Study into Problem Gambling](#)' [PDF], undertaken by **AC Nielsen** on behalf of the NSW government, shows a sharp decline in problem gambling since 1999, when the Australian »'[Productivity Commission's landmark report](#)' was published.

For example, a ClubsNSW media release dated 30 May 2007 states:

**"ClubsNSW says a report released by the NSW Government today which shows the rate of problem gambling has fallen to 0.8 per cent of the adult population is welcome but that the Club Industry will not be resting on its laurels. Prevalence of Gambling and Problem Gambling in NSW, was conducted by ACNielsen and is the largest such study ever commissioned in NSW.**

**The prevalence study confirms a clear downward trend in the number of problem gamblers across all states in Australia.**

**The Productivity Commission in 1999 reported on Australia's Gambling Industries and found that 2.55 per cent of the NSW adult population were problem gamblers."**

As recently as Thursday 13 September 2007, on ABC Radio National's "**Australia Talks**", David Costello was still making the same claim. He said:

**"In 1999 some eight years ago when the Productivity Commission delivered their findings it said that New South Wales had 2.55 per cent of the adult population had a serious problem with gambling. About three months ago they released a study done in 2006 which showed that figure had dropped dramatically to 0.8 per cent of the adult population at a time that revenue (from gambling) was still increasing."**

This claim is entirely unfounded, for the following reasons:

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1. Despite what Mr Costello appeared to claim on Radio National, the **NSW Prevalence Report 2007** was commissioned by the NSW government. The **Productivity Commission** had nothing to do with it.

2. The two reports are not comparable because they use completely different methods to measure problem gambling. The Productivity Commission's 1999 survey used an American system widely used in the 1990s, the **South Oaks Gambling Screen or SOGS**. The NSW 2007 study used a system which has since become standard and is now used by most states and territories in Australia, the **Canadian Problem Gambling Index (CPGI)**. One simply cannot compare the results of one survey with the other, especially when the overall percentages being measured are so small.

3. Even if the reports could be compared, ClubsNSW is misquoting them. The Productivity Commission 1999 report found that 1.25 per cent of NSW adults had severe gambling problems, as measured by the Dickerson method applied to the SOGS test. 2.55 per cent of the adult population of NSW scored more than five on the SOGS test, which indicates moderate to severe gambling problems. The 2007 NSW Prevalence Study found that 0.8 per cent of adults had a severe problem as measured by the CPGI, and a further 1.6 per cent were at *moderate risk* of having or developing problems, producing a figure of 2.4 per cent who were "at risk". Yet ClubsNSW compares the figure for those at highest risk in the NSW study with the "moderate to severe" figure from the Productivity Commission study. It would be more appropriate (though still not statistically valid, given that they use different systems) to compare the moderate to severe figure in the Productivity Commission study (2.55 per cent) with the "at risk" figure in the NSW study (2.4 per cent). Given the big margins of error in both studies, they show little or no statistically significant fall in the incidence of problem gambling.

4. **Professor Jan McMillen** was the chief academic consultant associated with the NSW Prevalence Study. In an interview conducted in July 2007, Jonathan Holmes put to her the claims made by Clubs NSW in its May media release. Here's a portion of the transcript:

**PROF MCMILLEN:** Drawing that comparison is quite deceptive, basically we used a quite different tool in the current New South Wales Study. It would be like comparing apples and oranges rather than apples and apples... The methodology that was used by the Productivity Commission was quite different to the methodology that was used in the recent (NSW) Study: you can't compare them.

**JONATHAN HOLMES:** So when the Industry basically pats itself on the back as a result of that (NSW) Prevalence Study and says the measures that have been brought in the last few years are working, that's not a conclusion they can readily draw?

**PROF MCMILLEN:** No they can't. We don't have evidence to support that claim at all.

5. The previous NSW Minister for Gaming and Racing made similar claims to those still being made by ClubsNSW when the NSW Prevalence Study first came out. However, the current Minister, **Graham West**, no longer makes that claim. This is a portion of the transcript of his interview with Jonathan Holmes:

**JONATHAN HOLMES:** Graham West, your predecessor made some claims about the prevalence study that was done about problem gambling. He said that it showed a clear reduction in problem gambling since the 1999 Productivity Commission Study. Is that your reading of what that study tells us?

**GRAHAM WEST:** No, what we have is the first time we've used the Canadian Problem Gambling index, so it is a completely different index. And we for the first time have a clear benchmark that we can compare with other states and other countries. And so that's our starting point now. Our starting (point) is the survey we just did and it found that 0.8 per cent of the population are problem gamblers and about 1.6 per cent are at risk of becoming problem gamblers.

**JONATHAN HOLMES:** At moderate risk and I think even more at a low risk?

**GRAHAM WEST:** No, that was the high risk figure, yeah yeah.

**JONATHAN HOLMES:** In other words 2.5 per cent who were classified as at risk?

**GRAHAM WEST:** That's right, correct, yes.

**JONATHAN HOLMES:** Which is about the same as what the Productivity Commission said roughly?

**GRAHAM WEST:** Yeah, but the difference is the nature of the study, the methodology. We're now using a nationally accepted methodology so we can actually compare it to other States.

**JONATHAN HOLMES:** So when players like the Clubs New South Wales claim that there's been a dramatic reduction, that's not your interpretation of that study?

**GRAHAM WEST:** I haven't seen them claiming that. I think they say the same ...

**JONATHAN HOLMES:** They have claimed it, they have claimed it publicly.

**GRAHAM WEST:** Well it's a different study. It is a new methodology.

**6.** On 19 August 2007, the Chairman of the Productivity Commission, **Mr. Gary Banks**, gave the keynote address to a conference organised by ClubsNSW at the Australasian Gaming Expo in Sydney. Mr. Banks addressed this issue very specifically. He stated that: "the NSW 2006 CPGI estimate (0.8 per cent) **cannot** be compared with the Productivity Commission 1999 (2.5 per cent). Adjusting the figures suggests **no** reduction in problem gambling" (emphases in original). Yet on Radio National a month later, Mr. David Costello continued to compare the 0.8 per cent figure from the NSW study with the 2.55 per cent figure from the PC study.

**7.** All prevalence studies based on telephone interviews – especially the NSW study, which used a very small sample; a mere 5,000 initial telephone contacts – are highly unreliable because people do not tell the truth about their own gambling problems. The Productivity Commission pointed out that the estimates of gambling losses recorded by the **Australian Bureau of Statistics** for its »'**Household Expenditure Survey**' (based on self-reporting by householders) are five times lower than the actual revenue from gambling reported by the industry. And in a survey of 400 gamblers conducted by the Commission, only 30 per cent of respondents said they would have answered questions about their gambling truthfully prior to seeking treatment. Both the Productivity Commission study **and** the NSW Prevalence Study therefore probably underestimate substantially the true extent of problem gambling.

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Clubs NSW should not continue to claim that there is evidence for a sharp decline – or indeed **ANY** significant decline – in the incidence of problem gambling in NSW, especially as the revenue from poker machines in NSW, unlike most other states, has continued to increase.

**Jonathan Holmes**  
**19 September 2007**

## **Appendix 4: City of Kingston Position Paper on Poker Machines**

**Kingston Council has adopted the following position statement in relation to electronic gaming machines:**

- 1. Council is committed to a net decrease in EGMs within the municipality until the density of EGMs in Kingston is below the Melbourne metropolitan average.**
  - 2. Council will work towards the relocation of EGMs from areas with higher identified problems arising from EGMs to areas with lower identified problems arising from EGMs.**
  - 3. Whilst Council acknowledges that for many participants EGM gaming is a form of recreational activity along side other leisure options, Council also recognises the negative impact that it can create for some people and their families, which can extend to the broader community.**
  - 4. Council has a responsibility for its residents together with State Government and other relevant agencies/organisations to minimise negative impacts of EGM gaming on the Kingston community.**
  - 5. Council will assess every application for any proposed new gaming venue or a change in the number of EGMs in an existing approved venue in accordance with the guidelines set down in Section 6 of this Policy.**
  - 6. This Policy applies equally to all facilities, whether on Council-owned/managed land or privately-owned**
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