

30 October 2006

Robert Chappell  
Director  
Independent Gambling Authority  
Post Office Box 67  
Rundle Mall  
South Australia 5000  
AUSTRALIA

Dear Robert

**re: SCEG Submission to 2004 Amendments Inquiry**

**Introduction**

SKYCITY Entertainment Group (SCEG) welcomes the opportunity to make a submission to the Independent Gambling Authority about the Gaming Machines (Miscellaneous) Amendment Act 2004.

The amendments did not affect the number of gaming machines at SKYCITY Adelaide. Nevertheless, SCEG has considerable experience and knowledge about problem gambling issues and is keen to make a positive contribution to discussions about effective public policy responses to problem gambling.

**IGA's approach to research**

SCEG commends the IGA on committing to assess the effects of the Amendment Act when it was passed in 2004. Specifically, the commissioning of research and the requirement to provide the Minister for Gambling a report on whether the amendments have been effective in reducing the incidence of problem gambling demonstrates a responsible approach to public policy.

**Impact of the Amendment Act**

The findings of the Harrison research report<sup>1</sup>, commissioned by the IGA to evaluate the 2004 Amendments, show that the Act has not demonstrably reduced problem gambling in South Australia.

Key findings include:

- The reduction in EGM numbers has not reduced overall EGM revenue in South Australia. In fact the latest quarterly figures from the Office of the Liquor and Gambling Commissioner for the 2006/07 financial year show EGM revenue grew by 10% to record levels.
- 80% of regular and problem gamblers believe the legislation had not reduced problem gambling nor had much influence on their own gambling behaviour.
- The number of gambling venues in South Australia has dropped by 3% since the Act was passed.
- Two-thirds of regular EGM gamblers indicated that the proximity of venues to their home was the most decisive factor in selecting EGM venues.

SCEG notes that the original aim of the legislation as recommended by the IGA (before not-for-profit venues were exempted from the reductions) was to reduce the number of venues containing gaming machines. The finding in the Harrison

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<sup>1</sup> *Evaluation of 2004 Legislative Amendments to Reduce EGMs, Research Report*, Frances Eltridge, Harrison Health Research & Paul Delfabbro, University of Adelaide, September 2006, p 15.

report that accessibility may be a key issue in influencing the behaviour of problem gamblers (also put forward in Delfabbro (2002)<sup>2</sup>) suggests that the legislation in its original form may have been more effective. The resulting 3% decrease in the number of gambling venues in South Australia shows that a key policy objective has not been met.

### **Gambling expenditure and problem gambling**

The Harrison report notes that the 2004 Amendments, while causing no decreases in overall expenditure, may have 'reduced the rate of growth of gambling expenditure in South Australia'.<sup>3</sup> While the rate of EGM expenditure growth did in fact decline each year between 2000/01 and 2005/06, it is incorrect to assume that there is always a linear relationship between gambling expenditure and problem gambling. Furthermore, the purpose of the Amendment Act was not to reduce EGM expenditure per se.

Analysis of gambling expenditure and the number of problem gamblers accessing counselling and help services, particularly relating to casino gambling, indicates that the relationship between problem gambling and expenditure is complex and non-linear.

Statistics available to us in New Zealand and the results of the Harrison report provide evidence that the relationship between gambling harm and expenditure is not linear. The findings suggest that supply driven measures designed to reduce opportunities to gamble, like the 2004 Amendment Act, may not be effective in reducing problem gambling.

### **Adaptation theory**

A significant volume of literature on problem gambling '(for example, Shaffer, Hall & Vander Bilt, 1997; Wildman, 1998; Abbott & Volberg, 1999) have, with varying degrees of qualification, concluded that research findings are generally consistent with the view that increased availability leads to more gambling and problem gambling. National official review bodies in Australia (Productivity Commission, 1999), the USA (National Research Council, 1999) and the UK (Gambling Review Body, 2001) have reached the same conclusion'<sup>4</sup>.

However, this assumption has been questioned by Professor Max Abbott and his work around 'adaptation theory' which suggests that following initial exposure to a potentially harmful product, there is an increase in prevalence and associated harm, which then attenuates as society adapts and people modify their behaviour.

Abbott's work has shown that EGM expenditure and problem gambling prevalence rates in Australia indicate the relationship between availability and prevalence 'breaks down somewhere between six to 10 EGMs per 1000 adults'<sup>5</sup>. He goes on to assert that EGM reductions and the introduction of caps 'generally appear to have little impact'<sup>6</sup>.

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<sup>2</sup> *The Distribution of Electronic Gaming Machines (EGMs) and Gambling-related Harm in Metropolitan Adelaide*, Delfabbro, P.H. (2002). Report commissioned by the Independent Gambling Authority of South Australia.

<sup>3</sup> *Evaluation of 2004 Legislative Amendments to Reduce EGMs, Research Report*, Frances Eltridge, Harrison Health Research & Paul Delfabbro, University of Adelaide, September 2006, p 31.

<sup>4</sup> *Do EGMs and problem gambling go together like a horse and carriage?*, (in press) Abbott, M., Faculty of Health and Environmental Sciences, Auckland University of Technology, 2006, p 3.

<sup>5</sup> *Ibid.*, p1.

<sup>6</sup> *Ibid.*, p1.

Abbott concludes that too little is known to be able to predict with any certainty the consequences of increased or decreased EGM availability<sup>7</sup>. This highlights the importance of exercising caution when imposing supply-driven regulatory measures that decrease gambling availability with the intention of reducing problem gambling.

### **Targeted regulations**

SCEG is concerned about the advent of regulatory measures or interventions that inconvenience customers, regardless of whether they are problem gamblers, recreational gamblers, tourists, etc, but are not effective in reducing harm. We believe that measures should be targeted at problem gamblers or potential problem gamblers or they should aim to influence whole population sectors to reduce harm.

In 2003 the UK Better Regulation Task Force, a government-funded body established to provide advice about new regulatory proposals and the British government's overall regulatory performance, published the following five best practice principles of public policy development<sup>8</sup>:

- Proportionality – remedies are appropriate to the risk posed;
- Accountability – decisions are justified and subject to public scrutiny;
- Consistency – interventions take account of existing measures, and where appropriate, the approach taken by other jurisdictions;
- Transparency – interventions are clearly defined and communicated, with the industry given time and support to comply; and
- Targeting – interventions are focused on the problem and a clear outcome.

Blanket regulatory interventions such as the 2004 Amendment Act may run contrary to the principle of *targeting* because the intervention affected all gamblers yet the outcomes of the intervention, as noted above, have not met the regulation's intentions.

### **Recommendations**

The Amendment Act has not met its principle purpose of reducing problem gambling in South Australia, and other Australasian evidence suggests measures to reduce gambling availability may be ineffective.

Because of the complexity and often conflicting evidence (or lack of evidence) about what are effective public policy responses to problem gambling, SCEG recommends that the IGA should in the future trial proposed regulatory measures before they are legislated. This would help ensure that such measures are targeted and effective.

Yours faithfully

**SKYCITY ENTERTAINMENT GROUP LIMITED**



**David Kennedy**

General Manager – Public Policy and Corporate Strategy

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<sup>7</sup> *Ibid.*, p 31.

<sup>8</sup> *Principles of Good Regulation*, UK Better Regulation Task Force (2003).  
<http://www.brc.gov.uk/publications/principlesentry.asp>