



23 December 2003

Mr Thomas G Parry
Chairman
Independent Pricing and Regulatory Tribunal
Gambling Harm Minimisation Review
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Parry

Please find enclosed a supplementary submission to the Review of Gambling Harm Minimisation Measures.

This submission addresses two issues:

- a) Prohibition on credit gambling and
- b) The Social Impact Assessment (SIA) process.

While the issue of credit gambling was addressed in our submission of 17 November 2003, it is felt that further arguments should be presented to support the prohibition on credit gambling.

In relation to the SIA process it is our view that some minor adjustments are required in order to facilitate the transfer of gaming machine entitlements taking into account gambling harm minimisation principles and the original goals of the tradeable entitlement scheme.

If there are any questions or clarification regarding the submission or the background to any of the issues as they impact on clubs please do not hesitate to contact this office.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Costello", written in a cursive style.

David Costello
Chief Executive Officer



SUPPLEMENTARY SUBMISSION TO THE
INDEPENDENT PRICING AND REGULATORY
TRIBUNAL OF NEW SOUTH WALES

Review of Gambling Harm Minimisation Measures

December 2003

IPART Harm Minimisation Review – ClubsNSW Supplementary Submission

Further to our submission of 17 November 2003, ClubsNSW would request that the following two issues be taken into consideration.

1. Social Impact Assessments (SIA).

ClubsNSW believes the SIA process needs refinement in order to ensure that the tradable entitlement scheme can operate successfully from a Government and club perspective.

ClubsNSW suggests that a suitable SIA1 threshold for clubs would be 20 rather than the existing level of 4.

When the Government introduced global and venue caps on gaming machines a 'tradeable gaming machine entitlement scheme' was also introduced.

The tradable entitlement scheme was a clear recognition by Government that demographic/demand changes are inevitable and that a mechanism was required to allow for adjustments in gaming machine distribution.

To address harm minimisation concerns, the requirement for a Social Impact Assessment (SIA) was introduced. When a club seeks to increase its gaming machine 'entitlements' from the existing level a SIA is required.

The Government also sought to reduce the overall number of gaming machines and built into the tradable entitlement scheme a forfeiture mechanism where one in every three entitlements traded was subject to forfeiture. This was designed to reduce the overall number of gaming machines.

In our view the structure set up by Government in 2001 should be modified to facilitate the trading of relatively small lots of machine entitlements and by extension quicken the reduction of overall machine numbers. The reasons for this opinion are outlined below and involve the rules for Social Impact Assessments.

Social impact assessments are divided into two categories, Social Impact Assessment Class 1 (SIA1) and Class 2 (SIA2).

The, high cost and technical difficulty and complexity of the SIA2 process is now well established.

The latest available information indicates that from a total of approximately 55 SIA2's lodged since March 2002 only four have been approved, two of these for clubs.

Through the SIA2 process clubs have applied for approximately 1800 entitlements with 60 being granted to date. It is our understanding there are ample sellers and obviously a significant number of buyers.

However, in its current form the SIA2 process is not capable of satisfying the demand for gaming machines in response to demographic and other changes.

When compared to a SIA2, a SIA1 is a significantly simpler and less costly process. However, a SIA1 only applies if an increase of four (4) or less entitlements over three years is sought.

Under the SIA1 process a total of 514 entitlement increases have been approved to date. 128 of the 514 approvals have been for clubs and the remainder for hotels. It is our view that the SIA1 process is not capable of addressing the demand for gaming machine entitlements in clubs. This situation would be improved if the threshold number of 4 was increased.

By way of comparison, in the case of Queensland two different levels of Community Impact Statements (CIS) requirements also apply.

For clubs, the Queensland Government has set the threshold at 20 gaming machines per annum which would translate to approximately 60 gaming machines every three years.

That is, if a Queensland club wishes to increase its machine holdings by 60 or less every three years, a requirement similar to that of a Class 1 SIA would apply. It is understood that the threshold for hotels in Queensland is set at 10 machines per year.

Compared to Queensland, New South Wales clubs have approximately 4 times the gaming machine population and yet a SIA 1 threshold level of one fifth of that in Queensland applies.

Furthermore, it is understood that the threshold of 4 was an arbitrary number initially selected on the basis that it be reviewed at an appropriate time in the future.

ClubsNSW suggests that a suitable SIA1 threshold for clubs would be 20 rather than the existing level of 4 and requests this review to recommend a review of the existing regulations.

2. Prohibition on credit betting

ClubsNSW strongly supports the prohibition on credit gambling. Our submission of 17 November 2003 stated that:

ClubsNSW supports this prohibition and believes it should be applied to all forms of gambling including internet gambling.

The existing legislation prohibits a club from providing credit for the purpose of gambling and it is understood that the technical standards governing the design of poker machines prohibit the electronic linking of gaming machines to financial institutions, thereby completing the loop and removing the ability to directly gamble on credit when playing a poker machine in a club.

More recently it has become apparent that other gambling providers currently prohibited from providing gambling products on credit are in fact suggesting that these restrictions be relaxed.

A particular example is that of NSW Lottery products. A recent article in the Sydney Morning Herald¹ stated:

“NSW Lotteries sold nearly \$1.1 billion worth of lottery products last year, a 7 per cent increase on the previous year”.

Any proposal to facilitate credit gambling cannot be supported. This is particularly relevant given that the same article reports that the sale of lottery products is now on trial in TAB agencies and that if successful the trial is to be extended next year. Will a policy emerge where one gambling product offered at the same outlet can be purchased on credit while another cannot?

In relation to the internet there is growing evidence that this is becoming an increasingly popular method of gambling. Recent reports indicate that the casino style internet gambling site www.888.com is the second most popular site visited by Australian gamblers.

ClubsNSW wishes to re-state its view that the ability to gamble by means of credit on the internet will cause significant difficulties for problem gamblers and all possible measures must be taken to prohibit credit gambling.

It is our view that a policy of prohibition on credit purchase of any commercial gambling product must be enforced and suggests that this review should recommend such a position to Government as a matter of significant importance.

1. *Geesche Jacobsen, 15 December 2003, 'Itching to gamble? Grab a scratchie.*