
**CHANGING FORTUNES: PAST, PRESENT AND
FUTURE PERSPECTIVES ON THE MANAGEMENT OF
PROBLEM GAMBLING BY NEW SOUTH WALES
REGISTERED CLUBS**

by

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Statement of Authentication

The work presented in this thesis is, to the best of my knowledge and belief, original except as acknowledged in the text. I hereby declare that I have not submitted this material, either in whole or in part, for a degree at this or any other institution.

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LIST OF ABBREVIATIONS

AAD	Approved Amusement Device
AANA	Australian Association of National Advertisers
ACT	Australian Capital Territory
AGA	American Gaming Association
AGMMA	Australian Gaming Machine Manufacturers' Association
AHA	Australian Hotels Association
AHHA	Australian Hotels and Hospitality Association
AHRP	Australian Hospitality Review Panel
AIGR	Australian Institute for Gambling Research
AMA	Australian Medical Association
ATM	Automatic teller machine
CMAA	Club Managers' Association Australia
CMDA	Club Management Development Australia
DGR	NSW Department of Gaming and Racing
ECCNSW	Ethnic Communities Council of NSW
EFTPOS	Electronic funds transfer at point-of-sale
FACTS	Federation of Australian Commercial Television Stations
FONGA	Forum of Non-Government Agencies
GCSS	Gambling Counselling Support Services
IPART	Independent Pricing and Regulatory Tribunal
LAB	Liquor Administration Board
LCA-NSW	Leagues Clubs Association of NSW
LCASA	Licensed Clubs Association of South Australia
LCAV	Licensed Clubs Association of Victoria
LHMWU	Liquor, Hospitality and Miscellaneous Workers' Union
NCOSS	Council of Social Service of NSW
NES	Non-English speaking
NSW	New South Wales
NSWCPG	NSW Council on Problem Gambling
NT	Northern Territory
PIAC	Public Interest Advocacy Centre
PMCA	Poker Machine Council of Australia
QLD	Queensland
RCA	Registered Clubs Association of NSW
RSL	Returned Services League
SA	South Australia
SOGS	The South Oaks Gambling Screen
TAB	Totalisator Agency Board
TAFE	Technical and Further Education
TAS	Tasmania
ULVA	United Licensed Victuallers' Association
USA	United States of America
VIC	Victoria

WA

Western Australia

ABSTRACT

The purpose of this study is to examine, from past, present and future perspectives, how registered clubs in New South Wales (NSW) Australia strategically manage problem gambling in their machine gambling operations. Seven stages of research are presented.

Adopting an historical perspective, Stage One sources secondary data to document the development of machine gambling in NSW clubs to their contemporary status as major providers of gaming machines on state, national and international levels. While setting the study into perspective, this account also explains how increased commercialisation of not-for-profit NSW clubs undermined their distinctive relationship with the community and their legitimacy as operators of machine gambling for social benefit. This change in focus diminished the social contract of clubs and exacerbated problem gambling.

Stage Two retains an historical focus and also draws on secondary sources, but narrows the study's scope to problem gambling. A lifecycle model of issues management (Mahon and Waddock, 1992) underpins analysis of how epistemic influences, governments, gambling operators and pressure groups fuelled the emergence of problem gambling as a significant social issue in Australia. A shift, from viewing problem gambling as an individual medical concern to interpreting it as a social and public health issue, placed greater social responsibility on gambling operators. However, by 1998, expectational gaps between the social performance of gambling operators and expectations of key constituencies remained unresolved, accompanied by calls for more responsible provision of gambling.

Stage Three of the study considers the relevance of theoretical models of social responsibility and applied models of responsible provision of gambling to NSW clubs in addressing problem gambling. Concepts in the corporate-society field assist in explaining why the social performance of NSW clubs in their machine gambling operations has been considered socially irresponsible in the past, and in providing theoretical direction for their management of problem gambling in the future. The analysis concludes by developing a framework to guide the primary research, in light of relevant theoretical concepts in the corporate-society field and deficiencies in existing responsible gambling models.

The fourth and fifth stages of the study narrow its focus from an industry to organisational perspective, an historical to contemporary timeframe, and secondary to primary research. Drawing on interviews with nineteen NSW club managers, six case studies of NSW clubs with responsible gambling programs and a survey of all NSW clubs with gaming machines, these stages assess how NSW club managers interpreted the social responsibilities of their clubs in addressing problem gambling by 1998. Analysed in terms of Carroll's (1979) principles of social responsibility, it was found that participating club managers placed most priority on economic principles in their machine gambling operations, followed by legal, ethical and discretionary principles, respectively. This prioritisation also was reflected in a hierarchy of socially responsible practices in machine gambling, which prioritised secondary harm minimisation strategies, reactive primary intervention, proactive primary intervention, consumer protection and fair trading measures, and discretionary practices respectively.

Stage Six assesses the congruence between principles and practices adopted in machine gambling operations in NSW clubs to address problem gambling and those expected by their main constituencies in 1998. Interviews with key stakeholders and a review of submissions to the *NSW Gaming Inquiry* (Independent Pricing and Regulatory Tribunal, 1998) informs an analysis of principles and practices advocated for NSW clubs to address problem gambling by the epistemic community, the NSW Government, the gambling industry and key pressure groups. In contrast to the hierarchy of socially responsible principles endorsed by the club managers, these stakeholders favoured more balanced attention to economic, legal, ethical and discretionary principles. Further, while club managers favoured secondary and reactive primary harm minimisation practices in responsible provision of gambling, key stakeholders advocated a holistic approach that extends to proactive primary harm minimisation, consumer protection and fair trading strategies.

The seventh stage considers implications of key developments during 1998-1999 for the future management of problem gambling by NSW clubs. Progress by the Registered Clubs Association of NSW in developing a statewide responsible gambling policy and program for NSW clubs is considered in light of an evaluation of its trial responsible gambling program by the Australian Institute for Gambling Research (1998e), recommendations of the *NSW Gaming Inquiry* (Independent Pricing and Regulatory Tribunal, 1998), the Federal Government's inquiry into Australia's gambling industries (Productivity Commission, 1999a, 1999b), and the *Gambling Legislation Amendment (Responsible Gambling) Act 1999 NSW* and associated draft regulations. It was in this context that the Registered Clubs

Association's stance on responsible gambling evolved during 1998-99 from one of reluctant acceptance to one of pragmatic involvement. It was found that, by the end of 1999, the future direction of NSW clubs in addressing problem gambling pointed towards a combination of legislation and self-regulation, under the leadership of the Registered Clubs Association of NSW.

The thesis concludes by identifying seven key factors that emerged from the findings as influencing the way in which NSW clubs have managed problem gambling. These are presented as a theoretical framework with potential utility for future investigations of how organisations manage their social impacts.

CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

The Australian state of New South Wales (NSW) reportedly has more gaming machines per head of adult population than any other jurisdiction in the world (Kelly, 1996a:7). With 99,672 gaming machines operating in its registered clubs, hotels and one casino by 1999 (Productivity Commission, 1999b:13.4), NSW contributes disproportionately to the global status of Australia as ‘the second largest national market for gaming machines’ after the United States of America (USA) (Kelly, 1996a:4, 43). NSW registered clubs operate 40 percent of all gaming machines in Australia, 74 percent of gaming machines in NSW, and attract some 92 percent of NSW gaming machine turnover and gross profit outside the casino (NSW Department of Gaming and Racing, 1998; Productivity Commission, 1999b:13.5). Indeed, with 74,206 machines operating in 1999, NSW registered clubs held an 8.2 percent share of the estimated 905,354 ‘high intensity’ gaming machines worldwide (Productivity Commission, 1999b:2.11, 13.5, N.22).¹

The proliferation of gaming machines in Australia, as well as other forms of gambling, has resulted from the country’s comparatively liberal gambling policies (Productivity Commission, 1999b:2.1). These policies in turn reflect a culture where gambling largely has been considered an acceptable leisure activity, a distinguishing cultural feature, and a source of national pride (McMillen and Eadington, 1986:167), being romanticised in popular literature (for example, Hardy, 1950, 1958) and documented in academic studies (for example, Ward, 1958; Caldwell, 1974; Horne, 1975; Inglis, 1985; O’Hara, 1988). Further, the key role of Australian state

¹ While the Productivity Commission (1999b:N.22) estimated there were 7,132,162 gaming machines worldwide, it considered that the ‘high intensity’ sector is the most appropriate benchmark for comparison of Australian style gaming machines with the world market. This grouping of gaming machines has comparatively high turnover, credits, play lines, speed of play and winnings, and poses potentially higher risks for problem gambling (Productivity Commission, 1999b:2.11).

governments in determining the types of legalised gambling means their distinctive gambling policies have produced a unique mix of gambling operators.

One type of gambling operator peculiar to Australia is its registered clubs. These are community-based, not-for-profit organisations established for social purposes, features that have been instrumental for NSW clubs in gaining and maintaining dominance over machine gambling at both state and national levels. Fostered by increasingly expansionist government policies, lack of serious competition and societal attitudes tolerating the introduction and growth of machine gambling, NSW registered clubs have maintained this dominance for over forty years since 1956 when they gained exclusive rights to operate gaming machines in NSW. Since then, there has been phenomenal growth in both the number of machines and clubs licensed to operate them. Some four decades after 5,596 gaming machines initially were legalised in the 952 NSW registered clubs which operated in 1956, 74,206 machines in 1,433 clubs generated an annual turnover of over \$24 billion, contributed more than \$480 million per year in state taxes and provided club gross profits of around \$2.4 billion by 1997-98 (NSW Department of Gaming and Racing, 1998:20-21; Productivity Commission, 1999b:13.5-13.6).

Registered clubs are now a major social outlet for NSW residents and their rapid development clearly has been linked with gaming machine revenue (Registered Clubs Association of NSW [RCA], 1994:3). Contemporary NSW clubs range in size from those with over 50,000 members, a vast array of facilities and services and over 1,000 gaming machines, to the many smaller clubs with only a few hundred members and more modest, restricted facilities. Despite their diversity, all NSW clubs share the common characteristics of being voluntary, not-for-profit organisations established by people sharing a common interest to pursue or promote that interest (RCA, 1999a:3). For the majority of clubs, this common interest encompasses sport, returned services affiliation, social and community interests, workers' and professional interests, or ethnic or religious affiliations. Each of a club's members buys a share or membership in the club, thereby contributing to a common fund for the benefit of members (McDonald, 1980:1). Other club revenue is derived from sales of alcohol and meals, sporting fees, betting and keno commissions and gaming machine profits, with the latter earning about 60 percent of collective NSW club income in 1997-98 (Productivity Commission, 1999b:21.1).

Legalised commercial gambling is recognised as having a range of economic and social impacts, particularly when operated on the scale evident in the NSW club industry. However, while economic effects, such as increased government revenue,

regional economic development and job creation, are readily quantifiable, tangible and generally perceived as positive (Eadington, 1996:244; McMillen, 1996c:1), Eadington (1996:244) contends that the social consequences of gambling usually are difficult to measure, intangible and on balance considered negative.²

Certainly, some beneficial social impacts of legalised commercial gambling can be identified. For example, sociological analyses present a mainly positive explanation of gambling as a legitimate and natural leisure activity (McMillen, 1996a:15), offering participants intrinsic value, such as entertainment, hope, challenge and excitement (Caillois, 1961; Tec, 1964; Goffman, 1967; Lynch, 1985, 1990), diversionary value as an escape from boredom and everyday life (Thomas, 1901; Bloch, 1951; Goffman, 1967; Elias and Dunning, 1969; Caldwell, 1972), and external rewards, such as social and monetary gains (Newman, 1972; Hayano, 1982; Martinez, 1983; Rosecrance, 1985, 1988; Ocean and Smith, 1993). Legalised commercial gambling also helps reduce illegal gambling operations (Independent Pricing and Regulatory Tribunal [IPART], 1998:25), while its economic spinoffs can have social benefits, such as improved living standards that accompany job creation, and provision of community support and infrastructure financed from gambling revenues.

However, it is often recognised that gambling has a range of negative social consequences. Referring to the USA, Eadington (1996:245) identifies three 'traditional' social concerns. First, the Protestant ethic has long argued that gambling is immoral and works against family and social values directly linking reward to hard work. Second, gambling often is considered inseparable from unlawful acts, political corruption and organised criminal infiltration. Third, gambling can lead to personal and family tragedies from problem gambling which may manifest as personal and financial stress, erosion of trust and communication, increased spouse or child abuse, or higher incidence of family disintegration.

In contemporary Australia, however, it is debatable whether these concerns are comparable to those in the USA. Cultural acceptance of gambling amongst both the general populace and governments has subordinated moral objections, such that the

² However, some researchers have argued otherwise. For example, the Productivity Commission (1999b:2) noted that the main source of national benefit from gambling industries in Australia was in the form of consumer enjoyment, rather than the 'small' gains in economic activity and jobs. Others have emphasised the social benefits of gambling (for example, McMillen, 1995, 1996b, 1996d).

majority of Australians now participate in some form of gambling (Kelly, 1997:4; Productivity Commission, 1999b:2) and governments are increasingly stimulating and expanding gambling for revenue purposes (McMillen and Eadington, 1986:192). Likewise, Australian gambling operations have been comparatively effective in avoiding presumed links between gambling and crime, earning a reputation for integrity, respectability, legitimacy and avoidance of major scandals (McMillen and Eadington, 1986:173; McMillen, 1997a:247). However, it is the third issue, problem gambling, which dominates contemporary discourse on the social impacts of gambling and on which this study focuses. More specifically, this study is concerned with how NSW registered clubs strategically manage problem gambling in their machine gambling operations, from past, present and future perspectives.

Despite the escalating liberalisation of gambling in Australia, problem gambling only emerged as a social issue in the 1990s, as there has been an implicit assumption that government policies ensured social benefit was a natural offspring of legalised gambling. This was particularly accepted in the case of machine gambling in NSW registered clubs. Their not-for-profit status ensured gambling profits were funnelled into member benefits, charities or local community projects (for example, Knock, 1985; Lewis, 1985), with the clubs often acting as a 'second local government' by establishing public facilities such as sporting complexes and community halls and through financial contributions to community programs (McMillen and Eadington, 1986:184). The nexus between gambling and social benefit also was underpinned by other forms of legalised gambling which, until the 1970s, were restricted in NSW to state-operated lotteries and church and charity bingo, both with explicit welfare and social purposes. On-course betting and state-operated off-course betting agencies also were legalised to cater for existing demand and to stem illegal gambling operations. However, since the 1970s, expansionist government policies, increased privatisation of gambling operations, and aggressive marketing responses of gambling operators to an intensely competitive environment have undermined the social benefit foundation of legalised gambling. For the first time, economic imperatives appear paramount in fuelling the expansion of legalised commercial gambling, with an attendant increase in the intensity and scope of commercial gambling activities and inducements to gamble, and the subordination of social benefit in both gambling policies and operations (McMillen and Eadington, 1986:176; McMillen, 1994:70).³ It is in this context that problem gambling has

³ However, McMillen (1994) also argues that some governments in Australia have begun to restore social criteria to the policy agenda in gambling.

emerged as the predominant issue of concern for a variety of stakeholders in contemporary commercial gambling in Australia.

In Australia, problem gambling recently has been defined as ‘the situation when a person’s gambling activity gives rise to harm to the individual player, and/or to his or her family, and may extend into the community’ (Australian Institute for Gambling Research [AIGR], 1997:2). This definition emphasises harm arising from heavy gambling as the distinguishing characteristic between those enjoying gambling as a leisure activity and those whose gambling has harmful impacts on themselves or those around them (AIGR, 1997:99). These impacts have been recognised as encompassing intrapersonal, interpersonal, vocational, financial and legal domains (Dickerson, 1993; AIGR, 1997), and in NSW have been estimated to cost about \$50 million annually in measurable employment, legal, financial, personal and welfare costs (AIGR, 1996:66, 1998f:vi).⁴ While no industry-wide figures are available on the incidence or costs of problem gambling arising from machine gambling in NSW registered clubs, there is growing recognition that machine gambling contributes disproportionately to problem gambling in Australia (Keys Young, 1995; Dickerson, 1996; AIGR, 1997; Productivity Commission, 1999b:6.1). Thus, as dominant providers of machine gambling on both a state and national basis, NSW clubs appear to have a social responsibility to acknowledge and attempt to manage the potentially harmful effects of their core product.

In management research pertaining to profit-based organisations, corporate social responsibility is generally recognised as an integral component of the strategic management process. Pfeffer (1976/1995:198) explains that, as open systems transacting with important external constituencies, organisations lack control over many factors influencing their operations and are affected by events outside their boundaries. Since, by definition, strategy formulation is future-oriented, strategic management must take into account aspects of an organisation’s external environment especially susceptible to changes that will affect its future (Christensen, 1978:278). Andrews (1980:89) draws attention to the importance, but difficulty, of incorporating social changes into the strategic management process:

⁴ However, this figure underestimates the true cost of problem gambling to the extent that it ignores many of the social costs of problem gambling that are not readily quantified. It also has been criticised on methodological grounds for underestimating the cost of problem gambling and for relying on hypothetical estimates (Lesieur, 1996:17-19).

...determining future strategy must take into account - as part of its social environment - steadily rising moral and ethical standards. Reconciling the conflict in responsibility which occurs when maximum profit and social contribution appear on the same agenda adds to the complexity of strategy formulation and its already clear demands for creativity. Coming to terms with the morality of choice may be the most strenuous undertaking in strategic decision.

Proponents of corporate social responsibility contend that long-term corporate acceptance and survival is contingent on conformance to societal values, norms and expectations (Bowen, 1953; Eells, 1960; Frederick, 1960; Preston and Post, 1975; Carroll, 1979; Zenisek, 1979; Aupperle, 1982). Further, changing moral and ethical societal standards continually alter this social contract between business and society, necessitating increased corporate emphasis on what Bell (1973) described as a 'sociologizing mode' over an 'economizing mode'. According to Bell (1973), the 'economizing', consumer-oriented, free enterprise system concerned with allocating scarce resources amongst competing ends is incapable of wholly satisfying modern societal expectations for a 'sociologizing' mode which better serves the public interest. However, through effective strategic management of social issues, organisations can bring their actions into what Barnard (1938) and Simon (1957) labelled the 'zone of acceptance', bound by legal and social parameters of acceptable business behaviour. This shift, however, increases decision variables in the strategic management process, and requires redefinition of organisational strategic goals, roles and responsibilities (Aupperle, 1982:45).

Given that corporate social responsibility attempts to reconcile corporate behaviour with societal expectations, it needs to be specific to the context of the social issue at hand. For the issue of problem gambling, the cultural acceptance of gambling as a natural expression of the Australian character and way of life, the key role played by Australian governments in organising and regulating legalised gambling, and the particular nature of gambling establishments in Australia, suggest the Australian community may have distinctive expectations of governments and gambling operators that may differ from those in other contexts. However, until the 1990s, United States (US) research and practice have been most influential on efforts to measure and address problem gambling in Australia. For example, Australian studies of the prevalence of problem gambling primarily have utilised a survey instrument based on an American mental disorder model of problem gambling (Lesieur and Blume, 1987), while most responsible gambling strategies implemented by gambling operators in Australia largely have been based on those developed by the American Gaming Association (AGA) for US casinos (1996, 1998a). More recently however, problem gambling in Australia increasingly has been defined in terms of its impacts, rather than its psychological or medical causes and symptoms, and is now

considered a social and public health issue rather than an individualised medical problem (AIGR, 1997). Thus, Australian gambling industries need contextually specific approaches to social responsibility in gambling if the corporate social behaviour of gambling operators is to meet the expectations of the Australian community.

Further, if corporate social responsibility requires congruence between organisational strategic goals, roles and responsibilities and societal expectations (Aupperle, 1982:45), then efforts to address problem gambling also need to be specific to the type of gambling operator. This is because organisational missions vary amongst gambling operators, as do societal expectations for what these should be. For NSW registered clubs, their dominance over machine gambling for many years has been contingent on their community service agenda, with their protection from open competition for their core product, gaming machines, a privilege dependent on satisfying government regulations that require the clubs to direct excess revenues to community activities and member benefits. Thus, as a trade-off for machine gambling (and other) privileges, clubs face restrictions on their profit distribution, ownership and management, designed to discourage pursuit of commercial objectives while enhancing their social benefit role and community focus. Accordingly, societal expectations for NSW clubs to be socially responsible providers of gambling may well be more complex than for profit-based gambling operators.

This social role and community focus of NSW clubs is articulated in the stated mission of their key industry association, the Registered Clubs Association of NSW (RCA), to lead NSW clubs into a united, prosperous and community focused industry, with member clubs encouraged to 'operate responsibly in the community and support and respond to community needs' (RCA, 1997). Further, the RCA notes that 'directors, management and employees of registered clubs are, in effect, custodians of member and community property which carries with it a unique obligation to the interests of members and the wider community' (RCA, 1998a:7). This explicit social agenda implies that NSW clubs might be considered likely to prioritise social concerns over commercial gain in their machine gambling operations as there should be less of the strategic conflict between maximum profit and social contribution referred to by Andrews (1980:89). Combined with an assumption that significant social benefit is derived from their gambling revenues, the not-for-profit status and non-commercial charter of NSW clubs have perpetuated public and government acceptance that they already adopt a 'sociologizing mode' (Bell, 1973) and act in the public interest.

At a general level, social responsibility in not-for-profit organisations largely remains unexplored because it is assumed they are inherently more socially responsible than profit-based firms (Mahon and McGowan, 1991). This assumption certainly has been perpetuated in the case of machine gambling operations in NSW clubs. However, this thesis will examine the track record of NSW clubs in socially responsible provision of machine gambling and challenge this assumption. Until 1998, attempts by NSW clubs to manage problem gambling were negligible, despite their lengthy dominance over, and active expansion of, machine gambling to an extent unparalleled in any other jurisdiction on a per capita basis. Indeed, as Chapter Two will demonstrate, the not-for-profit status and social role of NSW clubs have allowed them to exploit their position as dominant providers of machine gambling, subordinating any social responsibility to address problem gambling to increasingly commercial imperatives.

Various factors fuelling the emergence of problem gambling as an important strategic issue for NSW clubs will be discussed later in this chapter, showing that rising public concern for problem gambling means NSW clubs have not been immune from growing pressure to effectively manage the social fallout from their main source of revenue. Indeed, community expectations for a socially responsible approach to the conduct of machine gambling may well be greater for the clubs, given that their establishment, expansion and machine gambling privileges have been contingent on their provision of social benefit. Thus, their role as major providers of machine gambling and community dissatisfaction with their past failure to address the issue of problem gambling point to a need for NSW clubs to take a more socially responsible approach to their management of machine gambling, one that prioritises social over economic goals, that reflects their non-commercial agenda and community service responsibilities, and that takes into account community expectations.⁵ It is therefore pertinent to examine how NSW clubs have strategically managed the issue of problem gambling in the past and the implications of their current policies and practices in responsible provision of machine gambling for the future.

⁵ It is acknowledged that terms such as ‘community expectations’ and ‘public concern’ do not reflect the diversity of viewpoints amongst the general populace. Later chapters in this thesis identify the main constituencies whose viewpoints have been most influential on gambling policy and management in Australia and examine how their opinions on problem gambling have converged to influence responsible management of gambling in NSW clubs.

This introductory chapter lays the foundations for the study. It contextualises the research by reviewing the growth of legalised commercial gambling in Australia and of machine gambling in NSW registered clubs. It signals pertinent issues and debates relating to social responsibility in machine gambling, and explains the research objectives, methodology, structure of the thesis and the study's potential contribution to wider knowledge.

1.2 THE GROWTH OF LEGALISED COMMERCIAL GAMBLING IN AUSTRALIA

Gambling has been defined as the placement of a wager or bet on the outcome of a future uncertain event (Tasmanian Gaming Commission, 1997:3). Legal gambling can be divided into two distinct areas - racing-related and gaming-related. Racing-related gambling comprises betting on horse and greyhound races with bookmakers and totalisators, both on and off course. Gaming refers to all other legal forms of gambling, such as lotteries, gaming machines, casino gaming, football pools, and minor gaming, a collective name given to bingo, raffles, lucky envelopes and similar activities (Tasmanian Gaming Commission, 1997:2-4). In Australia, expenditure on gaming machines represented 57 percent of all gambling expenditure in the 1997-98 financial year (Productivity Commission, 1999a:2.11) and can thus be considered the major form of legal gambling in the country.⁶ Further, machine gambling in NSW attracts about one-quarter of all gambling expenditure in Australia (Tasmanian Gaming Commission, 1998: Table A).

The continued expansion of machine gambling in NSW has not occurred in isolation, and is part of a trend in most industrialised western countries towards increased legalised gambling. McMillen notes that while gambling is one of the few social activities which has occurred in nearly all cultures and in every period of time (1996b:6), it is only since the 1960s that it has been legalised and commercialised 'on a grand scale' (1996a:1). While Chapter Two more comprehensively discusses the historical development of legalised gambling in Australia, a brief overview of its recent expansion helps to set this study into perspective.

In Australia, real total gambling expenditure by 1997-98 (the amount lost by gamblers, adjusted for inflation) had increased more than threefold since 1972 and

⁶ However, this figure is 52 percent if gaming machines in casinos are excluded on the grounds that a proportion of this expenditure is from overseas high rollers (Productivity Commission, 1999b:3.4).

doubled as a percentage of household disposable income to 3.03 percent (Tasmanian Gaming Commission, 1998:133, 182), due mainly to more prolific and accessible forms of legalised commercial and charitable gambling.⁷ Prior to 1972, legalised gambling was restricted to on and off-course betting, state lotteries, church and charity bingo and gaming machines in NSW clubs. During the 1970s, Lotto and Soccer Pools were introduced in most Australian jurisdictions, machine gambling expanded to the Australian Capital Territory (ACT), while Tasmania and the Northern Territory established the country's first casinos. By the end of the 1980s, Australia had seven casinos, all jurisdictions operated instant lotteries, while machine gambling expanded into NSW and ACT hotels. By 1999, legalised gambling in Australia comprised thirteen casinos, gaming machines in every jurisdiction, a burgeoning of lottery products, on and off-course betting on numerous sporting events, a variety of minor gaming products, and various forms of online gambling accessible *via* the internet and pay television (Kelly, 1996b; IPART, 1998; Productivity Commission, 1999a, 1999b). While this proliferation of legalised commercial gambling has intensified competition for NSW clubs, they remain the dominant providers of machine gambling in Australia and NSW, as outlined below.

1.3 THE GROWTH OF MACHINE GAMING IN NSW REGISTERED CLUBS

Diverse definitions of gaming machines are contained in the relevant legislation for each jurisdiction where various types of machines have been legalised. The particular types of machines which predominate in NSW clubs are known more commonly in that state as poker machines, defined as 'device(s) designed for the playing of a game of chance, or a game that is partly a game of chance and partly a game requiring skill, and for paying out money or tokens or for registering a right to an amount of money or money's worth to be paid out' (*Registered Clubs Act 1976 NSW*).⁸ In some jurisdictions, various types of gaming machines are more commonly known as slot machines, electronic gaming machines, fruit machines, approved amusement devices, video gaming machines or video lottery terminals. However, regardless of variations in their mode of operation, all gaming machines have 'the common characteristics that a player may place a small wager on a game of pure

⁷ Official statistical data on gambling in Australia have been collected only since 1972, compiled annually by the Tasmanian Gaming Commission.

⁸ The term 'gaming machine' is used predominantly in this thesis as the term 'poker machine' is little used outside the state of NSW.

chance, or a game of both chance and an application of game rules...but not pure skill or manual dexterity, and potentially win a prize either in cash or in kind' (Toneguzzo, 1996a:145). Despite extensive technological developments in game presentation, player options and security mechanisms, the essential nature of the game has changed little since Charles Fey developed the original Liberty Bell machine over a century ago (Connor, 1996:8). The basic functions of inserting money, pulling a handle (or pressing a button), watching the symbols line up and collecting payouts from winning combinations remain as essential features of contemporary gaming machines (Connor, 1996:8-9). However, unlike the original machines, modern gaming machines are controlled by microprocessors, with game outcomes determined by pseudo-random number generators and the prize schedule contrived so statistically, there is a house advantage on the game (Toneguzzo, 1996a:145). In NSW, legislation requires a minimum of 85 percent of total wagers on each club gaming machine be returned to players as prizes, with the remaining 15 percent or less accruing as gross profit for the clubs (*Registered Clubs Regulation 1996 NSW*).⁹

Gaming machines were first legalised in Australia in 1956 when NSW registered clubs were granted exclusive rights to their operation. NSW clubs retained their national monopoly on gaming machines until 1976 when they were legalised in clubs in the ACT, and their state monopoly on the most profitable types of gaming machines, poker machines, until the opening of the temporary Sydney Harbour Casino in late 1995.¹⁰ Their market share was further eroded with the introduction of limited numbers of poker machines in NSW hotels in April 1997, the opening of Sydney's permanent casino, Star City, in November 1997, and the extended number of poker machines allowed in NSW hotels since mid-1998. Prior to 1995, the only direct competition for machine gambling in NSW was from hotels which, since 1984, were allowed to operate limited numbers of a particular type of gaming machine, known as approved amusement devices (AADs).¹¹ However, the ceiling on

⁹ This applies if a club installed the machine on or after 1 April 1983. For machines acquired prior to this date, 80 percent of the total wagers must be returned to players (*Registered Clubs Regulation 1996 NSW*). For \$1 and \$2 machines, a minimum of 90 percent must be returned to players, while 95% must be returned from multi-terminal gaming machines.

¹⁰ Australia's first casino, Hobart's Wrest Point Casino, which opened in 1973, did not have gaming machines. Since then, all 13 Australian casinos except Casino Canberra have installed gaming machines.

¹¹ Approved amusement devices, also known in NSW as 'draw card' machines, operate video draw-poker, but the devices are 'hopperless' so that players cannot collect coins direct from the machine. Instead, credits can be redeemed for cash or prizes.

the numbers of AADs in hotels and their lower average profitability meant they were never a serious threat to club machine gambling where the numbers of machines, both overall and in individual clubs, have remained unrestricted.¹² Even with increased competition from the 1,500 machines in Star City Casino and up to thirty poker machines that now can be operated in each NSW hotel, NSW clubs retain the dominant share of gaming machines in the state.

1.4 FACTORS FUELLING SOCIAL RESPONSIBILITY IN GAMBLING

The preceding overview of the growth of gambling operations in Australia suggests that governments and operators alike increasingly have seized opportunities for legalised commercial gambling. McMillen (1996a:1) points out that, for state governments responsible for gambling policy in Australia, legalised gambling offers the prospect of additional revenues while addressing the need to control the spread of illegal gambling activities. Meanwhile, commercial investment in gambling has been fuelled by the liberalisation of social values, growing middle-class affluence, and the prospect of lucrative returns (McMillen, 1996a:1). However, as additional opportunities for legalised commercial gambling arise, policy-makers and gambling operators need to weigh a variety of social, as well as economic, considerations in deciding whether, and under what conditions, to operate various forms of gambling (Eadington, 1996:244). As Australian governments and gambling operators have focused increasingly on economic considerations in the conduct of legalised commercial gambling, recent years have witnessed escalating public attention to its social considerations.

This thesis will explore a range of factors which appear to have fuelled the recent emergence of social responsibility in gambling, both as a policy issue for governments and, more pertinent to this study, as a management issue for gambling operators. Signalling arguments to be developed later in this thesis, these factors are outlined below in terms of (1) factors increasing pressure for organisations in general to temper their pursuit of economic gain by increased social responsibility, (2) factors which have precipitated community concern over a general lack of social

¹² From 1984, NSW hotels were allowed to operate up to five approved amusement devices, with this limit increased to ten in 1988 (NSW Department of Gaming and Racing, 1996b:32). In 1994-95, average annual profit of approved amusement devices in NSW hotels was \$23,820 per machine compared to \$30,909 for club poker machines (NSW Department of Gaming and Racing, 1996a:21, 37-38).

responsibility by gambling operators in Australia, and (3) factors placing additional pressure on NSW clubs to adopt more responsible practices in gambling provision.

The concept of corporate social responsibility is central to this study, and Chapter Four discusses its conceptual foundations to establish that organisations in general are under increasing pressure to meet social, as well as economic, obligations. It will be evident that a growing body of literature increasingly has questioned organisational pursuit of purely economic goals, particularly when accompanied by negative social (or environmental) impacts. An expanded interpretation of corporate social responsibility recognises that institutional legitimacy is gained from the social, as well as economic, domain, and that organisations have responsibilities to the public and other stakeholders to manage their social impacts and to incorporate ethical considerations into their decision-making (Wood, 1991a, 1991b). In contrast however, recent Australian government and industry gambling policies have been dominated by economic imperatives, to the subordination of concerns for the adverse social impacts of gambling, prompting rising public demands for more socially responsible provision of commercial gambling by both governments and gambling operators. While pressure for greater social responsibility in the conduct of gambling has not been restricted solely to the issue of problem gambling, this certainly has dominated contemporary public debate in Australia. Lack of adequate response to this community concern elevated problem gambling to a significant social issue during the 1990s.

The emergence of the issue of problem gambling is discussed in Chapter Three. It traces the role of governments, gambling operators, epistemic influences and pressure groups in advancing problem gambling to an issue of strategic importance to governments and gambling operators.¹³ It contends that Australian government policy on gambling increasingly has been driven by economic and commercial criteria, rather than by social considerations, such that many of the negative social impacts of gambling have been overlooked in the quest for increased taxation revenue, regional economic development and job creation (McMillen, 1996c). This policy framework has prompted the recent expansion and growing diversity of legalised commercial gambling in Australia, increasing its visibility, accessibility and subsequent social impacts. In recognition of these social impacts, the epistemic

¹³ Epistemic influences are those influencing the theory of knowledge, especially the critical study of its validity, methods and scope. Chapter Three identifies key researchers and experts who have had such influence in the field of gambling in Australia, and refers to them as the 'epistemic community'.

community of Australian researchers and experts in the field recently have rejected the US interpretation of problem gambling as an individual medical or psychological affliction, redefining it as a social and public health issue, thus placing pressure on governments and gambling operators to reform gambling policy and management practices to provide a more responsible gambling environment. In turn, the economic and expansionist agenda of Australian governments and gambling operators and concerns for the social impacts of gambling have fuelled public scepticism about the adequacy of consumer protection, fair trading, harm minimisation and community benefit in commercial gambling, and of existing mechanisms to address problem gambling.

Further, recent Australian government policies of expansion and market stimulation in gambling have nurtured an intensifying competitive environment for gambling operators. In response, these operators increasingly have pursued aggressive marketing strategies to gain and maintain market share. By the 1990s, they provided unprecedented access to a growing diversity of gambling options, particularly continuous forms, which are often concentrated in low socio-economic areas.¹⁴ These competitive strategies have heightened public concern in Australia for the incidence and ramifications of problem gambling. However, while there has been general reluctance amongst many Australian governments and gambling operators to implement policies and practices that address problem gambling, some governments and operators have been more proactive. The effectiveness of these initiatives in responsible provision of gambling has been questioned (IPART, 1998; Productivity Commission, 1999a, 1999b), yet nonetheless they have provoked wider criticism of less proactive governments and operators and heightened public attention to social responsibility in the conduct of gambling.

In response to the predatory actions of governments and gambling operators, pressure groups seeking gambling reform have become more organised and vocal, focusing on the broader context in which gambling operates and the obligations of governments and gambling operators to provide a responsible gambling environment. Much of this lobbying focuses on problem gambling, the prevalence

¹⁴ Continuous forms of gambling include gaming machines, keno and casino table games, which provide opportunities for repeated gambles within the same session of play, due to short time intervals between stake, play and outcome. Numerous studies have consistently found problem gambling more frequently associated with continuous, rather than non-continuous, forms of gambling (Dickerson Baron, Hong and Cottrell, 1996:174; AIGR, 1996:54, 1997:61-63; Delfabbro and Winefield, 1996:98; Abbott and Volberg, 1996:150; Productivity Commission, 1999b:6.1).

and ramifications of which are detailed in a growing body of social impact studies (for example, Dickerson and Baron, 1993; Dickerson, Walker and Baron, 1994; Dickerson, Baxter, Boreham, Harley and Williams, 1995; Delfabbro and Winefield, 1996; AIGR, 1996, 1998f). Studies conducted both at state and national levels suggest that the prevalence of problem gambling in Australia is higher than other published international results, with the NSW rate claimed to be the highest on record (AIGR, 1996:56).¹⁵ Further, there is growing recognition in Australia that the impacts of problem gambling extend beyond the individual gambler to include families and the wider community (Productivity Commission, 1999b:7.1). Thus, recent research into the nature and scope of problem gambling has focused public attention on the issue and provided some empirical evidence to underpin the arguments of gambling reformers for governments and gambling operators to enact structural changes that might prevent or minimise the harm associated with gambling.

Additional factors have increased pressure on NSW clubs to adopt more responsible gambling practices. A review in Chapter Two of the historical development of the industry demonstrates that it has tended to maximise economic gains from gaming machines, with little apparent regard for their negative social impacts. Reinvestment of most gaming machine profits into club assets rather than community and charitable causes, erosion of the common interest requirement for club membership and patronage, aggressive expansion and promotion of club gambling facilities, and the emergence of very large clubs with hundreds of gaming machines, have undermined the traditional not-for-profit agenda and community focus of registered clubs. This increasingly commercial orientation is paradoxical, given that the clubs originally were established as not-for-profit organisations with the primary purpose of advancing social aims. Their overt economic agenda by the 1990s was threatening their legitimacy as major providers of gambling facilities and the credibility of subsequent benefits that flow to club members and the wider community.

Additionally, there is growing recognition that problem gambling is disproportionately associated with machine gambling, for which NSW clubs are

¹⁵ Chapter Three discusses the key measure of problem gambling used in prevalence studies and notes its limitations. Because of its contentious validity, this study will avoid quoting estimates of the proportion of populations identified as ‘problem gamblers’. In fact, as discussed in Chapter Three, it is more logical to view problem gambling along a continuum, from none to severe, rather than as a dichotomous variable (existing or absent) and to recognise that one does not need to be a ‘problem gambler’, as identified by various survey instruments, to experience and generate gambling-related problems.

major providers. For example, research in NSW suggests that about 15 percent of regular gaming machine players may have significant personal, financial and family problems arising from their gambling (Dickerson, 1996:163). Surveys of treatment services for problem gambling in Sydney also reveal wide acceptance that machine gambling is responsible for loss of control amongst many gamblers who present for treatment (Keys Young, 1995; Prosser, Hing, Breen and Weeks, 1997b).¹⁶ Australia-wide, the Productivity Commission (1999b:6.1) estimated that one in five weekly gaming machine players has significant gambling problems. Further, in a review of prior studies into problem gambling, the AIGR found that one of the most consistently found conditions in which problem gambling is likely to be reported is when players prefer continuous forms of gambling such as gaming machines (1997:69).

Nevertheless, in the context of expansionist government policies and an increasingly competitive environment, the financial dependence of NSW clubs on machine gambling for most of their revenue has maintained their general reluctance to moderate their pursuit of economic returns from machine gambling with a concerted consideration of its social ramifications. However, more vocalised community concerns about gambling policy in Australia prompted the NSW Government to enact legislative changes in 1998-99 that have considerable implications for responsible provision of gambling by NSW clubs.

For the first time in the history of machine gambling in NSW clubs, social responsibility in gambling recently was established in a legislative framework, the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW*, passed in May 1998. Section 87AA of the Act required the RCA to publish 'an appropriately funded policy that is capable of enforcement for minimising harm caused to the public interest and to individuals and families by gambling in registered clubs'. The RCA commissioned the AIGR to assist, publishing the required policy on 31 May 1998 (AIGR, 1998a). It also devised and trialled strategies for responsible management of gambling (AIGR, 1998b, 1998e) in preparation for a statewide responsible gambling program planned for NSW clubs after mid-1999.¹⁷ While this legislative change shifted the clubs' social responsibilities in machine gambling into the legal arena and obligated the RCA to respond to its requirements, the legislation stopped short of specifying the exact

¹⁶ Sydney is the capital city of NSW.

¹⁷ The author was one of the team at the AIGR commissioned for this project by the RCA.

nature of that response, relying on industry self-regulation. Thus, by mid-1999, the NSW club industry retained considerable latitude in determining the nature of its responsible gambling program and how it was to be implemented, monitored and enforced.

During 1998-99 however, several significant events converged to diminish this latitude. The trial responsible gambling program conducted by the RCA in nineteen NSW clubs in late 1998 and its subsequent evaluation by the AIGR (1998e) exposed the inherent shortcomings of a self-regulatory approach to responsible management of gambling. Further, NSW (IPART, 1998) and Federal (Productivity Commission, 1999a, 1999b) Government inquiries into gambling confirmed the deficiencies in the current management practices of gambling operators in addressing problem gambling. The NSW Government responded in late 1999 by passing the *Gambling Legislation Amendment (Responsible Gambling) Act 1999 NSW* and by drafting associated regulations that established mandatory minimum standards in responsible gambling for NSW clubs and other gambling operators. This was a benchmark in gambling policy in Australia, for the first time prescribing core management practices for gambling operators to address problem gambling through harm minimisation, consumer protection and fair trading provisions designed to ensure gambling is conducted in the public interest.

Thus, numerous factors increasingly have pressured NSW registered clubs to implement management practices aimed at addressing the issue of problem gambling. Adopting a more responsible approach is important to club management, not solely to comply with their recently enacted legal obligations, but also to meet community expectations and to stem public concerns about problem gambling. Given the clubs' financial dependence on machine gambling, it would seem in their enlightened self-interest to ensure that their core product is socially, as well as economically, sustainable. As McMillen (1996c:13) explains, the social character of gambling in Australia largely has been overlooked in favour of an economic perspective, yet 'to secure its long-term profitability, commercial gambling must be compatible with social values and institutions'.

This chapter will now identify the specific research objectives for this study, and provide an overview of its methodology. It concludes by outlining the structure of the remaining chapters in the thesis and its potential contribution to knowledge.

1.5 OBJECTIVES OF THE STUDY

As noted earlier, this study is concerned with how NSW registered clubs strategically manage problem gambling in their machine gambling operations from past, present and future perspectives. From an historical viewpoint, the study examines the development of club machine gambling operations in NSW to consider how they have contributed to problem gambling. It also analyses the role of epistemic influences, governments, gambling operators and pressure groups in the emergence of problem gambling as a management issue for NSW clubs. Adopting a contemporary stance, the study then compares key stakeholder expectations to the performance of NSW clubs in managing problem gambling in their machine gambling operations in 1997–98. Taking a future perspective, the study reviews the club industry's responses to meeting requirements of the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW* to consider the future direction of NSW clubs in addressing problem gambling in the context of recent developments that have given the issue of problem gambling additional momentum in 1998–99.

These general research aims are expressed more specifically as the following six objectives:

1. to document the historical development of NSW registered clubs to explain how their increased commercialisation has affected their distinctive relationship with the community and their legitimacy as major providers of machine gambling in Australia;
2. to explain the emergence of problem gambling as a corporate social issue in Australia and its implications for NSW registered clubs;
3. to consider the relevance of theoretical models of social responsibility and applied models of responsible provision of gambling to NSW registered clubs in addressing the issue of problem gambling;
4. to assess how NSW club managers interpreted the social responsibilities of their clubs in addressing problem gambling in their machine gambling operations by 1998;

5. to assess the congruence between principles and practices adopted in machine gambling operations by NSW registered clubs to address problem gambling and those expected by key stakeholders by 1998;
6. to consider the implications of key developments during 1998–1999 for the future management of problem gambling by NSW registered clubs.

1.6 OVERVIEW OF THE RESEARCH METHODOLOGY

Addressing the study objectives requires a methodology that draws data from a range of primary and secondary sources, using both qualitative and quantitative methods as appropriate. Adopting multiple methods is important for many reasons. First, the controversial nature of both gambling and social responsibility hinders collection of reliable data and so the use of multiple methods can enhance and verify accuracy. Second, any benchmark or single, ‘correct’ approach to socially responsible machine gambling has not been identified. While various strategies in responsible provision of gambling have been adopted in other gambling sectors and jurisdictions, their effectiveness has yet to be evaluated objectively. Further, the particular external environments faced by NSW clubs and the distinctive nature of these organisations mean strategies adopted by other operators in other jurisdictions may not be acceptable nor effective in the NSW club context. Third, the many stakeholders affected by machine gambling in clubs are likely to hold diverse opinions about responsible provision of gambling, which may differ both amongst themselves and from the opinions held by club managers.

Thus, drawing data from a variety of sources allows the research objectives to be addressed from a diversity of viewpoints to capture and understand the richness and complexity of the topic under study (Baker, 1994:244), an unlikely outcome if restricted to a single data source. As Ackroyd and Hughes (1992:171) explain, complicated social phenomena, particularly those significant enough to affect large sections of society, require examination of all practically available data. Utilising multiple sources of data and multiple methods also allows cross-checking to verify the accuracy of data collected.

Further, a multi-method approach capitalises on the complementary strengths of different methods and helps overcome limitations inherent in individual methods (Brewer and Hunter, 1989:17), as convergent findings increase the confidence with which results can be considered to reflect reality, rather than methodological errors

(Brewer and Hunter, 1989:17). As Denzin (in Ackroyd and Hughes, 1992:171) explains:

No single method is free from flaws...and will yield all the data necessary for a theory's test. Consequently, the researcher must combine his methods in a process called triangulation; that is, empirical events must be examined from the vantage provided by as many methods as possible.

The methodology adopted in this study utilises both secondary data from as wide a variety of sources as practicable, as well as primary data where both quantitative and qualitative approaches are used. Methods for addressing each research objective are outlined below, with more comprehensive explanation integrated into later chapters.

Objective 1: To document the historical development of NSW registered clubs to explain how their increased commercialisation has affected their distinctive relationship with the community and their legitimacy as major providers of machine gambling in Australia.

Addressing the first objective requires an historical examination drawing on secondary data from a range of sources, including official statistics, government reports and inquiries, Hansard reports of NSW Parliamentary debates, relevant legislation, industry publications, media reports, as well as academic studies focusing on gambling, both in general, and in the NSW club industry. These are analysed to present a chronological account of the history of NSW registered clubs to demonstrate that their not-for-profit status and their origins as community-based organisations operating for social purposes have been instrumental for the clubs in attaining dominance over machine gambling in the state. The analysis also documents the increased commercialisation of NSW clubs in their machine gambling operations since 1956 and explains why this has raised concerns about the legitimacy of clubs as major providers of machine gambling and about their contribution to problem gambling. This explanation draws upon the theoretical bases of that legitimacy and the historical evidence that suggests that those bases have been diminished over time through the clubs' increased prioritisation of economic over social objectives in machine gambling.

Objective 2: To explain the emergence of problem gambling as a corporate social issue in Australia and its implications for NSW registered clubs.

The secondary sources identified above also are drawn upon to address the second research objective. In light of key concepts in the field of corporate social issues management, these secondary data are analysed to illuminate how the epistemic community of researchers and experts in the field, governments, gambling operators

and pressure groups have influenced the recent emergence of problem gambling as an important strategic business issue for NSW registered clubs. An issue lifecycle approach (Mahon and Waddock, 1992) is adopted to demonstrate how a widening 'expectational gap' (Wartick and Mahon, 1994) between societal expectations and the performance of gambling operators in addressing problem gambling explains the emergence of problem gambling as a social issue in Australia. This issue has potential for significant future impact on NSW clubs by requiring strategies that will alter how machine gambling is operated and marketed if the clubs are to retain their legitimacy as major providers of gambling.

Objective 3: To consider the relevance of theoretical models of social responsibility and applied models of responsible provision of gambling to NSW registered clubs in addressing the issue of problem gambling.

A review of the literature on corporate social responsibility is integral to addressing the third research objective. Prominent concepts and theoretical models emanating from debate over principles, processes and practices underpinning corporate social performance are assessed for their relevance to NSW registered clubs in addressing the issue of problem gambling. Then, existing models of responsible provision of gambling adopted by gambling operators in other sectors and jurisdictions are evaluated in terms of the grounding constructs of corporate social performance to assess their potential effectiveness for NSW clubs in addressing problem gambling. Both these theoretical and applied models then inform the development of a framework to structure the empirical research required to address Objectives Four and Five of the study.

Objective 4: To assess how NSW club managers interpreted the social responsibilities of their clubs in addressing problem gambling in their machine gambling operations by 1998.

Data to address the fourth objective were obtained from three sources during 1997-98. First, in-depth interviews with nineteen NSW club managers explored how they viewed their clubs' social responsibilities in addressing problem gambling, in terms of the underlying principles and practices adopted. Second, six case studies of NSW clubs that have implemented responsible gambling strategies were conducted to ascertain the principles and practices that underpinned their efforts. Third, a mail survey questionnaire to a census of managers of all NSW clubs that operate gaming machines incorporated a validated instrument (Aupperle, 1982) to measure the relative priority given to economic, legal, ethical and discretionary principles in their machine gambling operations. The same survey identified practices implemented by

NSW clubs to address problem gambling. To address Objective Four, findings from the three data sources are integrated to provide an overall perspective on how NSW club managers viewed their clubs' responsibilities in addressing problem gambling in their machine gambling operations by 1998.

Objective 5: To evaluate the congruence between principles and practices adopted in machine gambling operations by NSW registered clubs to address problem gambling and those expected by key stakeholders by 1998.

Two data sources were drawn upon to examine key stakeholder interpretations of the social responsibilities of NSW registered clubs in addressing problem gambling by 1998. First, in-depth interviews, supplemented with public documents where available and appropriate, were conducted during 1998 with representatives from the NSW Department of Gaming and Racing, the Council of Social Service of NSW, the Public Interest Advocacy Centre, the Liquor, Hospitality and Miscellaneous Workers' Union, the Ethnic Communities Council of NSW, the NSW Council on Problem Gambling, the Forum of Non Government Agencies and Global Gaming Services. Second, submissions to the *NSW Gaming Inquiry* (IPART, 1998) were reviewed to ascertain the stance of additional interested parties. Data from these two sources are then integrated to identify principles and practices key stakeholders consider fundamental to the responsibilities of NSW clubs in addressing problem gambling. Addressing the fifth objective then entails comparing these findings to those of Objective Four to ascertain the congruence between the principles and practices adopted in machine gambling operations by NSW registered clubs to address problem gambling and those expected by key stakeholders by 1998.

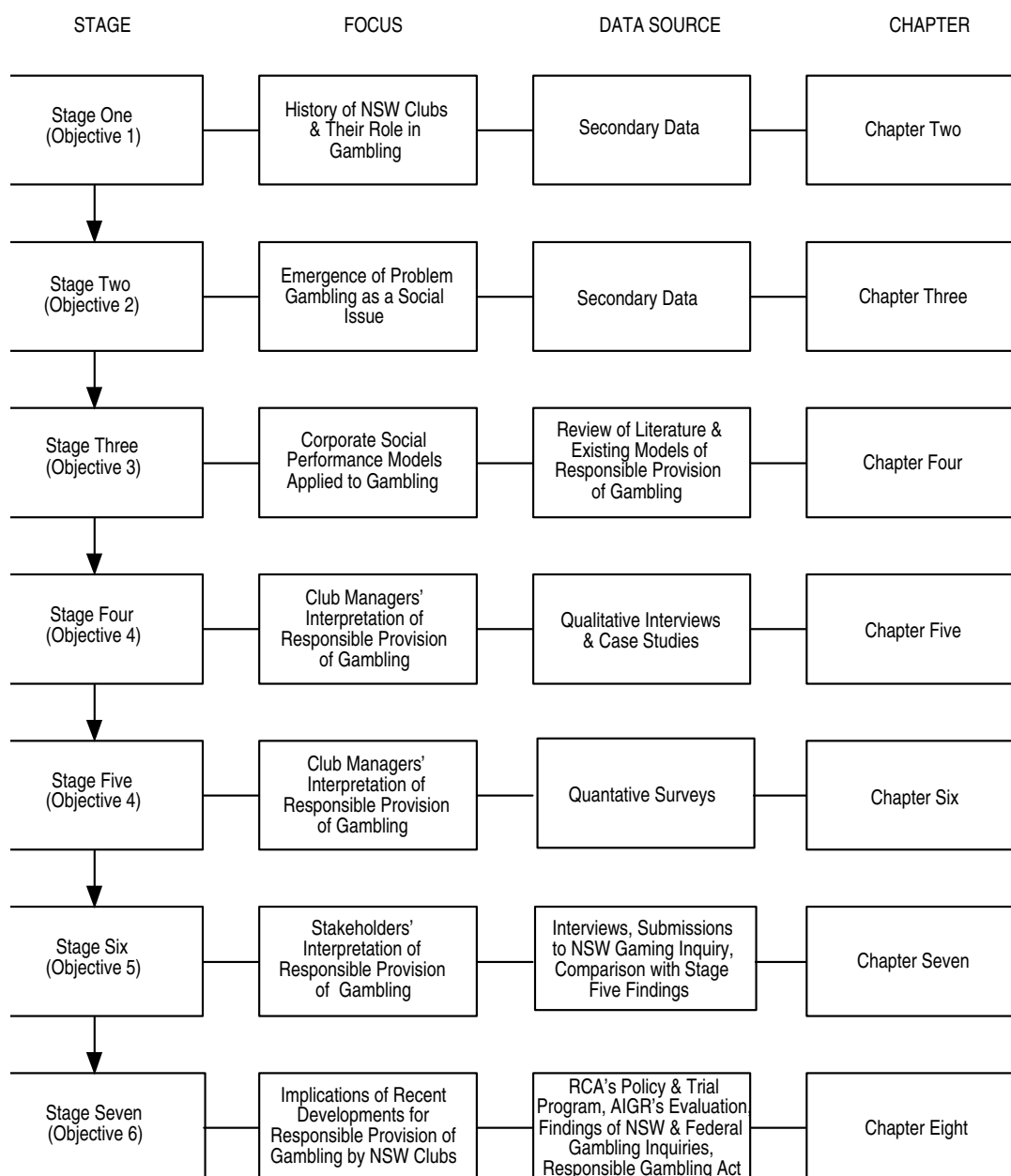
Objective 6: To consider the implications of key developments during 1998-1999 for the future management of problem gambling by NSW registered clubs.

Five developments during 1998-99 form the basis of analysis to address the sixth research objective. First, the RCA's progress in developing a statewide responsible gambling policy and program for the NSW club industry is reviewed. The author's involvement in this project allowed documentation of the development process and access to the policy and program materials. The socially responsible principles and practices endorsed by the RCA in its trial responsible gambling program, as preparation for a statewide program, are then distilled from these documents, and considered in light of the primary research conducted to address Objectives Four and Five. Second, the AIGR's evaluation of the RCA's trial responsible gambling program (AIGR, 19998e) is considered for its influence on the development of the RCA's statewide program. Third, the findings of the *NSW Gaming Inquiry* (IPART,

1998) also are considered in this light. Fourth, the draft and final findings of the Federal Government's inquiry into Australia's gambling industries (Productivity Commission, 1999a, 1999b) are examined to assess their implications for the RCA's responsible gambling program for NSW clubs. Finally, provisions of the *Gambling Legislation Amendment (Responsible Gambling) Act 1999 NSW* and its associated draft regulations are reviewed for their potential implications for NSW clubs in responsible management of gambling.

The research design is depicted in Figure 1.1, which shows seven empirical research stages and the objectives they address, along with their main focus, data sources and accompanying chapters in this thesis. It must be noted that when this study was designed in 1997, the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW*, the *NSW Gaming Inquiry* (IPART, 1998), the RCA's responsible provision of gambling policy and trial program (AIGR, 1998a, 1998b, 1998e), the Federal Government's inquiry into Australia's gambling industries (Productivity Commission, 1999a, 1999b) and the *Gambling Legislation Amendment (Responsible Gambling) Act 1999 NSW* had not been proposed. Thus, in line with the original research design conceived in 1997, the study pays greater attention to the time period prior to 1999. However, given the importance of developments in 1998-99 to the topic under study, a decision was made in late 1998 to incorporate them into the final research design, even though the empirical research for the first five stages and stakeholder interviews for the sixth stage had been completed.

Figure 1.1
Research Design



Source: primary – compiled for this study.

1.7 STRUCTURE OF THE THESIS

This thesis is structured in nine chapters. Following this introductory chapter, Chapter Two addresses the first research objective. It provides a history of the NSW registered clubs industry in the context of developments in Australian gambling, with the purpose of contextualising the study and to demonstrate the distinctive relationship between registered clubs, the community and the clubs' role in gambling. The chapter also examines how the clubs' increased commercialisation in their machine gambling operations has affected this distinctive relationship such that their legitimacy as major gambling providers became threatened by the late 1990s.

The second research objective is addressed in Chapter Three. Following a theoretical discussion of corporate social issues and their characteristics, an issue lifecycle approach (Mahon and Waddock, 1992) is utilised to analyse how the epistemic community, governments, gambling operators and pressure groups have influenced the emergence of problem gambling as a corporate social issue. The influence of these four parties is tracked to identify how and why an 'expectational gap' (Wartick and Mahon, 1994) widened by the late 1990s to the extent that problem gambling gained strategic importance for NSW registered clubs in their marketing, management and operation of machine gambling.

The strategic management of corporate social responsibility is central to this study and will be addressed from a conceptual viewpoint in Chapter Four. Consideration is first given to whether theoretical foundations for social responsibility in profit-based organisations have relevance for NSW clubs in explaining their social obligations to address problem gambling. The chapter then reviews key concepts relating to managing social responsibility in profit-based organisations. When applied to not-for-profit clubs in NSW, this review reveals theoretical explanations for why their social performance in machine gambling operations had not met stakeholder expectations by 1998, and provides some direction for improving their social performance through attention to socially responsible principles, processes and practices. This review also provides a basis for considering the relevance of existing responsible gambling models to NSW clubs. In light of theoretical and applied models of corporate social performance, the chapter concludes with a framework to structure the empirical research presented in Chapters Five, Six and Seven of the thesis. Chapter Four thus addresses the third research objective.

Chapters Five and Six address the fourth research objective and narrow the focus of the study from an industry-wide perspective to machine gambling operations in individual clubs. These chapters draw on the results of nineteen in-depth interviews with NSW club managers, six case studies of NSW clubs with responsible gambling programs, and a survey of all NSW clubs with gaming machines to illuminate the principles and practices adopted by these clubs in responsible provision of machine gambling by 1998.

Principles and practices apparent in stakeholder expectations of NSW clubs for addressing problem gambling are discussed in Chapter Seven, where the findings gathered from in-depth interviews with selected stakeholders and submissions to the *NSW Gaming Inquiry* (IPART, 1998) are analysed. These expected principles and practices are then compared to those identified for club managers, as presented in Chapters Five and Six. Thus, Chapter Seven addresses the fifth research objective.

Chapter Eight addresses the sixth research objective. It moves the focus of the study to key developments during 1998-99 that influenced the future direction of NSW clubs in responsible management of gambling. The RCA's trial responsible gambling program, developed in preparation for a statewide program to meet requirements of the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW*, is reviewed and its underlying principles and practices identified. These are then compared to those favoured by NSW club managers, as identified in Chapters Five and Six, and those expected by the clubs' main constituencies, as discussed in Chapter Seven. The AIGR's evaluation of the RCA's trial responsible gambling program, the findings of the NSW (IPART, 1998) and Federal (Productivity Commission, 1999a, 1999b) Government inquiries into gambling, and the provisions of the *Gambling Legislation Amendment (Responsible Gambling) Act 1999 NSW* and its associated regulations are then considered for their influence on the future management of problem gambling by NSW clubs.

Finally, Chapter Nine summarises the focus, rationale and empirical findings of the study. Drawing on the research findings and selected concepts in the fields of corporate social issues management and corporate social performance, a theoretical framework is presented with potential application in future studies of how organisations manage their social impacts. The chapter concludes by outlining the limitations of the study, by summarising its empirical, theoretical, methodological and policy contributions, and by presenting recommendations for further related research.

1.8 POTENTIAL CONTRIBUTION OF THE STUDY TO WIDER KNOWLEDGE

The proliferation of legalised commercial gambling in many countries in recent decades has focused increased academic attention on multiple aspects of gambling from diverse disciplinary perspectives and in a variety of industry settings. While early forays into gambling research typically were conducted by psychologists and psychoanalysts, the fragmented and eclectic body of work known as gambling studies (McMillen, 1996b:7) now reflects a breadth of contributions drawn from such disparate areas as economics, public policy, law, history, sociology, mathematics, philosophy, criminology, public health, religion, marketing, and management. While early gambling research tended to focus on the behaviour and motivations of individual gamblers, contemporary studies embrace a wider variety of issues and stakeholders. These include governments which set gambling policy and legislation, operators who provide gambling services, managers and employees of gambling venues, consumers of gambling products, communities where gambling venues are located, interest groups both advocating and opposing gambling, minority and ethnic groups who may display varying patterns of gambling participation, individuals and their families who experience gambling-related problems, and welfare organisations that assist them. At the organisational level, the setting for gambling studies has included casinos, clubs, hotels, off-course betting shops, bingo parlours and racetracks. Research has focused on many forms of gambling, from traditional card and dice games to internet gambling.

A consistent theme in many contemporary studies of gambling is its impacts, whether at individual, community or societal levels. At the individual level, psychologists continue efforts to explain the continuum of gambling behaviours; at community and societal levels, more recent analyses have been socio-economic in nature, focusing on the benefits of gambling or its harmful effects (Mascarenhas, 1991:124; IPART, 1998; Productivity Commission, 1999a, 1999b). Given recent attention to the socio-economic impacts of commercial gambling, some scholars have focused on public policy principles, often to support their call for governments to balance the costs and benefits of gambling. However, to the author's knowledge, this dissertation represents the first comprehensive Australian academic study into managing gambling impacts at the organisational level.

In contrast to the lengthy history of many forms of gambling in Australia, and despite its continued expansion and current scope, there have been few

comprehensive initiatives by either policy-makers or gambling operators to address its adverse social consequences, until the late 1990s. This reluctance to acknowledge and address the social impacts of gambling is mirrored in the academic arena by the paucity of research on social responsibility in gambling and on efforts by gambling operators to meet these responsibilities. In contrast to the relatively well developed field of corporate-society relationships, academic enquiry into social responsibility in gambling is still in its infancy and far from conclusive. Indeed, no Australian academic studies have been located which apply the tenets of corporate social responsibility and social issues management to the management of gambling operations.

Further, there have been few detailed scholarly publications on any aspect of the NSW club industry. The most comprehensive remains Geoffrey Caldwell's doctoral thesis, completed in 1972, which, while providing a comprehensive account of some of the history of NSW clubs and some insights into gaming machine play in one large club, focused primarily on the sociological role of clubs as leisure institutions, with little attention given to other social impacts of the club industry. Lynch (1985) has conducted a qualitative study of 21 regular gaming machine players at one Sydney club which provided valuable insights into the motivations and gambling behaviour of regular gaming machine players. However, the small sample size and its purpose as a management report to improve club performance necessarily limited the study. More recently, Prosser, Hing, Breen and Weeks (1996, 1997a) investigated the socio-demographic characteristics of Sydney populations which support machine gaming in NSW clubs, and poker machine playing behaviour and problem gambling amongst 3,000 members of six large Sydney clubs. Their studies provide useful background for the current research, but they did not examine how the issue of problem gambling might be managed in the clubs. Two large scale surveys of NSW club members (Toms, Lynch and Veal, 1996, 1998) sought to assess the impact of the Sydney Harbour Casino on selected NSW registered clubs and so presented valuable information on the gambling activities and behaviours of these club patrons. However, none of the above studies has focused on how NSW clubs manage their social responsibilities in machine gambling.

In addition, limited research has been conducted in Australia into the values and expectations of various stakeholders regarding the social responsibilities of gambling operators. Until the *NSW Gaming Inquiry* (IPART, 1998) and the Federal Government's inquiry into Australia's gambling industries (Productivity Commission, 1999a, 1999b), the only published data on community attitudes to gambling in NSW were contained in two studies for the Casino Community Benefit

Fund (AIGR, 1996, 1998f). While providing useful indicators of the prevalence and ramifications of problem gambling and participation rates in different types of gambling, these studies were limited to three questions about community attitudes to gambling - the importance of gambling as a leisure activity, who should be responsible for funding treatment services for problem gamblers, and whether gambling creates serious problems for some people. Other socio-economic impacts of gambling were identified in these two studies, but they did not attempt to investigate community acceptance of these impacts or how any negative impacts might be managed. Few other investigations into stakeholder expectations of gambling operators have been conducted in NSW, apart from occasional conference papers promoting the views of individual academics, stakeholder representatives, and problem gambling service providers (for example, Blaszczyński, 1987; Toneguzzo, 1996a; Brown, 1997).

Thus, this study represents the first scholarly investigation into the social responsibilities of NSW registered clubs in addressing problem gambling. It also provides a detailed assessment of related stakeholder expectations, and extends Caldwell's (1972) historical analysis of the NSW club industry. At an empirical level, it aims to fill a gap in current knowledge so that the strategic management of gaming machine operations in individual NSW clubs can help to address the issue of problem gambling. At a theoretical level, it aims to test selected concepts in the corporate-society field for their application to gambling. Such a study seems timely given the continued expansion of machine gambling in many western countries, escalating public outcries about its social fallout, increasing government attention to responsible conduct of gambling, and recent efforts by the RCA to address problem gambling in NSW registered clubs.

CHAPTER TWO

A HISTORY OF MACHINE GAMBLING IN THE NSW REGISTERED CLUBS INDUSTRY

2.1 INTRODUCTION

The purpose of this chapter is to document the historical development of NSW registered clubs to explain how their increased commercialisation has affected their distinctive relationship with the community and their legitimacy as major providers of machine gambling in Australia. The analysis in this chapter represents Stage One of this study (Figure 1.1) and addresses its first research objective.

Through a history of the NSW club sector, this chapter illuminates certain characteristics of clubs that distinguish them from other gambling operators. It will be argued that three conditions of club registration - their not-for-profit status, membership requirements, and social benefit objectives - have been instrumental for the clubs in gaining and maintaining dominant rights to machine gambling in NSW. These three features of clubs traditionally have underpinned their legitimacy as major providers of machine gambling, reflecting prevailing government policy that linked legalised gambling to social benefit. However, the substantial revenues that accrued from machine gambling, amidst an absence of competition, fuelled an expansion of the club sector which was neither predicted nor planned, with many clubs growing dramatically in assets, membership and facilities. The original club goals of promoting and pursuing the social purpose and community benefit for which they were established became superseded by an emphasis on expansion, market share and profits. More recently, increased competition for the gambling dollar, reflecting a shift in government policy towards economically driven stimulation and expansion of commercial gambling, has further entrenched the commercialisation of clubs in their machine gambling operations, subordinating their social agenda to economic interests. This change in focus by club management has diminished the social contract that exists for clubs to operate gambling for community benefit, the very basis of the clubs' legitimacy as major providers of machine gambling. Indeed, the implicit assumption that social benefit was built into club machine gambling has allowed the clubs to exploit their position of market

dominance in such a way that exacerbates the negative social impacts of their core product.

The following history of the NSW registered clubs industry and its machine gambling operations is presented chronologically and contextualised within the development of other forms of gambling in Australia. To set this review in perspective, the next section explains the nature of NSW clubs by identifying key conditions of club registration, and distinctive characteristics significant to their protected role as dominant providers of machine gambling.

2.2 DISTINCTIVE CHARACTERISTICS OF NSW CLUBS

Key features of NSW registered clubs distinguishing them from profit-based organisations are prescribed in industry-specific legislation. While the *Liquor Act 1905 NSW* officially licensed the first clubs for trading, conditions of club registration are now contained in the *Registered Clubs Act 1976 NSW* which stipulates certain requirements to obtain a certificate of registration issued under Part II of the Act. These conditions restrict particular aspects of club management and operations, but are off-set by certain privileges designed to optimise the community benefit provided by clubs.

2.2.1 Restrictions on Club Management and Operations

The main restrictions imposed by the *Registered Clubs Act 1976 NSW* on club management and operations and which distinguish clubs from profit-based organisations relate to their purpose, ownership, distribution of trading profits, marketing, structure, and management, as outlined below.

Unlike commercial organisations, NSW clubs can be established only for social, literary, political, sporting, athletic or other lawful purposes (*Registered Clubs Act 1976 NSW*). The RCA, the peak representative association of the NSW club sector, has categorised NSW clubs into those which pursue and promote sporting, business, social, community, workers, national, cultural, religious, returned soldiers' and ex-services interests (1999a:6). More than half of all NSW clubs are sporting clubs, focusing on lawn bowls, golf, rugby league, rugby union, soccer, tennis, rowing and sailing (RCA, 1999a:6). The *Registered Clubs Act 1976 NSW* prescribes that clubs must hold a liquor licence and maintain premises for their members and guests, provided and maintained from club funds.

Clubs are owned by their members whose membership fees buy a share in the club and contribute to a common fund for the benefit of club members. Further, membership of clubs is restricted to a total of 6,250 unless approval for additional members is granted by the NSW Licensing Court. Prospective members must be nominated by an existing member, have their name displayed on the club noticeboard for two weeks and then be elected to membership by the club's Board of Directors (*Registered Clubs Act 1976 NSW*). Thus, unlike public companies, potential shareholders must be approved by existing members and the club's trustees. However, the *Registered Clubs Act 1976 NSW* prohibits any distribution of club profits or income amongst club members so, unlike commercial organisations, no dividends are paid to club members as shareholders. Clubs operate under the mutuality principle, that is for the benefit of the entire membership, with no member gaining an advantage or benefit from the club not offered to all other members.¹⁸ While some club funds are derived from membership dues, trading profits, particularly from gaming machines, typically contribute most to club funds (NSW Department of Gaming and Racing, 1995:4; Productivity Commission, 1999b:21.1).

Thus, clubs are considered not-for-profit organisations as any trading profits do not accrue to individuals or shareholders, but must be channelled into facilities and services that benefit members, promote the purpose for which the club was established, or support charitable or community causes. As the RCA (1994:3) explains, club income is used to 'support charities, provide funds for community projects, youth, the aged and handicapped, sponsor sport and build better and expanded facilities for their members and the community of NSW'. In addition, almost every registered club has several subsidiary clubs, such as those which pursue athletics, indoor bowls, snooker, fishing, darts, euchre, bridge, backgammon, travel, squash, cricket and croquet (RCA, 1999a:6). The RCA (1999a:6) estimates these total about 10,000 'sub-clubs' and notes that each 'supports the community and charities in some way'.

Because clubs exist for the benefit of members, certain restrictions are placed on their operations. Non-members can gain access to a club only if they reside more

¹⁸ The Productivity Commission (1999b:21.3) explains that the mutuality principle relates to the notion that a person cannot make a profit from selling to him or herself. The concept has been extended to defined groups of people who contribute to a common fund, controlled by the group for a common benefit. Any amount surplus to that needed to pursue the common purpose is said to be simply an increase of the common fund and, as such, is not considered income and not subject to income tax.

than five kilometres away, if they are members of another club with similar objectives, or if they are visiting to attend an organised sport or competition that the club is hosting. In such instances, visitors are classed as temporary members and must sign a register on entry in the presence of a club member. Further, any promotional material relating to club facilities must include a statement that it is for the information of club members and their guests.

While the *Registered Clubs Act 1976 NSW* is the principle Act governing NSW clubs, incorporated clubs must register with the Australian Securities Commission as companies limited by guarantee. Under corporations law, authority is delegated to club members to draw up their club's articles of association. The members, guided by provisions in the articles, elect a Board of Directors responsible for establishing club policies and by-laws. The Board appoints a chief executive officer, usually called the secretary manager, to implement club policies and to establish and implement operating procedures (Hing, Breen and Weeks, 1998:26). Thus, the chief executive officer is answerable to the Board of Directors, which in turn answers to the club's members. However, the not-for-profit status of clubs, their origins as community-based associations formerly run by volunteers, and the process of electing voluntary Board members mean the degree of professionalism amongst club Boards, and the managers they appoint, varies widely. Unlike commercial organisations, effective club management may not be measured in financial terms, but by how well the club's objectives and members are satisfied.

2.2.2 Privileges of NSW Clubs

Key features of NSW clubs that distinguish them from their profit-based counterparts, such as hotels and casinos, have been significant in gaining certain concessions and competitive advantages for the purpose of optimising community benefit. Predominant amongst these have been extended trading hours, taxation concessions and a protected market for gaming machines. These are outlined briefly here and will be detailed in the ensuing history of the industry.

The early popularity of NSW clubs was assured when clubs gained extended trading hours over their major rivals, hotels which were bound to 6 o'clock closing during World War One and World War Two. Preferential treatment by officials and legislators hinged on the clubs' not-for-profit status, membership requirements and social purposes. Considered restricted rather than publicly accessible establishments, and elite rather than mass institutions, police and public officials demonstrated considerable ambivalence, allowing NSW clubs to serve liquor outside hotel trading

hours even before a 1947 ruling essentially authorised 24 hour trading for the clubs. Further, because club liquor profits were channelled into member facilities and services, clubs fulfilled a social need for better drinking conditions than the hotels provided.

The social benefit objectives of clubs also have attracted taxation concessions, with certain types of clubs exempt from income tax. While other clubs pay income tax at the usual company rate, sporting clubs can be partially exempt if their main purpose is promoting a game of sport. While such clubs can have additional non-sporting objectives, these must be secondary to the main sporting purpose for which the club was established. However, takings from non-members and investment income are not tax-exempt (Australian Taxation Office, 1996). The requirement for club gaming machine profits to be directed towards member and community benefits also has maintained taxation rates on club gaming machines lower than those paid by for-profit gambling operators, both for gaming machines and other forms of gambling.

Their not-for-profit status, membership requirements and social benefit objectives also were critical for NSW clubs in gaining monopoly rights to machine gambling in NSW. These characteristics of clubs led officials largely to ignore the illegal operation of gaming machines in the clubs prior to 1956, and underpinned stated reasons for their eventual legalisation (Caldwell, 1972), thus forming the basis of the clubs' legitimacy as machine gambling operators. Further, these three features of NSW clubs helped maintain their dominance over machine gambling in the state, at least for as long as government policy maintained the connection between gambling and social benefit (Caldwell, 1972). While a change of government policy is reflected in the recent loss of this monopoly, NSW clubs still enjoy a heavily restricted market for gaming machines, perpetuated by the assumed community benefits that accrue.

2.2.3 Contradictions Between the Not-For-Profit Status and Commercial Objectives of Clubs

As this chapter will argue, the not-for-profit status of clubs and accompanying community benefit charter is increasingly at odds with the commercial objectives of many contemporary clubs. While still existing to render a service to members and the broader community, the intensifying competitive environment for gambling has prompted greater adoption of commercial management practices in NSW clubs, posing a contradiction between their official and actual agendas. This tension gradually has undermined the clubs' distinctive relationship with the community as a

source of community benefit, a linkage that facilitated and legitimised their development as major providers of machine gambling.

Koteen (1991:10-14) notes that the fundamental difference between not-for-profit and profit-oriented organisations is one of purpose, in that the former aims to make a profit while the latter exists to render a service. This fundamental difference, he contends, has major implications for strategic management in such organisations. In not-for-profit organisations, absence of a profit measure means success is measured by how well the service is rendered rather than in financial terms. Because accumulated revenue is expected to be used to expand or improve services, or reduce price, not-for-profit organisations often receive benefits not accruing to profit-oriented firms and attract criticism when they embark on commercial, revenue-producing activities considered unrelated to their primary purpose. Further, because not-for-profit organisations usually rely on non-client sources of revenue, their strategic management tends to focus on satisfying the needs of their funding providers, rather than those receiving the service.

However, as the following history will demonstrate, NSW registered clubs have evolved in such a way that, in practice, they now violate these essential foundations of not-for-profit organisations. Evolving from the early NSW clubs established to promote a common interest of, and provide a range of services for, members whose dues provided the main source of revenue, contemporary clubs now emphasise profit-based goals and reward management accordingly. Their main source of revenue is no longer membership dues, but gaming machine profits, prompting a shift in strategic management towards a market-oriented approach that seeks to maximise customer 'sales', rather than fulfill the community service objectives for which they originally were established. As Koteen (1991:14) notes, the key to understanding strategic management is the organisation's source of revenue. This chapter will demonstrate that this shift in club revenue from being derived principally from membership dues to gaming machine profits has prompted a more commercial approach to the strategic management of NSW clubs. This has fuelled criticism of favourable concessions given to clubs over their profit-based competitors and of the clubs' increased focus on protecting and promoting their gaming machine operations to the subordination of their original social purposes.

Further, NSW clubs may be particularly vulnerable to criticism of their increased commercialisation due to the multitude of stakeholders with whom they must manage a relationship, a condition common in not-for-profit organisations (Drucker, 1990; Billis, 1993; Taylor and Sumariwalla, 1993; Murray and Tassie, 1994). For

NSW clubs, support is needed by a range of primary stakeholders, including management, Boards of Directors, staff, club members, other patrons and government departments, while they also are subject to the influence of secondary stakeholders such as their competitors, local communities, pressure groups and the media. This diversity of stakeholders may heighten inherent tensions between organisational goals aimed at maintaining or enhancing the economic returns from gambling and the clubs' social benefit and community interest charter.

2.2.4 Summary

Conditions of registration that distinguish NSW registered clubs from profit-based organisations have been designed to restrict their pursuit of commercial interests and encourage community support. Paradoxically, the clubs' not-for-profit status, membership requirements and social benefit objectives have allowed them to aggressively pursue economic returns from machine gambling in the name of social benefit for members and the broader community. However, in recent years this more blatant economic agenda has been criticised for eroding their distinctive relationship with the community, raising questions over the social costs and benefits that accrue from their machine gambling operations and the legitimacy of clubs as major gambling providers. This chapter will proceed to illuminate how the industry's exponential growth and success have sown the seeds for such criticism. The historical account that follows is structured in four major sections that broadly reflect stages in the industry's evolution - inception, growth, development and maturity. Sources of data for this account have been identified in Chapter One and comprise both source documents and secondary literature pertaining to the historical development of the industry.

2.3 THE INCEPTION PHASE: THE ESTABLISHMENT OF THE NSW CLUB INDUSTRY

NSW clubs were established in the early Australian colonies, with their elitist nature reflecting class-based distinctions drawn by colonial administrators in their attitudes to gambling. While a prohibitionist approach to gambling prevailed for the lower classes, gambling amongst members in clubs and betting on horse racing were tolerated for their contribution to recreational and social purposes, to the consequent benefit of the colonial elite. In this context, early NSW clubs established themselves as not-for-profit organisations pursuing explicit social objectives, for the benefit of their restricted membership and the wider community.

2.3.1 The Context: Gambling in the Early Australian Colonies

O'Hara's (1988) history of gambling in Australia since colonisation describes how early European settlers to Australia imported the values and practices of Georgian England. Early Australian colonists readily adapted British gambling practices, to which settlers from both ends of the socio-economic spectrum had little moral aversion. Amongst the affluent classes, card playing and betting were considered matters of honour, as 'ostentatious displays of both civilisation and contempt for mere money' (O'Hara, 1988:246). Amongst lower classes, gambling and drinking provided some of the few recreational opportunities and, with meagre prospects for economic advancement through legitimate means, their circumstances left them little to lose and much to gain by gambling (O'Hara, 1988:246-247). Convicts also played games of chance for food and clothing, with Cumes (1979:15) noting that 'there was a hard core who were gamblers before they became convicts and the hardest core of them all had become convicts because they were gamblers'.

By the early 1800s, popular gambling included cockfighting and various card, dice and coin games amongst lower classes, and billiards, cards and horse racing amongst upper classes. The commonness, cheapness and attachment to horses meant they inevitably became the focus of wagering (Inglis, 1985:7), giving horse racing a degree of official sanction early on (O'Hara, 1988:12-13). With their long tradition of horse racing, numerous Irish Catholic settlers nurtured a culture sympathetic to gambling in general, and to horse racing in particular (Inglis, 1985:9). In NSW, organised horse racing was established by 1810, and by the mid-1800s had developed into a vital and growing recreational activity in emerging cities and country towns (McMillen, 1996c:4). Club facilities and racecourses were improved and numerous sweepstakes based on horse racing established (O'Hara, 1988). The first Melbourne Cup was held in 1861 and a form of sweepstakes on major races initiated in the early 1890s by George Adams, proprietor of the Tattersall's Hotel in Sydney.¹⁹ Gambling shops for betting on cards, dice and two-up proliferated in major centres, along with Chinese gambling dens. However, horse racing remained the most public display of gambling, and spread through the colonies as quickly as the settlements (O'Hara, 1988:83).

¹⁹ The Melbourne Cup is Australia's most famous horse race for which a public holiday was first declared in 1865 (Inglis, 1985:11).

O'Hara (1988) contends that gambling was entrenched in Australian society by the late 1800s. However, this proliferation of gambling was not without opposition. New values promoted by the growing urban middle classes and fuelled by the evangelical revival that transformed Protestantism (Inglis, 1985:12; O'Hara, 1988:104) saw opposition to gambling gain strength after the early 1800s. These values, emphasising the industrial work ethic and distrusting idleness, interpreted gambling, or at least gambling by the working classes, as 'a vice which distracted people away from the virtues of industry' (O'Hara, 1988:104). In the colonies, the evangelical clergy were particularly vocal in airing these views. Most notable was the Presbyterian Reverend John Dunmore Lang who, in 1834, declared that the three accompaniments of advancing civilisation in NSW were a racecourse, a public house and a gaol, and that the first two of these amenities naturally led men to the third (in Inglis, 1985:7). Protestant reformers became more vocal throughout the nineteenth century, frequently denouncing a trinity of vices - sexual immorality, drinking and gambling (Inglis, 1985:12). The term 'wowser' was coined by the late 1800s to describe those trying to impose their puritan prohibitions on the community (Inglis, 1985:15). However, while the moral reform movement was successful in influencing anti-gambling legislation shortly before and after 1900 (Inglis, 1985:15), it had less success in suppressing widespread participation in gambling, both legal and illegal. Even though all colonies enacted legislation between 1876 and 1897 to prohibit gambling in streets, shops and private houses, prosecutions were 'little more than token gestures which had little effect' (O'Hara, 1988:117-118).

However, while most gambling, except betting on horse races, was prohibited in NSW from the initial period of white settlement until the early 1900s, gambling by affluent classes in their private clubs was accepted from the beginning. The following review of the establishment and early development of NSW clubs provides some explanations for this.

2.3.2 Establishment and Development of the Early NSW Clubs

Although NSW clubs were not licensed for liquor trading until 1905, the first clubs were established in the early colonies, modelled on metropolitan British gentlemen's clubs which have a history of over three centuries (Tildesley, 1970:v). British clubs were principally social institutions, established to promote professional, intellectual, artistic and sporting interests and to provide members with collective use of a 'town house' in urban areas (Tildesley, 1970:v). Early Australian clubs, such as the Australian Club, the Union Club, Tattersall's and City Tattersall's, were established to fulfill a similar function. For example, Australia's oldest club, the Australian

Club, was established in Sydney in 1838 ‘on the principle of those establishments in London’, with the express purpose of ‘facilitating the social and literary intercourse of individuals resident in the Colony’ (Williams, 1938:1). For the landed gentry, such clubs provided accommodation and leisure facilities during business trips to town and relieved ‘the destitute condition of the country visitor ... as well as the aimless existence of the Sydney bachelor, who has no means of agreeably spending his evenings’ (*The Australian*, 30 September 1836 in Williams, 1938:1).

Other early clubs fostered particular sports, social interaction of members with common interests, and community well-being. For example, Tattersall’s Club was incorporated in Sydney in 1888 ‘to initiate and conduct race meetings, to foster the sport of horseracing and the breeding of thoroughbred blood horses, to encourage amateur sport, to provide a Clubhouse and recreation and accommodation for members, and to assist any charitable, benevolent, patriotic or philanthropic purpose as may be consistent with or necessary to the above’ (Anderson, 1985, n.p.). Similarly, the objectives of the first NSW ladies club, the Queen’s Club, established in 1912 ‘for social and non-political purposes’ and to provide ‘accommodation from the funds of the Club for club members and their guests in the club house and premises’ (Tildesley, 1970:v), reflected the social, rather than economic, purposes of early NSW clubs.

These first NSW clubs were prestigious institutions with limited exclusive membership commanding high fees, and selected by referrals and sanctions from existing members. For example, the Australian Club limited membership to 200 and commanded membership fees higher than comparable British clubs ‘to preserve for it a colonial aristocratic character’ (Cumes, 1979:250). Indeed, ‘black frock-coats, top hats or tall white beaver hats (and) gloves’ were considered ‘quite the correct thing’ in members’ attire at the club (Williams, 1938:27). A list of the Australian’s 137 founding members reads like a ‘who’s who’ of the day, comprising individuals distinguished in government, naval and military services, the professions, and pastoral and commercial pursuits (Williams, 1938:7-11). The calibre of new members was maintained by a ballot system, with one negative vote in ten from existing members meaning exclusion (Williams, 1938:11-12). Membership of other early clubs also was confined to the elite, although the Australian Club was the most exclusive.

The premises of the first NSW clubs also emulated British gentlemen’s clubs and appropriately accommodated the style of living to which their members were accustomed. For example, the *Year Book of Australia* in 1891 described the Pitt

Street premises of the Sydney Tattersall's Club as 'without doubt the largest and best appointed of its character in the world. For position, elegance of structure, and internal conveniences there is no Club to compare with Tattersall's of Sydney' (in Anderson, 1985:n.p.).

Club entertainment principally consisted of drinking, dining, billiards, card games and a library (Anderson, 1985), the latter maintained by member donations and club funds, with facilitation of literary intercourse often a stated club objective (Williams, 1938; Tildesley, 1970; Donohoo, 1971; Anderson, 1985). Betting was common on billiards and cards, particularly poker, whist and bridge (Tildesley, 1970: 61), but these involved wagers amongst members and were at no profit to the club. As Tildesley (1970:61) notes, 'playing cards for stakes is traditional in Club life - traceable as far back as the doyen of London's West End clubs, White's, where in its early days the custom of wagering was prevalent, and where a book in which bets might be entered was provided.'

Support of charity and community projects were priorities for early clubs. For example, during World War One, City Tattersalls Club donated nearly all its proceeds to war savings funds, built cottages for disabled servicemen, and retained beds in many hospitals (Donohoo, 1971: n.p.), while the Queen's Club donated its entire 1918 proceeds to returned soldiers and their dependents (Tildesley, 1970:15). Anderson (1985, n.p.) notes consideration given to charitable contributions at Tattersall's Club, which:

...was seen as a giant milch cow for every individual or group of people who had a cause to espouse or a drum to beat but there were very few genuine appeals which failed to get a sympathetic hearing. Men who were intimately connected with the racing game were only too well acquainted with the economics of survival among all classes and regarded it as their duty to help where help was deserved.

The generosity of club members and their genuine interest in promoting club objectives were integral to the early survival of the club movement. For example, Tildesley's history of the Queen's Club (1970) and William's of the Australian Club (1938) recount numerous occasions when members were levied or gave temporary advances to keep their clubs financially viable. These histories also suggest that club management was entirely voluntary, with the committee directly involved in daily operations and concerned more with club survival than maximising revenue or profit. Many services such as meals and accommodation were provided free to members (Anderson, 1985: n.p.; Williams, 1938:28-29). Unlike contemporary clubs, membership was limited and subject to the sanction of existing members, while

guests were permitted only at the invitation and in direct company of members, were required to leave at six pm. and could not be served alcohol (Anderson, 1971: n.p.). In fact, some clubs, such as the Queen's Club, did not obtain a liquor licence for some time after establishment, so members had to bring their own liquor if they wanted to drink. The social role of elitist clubs also extended to other clubs established early in the 1900s. At more modest sporting clubs, members volunteered time and labour and made financial contributions to construct club houses, clear land, raise money for golf courses and bowling greens and support the war effort (Dwyer, 1966; Walker, 1996).

Thus, historical accounts of early NSW clubs, while limited, suggest their management and operations strongly reflected their social, not-for-profit aims and the spirit of mutual benefit and community service for which they were established.

2.3.3 Summary

Various features of the first NSW clubs facilitated later institutionalisation of registered clubs as major leisure establishments and legitimate gambling venues. First, these clubs were established soon after colonisation in the long-standing tradition of their respected British counterparts, marking commencement of the relatively lengthy industry history in NSW. Second, their elitist membership and demonstrated social benefits for both members and the wider community meant their existence went unquestioned. Third, their sanctioned position in society allowed the common, albeit illegal, gambling amongst members on club premises to continue. While clubs themselves did not receive financial benefit from gambling, its tolerance by authorities meant a close association between clubs and gambling from their very inception.

2.4 THE GROWTH PHASE: THE NSW CLUB INDUSTRY PRIOR TO THE LEGALISATION OF POKER MACHINES

During the first half of the 1900s, government policy on gambling shifted from a class-based prohibitionist approach, to selective liberalisation that clearly linked gambling to social benefit. Amidst the legalisation of lotteries, and church and charity bingo, both with explicit social welfare purposes, NSW clubs gained a foothold on machine gambling, operating it illegally but with a substantial degree of official tolerance. This was premised on the clubs' not-for-profit agenda, membership restrictions and social objectives, which set them apart from their major

rivals, hotels, and gained favourable treatment in both liquor and gambling provision.

2.4.1 The Context: Gambling in Australia in the Early 1900s

O'Hara (1988) points out that Protestant opposition to gambling gathered momentum in Australia in the early 1900s, with vigorous attempts to reform legislation rather than educate gamblers on the error of their ways. He describes how the *Gaming and Betting Act 1906 NSW* and similar legislation in other states reflected the middle class view of Protestant social and moral reform, with far greater restrictions on lower class entertainment than that of their social superiors. However, despite the apparent victory of the moral reform movement, horse racing and trotting continued to prosper with betting made more efficient with invention and refinement of the mechanical tote after 1911 (Watts, 1985). Gentlemen's clubs operated much as before, and illegal betting shops and private bookmakers continued although with greater discretion (O'Hara, 1988). Further, while World War One refuelled Protestant arguments with calls for greater sacrifice, it added pressure on the public purse.

The introduction of the Golden Casket Art Union in Queensland in 1916 was a landmark in Australian gambling history. First operated by the non-profit Queensland Patriotic Committee to raise money for the war effort and soldier repatriation, it was so successful that the Queensland Government took over operation in 1920, directing all profits to the Motherhood, Child Welfare and Hospital Fund (Selby, 1996:65). As well as signalling a changed government attitude towards gambling, the Golden Casket demonstrated that the state could be an effective gambling operator, with revenue used in a morally defensible way to relieve pressure on state funds and provide social benefits (O'Hara, 1988:171). The next state lotteries introduced were in NSW (1931) and Western Australia (1933).

By the 1940s, bingo also had gained popularity, which O'Hara (1988:196) attributes to restrictions on horse racing and the presence of numerous US soldiers. During the Second World War, the YMCA, returned services clubs and other charitable organisations ran state licensed bingo games for wartime fund-raising purposes. After the war, clubs, hospitals, ambulance organisations and the Catholic Church operated bingo, although regulations on hours of play, number of games and prize money sought to contain its growth (O'Hara, 1988:196-197).

Both legitimisation and access influence participation in gambling (Selby, 1996:66). The first half of the 1900s saw state, church and charitable involvement as gambling operators reinvigorate the legitimacy of gambling, which gained new respectability through association with welfare purposes, further attracting middle class participation, particularly by women (McMillen, 1996c:5). In contrast to traditional forms of legal gambling, such as totalisators, which were strictly controlled both in procedure and location, and legislative curbs on other gambling in public places (O'Hara, 1988:115), lotteries and bingo increased public access to gambling (Selby, 1996:67). It was within this context of increased legitimisation and public exposure to gambling that NSW clubs became established as major leisure institutions and gained their first foothold on machine gambling. The ensuing account of club development during this period identifies numerous factors that facilitated this.

2.4.2 Expansion of the NSW Club Industry: 1905–1955

Expansion of the NSW club industry during the early 1900s was strongly linked with the clubs' role as leisure establishments licensed to serve alcohol. However, while early NSW clubs established the base for industry development, legislative controls on the number of NSW liquor licences hindered further industry growth for many decades, as the *Liquor Act 1905 NSW* had authorised only 85 clubs for trading. However, social and economic changes during the first half of the century prompted public pressure on the NSW Government to expand the number of club licences, achieved through amendments to the *Liquor Act* in both 1946 and 1954. The following review discusses pertinent events preceding these amendments.

In Australia's early colonies, the social strata was polarised between affluent classes, catered for by gentlemen's clubs, and the working class of convict and free settler origin. For over a century, taverns and pubs were the sole public institutions catering for the leisure and drinking needs of ordinary people (Caldwell, 1972: 49-50). However, proliferation of public drinking houses during the late nineteenth and early twentieth centuries was accompanied by outcries from the media, temperance movement, churches, and growing middle classes. The NSW Government attempted to curb liquor trading through freezing the number of hotel, wine and club licences in the *Liquor Act 1905 NSW*, authorising local option polls on hotel licence numbers, and introducing requirements for ratepayers to petition for new liquor licences (Caldwell, 1972:50).

World War One brought further restrictions to liquor trading. All Australian state governments reduced hotel closing times to 9 pm. or 9.30 pm., while a 1916 military

riot prompted a referendum supporting 6 pm. closing for NSW hotels (Caldwell, 1972:51). Such was the influence of the temperance movement, the churches and patriotic sentiment in the post-war years, that this wartime measure was retained until 1954 (Caldwell, 1972: 52). During and after World War One, drinking conditions in hotels deteriorated. The hour before closing became known as the 'six o'clock swill' when about 90 percent of all alcohol sold was consumed (Caldwell, 1972:52). The place of hotels as the centre of community life was destroyed by six o'clock closing, which encouraged hurried drinking, drunkenness, and remodelling of hotels to accommodate the avalanche of after-work drinkers, at the expense of dining, accommodation and indoor sports areas. Hotels became 'high pressure drinking houses with little pretence of service, amiability and personal contact between publican, barman and customers' (Freeland, 1966 in Caldwell, 1972: 52).

However, the official status of registered clubs between the wars was unclear. Even though the NSW Supreme Court determined in 1930 that hotels and clubs were subject to the same licensing laws, less official scrutiny of clubs and their accessibility only to members allowed their upper class patrons more liberal drinking conditions than the working class enjoyed in hotels (Caldwell, 1972:61). Further, the RCA argued that, as clubs were 'virtually the homes of members, whose home privileges must be safeguarded', their legal status differed from that of hotels (*Sydney Morning Herald*, October 30, 1930 in Caldwell, 1972:61).

During World War Two, restricted drinking conditions encouraged publicans to overcharge for liquor, fuelling a 'vigorous' black market, with liquor supplied by 'sly grog shops' and sold through burgeoning numbers of nightclubs, unlicensed clubs and other outlets (Caldwell, 1972:64-65). Government restrictions on liquor production, the rushed drinking encouraged by limited trading hours, and inability to consume food and drink together at appropriate times in hotels, were blamed for increased consumption of wines and spirits and public drunkenness (Caldwell, 1972:66-67).

By the end of World War Two, ordinary social drinkers were dissatisfied with hotel drinking conditions, the general shortage of beer, exploitation by the hotels and breweries, and the rampant black market. However, at the same time, NSW clubs had begun to diversify in their objectives and membership base, away from the elitist gentlemen's clubs of earlier times. For example, a list of NSW clubs licensed for trading in 1939 (Caldwell, 1972:63-64) identifies yacht, bowling, golf, civic, professional, jockey, tennis, rowing, musicians, automobile, masonic, recreation, motor boat, gun, cricket, working men's, literary and soldiers' clubs. Additionally,

improved economic conditions during the post-war boom meant the public had more disposable income, some of which they wanted to spend in more comfortable, relaxed drinking venues (Caldwell, 1972: 69-71). Public pressure increased for more licensed clubs, prompting amendments to the *Liquor Act 1905 NSW* in 1946 authorising additional club licences. By 1950, these numbered 350 (RCA, 1994:3).

During the late 1940s and early 1950s, the popularity of NSW clubs continued to increase. Caldwell (1972:93) identifies the following influential factors. First, the electorate voted overwhelmingly in 1947 to retain 6 pm. closing for hotels (*Liquor Referendum on Hotel Closing Hours*, 1947) while the NSW Supreme Court ruled that clubs could legally serve alcohol outside hotel trading hours (*Ex Parte Coulson and Anor. re Jones and Anor.* 48 S.R. 178). By classifying club members as 'inmates' under the *Liquor Act 1905 NSW*, this decision allowed 24 hour club trading. Second, many hotels were unwilling or unable to match the comfort, service and facilities provided by clubs. By the 1950s, public dissatisfaction with hotel drinking conditions and neglect by country hotels to meet legal obligations to provide meals and accommodation, stimulated the *Royal Commission on Liquor Laws NSW* (1954) to enquire into liquor trade in NSW. The Royal Commission recommended lifting limitations on the number of clubs which, following amendments in 1954 to the *Liquor Act 1905 NSW*, increased to 793 the following year (Caldwell, 1972:92). This was a third factor catalysing expansion of the club industry, as growth of the hotel industry was still impeded by the requirement for new hotels to purchase and transfer an existing hotel licence (Caldwell, 1972:92). Fourth, the NSW Government had tended to ignore illegal club poker machines, operating since the mid-1880s (NSW Department of Gaming and Racing, 1996b:iii), largely because the clubs had become financially dependent on them and profits provided members with standards of comfort and service which hotels did not match. Caldwell (1972:93) notes that by 1954:

...clubs had become firmly established as alternative semi-public drinking outlets. The profits from the illegal poker machines were being used in such a way that clubs were no longer functional alternatives, but superior ones. They were developing into multi-functional leisure organizations.

While the 1954 *Referendum on Liquor Trading Hours* narrowly resulted in extending hotel trading hours to 10 pm., the legalisation of poker machines in NSW clubs in 1956 ensured clubs were well positioned to cope with this competition.

2.4.3 Summary

Between 1905 and 1955, registered clubs became firmly institutionalised in NSW, reflected by increased patronage by people from more diverse socio-economic backgrounds and a burgeoning of club licences from 85 to 793. Legislation authorising expansion was mainly community-driven, rather than supply-led. Major catalysts were poor hotel drinking conditions, improved economic standards, and public demand for better leisure facilities. However, the non-profit status, membership requirements and social aims of clubs were instrumental in gaining preferential treatment above hotels by officials and legislators. Considered restricted elitist organisations, rather than publicly accessible mass institutions, police and public officials allowed NSW clubs to serve liquor outside hotel trading hours and operate illegal poker machines (Caldwell, 1972:74). Resulting profits improved club facilities and services, further increasing their social benefit and popular appeal. However, the major competitive advantage of NSW clubs over hotels had yet to be realised with the legalisation of poker machines in 1956. Nevertheless, with the link between gambling and social benefit firmly established in government policy, the way had been paved for the transition to legalised machine gambling in NSW clubs.

2.5 THE DEVELOPMENT PHASE: EXPANSION OF THE NSW CLUB INDUSTRY 1956-1970S

Between the 1950s and 1970s, government policies on gambling continued to emphasise social benefit, although attention turned to public interest concerns for controlling illegal gambling operations, primarily in bookmaking and gaming machine operations. State-run totalisators provided the solution to the former, while a lengthy debate ensued over legalisation of the latter. In 1956, NSW clubs were successful in gaining exclusive legal rights to machine gambling operations, with the stated official justification focusing on characteristics that differentiated clubs from profit-focused, openly accessible hotels. It was these characteristics that therefore formed the basis of legitimacy of NSW clubs as exclusive operators of gaming machines in NSW. Resulting substantial gaming machine profits fuelled expansion of the club industry and the emergence of some large clubs with more commercially-driven interests. However, because club machine gambling gained legitimacy through its links with social purposes, growth of the club movement and its machine gambling operations largely remained unhindered.

2.5.1 The Context: Gambling in Australia: 1950s–1970s

While expansion of gambling in Australia in the early 1900s was underpinned by its association with social benefit, government imperatives to control illegal gambling fuelled continued expansion until the early 1970s, most apparent in the legalisation of off-course betting shops and state-run totalisators.

While wagering on horse races had gained early popularity, it was officially restricted to on-course bets with licensed bookmakers. However, a thriving illegal off-course betting industry has always accompanied organised racing in Australia (Painter, 1996:37), further testament to the social acceptance of gambling particularly amongst working classes resistant to middle class values and restrictions. It was not until the 1930s that some state governments moved towards legalisation and public provision of off-course betting. Catalysts emanated from many sources (Painter, 1996). Various state Royal Commissions revealed the extent of illegal off-course betting, ineffective enforcement, and corruption of officials. Illegal betting shops contributed to the depressed state of the local racing industry, while tax evasion was rife. Social change, shifts in public opinion and declining church influence meant fewer people considered gambling a social vice, even the middle class moral minority. The first states to legalise off-course betting shops were Tasmania in 1932, South Australia in 1933, and Western Australia and Queensland in 1954 (Painter, 1996).

In the 1960s, all states established government operated off-course betting shops. Painter (1996) has documented numerous factors prompting this. First, New Zealand established a successful government operated totalisator in 1950, leading to considerable decline in illegal off-course bookmaking, impressive growth in wagering turnover and tax, and dramatic improvement of racetracks and clubs. Second, in those Australian states where legal, private betting shops operated, the racing industry continued to decline. Third, there was evidence of tax evasion and corruption of officials charged with administering and policing legal betting shops. A 1959 West Australian investigation laid stinging indictments against officials, including bribery, race-fixing and drawing of illegal profits (*Western Australia Royal Commission on Betting*, 1959). It recommended closing betting shops and establishing a Totalisator Agency Board (TAB) which, with appropriate internal accounting and controls, would be less able to rig betting markets, fix races or evade tax. Once Western Australia established its TAB, other states followed to counter continuing problems in either their legal or illegal betting shops, and because prohibition now seemed unlikely.

Thus, explicit government imperatives to stamp out illegal gambling characterised the spread of legalised commercial gambling in Australia during the 1950s and 1960s. While some states experimented with privately-run betting shops, the 1960s saw legalised gambling operations restricted mainly to state governments and not-for-profit organisations. Thus, crime control and efforts to remove corruption added further legitimacy to legalised gambling, to accompany its morally defensible purposes of raising revenue for churches, charities, governments and not-for-profit organisations. Amongst the latter were NSW clubs, which gained the legal right to operate poker machines in 1956.

2.5.2 The Introduction of Club Machine Gambling

The not-for-profit status, membership requirements and social aims of NSW clubs which were instrumental in gaining privileges in liquor trading, also were vital in gaining exclusive rights to operate poker machines, as the following review of events leading up to the *Gambling and Betting (Poker Machines) Act 1956 NSW* will illuminate.

Poker machines were first used in NSW clubs from the mid-1880s (NSW Department of Gaming and Racing, 1996b:iii). These machines were totally mechanical, operated by pulling a handle that activated gears and levers to make the machine's three reels spin. Each reel had on its circumference ten symbols, initially bells, horseshoes or playing cards, and later fruit and numbers. If a winning combination of symbols lined up in the machine's window when the reels stopped spinning, payouts were made automatically into a tray at the base of the machine (Wilcox, 1983: 2.02). Most early machines used tokens, redeemable at the bar for drinks, tobacco or groceries (Caldwell, 1972:98). However, as the following comment on the operation of poker machines in the City Tattersall's Club in 1895 (Anderson, 1985:n.p.) reveals, players sometimes gained cash returns, albeit indirectly:

There were continuous complaints concerning the poker machines...which accepted small tokens and paid the fortunate winner in cigars, and that is where the trouble arose. Winners usually cashed the cigars in at the bar which lead to complaints from non-players regarding the sale of damaged goods. A decision was made to ban the return of cigars. A petition from 14 members resulted in reversal of the cigar decision but there was a sting in the tail. Cigars could only be traded in bundles of 100 and in untouched condition.

From the inception of poker machines until their legalisation in 1956, official attitudes towards their operation in NSW clubs were ambivalent. While the NSW Supreme Court had declared in 1921 that keeping poker machines contravened the

Gaming and Betting Act 1912 NSW (Ex Parte O'Connor 21 S.R. 566), this ruling had sufficient ambiguity to permit their continued operation without police interference in clubs, where machine profits contributed to the clubs rather than machine or venue owners (Wilcox, 1983:3.09; O'Hara, 1988:198).

In late 1930, poker machines began to appear in Sydney city hotels, with machine manufacturers paying a well-known hotel owner £3,000 and 10 percent of machine takings to secure immunity from prosecution (Wilcox, 1983:3.11). NSW Chief Secretary Gosling subsequently ordered police to ignore poker machines in hotels, although this immunity lasted only five weeks after which police removed machines from both hotels and clubs (Wilcox, 1983:3.11). However, following representations by clubs claiming they would be unable to survive without poker machines, Gosling allowed their reintroduction into clubs from early 1931, although this permission had no legal basis (Wilcox, 1983:3.12).

In early 1932, machine manufacturers presented a scheme to the NSW Hospitals Commission offering a percentage of profits from fruit and poker machines if they could legally operate from shops and hotels.²⁰ The Hospitals Commission granted permits for a two month trial in exchange for 45 percent of gross earnings for the use of hospitals. However, again there was no legal basis for these permits (Wilcox, 1983:3.13).

In June 1932, allegations of bribery and corruption of NSW Ministers regarding the granting of poker machine licences prompted the *NSW Royal Commission into Greyhound Racing and Fruit Machines* (1932). The terms of reference were to investigate the circumstances under which poker machines were installed and operated on NSW premises prior to 1931; the number of machines in operation; their owners, lessees, distributors, operators and shareholders; any improper practices in their sale, lease, hire, licensing, installation and use; any bribery of officials with poker machine takings; any improper use of poker machine tokens; and any other improper or fraudulent acts connected with the machines. However, the Commissioner's report was indecisive, due to non-appearance of key witnesses, and the likelihood that many of them lied (Caldwell, 1972:96; Wilcox, 1983:3.10). Nevertheless, Commissioner Rogers expressed 'grave suspicion that there was some improper dealing' by the NSW Chief Secretary and Minister for Health (in Wilcox,

²⁰ Caldwell (1972:96) notes that the only difference between fruit machines and poker machines were the symbols on the reels.

1983:3.12-3.13). The Royal Commission reaffirmed the illegal status of poker machines in all venues under both the *Gaming and Betting Act 1912 NSW* and the *Liquor Act 1905 NSW*. Nevertheless, Commissioner Rogers alluded to some fundamental differences between clubs and hotels which foreshadowed reasons behind the eventual legalisation of poker machines in clubs:

I cannot see any distinction between their (poker machine) use in clubs and their use in hotels, except as regards the evil results which may follow, which would undoubtedly be greater were they used in hotels. ...The discrimination between clubs and hotels seemed to have been based on the fact that successive Ministers took the view that club members using these machines were in reality contributing to the support of their own clubs, and that there was no element of private profit for the occupiers or owners of the premises.

Apart from the matter of illegality, there may be some sound reasons for drawing a distinction; but if there is any sound reason for allowing their use in clubs, that is properly a matter for the Legislature and not for the administration.

(Rogers, 1932:65 in Wilcox, 1983:3.10).

Nevertheless, the operation of poker machines persisted in clubs. Caldwell (1972:96-97) documents several instances of ambivalence, in both interpreting and policing the law. Confusion reigned over whether both poker machines and fruit machines were illegal, with police periodically taking steps to eliminate them. For example, in 1939, NSW Chief Secretary Gollan admitted the practice had been to confine poker machines to non-proprietary clubs because they were used privately and ‘not for gaming purposes’, as all profits had to be directed to member and community benefits. However, concerned at their increase, he called for a report in July 1939 and subsequently instructed police to stop their use and prosecute such clubs under the *Gaming and Betting Act 1906 NSW*. During that year over 100 machines were seized and destroyed (Anderson, 1985:n.p.).

However, by late 1939, an estimated 2,500 poker machines were still operating in NSW (*Sydney Morning Herald*, October 9, November 8, 1939 in Caldwell, 1972:97), with many clubs believing the 1921 ruling was still valid (O’Hara, 1988:198). Further, many clubs had become financially reliant on machines, collectively gaining up to £20,000 per year in machine profits (O’Hara, 1988:199). Anderson (1985:n.p.) notes that in 1939, a conference of secretaries from registered clubs in the Sydney metropolitan area found that:

many small clubs in N.S.W. would have to close because of the decision to outlaw poker machines in non-proprietary clubs. The secretary of a large city club estimated that profits from each machine previously operating in his club were £1,500 a year.

During and immediately after the Second World War, poker machines received little media attention, although the *Sydney Morning Herald* reported in 1941 that police had seized and destroyed 240 machines in Sydney alone (December 8 in Caldwell, 1972:97), and that by 1950 machines were operating in some cafes (*Sun Herald*, January 29 1950 in Caldwell, 1972:97). However, attention refocused on the issue when a police official announced in late 1952 that non-proprietary clubs would soon be notified that poker machines were illegal, and counterclaims by NSW Premier Cahill and NSW Chief Secretary Kelly that this statement was not based on government directives and that no action would be taken against clubs. The clubs lobbied for the legalisation of poker machines, offering an annual tax on each machine and claiming financial hardship if they were removed (Caldwell, 1972:97). This aroused opposition from two main fronts - the industry association for hoteliers, the United Licensed Victuallers' Association (ULVA), and the NSW Council of Churches.

From the early 1950s, the growth of clubs, fostered by illegal poker machine profits and 1954 amendments to the *Liquor Act 1905* NSW authorising additional club licences, began to seriously affect NSW hotels (Wilcox, 1983:3.20). In May 1956, the ULVA lodged an objection with the NSW Licensing Court against the renewal of a club liquor licence, claiming it was engaged in illegal poker machine operations. The ULVA explained it was seeking to protect the economic structure of the hotel industry from unfair competition (Caldwell, 1972:98). The Licensing Court upheld the ULVA's objections and subsequent objections to the applications of another 47 clubs. However, the club industry countered these arguments through successive delegations to the NSW Chief Secretary with claims that 2,000 club employees would be dismissed if poker machines were disallowed and that their revenue enabled clubs to provide members with amenities which other outlets would not supply. The trade union movement supported the club industry's stance in support of workers' rights to employment and recreation facilities. Impressed with claims by club officials that the clubs provided holiday camps, libraries, playing areas and other amenities for members, the NSW Chief Secretary agreed that clubs were part of the Australian way of life (Caldwell, 1972:98-100).

The ULVA's objections to renewal of club liquor licences was a 'grievous tactical error' placing the government in a 'politically intolerable situation' (Wilcox, 1983:3.20). Not only was the hotel industry unpopular, but the club movement was sufficiently strong that the government could not allow its demise. Clubs could not

survive without a liquor licence, and for most, without poker machine revenue.²¹ The government's response was to announce on July 31 1956 that poker machines would be legalised in non-proprietary clubs subject to the payment of licence fees directly to the Hospitals Fund, expected to yield between £500,000 and £750,000 per year (Caldwell, 1972:102). The Premier noted that to prohibit poker machines would jeopardise the existence of many clubs and jobs. State Cabinet further noted it was in the public interest to legalise and control the machines, explaining they had previously ignored their illegal use in clubs because:

1) of their inaccessibility to the general public and children, 2) profits were used for the development of amenities and club improvement and not for individual enrichment and 3) they were basic to the economy of many bowling, golf and Returned Soldiers' clubs.

(*NSW Parliamentary Debates*, 1956, Third Series, Vol, 17:1694, in Caldwell, 1972:101).

Caldwell (1972:100-102) relates how reactions to this decision varied markedly amongst stakeholders. In contrast to economic objections by the hotel industry, the NSW Council of Churches objected on moral grounds. It claimed poker machines increased the opportunity to gamble; were so simply operated that they were a strong temptation to the weak; could be easily rigged to extract greater profits for licence holders; presented grave economic dangers for families of those who fell victim to them; increased moral danger since the act of gambling was basically covetous; and would lead to the legalisation of other forms of gambling, encouraging further declines in public morality (*Sydney Morning Herald*, July 10, 1956 in Caldwell, 1972:100). The club industry was relieved about the decision, but voiced disappointment at taxation levels imposed. The media reported that the legalisation of poker machines in clubs would force hotels to provide better facilities and services, while ending the inconsistent, hypocritical attitude persisting in gambling legislation. However, the *Sydney Morning Herald* criticised the government for being too ready to rely on gambling as a source of revenue and warned that considerable danger lay in this dependence (August 1 1956 in Caldwell, 1972:101). The Minister for Cooperative Societies countered these arguments by pointing out that, for three decades, poker machines had been used by numerous decent, respectable and normally law-abiding citizens, who had suffered no moral dilemma in playing them (Caldwell, 1972:102). He argued the legislation was introduced because the government wanted control over widespread use of machines, and did

²¹ For example, in Tattersall's Club, machines returned some £800 per month by the early 1950s when a ten ounce glass of beer cost 9 pence (Anderson, 1985).

not expect this to greatly increase gambling (in Charlton, 1987:244). However, he conceded the legislation might benefit the government 'a little financially' (*NSW Parliamentary Debates*, Third Series, Vol. 17 1694-1695, in Caldwell, 1972:102). After much debate in both houses of Parliament, the *NSW Gambling and Betting (Poker Machines) Bill 1956* was passed on 22 August 1956.

2.5.3 Reactions to the Legalisation of Poker Machines in NSW Clubs

Once NSW clubs were granted exclusive rights to operate gaming machines, demand to both establish and patronise clubs increased dramatically, with further changes to the *NSW Liquor Act 1905* NSW authorising another 700 clubs which totalled 1,050 by 1958 (RCA, 1994:3). The RCA (1994:3) notes that:

the major social impact of clubs came about as a direct result of the licensing of poker machines in the mid-1950s. This, together with licensing law amendments (which relaxed the limits on the number of clubs that could be licensed) and the atmosphere in which the machines were presented, saw an expansion of the club movement which was neither predicted nor planned, and has culminated in the huge leisure industry clubs represent today.

After 1956, the socio-economic environment, favourable legislation and lack of competition for gambling, provided ideal conditions for continued expansion of the NSW club industry. The period 1954 to 1962 was accompanied by a 223 percent increase in the number of clubs, and a doubling of club poker machines from 5,596 to 10,814 (NSW Department of Gaming and Racing, 1998:31). Even the original elitist clubs had come to rely on poker machines to remain competitive, as the following remark from Chairman Hickey of the Tattersall's Club in its July 1959 magazine reflects:

As a Club we...must maintain certain sections and amenities for the benefit of members, even if they are not paying propositions, for we are not looking to the general public for support; we must depend on our members for it.

Our sources of income are: Members subscriptions, Income from Trading Departments and Income from Property.

Our only profitable departments are: Bars, in which poker machine income is included, Residential section and Laundry.

All other departments show losses and therefore must be subsidised from other income. If it were not for the poker machines we would show a substantial loss in the year's operations.

(in Anderson, 1985:n.p.).

Chairman Hickey's comments were aimed at refuting opposition to poker machines by some club members. Anderson (1985:n.p.) notes at the Tattersall's Club 'dyed-in-the-wool gamblers were usually ashamed to be seen playing them as it was a losing hazard. Others looked on the players with pity or contempt as weak individuals consumed by greed but very few gave more than a passing thought as to where the bulk of the money finished up'. There were no alternative sources of revenue for the club to survive its newly competitive environment, apart from a rise in annual subscriptions:

Many failed to realise that, with the proliferation of licensed clubs since the advent of poker machines, the old established institutions had to work harder to get their share of the available cash. This sort of thinking was not unique to Tattersall's. In most clubs five to ten per cent of members subsidise the rest through the machines. The result of this is that many clubs expand their premises and their membership to attract replacements for the disillusioned losers and eventually find themselves in trouble when money becomes tight.

(Anderson, 1985:n.p.).

Considerable opposition to poker machines was also voiced by churches, business interests, the liquor trade and housewives' associations (Wilcox, 1983:3.21), while a 1957 survey of NSW residents drawn from a random sample of the NSW Electoral Roll (Joel, 1957 in Caldwell, 1972:111) found that 60.1 percent of males and 70.5 percent of females disapproved of poker machines.

The ULVA continued its 'trial and error' approach to fighting the competitive threat of the clubs (Caldwell, 1972:106). However, a 1957 deputation from the ULVA to the Minister for Justice backfired. It sought a freeze on club numbers, limits on their liquor sales, curtailment of their poker machine operations to three years, limits on numbers of associate, honorary or temporary members clubs could have, extended hotel trading hours, and for rights of club members to be defined in legislation (Caldwell, 1972:107). In response, the press, Liberal-Country Party politicians and the public criticised the hotel industry for attempting to stifle competition, failing to meet the needs of the drinking public, and keeping hotels 'in the Dark Ages' (Caldwell, 1972:107-108). A public opinion survey, commissioned by the ULVA, reaffirmed these criticisms and found club popularity was not due to poker machines or longer trading hours, but to their cleanliness, comfort, quietness, good service, politeness and choice of company (Joel, 1957 in Caldwell, 1972:111).

The Protestant Churches also vocalised opposition to the spread of gambling through the press and public meetings, pressuring the government to ban poker machines, as well as some other forms of gambling, and to initiate an inquiry into the extent of

‘chronic gambling’ in NSW (Caldwell, 1972:112). However, government reliance on poker machine licence fees had grown to considerable proportions (Caldwell, 1972:114). The introduction of a supplementary poker machine tax in 1962 further entrenched this reliance, such that ‘taxes derived from poker machines for budgetary purposes...virtually guaranteed the permanence of this form of gambling’ (Wilcox, 1983:3.24).

The expansion of poker machine operations and the opposition referred to above began to arouse political concern soon after 1956. By the end of the 1950s, the NSW Cabinet had debated banning large denomination machines and restrictions on operating hours, while the NSW Country Party entered the 1959 election on a platform of outlawing 2 shilling machines. However, the Labor Party took the first steps towards trying to curb the growth of poker machine gambling. From January 1 1960, it doubled the licence fee on 2 shilling machines, directing additional income to the Housing Commission (Wilcox, 1983:3.21). However, these additional licence fees had little, if any, effect on the accelerating growth of clubs, particularly the larger ones (Wilcox, 1983:3.21).

2.5.4 The Growth of the NSW Club industry after 1956

Rapid expansion of the NSW club industry after 1956 and the working-class appeal of poker machines meant clubs were no longer the privileged domain of society’s elite. While the range of clubs had broadened during the early 1900s, it was not until the post-war years and the legalisation of poker machines that clubs became major social outlets for ordinary Australians. By 1961, the largest NSW club, the NSW Leagues Club, had 14,700 members, while in May 1962, five clubs with a collective membership of around 25,000 declared combined trading profits of \$647,400 (Caldwell, 1972:114–115). In commenting on the competitive advantages of clubs, Mackay (1988:14) notes that ‘demand totally outweighed supply and being the marketing executive in the early days of Clubs (sic) history was just being game enough to open the doors because you could have been killed in the rush’.

However, this growth aroused concern. From newspaper accounts of the day, Caldwell (1972:116–117) identified six questions concerning unlimited club growth:

- (1) had private clubs become so diversified in their activities that they are now ‘big business’, and should they be subject to company and other Federal tax like any other normal commercial enterprises?;
- (2) had clubs - because of a ruling that a visitor may buy his own drinks - ceased to be private establishments and entered the field of general trading?;
- (3) was it safe politics to let clubs wax so strong on poker machine money that they dominated local community and business affairs and could sway even members of State Parliament?;
- (4) should poker machines be more heavily taxed?;
- (5)

should there be a ceiling on the number of clubs?; and (6) should there be a limit on club membership numbers?

In response, the *Liquor (Amendment) Act 1969 NSW* was passed to limit individual club memberships to 6,250 for new clubs, increases of 25 percent for clubs with memberships between 5,000 and 10,000, and increases of 12.5 percent or 12,500, whichever was greater, for clubs with over 10,000 members (Caldwell, 1972:126–127). However, the Licensing Court could increase a club's membership if hardship for the club would otherwise result; if the purpose, activities or objectives of the club rendered it desirable; or if financial or other embarrassment would be caused to the club which, when the legislation commenced, could accommodate more members or had approved means to do so.

Caldwell (1972:128–131) identifies numerous factors prompting these limitations. First, some clubs were 'empire-building', going 'far beyond providing immediate benefits for members as envisaged in earlier legislation' and had encroached on community and commercial activity to the detriment of fair competition. Second, in their desire to expand their patronage and influence in community affairs, some clubs were attempting to wield political influence, and greater community benefit would result if power was not 'concentrated in the hands of a very few large clubs making substantial profits'. Third, huge gaming machine profits of large clubs and their resulting high standards of facilities and entertainment made it difficult for smaller clubs to compete. Fourth, it was difficult for new clubs to be established to meet a genuine and substantial need while existing clubs could continuously expand memberships. Finally, for members in large clubs to have due influence in club policy was a 'practical impossibility'. However, while limitations on club membership numbers still remain largely unchanged (*Registered Clubs Act 1976 NSW*), the existence of many clubs by the 1980s with memberships over the prescribed maximum suggests the NSW Licensing Court made liberal use of its discretionary powers (Wilcox, 1983:5.06).

By the 1970s, boosted by massive poker machine revenue, many clubs had grown dramatically in terms of assets, membership and facilities. For example, by the time of Caldwell's (1972) study into the Queanbeyan Leagues Club, established by thirteen members in 1961 (1972:205), the club had assets of \$2.8 million, 12,620 members and 239 gaming machines (1972:215-222). Clubs established to promote rugby league were the largest at this time, with an average membership of 10,000. However, bowling clubs outnumbered other types of clubs, while returned soldiers (RSL) and ex-services clubs attracted the highest combined membership (Caldwell, 1972:138).

The structure of the NSW club industry in the 1980s was examined in the *Board of Inquiry into Poker Machines*, conducted to ‘inquire into, report on and make recommendations upon whether poker machines should be permitted in Victoria’ (Wilcox, 1983).²² Wilcox identified three types of clubs in NSW (1983:5.03) with varying degrees of focus on machine gambling operations:

- sporting clubs providing members the opportunity to engage in a particular sport and in which most members actively participate. Golf and bowls clubs predominate, with membership normally numbered in the hundreds, perhaps small hundreds. While some income is derived from gaming machines, patron contribution to machine revenue is generally less significant than in the remaining two categories of clubs;
- sporting-social clubs, generally established as ordinary sporting clubs but expanded to include a large component of ‘social’ members not entitled to use sporting facilities. These clubs continue to provide facilities for active participation in a sport, but with memberships generally numbering a few thousand, it would be impossible for all members to participate;
- large social clubs with memberships usually in the tens of thousands, and with gaming machine revenues contributing to between 65 percent and 80 percent of income. These clubs are ‘entirely a product of poker machine revenue’. Anyone willing to pay a ‘token subscription’ of a few dollars per year can join and ‘in all but a very few cases the original restrictions have been swept away. The clubs function as general community clubs’.

Wilcox (1983) recognised the increasingly commercial orientation of many NSW clubs, criticising large NSW clubs for operating as ‘public houses aggressively marketing food, liquor and entertainment at prices subsidised by poker machine revenue’ (1983: Introduction), being ‘indistinguishable in their operation from casinos’ (1983:20.14). In reviewing their few membership requirements, ease of access to visitors, active pursuit of tourists, the income derived from non-members, lack of door controls to police entry of illegal visitors, aggressive marketing, limited community contributions and meagre charitable support (1983:5.06-5.28), Wilcox (1983:5.16) concluded that:

²² The *Inquiry* was prompted largely in response to concerns about the cross-border leakage of gambling revenues, and concerns that the introduction of gaming machines in Victoria would be accompanied by the crime and corruption associated with machine gambling in NSW.

...it is very difficult to see the average NSW club, particularly the large social club, in terms of any traditional definition of a club. What is the 'common interest' which causes the members to join? Where no particular interest in any activity commonly associated with a club is required to be demonstrated, or even expressed, and where the annual membership fee is often less than the price of a picture theatre ticket the only distinction between a member and a visitor (legal or illegal) is compliance by the member with a statutorily enshrined ritual of nomination and election to the club - a procedure which must become more meaningless the larger the club becomes. At a certain point the question must arise as to why the ritual is persisted with. Such a club is, in essence, indistinguishable as a public open facility from a theatre which charges admission.

Few published studies have been conducted into membership characteristics of NSW clubs. However, research conducted by Vinson and Robinson (1970) and Caldwell (1972) suggests that, at least by the 1970s, clubs drew membership principally from middle and lower socio-economic groups. In an area probability sample of 755 Sydney adults, Vinson and Robinson (1970) found 24 percent were members of at least one registered club, with most members coming from the two lowest occupational status groups. However, Caldwell (1972) contended that members of the Queanbeyan Leagues Clubs came from 'all walks of life' (1972:238), although he speculated that underrepresentation of professionals and lower blue collar workers was due to the former's preference for 'small elite clubs' (1972:225) and the latter's preference for hotels.

Changes in club goals also were examined by Vinson and Robinson (1970:63) in terms of the typical evolution of voluntary organisations from initial devotion to fulfilling a special purpose to later emphasis on increasing organisational size, power and prestige. They observed that by 1970, Sydney clubs had tended to follow this lifecycle, replacing early goals of informal social interaction within comfortable premises of restricted size, with goals emphasising expansion and improvement, with club policy driven by the twin criteria of membership size and annual income. Caldwell (1972:219) also noted the 'special importance' placed by the Queanbeyan Leagues Club directors on a healthy balance sheet, large profits and growing membership as indicators of club success. He criticised clubs for over-emphasising physical and membership expansion, contending 'the large clubs must consider whether building bigger and more luxurious clubs is the best way in which they can serve their membership' (1972:346). He concluded (1972:343):

Directors of large clubs are too often concerned with growth, efficiency, the difficulties of handling unions and making larger and larger profits, without giving sufficient weight to wider purposes. I see them as community leisure organizations and, while club Directors and Secretary/Managers recognise this purpose, it is sometimes lost in the day-to-day affairs of the clubs.

Thus, evidence from Vinson and Robinson (1970), Caldwell (1972) and Wilcox (1983) suggest that it took less than twenty years for large NSW clubs to gain a predominantly commercial orientation.

2.5.5 Summary

The legalisation of poker machines was a major victory for the NSW club movement, strongly differentiating the perceived role of clubs to that of hotels. Even in the years preceding 1956, the clubs seemed largely immune to official interference with illegal poker machine operations. They pointed to social benefits provided to members and the community, restricted access to clubs and their poker machines, and that poker machine profits did not accrue to individual business owners, as factors justifying concessions. The importance of the clubs' not-for-profit status, membership requirements and social role became even more explicit when the *Gambling and Betting (Poker Machines) Act 1956 NSW* was passed. These features of clubs stood in stark contrast to the purely economic defence put forward by the hotel industry. Financial viability of clubs, jobs protection, healthy competition for the hotel industry, and government desire to control the widespread operation of illegal machines also were influential.

From 1956 to the 1970s, the evolution of the NSW club industry was characterised by exponential growth in the number of clubs and club members, and increasingly popular appeal to working class people. Mackay (1988:14) identifies numerous privileges underpinning the appeal of clubs to less affluent social classes. First, more liberal trading hours meant the clubs had exclusive rights to trade on Sundays and Anzac Days, and on other days until 10 pm. while hotels were restricted to 6 pm. closing.²³ Second, clubs had exclusive rights to operate machine gambling, with their only competition in NSW being on-course betting, the state lottery and, after 1963, off-course TAB betting. Third, clubs were able to introduce a superior form of social drinking, with 'entertainment, carpeted lounges, a place to bring your wife or lady friend' (Mackay, 1988:14). Finally, Mackay (1988:14) contends there was very little legislation controlling clubs.

Thus, their increasingly popular appeal and the legitimisation of club machine gambling through its links with social purposes cemented the institutionalisation of clubs and club gambling during this period. However, substantial gaming machine

²³ In fact, the Royal Sydney Golf Club Case (1947) had established the right to 24 hour trading in clubs (RCA, 1994:3).

revenues began to divert the attention of some club administrators from the social purposes of their clubs towards more commercially-oriented interests. Nevertheless, the implicit acceptance that community support automatically flowed from club gaming machine profits meant the growth of the NSW club industry and its machine gambling operations remained largely unchecked.

2.6 THE MATURATION PHASE: CONSOLIDATION OF THE NSW CLUB INDUSTRY 1970S-1990S

The 1970s marked the beginning of a shift in government policy on gambling, unshackling its former link with community benefit for more pragmatic, economic ends. A vast array of new gambling options were legalised, substantially increasing the competitive environment for machine gambling in NSW clubs, whose strategic advantage was eroded further by the legalisation of gaming machines in other states and NSW venues, diminished tax concessions and the entry of additional gambling operators. These developments prompted more aggressive marketing and expansion strategies in club machine gambling and more vocal, politicised attempts to protect their main revenue base.

Continued expansion of the NSW club industry since the 1970s was accompanied by increased industry concentration, and the emergence of very large clubs with extensive gaming machine installations, whose social benefit focus became increasingly blurred in striving to expand membership and patronage through superior facilities and services. Expanding and improving club assets and services rely on maximising gaming machine returns, which in turn encourages subordination of the public interest to more commercially-driven objectives and management. This weakening of the not-for-profit agenda, membership requirements and social objectives of clubs, which underpinned their legitimacy as dominant gambling providers, eroded political and public confidence in the social benefit which accrues from club machine gambling operations and diminished the historical nexus between clubs, the community and their role as gambling providers.

2.6.1 The Context: Gambling in Australia Since the 1970s

Australian gambling policies by the beginning of the 1970s were characterised by relatively liberal legislation, government ownership of the lotteries and TAB, tight regulation or restriction of private operators, such as clubs and bookmakers, and prohibition of machine gambling in all jurisdictions except NSW (McMillen, 1996d:13). However, economic pressures and social instability in the 1970s forced

governments to rethink existing policies and locate new stimulants for economic growth. Several factors have fuelled this transition (McMillen, 1996d:5-6). Social changes such as increased leisure time and community affluence, along with economic trends, such as the growth of tourism, have made gambling more attractive to private investors. New technology has enhanced management and control of gambling infrastructure and provided stable profits and taxes through predictable returns. The economic pressures of a series of recessions, cutbacks in federal funding, the implications of National Competition Policy, and an ideological move towards economic rationalisation, have forced cash-starved state governments to review existing policies and find new ways to stimulate economic growth.²⁴ While state government reactions to these developments have varied, they have all legalised a vast array of new forms of gambling, as shown in Table 2.1.

²⁴ Following Professor Fred Hilmer's review of national competition policy, Australian governments have endorsed a competition principle agreement that requires the review of any legislation that might be considered anti-competitive. This means that governments should ensure that legislation does not restrict competition, unless it can be demonstrated that this results in community benefits which outweigh the costs of restriction (Brown, 1997:8-9).

Table 2.1
Milestones in Legalised Gambling in Australia, 1897-1997

Year	Type of Gambling
1897	Privately owned Tattersall's Lottery in Tasmania
1920	State-owned Queensland Golden Casket Art Union
1931	NSW State Lottery
1932	Privately owned betting shops in Tasmania
1933	Privately owned betting shops in South Australia, Western Australian State Lottery
1954	Privately owned betting shops in Western Australia, Tattersall's Lottery in Victoria
1956	Poker machines in non-profit community NSW clubs
1960	State owned totalisator in Western Australia
1961	State owned totalisator in Victoria
1962	State owned totalisator in Queensland
1963	State owned totalisator in NSW
1964	State owned totalisator in South Australia
1966	South Australian State Lottery
1972	State owned totalisator in Tasmania, privately owned Lotto in Victoria
1973	Lotto in South Australia, Wrest Point Casino in Tasmania
1974	Soccer Pools in Victoria
1975	Soccer Pools in NSW, Queensland and Tasmania
1976	Poker Machines in non-profit community ACT clubs, Lotto in ACT
1978	Lotto in Western Australia and Northern Territory, Instant Lottery in South Australia, Soccer Pools in Northern Territory
1979	Lotto in NSW, Instant Lottery in Northern Territory, Soccer Pools in ACT, Diamond Beach Casino in Northern Territory (now MGM Grand)
1980	Soccer Pools in South Australia
1981	Lotto in Queensland, Instant Lottery in Victoria, Tasmania, ACT
1982	Instant Lottery in NSW and Western Australia, Launceston Country Clubs and Casino in Tasmania, Lasseters Casino in the Northern Territory
1984	Video gaming machines in NSW hotels, Instant Lottery in Queensland, Soccer Pools in Western Australia
1985	Jupiter's Casino in Queensland, Burswood Casino in Western Australia
1986	Video gaming machines in Tasmanian casinos, Adelaide Casino in South Australia, Breakwater Resort Casino in Queensland
1987	Gaming machines in ACT hotels
1990	Video gaming machines in Northern Territory
1991	Electronic gaming machines in Queensland clubs and hotels, Keno in NSW, Ozlotto (national lotto)
1992	Electronic gaming machines in Victoria, Casino Canberra in ACT, Keno in South Australia, Centrebet in Northern Territory
1993	Keno in Victoria
1994	Electronic gaming machines in South Australian clubs and hotels, Crown Casino in Victoria, Christmas Island Casino
1995	Conrad Treasury Casino in Queensland, Sydney Harbour Casino in NSW (now Star City Casino)
1996	Reef Casino in Queensland, electronic gaming machines in clubs and hotels in the Northern Territory, Powerball (national lotto)
1997	Electronic gaming machines in Tasmanian clubs and hotels, poker machines in NSW hotels, keno in Queensland clubs and hotels

Source: derived from Painter, (1996); Tasmanian Gaming Commission, (1997); RCA, (1998a).

As shown in Table 2.1, lottery-related products proliferated during the 1970s and early 1980s, with most jurisdictions legalising Lotto, soccer pools and instant lottery. Australia's first casinos were established in Tasmania and the Northern Territory, two jurisdictions most vulnerable to the 1970s economic slump (McMillen, 1996d:13). These were small, low-key developments, located in remote destinations, modelled on British club-style casinos and designed to draw tourist dollars to boost regional development. The second influx of casino developments in Perth, the Gold Coast, Adelaide, Canberra and Townsville in the mid-1980s and early 1990s also aimed to stimulate tourism, but differed markedly from their predecessors. Located in large urban centres, they drew most patronage from local residents and were 'fashioned on the glitter, luxury and showmanship of the American prototype' (McMillen, 1996d:14). The mid-1990s witnessed the third wave of Australian casino development, with mega casinos in the major urban centres of Melbourne, Sydney and Brisbane, and the popular tourist destination of Cairns, bringing the total number to fourteen. All state governments have now sanctioned casino developments, opting for private ownership with strict government controls and substantial, although diminishing, taxation rates.

Gaming machines also have been legalised in all Australian jurisdictions. The monopoly enjoyed by NSW clubs for twenty years ended with the introduction of gaming machines in clubs in the ACT in 1976. However, other jurisdictions were deterred by pressure from existing gambling operators opposed to increased competition, and by alleged corruption associated with the machines (O'Hara, 1988:199). For example, the *NSW Royal Commission into Greyhound Racing and Fruit Machines* (1932), the *Moffitt Inquiry* (1974) and the *Report of Board of Inquiry into Poker Machines* (Wilcox, 1983) revealed serious, widespread corruption by NSW gaming machine distributors, club operators and public officials. Nevertheless, under increased economic pressure, and with technologically improved control systems, all state governments, except Western Australia, have legalised gaming machines in clubs and hotels - Queensland in 1991, Victoria in 1992, South Australia in 1994, the Northern Territory in 1995, and Tasmania in 1996.²⁵

²⁵ In Western Australia, Burswood Casino has exclusive rights to gaming machines until 2001.

In 1992, the first sports bookmaking licence in Australia was granted to Centrebet, then a private company operating in the Northern Territory.²⁶ It remains the largest sports bookmaker in Australia and has some 20,000 clients in over 70 countries betting by telephone and the internet 24 hours a day, seven days a week. It covers 50 to 60 sporting events each day, including rugby league, soccer, Australian Rules Football, horse racing and cricket (Lillis, 1998). Nearly 30 sports betting operations operated in Australia by the end of 1998, with a predicted collective annual turnover of \$400 million (*Sydney Morning Herald*, 12 December 1998, p. 9).

Internet gambling has been operating since 1996 in the Northern Territory (IPART, 1998:13), with other jurisdictions likely to follow. At April 1999, the Queensland Government had passed legislation to regulate internet gambling, Victoria planned to introduce a related bill in its autumn session, while South Australia had established a legislative council committee on internet gambling to report to Parliament by July 1999 (Austin, 1999:5). Proliferating offshore internet operations potentially threaten the competitiveness of traditional forms of gambling and effective government regulation and taxation. All traditional forms of gambling are now available on the internet, including those provided at casinos (gaming machines, keno, table games and Sportsbook), clubs (gaming machines, raffles, keno), church and community halls (bingo), hotels (gaming machines, raffles), newsagents (Lotto, Pools, Instant Lottery) and the TAB (horses, greyhounds) (Toneguzzo, 1996b:53). Pay television provides access to another form of home-based gambling although, given the slower than expected take up of pay television in Australia, predicted short-term growth in home-based gambling seems more likely to occur through internet gambling. However, in the longer term, digital television is predicted to expand the home-based gambling market enormously (McMillen, cited in Austin, 1999:6).

Increased competition for the gambling dollar, as detailed above, has influenced the structure and performance of contemporary clubs in NSW. The ensuing discussion examines these aspects, which reflect increased importance placed by many clubs on commercial goals of market expansion, product development and profitability.

²⁶ Sports betting is defined as 'the wagering on all types of local, national or international sporting activities (other than the established forms of horse and greyhound racing), whether on or off-course, in person, by telephone, or via the internet' (Tasmanian Gaming Commission, 1998).

2.6.2 The Contemporary Structure and Performance of the NSW Club Industry

In August 1998, there were 1,513 registered clubs in NSW (RCA, 1998a:11). More than 3 million people are members of NSW clubs, holding about 3.5 million memberships between them, while some 350,000 people use club services each day (RCA, 1998a:11). The industry employs over 60,000 people, with at least another 15,000 directors involved with the industry on an honorary basis (RCA, 1999a:6). Table 2.2 shows the number of NSW clubs of each type in metropolitan and country NSW at January 1999 for the 1,386 clubs who are members of the RCA, while Table 2.3 shows NSW club profits and government revenue derived from escalating numbers of gaming machines in a growing number of clubs since 1957.

Table 2.2
Number of NSW Clubs by Type, Total Membership and Average Membership

Type	Metropolitan	Country	Total Clubs
Bowls	152	314	467
Golf	74	184	258
Leagues	22	36	58
Workers	6	21	27
RSL/Ex-services	112	179	291
General	164	121	285
Total	531	855	1386

Source: RCA, (1999a:88).

Table 2.3
Registered Clubs, Gaming Machine Numbers, Club Net Profits and
Government Revenue from Club Gaming Machines 1957-1997

Year	No. of Clubs	No. of Gaming Machines	Club Net Profits \$ million	Government Revenue \$ million
1957	952	5,596	n.a	1.5
1958	1,073	6,561	n.a	1.7
1959	1,135	7,289	n.a	1.8
1960	1,189	8,299	n.a	2.6
1961	1,228	9,614	n.a	3.4
1962	1,264	10,814	n.a	3.5
1963	1,274	12,299	n.a	6.6
1964	1,306	14,107	59.8	11.4
1965	1,335	16,273	74.0	13.7
1966	1,365	18,326	83.2	15.8
1967	1,394	19,617	94.1	19.7
1968	1,420	21,873	106.1	23.1
1969	1,438	24,004	122.1	26.3
1970	1,442	26,636	142.1	30.4
1971	1,453	29,887	162.7	34.8
1972	1,467	32,411	184.8	38.3
1973	1,475	34,709	205.8	42.6
1974	n.a.	n.a.	253.0	n.a
1975	1,494	40,264	314.7	71.9
1976	1,507	43,126	359.1	83.4
1977	1,506	44,400	387.6	92.0
1978	1,525	45,519	425.2	98.2
1979	1,534	47,182	482.4	107.9
1980	1,532	48,439	540.5	120.7
1981	1,539	49,208	607.9	139.0
1982	1,543	49,369	666.9	153.1
1983	1,547	48,285	665.3	152.7
1984	1,553	47,434	697.3	158.0
1985	1,544	47,314	704.4	167.5
1986	1,541	46,689	781.9	179.5
1987	1,530	47,963	n.a	191.8
1988	1,535	48,782	n.a	212.2
1989	1,521	50,705	n.a	239.4
1990	1,501	52,353	n.a	269.9
1991	1,499	54,992	n.a	284.4
1992	1,487	57,197	1,421.7	293.2
1993	1,468	58,534	1,472.0	306.1
1994	1,453	59,650	1,662.4	347.7
1995	1,439	62,219	1,926.6	407.5
1996	1,441	64,157	2,121.6	448.9
1997	1,433	66,527	2,258.9	481.0

Source: NSW Department of Gaming and Racing, (1998:31).

Gaming machine profits are not shared equally amongst contemporary clubs. Examining the current industry structure and performance of the NSW club industry reveals the extent of industry concentration. Statistics on the top 200 NSW clubs by gaming machine profit (NSW Department of Gaming and Racing, 1998:34) indicate that, while they represented only 14 percent of all NSW clubs operating gaming machines in 1996-97, they held over half of all club gaming machines. Further, they earned over 70 percent of total club gaming machine turnover and net profit and enjoyed average turnover and profits per machine substantially higher than the average for all NSW clubs. Table 2.4 compares the gaming machine performance of the top 200 clubs to the state average for the 1996-97 fiscal year.

Table 2.4
Gaming Machine Performance of the Top 200 NSW Clubs Compared to the State Average

	State Average	Top 200 Clubs
Average gaming machine turnover per club	\$16,776,777	\$86,013,911
Average gaming machine profit per club	\$1,576,316	\$7,969,821
Average turnover per gaming machine	\$361,374	\$483,822
Average profit per gaming machine	\$33,594	\$44,830
Assessed duty per gaming machine	\$7,254	\$10,114
Average number of machines per club	25	178

Source: NSW Department of Gaming and Racing, (1998:34).

A breakdown of the top 200 clubs by club type and gaming machine installation, shown in Table 2.5, emphasises the predominance of returned services and leagues clubs, such that 132 of these clubs operate over one-third of all NSW club gaming machines. The large gaming machine installations of workers and leagues clubs also are apparent.

Table 2.5
Top 200 NSW Clubs by Type, Number of Gaming Machines and Average
Number of Gaming Machines Per Club

Type of Club	No. of Clubs	No. of Gaming Machines	% of State Total No. of Machines	Average No. of Gaming Machines per Club
RSL and Ex-Services	98	14,310	23.0	146
Leagues	34	7,178	11.5	211
Recreation/Social/ Sports	19	3,181	5.1	167
Bowls	15	2,158	3.5	144
Workers	12	2,590	4.2	216
Golf	5	990	1.6	198
Religious	4	787	1.3	197
Ethnic	2	250	0.4	125
Other	11	1,324	2.1	120
Total	200	32,768	52.7	164

Source: derived from NSW Department of Gaming and Racing, (1996a:6-10).

Results from a KPMG survey (1995) also shed light on the structure of the industry. Gaming machine revenue as a proportion of total revenue averaged 63 percent for all responding NSW clubs, but varied between 68 percent for leagues clubs to 18 percent for golf clubs. The sources of average revenue for all areas of club income are shown in Table 2.6, which demonstrates the dominance of leagues, workers and RSL clubs over club machine gambling revenue.²⁷

²⁷ However, while KPMG claims ‘the survey is representative of the entire Club Industry, from small to large Clubs and across all locations and Club type categories’ (1995:2), a response rate of a little over 10 percent indicates that results should be viewed cautiously.

Table 2.6
Sources of Average Revenue by Club Type for September Quarter 1995

Club Type	Gaming Machines \$'000	Gaming Machines %	Bar Trading \$'000	Bar Trading %	Food Trading \$'000	Food Trading %	Other Trading \$'000	Other Trading %	Total Average Revenue \$'000
Leagues	3,519.2	68.1	726.7	14.1	502.5	9.7	422.3	8.2	5,170.7
Workers	1,974.1	59.6	599.3	18.1	192.4	5.8	544.2	16.4	3,310.0
RSL	1,122.0	65.8	316.7	18.6	179.6	10.5	86.8	5.1	1,705.1
Other	847.5	64.0	231.9	17.5	190.1	14.4	53.7	4.1	1,323.2
Other Sporting	365.3	55.1	202.1	30.5	45.2	6.8	49.9	7.5	662.5
Golf	83.1	18.2	108.8	23.9	51.6	11.3	211.9	46.5	455.4
Bowling	252.0	57.1	126.0	28.5	29.9	6.6	33.8	7.7	441.7
National /Cultural	16.8	20.0	35.4	42.2	28.7	34.2	3.0	3.6	83.9

Source: derived from KPMG, (1995:9).

From Tables 2.4 to 2.6, it is evident that the contemporary NSW club industry is characterised by a small proportion of very large clubs, usually returned services, leagues and workers clubs, often with some hundreds of gaming machines on which they rely for some two-thirds of their revenue and which earn far greater total gaming machine profits than machines operated by their smaller counterparts.²⁸ However, the bulk of the industry is comprised of many smaller clubs, predominantly bowling, golf and a range of general clubs which tend to operate far fewer machines, in turn yielding far less revenue. Consequently, smaller clubs usually rely on more diverse income sources, but also exist on a much smaller revenue base than larger clubs. Nevertheless, Table 2.6 indicates that, for most types of clubs, gaming machine revenue accounts for over one half of total club revenue.

Furthermore, while the number of NSW clubs operating gaming machines rose steadily after their legalisation in 1956 peaking at 1,553 in 1984, 120 clubs have since closed due to surrender or cancellation of registration and amalgamations,

²⁸ In fact, 44 NSW clubs have over 200 gaming machines, with the largest installations being at Panthers League Club with 1,262 machines, Canterbury-Bankstown League Club with 643, and South Sydney Juniors with 579 machines. A further three clubs have over 500 machines, an additional seven have more than 400 machines, and a further twelve have over 300 machines (Sydney Morning Herald, 28 August 1999, p. 41).

attributed mainly to economic reasons (NSW Department of Gaming and Racing 1998:3). In terms of industry evolution, the industry appears in the maturity stage, characterised by industry concentration and slowing overall growth, in turn fuelling a more commercial approach to club management and operations.

2.6.3 Changes in the Goals and Functioning of NSW Clubs

Industry dominance by large clubs deriving a substantial proportion of revenues from gaming machine profits undermines their traditional status as not-for-profit organisations existing to promote a common interest of members (Wilcox, 1983:5.16). Since the 1970s, the goals and functioning of many large clubs have tended to diminish emphasis on social aims to an increasingly economic focus. This shift is discussed below in terms of club membership, organisational structure, management reward systems, facilities and services, and community support.

Since the 1970s, and in contrast to the early NSW clubs, membership to most contemporary clubs has been far from exclusive. Although clubs must still be founded on a common interest, membership is generally open to anyone of age, given nomination by two existing members and payment of the required membership fee, often as low as a few dollars per year.²⁹ A category of ‘social membership’ means that all, or indeed most, club members are not required to participate in or pursue the common interest for which the club was established, but may use the club’s main facilities and services, including gaming machines. As Wilcox (1983:5.25) has noted, ‘when clubs grow the proportion of people who are fanatical about a particular purpose which brought them together...gets diluted by members who come to enjoy the social facilities’. In addition, non-members have unrestricted access to clubs, provided they sign a visitors’ book and live more than five kilometres away (*Registered Clubs Act 1976 NSW* Part 3). Thus many clubs actively encourage day-trippers and tourists.

The organisational structure of many clubs also has changed. While a relatively flat, informal structure was appropriate for small, exclusive clubs prior to the 1950s, large contemporary clubs are generally structured along functional lines, with clear hierarchies of decision-making and responsibility. Drawing on Mintzberg’s classic configurations of organisations (1979), the early clubs could be described as ‘missionary’ organisations, coordinated by shared values of members, strong

²⁹ *The Registered Clubs Act 1976 NSW* prescribes a minimum membership fee of \$2 per year.

ideology, loose organisational structure and decentralised decision-making, all appropriate for the relatively simple, stable environment in which the clubs operated and their shared purpose amongst members. Today's clubs however approach Mintzberg's 'machine' organisations, with centralised decision-making, functional structure, narrow job specialisation and standardised work practices, aimed primarily at operational efficiency and profit maximisation. In larger clubs, involvement of members in determining club policy to any meaningful extent is questionable (Caldwell, 1972:296; Productivity Commission, 1999b:21.22).

Management reward systems in many clubs also appear to promote profit maximisation, with the Club Managers (State) Award determining salary rates partially based on annual poker machine taxation levels (RCA, 1998b). Thus, the award provides an indirect incentive through proportionately higher base salaries for club managers to attain larger gaming machine profits. However, many clubs pay above award rates to attract more professional managers, in recognition that successful financial club performance relies on the implementation of commercial management practices.

Clubs now cater mainly for middle and working classes and all but the smallest provide an extensive array of services and trade for long hours.³⁰ Rather than providing the close-knit social environments apparent in earlier clubs, most workers, leagues and returned services clubs, as well as some of the larger bowls, golf and general clubs, tend to be large and 'glitzy' venues, filled with the flashing lights and noise of gaming machines, horse and greyhound racing on television, keno updates on electronic screens and regular entertainment. Gambling and drinking are the main activities. Numerous Australian studies have found that gaming machines have their greatest appeal to people from lower socio-economic backgrounds (for example the State Government of Victoria, 1994; DBM Consultants, 1995; Prosser, Hing, Breen

³⁰ As an example of the scale and diversity of club operations now reached in NSW, the largest club, Penrith Rugby League Club, is today unrecognisable from its 'pokey single storey building with eight poker machines, one pool table, one bar and a small dedicated membership' when it was founded in 1956. In 1995, the club had 52,000 members, 900 staff and boasted 800 gaming machines, six bars, five restaurants, a nightclub, a cinema, tennis courts, a golf driving range, cable skiing, waterslides, a miniature railway and more than 200 four-star motel rooms set on its 81 hectares. On a busy day, some 6,000 patrons visited the club, contributing to the \$72 million turnover the club reported in 1994-95. Some \$40 million of this came from the club's poker machines (Martin, 1996:16), with the club providing about \$650,000 a year for community charities and sporting organisations other than football (Verrender, 1996:39). The club has recently expanded its gaming machine installation to 1,262 machines (*Sydney Morning Herald*, 28 August 1999, p. 41).

and Weeks, 1996), so it makes economic sense for clubs to work hard at attracting and catering for the market providing most revenue. As will be discussed later in this chapter, aggressive marketing strategies encourage and reward gaming machine play and ongoing analysis of the popularity and profitability of individual gaming machines is serious business for both club management and gaming machine manufacturers. However, such marketing strategies would seem to increase the risk of problem gambling by providing inducements for frequent and sustained gambling sessions involving high expenditure.

However, because clubs cannot distribute profits to management, employees or members, excess gambling revenues are used to finance facilities and services for members and visitors, donations to charities, and community projects such as sporting and other facilities. However, according to a KPMG survey (1995:24-25), most of this support is spent in-house to improve club facilities rather than for charitable and community causes, as shown in Table 2.7. Indeed, a recent independent study of club contributions reported by Verrender (1996:39) found that while NSW clubs claimed charity and community donations of \$700 million, most of this funded club renovations, with only \$56 million in external donations. However, the RCA estimates the value of community support, excluding capital investment, provided by the NSW club industry in 1996-97 at \$155 million (RCA, 1998a:3). Nevertheless, even in 1983, the *Wilcox Report* noted 'whilst some clubs have provided significant community benefits, for most, including many of the most wealthy clubs, the record is poor when the enormous profit they derive from poker machines is taken into account' (1983: Introduction).

Table 2.7
Average Community Support and In-House Capital Expenditure by Club Type
for NSW Clubs September Quarter 1995

Club Type	Community Support				In-House Capital Expenditure	
	In-House Support \$	External Grants \$	In-Kind Support \$	% of Average Gaming Machine Profit	In-House Capital Expenditure \$	% of Average Gaming Machine Profit
Bowling	4,489	1,501	215	2.5	47,049	18.8
Golf	4,279	670	584	6.7	60,351	72.7
Other	2,776	2,343	4,523	1.1	364,760	43.0
Other Sporting	13,558	4,896	2,157	5.6	143,396	39.3
RSL/Community/ Ex-Services	5,622	8,163	6,073	1.8	343,896	30.6
Workers	6,107	17,652	2,500	1.3	396,469	20.1
National/Cultural	0	0	0	0	10,506	62.4
Leagues	146,615	15,720	650	4.6	703,186	20.0
Total	183,446	50,945	16,702	3.1	2,069,613	25.3

Source: derived from KPMG, (1995:24-25).

In summary, increased commercialisation of NSW clubs over the last few decades is evidenced by various characteristics which distinguish them from their earlier counterparts. These include their largely unrestricted membership and relatively open access for visitors, which detract from their original common interests. In addition, organisational structures and reward systems now promote profit maximisation, while aggressive marketing strategies are employed to increase patronage, tourism and gaming machine play. Further, most club profits are used to improve facilities to attract a larger member and visitor base, rather than to contribute to broader community projects.

The commercialisation of large NSW clubs reflects their strategic response to the competitive environment. The competitive advantages of NSW clubs have been eroded through the proliferation of alternative gambling options and, more particularly, through the three developments outlined below.

2.6.4 Erosion of Competitive Advantages for NSW Club Machine Gambling

Three critical developments have particularly eroded competitive advantages enjoyed by NSW clubs in their machine gambling operations. These are escalating competition for machine gambling, diminished taxation concessions on gaming machines, and, more recently, proposed involvement of the newly privatised NSW TAB Ltd in machine gambling. Each of these developments is outlined below.

Increased Competition for Machine Gambling

While Table 2.1 showed the increasing diversity of Australian gambling products, the most serious competition for NSW clubs has arisen from new gambling products within the state, and the introduction of gaming machines in the neighbouring jurisdictions of the ACT, Victoria and Queensland, and in other NSW venues.

The decade 1975-85 witnessed the introduction in NSW of Soccer Pools, Lotto, Instant Lottery and approved amusement devices (AADs) in hotels, to accompany the existing state lottery and on and off-course wagering. In addition, gaming machines in ACT clubs (and later hotels) and Jupiter's Casino became available only a few kilometres across state borders. In the 1990s, gaming machines were introduced into clubs and hotels in Queensland and Victoria, and are considered the major cause of lower gaming machine profits still experienced by NSW clubs on the northern and southern state borders (NSW Department of Gaming and Racing, 1998:31). In late 1995, the temporary Sydney Harbour Casino opened with 500 gaming machines and 150 tables, with its permanent venue, Star City Casino, operating 1,500 machines and 200 tables, opening in late 1997. In April 1997, the *Liquor and Registered Clubs Legislation Further Amendment Act 1996 NSW* authorised NSW hotels to operate up to 15 poker machines, with this limit increased to 30 in 1998. Thus, NSW clubs now compete directly with casinos and with the widely dispersed and readily available machine gambling in hotels.

Assessing the direct impact of additional forms of gambling on machine gambling in NSW clubs is fraught with difficulties, given fluctuations in the wider economy and in expenditure on substitute products and services. In addition, the true impact of some recently introduced gambling products may not be apparent for some time. However, preliminary estimates of the impact of the Sydney casino and the introduction of poker machines in NSW hotels have been made, based on a survey of 1,691 patrons of 11 Sydney clubs, eight of which were within five kilometres of the casino (Toms, Lynch and Veal, 1998). It found that 8 percent of respondents

who have visited the casino now visit clubs less frequently, while 3.3 percent attend clubs less often due to expanded hotel gambling facilities.

Despite the difficulties of accurately measuring the impact of additional gambling products, increased competition has prompted a more aggressively commercial approach by many clubs to their machine gambling operations, as discussed later in this chapter.

Diminished Taxation Concessions on Club Gaming Machines

In addition to increased competition, favourable tax concessions on club gaming machines also have been eroded. When first legalised in 1956, clubs were taxed annually according to the number of machines operated of each denomination (*Gaming and Betting (Poker Machines) Taxation Act 1956 NSW*). Amendments in 1959 increased licence fees on 2 shilling machines (NSW Department of Gaming and Racing, 1996b:iv) and in 1962, a supplementary licence tax was introduced based on a sliding scale and levied when a club's gaming machine income exceeded \$10,000, a threshold raised in 1970 to \$17,000, in 1973 to \$30,000, and in 1986 to \$100,000 (NSW Department of Gaming and Racing, 1996a:5).³¹ After 1990, a net profit tax was introduced, with clubs paying 1 percent for the first \$100,000 net profit on gaming machines and 22.5 percent on every dollar thereafter (NSW Department of Gaming and Racing, 1996a:5). From March 1997, annual duty rates for club gaming machines were levied at 1 percent for income between \$100,001 and \$200,000, at 22.5 percent for income between \$200,000 and \$2.5 million, and at 24.75 percent for income over \$2.5 million (*Liquor and Registered Clubs Legislation Further Amendment Act 1996 NSW*). However, in its 1997 State Budget, the NSW Government proposed a top taxation rate of 30 percent for club gaming machine profits in excess of \$1 million. This proposal was subsequently overturned and rates in 1998 were set at 20 percent for income between \$200,000 and \$1 million, and 26.25 percent for income over \$1 million (*Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW*). Overall however, average annual state taxation on club gaming machines has increased from around 19 percent of net profit in 1964 to over 21 percent in 1996-97 (NSW Department of Gaming and Racing, 1998:31).³²

³¹ Raising the exemption level for supplementary licence tax to \$100,000 in 1986 eliminated the tax for 690 smaller clubs, saving them up to \$15,000 in tax per year (RCA, 1994:4).

³² 1964 is the first year for which government revenue from club gaming machines is officially recorded.

Involvement of the NSW TAB Ltd in Machine Gambling

By January 2001, all NSW gaming machines must be connected to a centralised monitoring system allowing collation and processing of data, including assessment and automatic debiting of duty, authorisation of changes to machine configurations, and testing of machine integrity (IPART, 1998:9). This requires clubs and hotels to ensure all machines are system compliant, necessitating gradual conversion to 'X Standard' machines at the venue's expense.³³ The NSW Government has granted the NSW TAB Ltd an exclusive 15 year licence to operate this central monitoring system, with venues to pay \$26.10 per machine per month for this service (*NSW TAB Share Offer Document*, May 1998:32-33, 58 in IPART, 1998:9). Based on the average number of machines per club in 1996-97, the average annual cost will be \$14,540 per club (NSW Department of Gaming and Racing, 1998:31). However, it will cost some hundreds of thousands of dollars per year for clubs with extensive machine installations.

The involvement of the NSW TAB Ltd in machine and other gambling operations in NSW has been further enhanced by its recently granted investment licence to own, supply and finance gaming machines in NSW hotels, proposed development of a numbers game to be linked across some NSW hotels, and a 15 year exclusive licence to conduct statewide linked jackpot games (TABLINK) for gaming machines in NSW clubs and hotels (IPART, 1998:9). Club participation in TABLINK will be voluntary, but will attract a fee.

Thus, in addition to incurring extra expenses in their gaming machine monitoring, increased involvement of the NSW TAB Ltd in machine and other gambling in NSW poses new competition for NSW clubs for their main revenue-producing product. However, it may also encourage further market expansion and increased income for clubs if the statewide linked machines prove popular without cannibalising income from existing machines.

2.6.5 Attempts by NSW Clubs to Protect Their Competitive Advantages in Machine Gambling

NSW clubs have reacted to the erosion of their competitive advantages in machine gambling in two key ways discussed below – commercial initiatives to enhance the appeal of their gaming machines, and political defence of their strategic advantage.

³³ 'X Standard' is 'a protocol for gaming machine security' (IPART, 1998:9) and essentially refers to machines which meet the technical requirements to support centralised monitoring functions.

Contemporary Marketing and Expansion Strategies in NSW Club Machine Gambling

In response to competitive changes outlined above and reflecting increased focus on commercial objectives, many NSW clubs have intensified marketing and expansion strategies in their machine gambling operations.

Club gaming machines have become more widely accessible, with a twelvefold increase in the total number of gaming machines since their legalisation, representing an increased average from 5.8 to 43.2 machines per club, with the largest rate of increase since 1992 (NSW Department of Gaming and Racing, 1998:31). In addition, the number of clubs with gaming machines has increased over the same period from 952 to 1,433, although the machines are becoming more concentrated in the larger clubs. In terms of diffusion theory which has been used to explain the rate at which gambling spreads throughout a society (Cook and Yale, 1994), widespread participation in club machine gambling has been enhanced by the ease with which the machines can be observed, tried, used and accessed by patrons, as well as their compatibility with other leisure activities found in clubs. Thus, placement of machines in popular social venues has enhanced their appeal, along with increased accessibility which reportedly is associated with a higher prevalence of problem gambling (Productivity Commission, 1999b:2).

NSW clubs also have been instrumental in enhancing structural inducements in gaming machine play. One of the distinguishing features of poker machines is that they offer games of pure chance. Caldwell has described poker machine play as the 'epitome of non-skill gambling' (1974:16), 'a purely mechanical task' (1985:263), where 'the banker, the Cabinet Minister, the housewife, and labourer are all equals...for skill and experience count for nothing' (1974:69). Furthermore, he suggested that the high value Australians place on equality and fatalism partly explains 'why Australians have a predilection for gambling and why the form of gambling is marked by a heavy reliance on chance and so little on skill' (1974:20). Orford notes the prejudice against games of chance in favour of games of skill 'not infrequently betrayed by those who write on the subject of immoderate gambling' (1985:30). One of the reasons for such prejudice may be that the non-skill nature of gaming machines readily attracts new players due to 'the initial perception that the likelihood of winning on the randomly generated outcomes of the machine permits the novice to start on an equal footing with the experienced player' (Dickerson, 1996:158).

Additional structural characteristics of gaming machines have been identified which induce initial and continued play. While acknowledging that certain biological, psychological and situational variables are influential, Fisher and Griffiths (1995:241) identify 'frequent pay out and event intervals, arousing near miss and symbol proportions, multiplier potential, better involvement and skill, exciting light and sound effects, and significant naming' as being powerful influences on a player's decision to play and continue playing gaming machines. To this list Fabian (1995:253) adds the rapid gambling sequence and short pay out intervals, the wide variety of stakes and chances of winning, the attractive relation between the probability of winning and the amount of winnings, the number of small winnings, active involvement of the gambler in the course of the game, and the low stakes involved.

A number of writers have commented on structural characteristics of machine gambling which enhance operant conditioning of players (for example, Stotter, 1980; Walker, 1992; Dickerson, 1996). Stotter contends that 'never before' have the principles of behaviour modification 'been brought together and applied so expertly as in the Poker Machine' (1980:161). Stotter (1980:162-163) explains that the act of placing money in the machine is firstly reinforced by irregular payouts, a powerful method of conditioning, far stronger than fixed interval conditioning. Second, this intermittent reinforcement schedule is further enhanced by varying the strength of the reinforcer by varying prize amounts, with the possibility of large rewards helping to maintain play over a longer time period, making the behaviour more resistant to extinction. Third, the player is never submitted to a feeling of immediate failure, as it is the combination of symbols which determine a win, rather than their actual occurrence. As all symbols can potentially contribute to a winning sequence, the sense of loss is minimised, with the player subjected instead to a 'near miss'. Fourth, accompanying lights, music and cash drops into a noise-enhancing metal tray maximise the rewarding qualities of a win. Finally, the winner receives social reinforcement from other players whose attention is gained by the noise and lights, with the winner becoming the 'centre of attraction' for a short period (1980:163). Indeed, while acknowledging the entertainment value of gaming machines, Stotter (1980:164) contends 'there appear to be important ethical questions to be answered as to where the entertainment component ends and the straight out conditioning of human behaviour for monetary gains begins.' Further, with player persistence being the major aim of gaming machine manufacturers in developing new games and characteristics (Daley, 1986), researchers and community service organisations are concerned such developments increase player persistence and thereby increase gambling-related problems amongst machine players (for example, Dickerson,

1996:163; GAME, 1998; Local Community Services Association Inc., 1998; Shoalhaven Neighbourhood Centre, 1998; Wesley Gambling Counselling Service, 1998; Productivity Commission, 1999b: Chapter 16).

Many recently introduced gaming machine features are designed to increase both the rate of play and the average bet, thereby increasing gross machine profits. Verrender (1996:39) notes there are currently up to 30 game variations available in club gaming machines, with features such as multi-line and multi-coin betting, tokenisation, note acceptors, touch screen operation, linked machines, multi-game machines, cashless betting using player account cards, animation, interactive games and multi-terminal machines (Kelly, 1996a; 1996c). While technological innovations such as better video screens, faster processes and game concepts have been principally 'manufacturer driven', innovations which maximise machine profits, such as reduced game cycles and higher jackpots, have been 'customer driven' by the clubs (Toneguzzo, pers. comm.). That is, through the operation of market forces, gaming machines are designed for profit maximisation. Such developments continue to drive machine replacement programs in clubs, with manufacturers and operators both aiming for maximization of turnover and net profit (Kelly, 1996a:44).

The longevity of machine gambling in NSW clubs has nurtured a relatively mature market for gaming machines, with the predominantly local, regular players being more demanding and discerning than a tourist market which plays gaming machines less frequently (Kelly, 1996c:58). Kelly (1996c:58) contends that Australian gaming machine manufacturers lead the way in machine technology, each often developing ten to twelve new games per month to ensure players are 'stimulated by new and innovative options'.³⁴ Thus, with the 'productive life' of a machine in Australia estimated at between three and five years (Kelly, 1996c:58), most NSW clubs undertake extensive and ongoing machine replacement programs to ensure their machines remain up to date, with the RCA (1994:55) recommending that a minimum replacement of 25 percent of a club's gaming machines per year is required to meet technological advances and new game enhancements. Further, a KPMG study (1995:25) found a correlation between capital expenditure on gaming machines and the level of gaming machine revenue. At a purchase price of around \$15,000 per machine (IPART, 1998:8), replacement programs represent a

³⁴ There are currently 17 gaming machine manufacturers licensed in NSW (NSW Department of Gaming and Racing, 1998:32). As an indication of the importance of technological developments in gaming machines, Aristocrat, Australia's biggest gaming machine manufacturer with a 52% market share, invests around 15% of its revenue each year in research and development (Kelly, 1996c:58).

substantial investment for many clubs, but on average each machine nets around \$34,000 per year (NSW Department of Gaming and Racing, 1998:31).

In the last fifteen years, lobbying from both the club industry and gaming machine manufacturers has been successful in raising the maximum bet and prize money on gaming machines. For example, in 1982, manufacturers submitted successful requests to licence both multi-coin and multiplier machines which offered jackpots up to \$5,000 (NSW Department of Gaming and Racing, 1996b:v). In 1986, the maximum jackpot for stand-alone machines was raised to \$10,000, while in 1988 \$1 and \$2 machines were introduced and the maximum bet raised to \$10 per play, regardless of denomination (NSW Department of Gaming and Racing, 1996a:5). In-house link progressive jackpot systems with jackpots up to \$100,000 were introduced in 1988, while the 1990s has witnessed the advent of note acceptors on gaming machines (NSW Department of Gaming and Racing, 1996b:v) which tend to increase gaming machine turnover and, therefore, profits (Productivity Commission, 1999b:16.82). Both linked jackpots and note acceptors have been associated with exacerbating problem gambling (Productivity Commission, 1999b: 16.76-16.77,16.82).

Increasing player percentage returns from the machines above the 85 percent required by law (*Registered Clubs Act 1976 NSW*) is a further attempt to enhance the appeal of gaming machines, with return to players averaging 90.6 percent over all NSW clubs in the 1996-97 fiscal year, increasing from an average of 90.4 percent the previous year and 86.9 percent five years earlier (NSW Department of Gaming and Racing, 1998:30). Daley (1986) has suggested that many gaming machine players are 'buying time' and that, given limited financial resources, they choose machines to maximise playing time, making machines with higher player returns more attractive. However, while increased popularity of lower denomination machines (NSW Department of Gaming and Racing, 1996a:4) may represent attempts by some players to extend playing time, the popularity of multi-line machines which reduce average playing time by 50 percent (Daley, 1986:239-240) suggests that 'buying time' may not be a primary motive for some players. In any case, Lynch (1985:61-62) found a common complaint amongst the regular gaming machine players he interviewed was the 'tightness' of the machines, with some players noting that increasing player returns would encourage more players, provide incentive to play longer, and that players would probably put increased winnings back into the machine. Thus, while increasing percentage returns would appear to reduce gross profits for clubs, this may not hold true if it enhances the appeal of gaming machines and if players 'recycle' winnings.

Many NSW clubs undertake extensive promotions to both attract players and reward high spenders. These include complimentary tickets for meals or entertainment when a certain level of gaming machine change is purchased, vouchers for coin purchases redeemable for prizes or for entry into a draw to win major prizes, computer linked promotions, and player tracking where the expenditure of individual players is monitored and rewarded if sufficiently high. A KPMG survey of 157 NSW clubs (1995:12) found each spent up to 7 percent of gaming machine profits on in-house gaming machine promotions, with the highest expenditure by clubs with greatest reliance on gaming machine profits. While these statistics are limited by a small, non-representative sample, it appears gaming machine promotions are common in NSW clubs and actively encouraged by the RCA. For example, under the heading of 'enticement', the RCA recommends that indirect prizes, player tracking, and other forms of promotions, entertainment and games are activities which 'should be constantly tried, changed, renewed and on-going to extract the maximum potential from your gaming machine installations' (1994:56). The RCA further explains that:

...poker machines by themselves will not draw people into the club from the street. The Board should consider offering enticements to the members to visit the club. Once the Board has succeeded in getting them on the premises, then they can be encouraged to play the machines.

(RCA, 1994:56).

Because clubs cannot distribute profits, many use surplus revenue to improve physical facilities and services in gaming rooms. Hing (1996) has noted attention to continual improvement of physical facilities in gaming areas, while Caldwell (1972:171-174) commented on the casino-type atmosphere, particularly in large and crowded club gaming rooms, where the noise and lights contribute to excitement. Dickerson (1996:157) comments that 'although the timeless divorce from reality achieved in contemporary theme casinos in Las Vegas may not be achieved', club gaming machines are typically in large, purpose built rooms increasingly advertised as 'casino' areas, which often have no exterior windows and are open for long hours. Many properties have themed gaming areas to provide 'an added value service in mature gaming markets' (Kelly, 1996a:44-45), while additional services such as call buttons on machines for purchasing drinks and payment of manual jackpots, free tea and coffee, and projection of other club entertainment onto large screens in gaming machine areas all represent attempts to keep patrons playing. The RCA (1994:55) points out the importance of an attractive, easily accessible gaming machine layout which is 'conducive to extensive and regular visits', advising that:

The machines should be centrally located between the entrance, the bar and the main lounge areas. Do not encourage players to make a conscious effort to walk to a machine. Make it easy for him/her to reach their (sic) favourite machines by placing them in an established line of traffic.

In summary, many NSW clubs have responded to increased competitive pressure on their core product with aggressive marketing and expansion strategies designed to attract more players, increase player persistence and reward high expenditure. Continued growth in total club gaming machine expenditure suggests such strategies have been successful from an economic standpoint and reflect increased profit orientation in club machine gambling operations.

Political Defence of Competitive Advantages in NSW Club Machine Gambling

Erosion of competitive advantages for NSW clubs in their machine gambling operations, as described earlier, has attracted vocal opposition from the industry. Proposals to establish the Sydney Harbour Casino (now Star City), introduce and expand hotel machine gambling in NSW, to increase the taxation rates on club gaming machines in 1997, and involve the NSW TAB Ltd in machine gambling, prompted extensive political lobbying by the clubs, and the formation of the Registered Clubs Party in mid-1997. While these campaigns gained some concessions which marginally offset these competitive threats, they also drew public and political attention to the clubs' massive gaming machine profits, poor track record of community support and commercially driven agenda.

The Club Campaign Against Establishment of the Sydney Harbour Casino

While the legalisation of casinos in NSW had been proposed as early as the 1970s and the focus of two government inquiries (Lusher, 1977; Booth, 1982 in McMillen, 1993), concerted government efforts in the 1990s to establish a single, large Sydney casino attracted more vocal opposition from the club industry. In submissions to the *Inquiry into the Establishment and Operation of Legal Casinos in New South Wales* (Street, 1991) and an inquiry to examine 'the likely effect of the availability of slot machines in a casino on the operations and viability of the registered club and hotel industries' (Swan, 1992:3), the RCA forecast a \$73.3 million loss in club revenue in 1997, increasing to \$87.8 million by 2000 (RCA, 1992: Appendix IV, V). The RCA contended the NSW community would face a net loss of \$24 million in 1997, increasing to \$28.6 million by 2,000 (RCA, 1992:32) and that club financial support for charities, welfare, community projects and members' facilities would be severely curtailed. However, the Inquiry recommended the proposed Sydney casino be

allowed poker machines, slot machines which mimic table games, and video gaming machines (Swan, 1992:61). The Inquiry argued any reduction in club community support would be outweighed by the annual \$260 million accruing to the gambling community and taxpayers once the casino was fully operational (1992:2).

Following the government's adoption of the Inquiry's recommendations, the RCA began campaigning, arguing 'the casino would be able to trade in unfair competition' by offering unlimited gaming machine prizes and 'free buses, drinks and food to entice club patrons' (*Sydney Morning Herald*, 2 March 1993, p. 5). However, the Opposition labelled the clubs 'greedy', noting they could offer million dollar prizes on ClubKeno and that clubs themselves used free or subsidised transport, meals and drinks to entice patrons (*Sydney Morning Herald*, 2 March 1993, p. 5). The RCA argued that 1,500 casino poker machines would cost 7,000 jobs, force some rugby league teams from the major state competition, reduce the \$400 million per year given by clubs to community-based groups and charities because of 'their non-profit philosophy', and redirect profits from the 'little Aussie battler' to a private operator (*Sydney Morning Herald*, 10 March 1993, p. 4; *Sydney Morning Herald*, 21 March 1993, p. 7; *Sydney Morning Herald*, 10 September 1993, p. 6). However, State Parliament endorsed the proposed 1,500 machines in the casino in September 1993 (*Sydney Morning Herald*, 10 September, p. 6). By March the following year, the RCA had spent almost \$1 million on a promotional campaign to 'lift the industry and boost club membership' (*Sun-Herald*, 27 February 1994, p. 5). Following the opening of the temporary casino in September 1995 and reports that Sydney clubs had lost 'tens of millions of dollars in poker machine revenue' (*The Northern Herald*, 10 October 1996, p. 13), individual clubs also boosted marketing to shore up membership prior to the opening of the permanent casino in November 1997 (*Sun-Herald*, 26 October 1997, p. 30).

The Club Campaign Against the Introduction of Poker Machines in NSW Hotels

Following announcement in early 1996 of the state Labor government's plans to allow 10 to 20 poker machines in NSW hotels, the club industry 'declared war' (*Sun-Herald*, 21 April 1996, p. 18), with the RCA announcing a '\$1 million war chest to campaign against the Government at the next election and future by-elections' (*Sun-Herald*, 26 May 1996, p. 20). In June 1996, NSW publicans struck to accelerate the government's plans, with the Australian Hotels Association (AHA) warning 'many hotels would not last another three or four months faced with stiff competition from clubs which were heavily subsidised...out of control...(and) awash

with money...they don't know what to do with' (*Sydney Morning Herald*, 22 June 1996, p. 3).

While the AHA reputedly spent \$300,000 on its campaign, the clubs spent an estimated \$3.5 million (*Sydney Morning Herald*, 12 November, p. 5). Along with threats to challenge Labor at the next election, various clubs targeted individual MPs. For example, one had informed its local MP that a \$35 million club redevelopment would be threatened, while others wrote to pensioners warning them they would lose their \$1 lunches and could blame it on the government (*Sydney Morning Herald*, 12 November 1996, p. 5). Both industries commissioned research, with the RCA's claiming the top 200 NSW hotels would make 'super profits' (*Sydney Morning Herald*, 23 October 1996, p. 3), while AHA research estimated clubs spent only \$56 million on community service organisations, not the \$700 million claimed (*Sydney Morning Herald*, 16 November 1996, p. 44).

However, the club campaign seriously backfired, drawing public attention to the massive gaming machine revenues of large, tax-subsidised clubs. An editorial on 16 November 1996 (*Sydney Morning Herald*, p. 44) noted 'clubs with huge numbers of machines have become enormous money-making machines', with one club 'sitting on \$17 million in funds'. It contested industry claims that most machine profits are returned to the community, contending instead they are 'used to entrench their privileged, tax-protected position and to indulge the club administrators'. The clubs, it noted, 'are reaching the situation where they may be abusing rather than using their tax exemption privileges' (*Sydney Morning Herald*, 16 November 1996, p. 44). *The Sun-Herald* (17 November 1996, p. 20) noted the 'wailing frenzy' of the club campaign, claiming 'the truth is that most clubs are rolling in money' due to 'unrestrained wealth'.

On 20 November, the *Liquor and Registered Clubs Legislation Further Amendment Act 1996 NSW* was passed allowing NSW hotels up to 15 poker machines, matched by equal numbers of AADs. However, the club industry won some concessions, including future introduction of statewide linked jackpots, and the right to operate multi-terminal gaming machines (*Sydney Morning Herald*, 19 February 1997, p. 8). In announcing the new package, the NSW Minister for Gaming and Racing noted that hotel poker machines would not affect club charity donations, as many clubs spent all profits on new buildings, new poker machines and cheap meals and drinks to entice poker machine players. Further, many clubs had been making bogus claims about charity donations and would be investigated (*Australian Hotelier*, December

1996, p. 6). By the end of the months' long campaign, political and public sentiment had turned markedly against the clubs.

Over the next two years, the NSW club industry continued its political battles, principally over proposed gaming machine taxation increases, and then over involvement of the NSW TAB Ltd in gaming machine operations. This culminated in the passing of the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW* which, amongst changes discussed below, then authorised NSW hotels to operate up to 30 poker machines.

The Club Campaign Against Gaming Machine Taxation Increases

The 1997 NSW State Budget proposed an increased top taxation rate on club gaming machines of 30 percent for profits over \$1 million to raise \$74 million for hospitals, police services and education. The clubs again 'declared war' and a meeting of about 1,000 club directors and managers developed 'an anti-government battle plan' (*Sun-Herald*, 11 May 1997, p. 10). The clubs claimed the increase would cost an additional \$161 million per year, reduce community donations by \$80 million, threaten nearly 9,000 jobs and cancel \$340 million in capital works (*Sydney Morning Herald*, 14 May 1997, p. 6). However, the Premier dismissed these assertions as 'exaggerated' and a 'calculated fear campaign' (*Sydney Morning Herald*, 14 May 1997, p. 6), noting 'the community had to decide whether it wanted bigger and better clubs or better schools and hospitals' (*Sydney Morning Herald*, 5 June 1997, p. 11). The Treasurer released details that only 12 of 1,450 NSW clubs had claimed rebates for spending more than 1.5 percent of after-tax machine profits on community services the previous year (*Sydney Morning Herald*, 5 June 1997, p. 11).³⁵

A proposal by a group of the largest clubs to raise 'much more than the desired \$74 million without raising the tax rate' by allowing them to double machine jackpots and bets was rejected (*Sydney Morning Herald*, 7 June 1997, p. 7) and the taxation proposal passed, due to take effect from 1 February 1998 (NSW Department of Gaming and Racing, 1998:32).

³⁵ The rebate scheme allows clubs to retrieve \$1 in poker machine taxation for every \$3 donated to community services.

The Club Campaign Against Involvement of the NSW TAB Ltd in Club Machine Gambling

Political debate on taxation increases for club gaming machines also was fuelled by plans announced on 22 April 1997 to sell the NSW TAB through a public float estimated to raise about \$1 billion. To enhance the share offer, the government proposed granting the TAB rights to operate a statewide linked jackpot system and a centralised monitoring system of gaming machines in NSW clubs and hotels. While statewide linked machines had been approved earlier, the clubs had expected to gain the licence for central jackpot pools (*Sydney Morning Herald*, 22 April 1997, p. 3). The RCA warned that ‘without the co-operation of the club movement, the linked poker machine game would not work’ (*Sun-Herald*, 20 April 1997, p. 43) and to expect only 5 percent of club machines to join the game, mostly from smaller clubs hoping to attract new customers (*Sydney Morning Herald*, 26 April 1997, p. 55). It also ‘slammed’ granting of the centralised monitoring licence to the TAB, noting ‘they are our competitors. It is like allowing Coles to monitor the books at Woolworths’ (*Sydney Morning Herald*, 26 April 1997, p. 55).

As the proposed float date of mid-June 1998 approached and the gaming machine taxation increase came into effect, the club campaign intensified. The RCA stated that, while the taxation increase remained in force, clubs would not support the sale of the TAB ‘which was relying on a \$400 million club component’ (*Sun-Herald*, 1 February 1998, p. 35), a move that would ‘greatly reduce’ the TAB’s value (*Sydney Morning Herald*, 7 February 1998, p. 2) and ‘significantly affect the sale’ (*Sydney Morning Herald*, 10 February 1998, p. 2). Further, the industry planned political initiatives to oppose the government at the 1999 state election, including funding for the Opposition’s campaign, fielding of ‘high profile candidates’ against government MPs, and intentions by the Registered Clubs Party formed in mid-1997 to stand six candidates for the Upper House (*Sun-Herald*, 1 February 1998, p. 35; *Sydney Morning Herald*, 7 February 1998, p. 2).

A series of negotiations ensued. On 20 February 1998, the government announced club gaming machine taxation would be returned to former levels, but the taxation shortfall would be met by allowing NSW hotels to operate up to 30 poker machines without the former requirement of keeping equal numbers of less profitable AADs. As part of the deal, the clubs agreed to install at least 1,500 linked machines, to a 1.5 percent community levy on pre-tax gaming machine profits over \$1 million for approved community support measures, and to publish an appropriately funded and enforceable problem gambling policy (*Sydney Morning Herald*, 21 February 1998,

p. 1; *Sydney Morning Herald*, 23 February, p. 6). These agreements were later formalised in the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW*.

In summary, politicised attempts to protect their competitive advantages during the 1990s backfired for NSW clubs. Not only did they fail to protect their monopoly over machine gambling, but they brought the clubs' profit levels, extensive gaming machine installations, favourable concessions and limited community service activities under closer scrutiny. Further, the government and public had become increasingly sceptical about the not-for-profit agenda, social benefit and community focus of clubs, prompting legislative requirements for club community support and for measures to address problem gambling.

2.6.6 Summary

In the context of increased competition for the gambling dollar since the 1970s and erosion of their competitive advantages, NSW clubs became more aggressively commercial in machine gambling operations and more politicised in attempts to protect their main revenue source. The marketing and expansion strategies commonly adopted in machine gambling operations, the industry's contemporary structure and performance, the emergence of many large clubs with extensive gaming machine installations, and the goals and functioning of these clubs, reveal that many have increasingly pursued the usual commercial goals of profit-oriented organisations. These include increasing market share, attracting maximum patronage, improving and diversifying their product mix, and generating substantial profits. Moreover, this pursuit of commercial goals subordinated the various common interests and community benefits for which clubs were established. This increased commercialisation undermined the role of many contemporary clubs as not-for-profit organisations existing for the benefit of members and pursuit of social purposes.

Historically, these factors had been instrumental for NSW clubs in both gaining and maintaining their competitive position. Erosion of these factors has weakened their legitimacy as dominant providers of gambling in the state, attracted public and political scepticism of their community focus, and raised community concern for problem gambling. As discussed in the next chapter, the community responded by becoming increasingly vocal in calling for greater social responsibility in the provision of machine gambling by the clubs, while the NSW Government imposed more rigorous requirements to enhance community benefit from machine gambling

operations and to address one of its costs, problem gambling. Legislation passed in 1998 aimed to re-establish the distinctive relationship between clubs and the community, a linkage on which their original rights to machine gambling was based, but whose unhinging has emanated from unrestrained growth of the clubs, their commercialisation, their increased political power, and the liberalisation of government policies on gambling.

2.7 CHAPTER CONCLUSION

The purpose of this chapter has been to demonstrate how the historical development of NSW registered clubs as major providers of machine gambling has been facilitated by their not-for-profit status, membership requirements and social benefit objectives. These three features provided the basis for the clubs' legitimacy as dominant gaming machine operators. However, increased commercialisation of NSW clubs gradually has undermined their distinctive relationship with the community, which stemmed from their role in pursuing and promoting the common interests of their members in sporting, recreational, social, cultural and community arenas. This change in focus from social to economic imperatives aroused public and political scepticism about the clubs' actual distinctiveness from profit-based organisations, the concessions they receive, and the costs and benefits of club machine gambling.

As this chapter has demonstrated, NSW clubs have increasingly violated the fundamental distinction of not-for-profit from profit-based organisations, which is to render a service rather than pursue profits (Koteen, 1991:10-14). Evolving from early NSW clubs established to promote a common interest of, and provide a range of services for members, contemporary clubs emphasise profit-based goals and embrace commercial management practices, with success now measured in financial terms rather than by how well their charter is fulfilled. Their main source of revenue is no longer membership dues, but gaming machine profits, prompting a shift in strategic management towards a market-oriented approach that seeks to maximise gaming machine returns, rather than fulfill the community service objectives for which clubs originally were established. This shift in focus has aroused criticism of favourable policy concessions given to NSW clubs. The clubs' increasingly aggressive pursuit of commercial, revenue-producing activities has been accompanied by criticism that they have exploited their favourable treatment to protect their machine gambling monopoly and other competitive advantages, to the subordination of their original social role.

Further, the implicit assumption that community benefit was built into club machine gambling has been seriously questioned. In response to an intensifying competitive environment, the emergence of very large clubs with extensive gaming machine installations, social memberships and non-member visitation, has undermined the original exclusive nature of clubs operating to foster a common interest of members. Additionally, their often meagre financial support for charities and community activities and their use of most gaming machine profits to improve club facilities and services to attract greater patronage and machine usage, have been exposed. Further, the aggressive marketing and expansion of club machine gambling has exacerbated its negative social impacts by increasing potential for gambling-related problems.

This apparent weakening of the clubs' fulfillment of their social contract to operate machine gambling for community benefit invites calls for greater social responsibility in club gambling operations. As will be argued in Chapter Four, societal expectations for responsible provision of gambling by the clubs may be heightened due to their not-for-profit status and community benefit charter and as a trade-off for their competitive privileges. First however, the next chapter will document the emergence of problem gambling as a social issue which gained unprecedented attention in Australia in the 1990s, accompanied by calls for greater social responsibility by gambling operators. Thus, Chapter Three retains an historical focus, but narrows the scope of discussion to the issue of problem gambling. Following a review that seeks to clarify some theoretical underpinnings of social issues management, the chapter examines the role of epistemic influences, governments, gambling operators and pressure groups in the emergence of problem gambling as a significant strategic issue for NSW registered clubs.

CHAPTER THREE

THE EMERGENCE OF PROBLEM GAMBLING AS A CORPORATE SOCIAL ISSUE

3.1 INTRODUCTION

This chapter represents Stage Two of this study (Figure 1.1) and addresses its second objective by explaining the emergence of problem gambling as a corporate social issue in Australia and its implications for NSW registered clubs.

The chapter tracks the lifecycle of the issue of problem gambling to analyse its evolution from being viewed as a mental health problem to a public health issue with social ramifications, a perspective now widely accepted in Australia. This evolution has extended the focus of concern from identification and treatment of individual problem gamblers to pressure on governments and gambling operators to minimise harm arising from problem gambling and to incorporate adequate consumer protection measures into gambling operations. Thus, the onus of responsibility to address problem gambling has shifted from individual gamblers to gambling providers and regulators, who are under unprecedented pressure to demonstrate more social responsibility towards what now has emerged as a significant social issue in Australia.

The chapter commences by clarifying key characteristics of corporate social issues and the concept of an issue lifecycle to provide a theoretical underpinning for analysing the emergence of problem gambling as a social issue of corporate concern to gambling providers. Consistent with a lifecycle model depicting issues as a function of their interpretation by dominant stakeholder groups (Mahon and Waddock, 1992), the chapter then analyses epistemic influences driven by researchers and experts in the field, along with those of governments, gambling operators and key pressure groups, in elevating concern for problem gambling in Australia. It documents how each stakeholder's stance gradually has diverged over time, leading to a widening of expectational gaps and the emergence of problem gambling as a corporate social issue. The chapter concludes by noting that this shift in focus on problem gambling from a mental health concern for individuals to a

public health issue with wide ranging social impacts has placed greater social responsibility on gambling providers such as NSW registered clubs, a responsibility that has strategic implications for how commercial gambling is managed.

3.2 CHARACTERISTICS OF CORPORATE SOCIAL ISSUES

One comprehensive definition of corporate social issues identifies three characteristics - impacts, controversy and expectational gaps - that distinguish them from more general social movements, trends and events (Wartick and Mahon, 1994). First, for a corporate social issue to exist, its impact must be felt within the organisation (Wartick and Mahon, 1994:295-296), an emphasis given in earlier definitions (Ansoff, 1975; Bigelow, Fahey and Mahon, 1991). Second, the existence of a corporate social issue requires controversy or contestability amongst corporate stakeholders (Wartick and Mahon, 1994:296-297). That is, corporate change demanded by one or more important stakeholders causes a corporate social issue to emerge (Wartick and Mahon, 1994:297). Third, stakeholder demands for corporate change arise from 'expectational gaps' between actual corporate performance and that desired by important stakeholders (Wartick and Mahon, 1994:298-299). That is, expectational gaps represent inconsistencies amongst societal or stakeholder views of what is, and what ought to be, corporate behaviour (Jacoby, 1971; Ackerman, 1973; Post, 1978). Zenisek further explained in his conceptualisation of corporate social responsibility (1979:366) that expectational gaps can arise from incongruence between societal expectations and corporate performance; societal expectations and managerial attitudes; and/or managerial attitudes and corporate behaviour. However, because no identifiable, homogeneous set of societal expectations exists, these are more usefully viewed as the aggregated expectations of stakeholders (Wartick and Mahon, 1994:303).

The existence of expectational gaps underlies various models of an issue lifecycle, a concept applied in this chapter to the emergence of problem gambling as a corporate social issue in Australia. Such models depict issues as moving over time through stages relating to stakeholder attention (Eyestone, 1978; Starling, 1980; Mahon, 1989; Carroll, 1993). In all stages, an expectational gap must be present for a corporate social issue to exist. Three types of change have been proposed as opening and expanding expectational gaps, thus initiating and progressing an issue through its lifecycle - a change in corporate performance while stakeholder expectations remain the same; a change in stakeholder expectations while corporate performance remains the same; or a change in both, but in divergent ways or at different rates (Wartick and Mahon, 1994:302). These gaps may lead to controversy, if

organisational legitimacy and survival are threatened and/or if stakeholders perceive present or future changes in their related costs and benefits. Thus, either changing corporate performance and/or changing stakeholder expectations lead to controversy as expectational gaps open and possible resolutions challenge corporate legitimacy or survival and stakeholder cost/benefit equations (Wartick and Mahon, 1994:303-304).

Wartick and Mahon (1994:306) incorporated the above considerations into their definition of a corporate issue as:

...(a) a controversial inconsistency based on one or more expectational gaps (b) involving management perceptions of changing legitimacy and other stakeholder perceptions of changing cost/benefit positions (c) that occur within or between views of what is and/or what ought to be corporate performance or stakeholder perceptions of corporate performance and (d) imply an actual or anticipated resolution that creates significant, identifiable present or future impact on the organization.

This definition recognises that issues requiring corporate attention are defined as being problematic to society by stakeholders capable of influencing company policies or the corporate environment. This interpretive function is critical to understanding how issues evolve (Mahon and Waddock, 1992:20). Because stakeholders interpret the sources, causes and solutions of an issue in different ways, simultaneous understanding of each stakeholder's perception of the stage of the issue and their stance regarding the issue is necessary to understand the state of an issue and its likely impact on society, corporations or the public policy agenda (Mahon and Waddock, 1992:25). An 'integrated issue lifecycle' model has been proposed to illustrate how the coordinated stance of three key stakeholders, who ultimately deal with business-social issues, evolves over time (Mahon and Waddock, 1992). These are public policy makers, corporate strategists and pressure groups, three perspectives underpinning earlier models of an issue lifecycle (Mahon and Waddock, 1992:21).

Further, the integrated issue lifecycle draws on Barnard's (1938) concept of 'zone of acceptance' to depict each stakeholder's stance as its position regarding its degree of rejection, indifference or acceptance of an issue as relevant to its affairs (Mahon and Waddock, 1992:25). If an issue is perceived as irrelevant to a stakeholder's interests, it will not receive attention or action, and is thus rejected as deserving energy, resources or interest. In the 'zone of indifference', the stakeholder may recognise the existence of the problem but feels no compulsion or responsibility to take action. Once the 'zone of acceptance' has been entered, the stakeholder takes action to address the problem. This may involve symbolic actions to set the agenda in terms

most favourable to the stakeholder's interests by presenting the sources, causes and solutions to the problem in ways congruent with ideologies of the stakeholder's 'allies', but which reframe the different stances of 'adversaries' (Mahon and Waddock, 1992:27). Additionally, more substantive actions may be taken involving definitive moves and allocation of resources to change or deal with the problem in specific identifiable ways (Mahon and Waddock, 1992:27). Plotting changes in stakeholders' stances over time according to their degree of rejection, indifference and acceptance of an issue results in a lifecycle model reflecting how an interplay develops which simultaneously projects an issue through its lifespan (Mahon and Waddock, 1992:29).

Mahon and Waddock's issue lifecycle model (1992) underpins analysis in this chapter of how changing roles of stakeholders have influenced the emergence of problem gambling as a corporate social issue for gambling operators as stakeholder stances of rejection, indifference and acceptance have evolved. Consistent with this model, the roles of governments, gambling operators and pressure groups are examined. However, because research increasingly has moved away from viewing problem gambling as an individual mental disorder to focus on its social and public health ramifications, the epistemic community is also considered a key stakeholder. Its influence is examined first to establish the basis from which contemporary discourse on problem gambling has evolved, before the roles of the other three stakeholders are analysed. A later section then plots these developments graphically and discusses their strategic implications for NSW clubs.

3.3 EPISTEMIC INFLUENCES ON THE EMERGENCE OF PROBLEM GAMBLING AS A CORPORATE SOCIAL ISSUE

Terminology to describe frequent, uncontrolled gambling behaviour causing a range of harmful results has included pathological, compulsive, addictive, excessive and problem gambling (Caldwell, Young, Dickerson and McMillen, 1988:36). The behaviour has been viewed primarily as a mental disorder, an addiction, excessive behaviour or, more recently, behaviour that leads to social, as well as individual, harm (AIGR, 1997:12). This section firstly describes the mental disorder model of problem gambling predominating amongst researchers and practitioners earlier this century, still perpetuated by related measures of the prevalence of problem gambling amongst the general population and its socio-demographic correlates. While an addictions view of problem gambling gained some favour after the 1970s, both this and the mental disorder model recently have been rejected in Australia in favour of a social impact view, one supported by increased empirical evidence of harm arising

from problem gambling. The section concludes by noting that the epistemic community of Australian researchers and experts in the field has increasingly advocated a public health approach to addressing problem gambling, one which might draw on harm minimisation strategies used for other potentially dangerous products and services, which focuses on primary, as well as secondary and tertiary intervention strategies, and which emphasises a key role for gambling operators in harm minimisation and consumer protection. This shift in expert opinion is now widely accepted in Australia and has moved the onus of responsibility for managing problem gambling from individual gamblers to gambling operators and regulators, signalling significant potential impact on the way in which gambling providers operate, manage and market gambling.

3.3.1 Problem Gambling as a Mental Disorder

The terms pathological, addictive and compulsive gambling describe the condition as a mental disorder. The work of Robert Custer has been most influential in defining the condition (AIGR, 1997:12), leading to its inclusion in the *Diagnostic and Statistical Manual of Mental Disorders* (DSM) of the American Psychiatric Association since 1980, which defined pathological gambling as:

...a progressive behavior disorder in which an individual has a psychologically uncontrollable preoccupation and urge to gamble. This results in excessive gambling, the outcome of which compromises, disrupts or destroys the gambler's personal life, family relationships or vocational pursuits. These problems in turn lead to intensification of the gambling behavior. The cardinal features are emotional dependence on gambling, loss of control and interference with normal functioning.

(American Psychiatric Association, 1980).

The mental disorder view of problem gambling was nurtured by a psychoanalytic approach to explaining gambling behaviour, which gained favour from the 1920s (Walker, 1996:223-224). For example, gambling was viewed as regressive infantile behaviour (Simmel, 1920), an addiction emanating from an unresolved childhood Oedipus complex (Freud, 1928), neurotic behaviour stemming from a conscious desire to win but a more powerful unconscious desire to lose and be punished (Bergler, 1943; 1957), an unconscious attempt to regain the lost infantile feeling of omnipotence (Greenson, 1947), and 'an addictive illness in which the subject is driven by an overwhelming, uncontrollable urge to gamble' (Custer, 1977). More recently, the American Psychiatric Association has categorised pathological gambling as an impulse control disorder characterised by 'persistent and maladaptive gambling behavior that disrupts personal, family, or vocational pursuits' due to failure to resist an 'impulse, drive or temptation to perform an act

that is harmful to the person or to others' (1994). Further, Gamblers' Anonymous continues to use the term, compulsive gambling, reflecting its US origin and its modelling on Alcoholics Anonymous.

However, interpreting problem gambling as a mental disorder has been criticised on both conceptual and diagnostic grounds. Walker argues no pathology of the heavy gambler has been demonstrated (1996:239), nor does the condition have characteristics of classical compulsive neuroses (1996:224). Further, the AIGR (1997) contends the American Psychiatric Association's diagnostic criteria (1994) are inappropriate in the Australian context as they focus on a person's preoccupation with gambling, so are probably over-inclusive in a culture where gambling is 'a generally socially accepted and commercially important leisure activity' (1997:103). These criteria also ignore that harm arising from gambling is contextually based and that an observable continuum of gambling involvement, both between individuals and at different life stages, precludes a valid typology of gamblers (AIGR, 1997:103). Thus, the mental disorder view of problem gambling may fail to distinguish true pathological gambling from non-disordered gambling and may be inapplicable in certain situations and contexts (AIGR, 1997:15). Orford (1985:323) also has criticised medical models of problem gambling for over-reliance on clinical cases that are unrepresentative of the general population and for insufficient attention to 'troublesome appetitive behaviour' in the general population.

Nevertheless, the medical interpretation of problem gambling has been perpetuated by continued use of the South Oaks Gambling Screen (SOGS) (Lesieur and Blume, 1987), the most widely used measure in prevalence studies of problem gambling (Dickerson and Volberg, 1996:109). Originally validated against the American Psychiatric Association's criteria for pathological gambling (1987), the SOGS is a questionnaire instrument where 'yes' responses are summed for a score out of 20. Originally intended to diagnose individual cases of problem gambling amongst those presenting for treatment, it has attracted criticism when used as a general prevalence measure (AIGR, 1997:29; Allcock, 1995:88). Favouring reliability and replication at the expense of validity, various studies using the SOGS have found the prevalence of problem gambling in Australia is higher than in other jurisdictions with comparable statistics (Dickerson, Baron, Hong and Cottrell, 1996; Walker and Dickerson, 1996), with the prevalence in NSW 'the highest recorded' (AIGR, 1996:56).

Nevertheless, while prevalence studies using the SOGS have attracted increased criticism, they can serve useful political purposes to determine funding levels and

distribution of problem gambling services, and to establish base rates for longitudinal studies (Volberg, 1997:392). Prevalence studies in Australia (Dickerson and Baron, 1993; Dickerson, Walker and Baron, 1994; Dickerson *et al.*, 1995; Delfabbro and Winefield, 1996; AIGR, 1996, 1998f), often initiated to render legislation introducing or expanding gambling more publicly palatable, have also raised public consciousness about problem gambling and fuelled arguments for governments and gambling operators to address the issue.

Further, many prevalence studies have identified particular socio-demographic correlates of problem gambling. In a review of prevalence studies in fifteen US jurisdictions, respondents categorised as ‘problem’ and ‘pathological’ gamblers were more likely to be male, not married, under 30 years, non-Caucasian, have annual incomes under \$25,000 and less likely to have graduated from high school (Volberg, 1996).³⁶ Socio-demographic profiles in Canada (Ladouceur, 1996) also characterise ‘problem’ and ‘probable pathological gamblers’ as male, under 30, unmarried, with an income under \$30,000 and high school education. A national survey of gambling in New Zealand (Abbott and Volberg, 1996) found those most at risk of gambling-related problems were male, aged below 30, unemployed, not married and of Maori or Pacific Islander descent. In Germany, Holland and Spain, at least half of ‘pathological gamblers’ identified were under 30 (Becona, 1996).

In Australia, a survey conducted in four capital cities (Dickerson, Baron, Hong and Cottrell, 1996) found that most ‘problem gamblers’ were 19 to 29 year old males preferring gaming machines or off-course betting. A NSW survey (AIGR, 1996) found increased risk of gambling-related problems associated with younger, single males, preferring gaming machines or racing, individuals with annual incomes less than \$20,000, and the retired or unemployed. A review of related research noted that the most consistent conditions in which problem gambling is reported occur when accessibility to legalised gambling increases; players live in the city; players participate in gambling more frequently and spend more money and time on each occasion; players prefer continuous forms of gambling, such as gaming machines, betting and casino gaming; players are single men under 30; and when women who gamble prefer gaming machines (AIGR, 1997:69).

³⁶ In most prevalence studies, problem gamblers have been defined as those scoring 3 or more on the SOGS, and pathological gamblers as those scoring 5 or more.

While such studies reporting socio-demographic correlates are based on questionable and contested measures of problem gambling, they have nonetheless reinforced the perception that commercial gambling preys on people in poor socio-economic circumstances, who also may be lonely, bored, uneducated and in minority groups.

3.3.2 Problem Gambling as an Addiction

From the 1980s, the psychiatric and psychological professions increasingly favoured a view of problem gambling as an addiction, drawing parallels with other addictive behaviours, such as eating disorders and alcohol, cigarette and drug use (Walker, 1996:224). Diagnosing problem gambling as an addiction has been part of a wider move to reject the medical model of addictions generally, and focus on loss or impairment of control as the central experience (AIGR, 1997:25-26). Related research has focused on processes which may lead to impairment or loss of control over gambling activities (AIGR, 1997:26), with explanations of addictive gambling behaviour including theories of excessive appetites (Orford, 1985), mood and affect (Dickerson, Hinchy and Fabre, 1987) and impulsivity (Blaszczynski, Steele and McConaghy, 1995).

However, interpreting heavy gambling as an addiction may be flawed, based on overrated similarities with other addictive behaviours (Walker, 1996:239). Further, the AIGR (1997:104) notes there is limited empirical evidence supporting a relationship between loss of control over gambling behaviour and generation of harmful effects, that gambling does not have to be frequent or repetitive to cause harm, and that there is no necessary link between loss of control and problems. Indeed, enjoyment of gambling may be heightened when not rigorously controlled or budgeted and so impairment of control may be the ‘norm’ in this and other leisure activities.

3.3.3 Problem Gambling as a Social Problem

Problem gambling now tends to be defined in Australia in terms of its social impacts, rather than medical causes or psychological processes which might underpin the behaviour. Drawing on a comprehensive literature review, international schools of thought, and interviews with numerous key informants, the AIGR has defined problem gambling as ‘the situation when a person’s gambling activity gives rise to harm to the individual player, and/or to his or her family, and may extend into the community’ (1997:106). A key strength of this definition is recognition that any impacts from gambling, whether at the individual, family, or community levels, are

contextually based according to factors such as income, gender, lifecycle, traditions, and social norms and values (1997:107).

Impacts of gambling have been categorised into intrapersonal, interpersonal, vocational, financial and legal domains (Dickerson, 1993; AIGR, 1997), reflecting their possible extension beyond the gambler to significant others and the wider community. Intrapersonal impacts affect the individual gambler, interpersonal impacts affect the gambler's relationships particularly with significant others, while financial impacts may occur when gambling expenditure exceeds what can be afforded. More indirect impacts may be felt at the vocational level if gambling activities affect job productivity, absenteeism or employment, and in the legal domain if illegal activities are undertaken to fund gambling (AIGR, 1997:106-107). However, it is the nature and extent to which a person's gambling activities give rise to harm in any or all of these domains that define problem gambling. Clearly, this is contextually specific and essentially a value judgement made by individuals, families and the community (AIGR, 1997:107).

In the USA, where problem gambling has been viewed predominantly as a mental disorder, its impacts usually have been discussed for extreme clinical cases of diagnosed 'pathological gamblers'. For example, Lesieur (1996) adopted a similar typology to that above in describing the social costs of pathological gambling. Focusing on the intrapersonal domain, he cites depression, insomnia, intestinal disorders, anxiety attacks, cardiac problems, high blood pressure, migraines, suicidal tendencies, and other stress related disorders as typical problems in more advanced stages. The gambler's family also bears costs, particularly the financial burden. Added debt may mean fewer family expenditures, bills may be overdue, utilities cut off, belongings repossessed or sold, or the family left homeless. Spouses often are harassed by bill collectors, and may experience insomnia, stress-related problems and suicidal tendencies. The gambler's lies and deception compound marital problems, contributing to family dysfunction and increased likelihood of child abuse and neglect. In the workplace, lateness, absenteeism, extended lunch hours, and leaving work early are common occurrences, while people may misuse company time by gambling on the job, or through irritability, moodiness and poor concentration. They may borrow from work colleagues, seek advances on paychecks, or embezzle the company. After exhausting savings, rent money, and lines of credit, they may resort to illegal activities, including loan fraud, cheque forgery and bouncing, embezzlement and other white collar crimes, which in turn pose criminal justice, court and bankruptcy costs (Lesieur, 1996).

In Australia however, there is recognition that gambling activities may have negative social consequences even amongst those not diagnosed as ‘pathological’ or ‘problem’ gamblers. In fact, harmful impacts can arise from a single gambling session (AIGR, 1997:104). Nevertheless, research into the social impacts of problem gambling in Australia has focused on either regular gamblers or those identified by the SOGS as being ‘problem gamblers’. This reflects lack of alternate methodologies, perpetuation of existing methodologies that allow comparisons, and difficulties of discerning the nature and extent of gambling-related harm in contextually diverse settings.

Table 3.1
Economic and Social Costs of Problem Gambling to the NSW Community

³⁷ More recently, and published after the completion of the primary research for this study, the Federal Government's inquiry into Australia's gambling industries (Productivity Commission, 1999:10.1) estimated the annual cost of problem gambling to be at least \$1.1 billion Australia-wide.

Employment impacts	28,474	
- Productivity loss		20,796
- Job change		5,258
- Unemployment		2,420
Legal costs	17,846	
- Court costs		5,376
- Prison costs		9,978
- Police costs		2,492
Financial costs	66	
- Bankruptcy		66
Personal costs	732	
- Divorce		391
- Acute treatment		441
Existing services	3,191	
Total	50,309	

Source: AIGR, (1998f:86).

In summary, redefining problem gambling to focus on harm and to recognise that its impacts extend beyond individual gamblers has helped propel problem gambling into the public arena as an issue of social concern. It invites further research into the social impacts of gambling and strategies that might minimise harm and protect consumers of gambling products, rather than ways to cure or obtain abstinence from pathological gambling behaviour, as previous medical and addictions models had done (AIGR, 1997:17). As such, this redefinition extends the onus of responsibility to address problem gambling from individual gamblers, to gambling providers and governments which largely control the context in which legalised gambling is operated, managed and marketed. Further, it encourages examination of harm minimisation strategies in other industries providing potentially harmful products and services.

3.3.4 Approaches to Harm Minimisation

Harm minimisation strategies have their origin in dealing with alcohol and other drugs (Quinlan, 1996:279), part of a public health model emphasising protection and promotion of the community (Mellor, 1995:26). Harm minimisation in such fields aims to reduce the risk and severity of adverse consequences associated with the use of the product in question, without necessarily reducing that use *per se* (Plant, Single and Stockwell, 1997a:3-4). When applied to alcohol, for example, harm minimisation focuses on policies and programs aimed at reducing the level of tragedy, harm, pain and misery associated with certain patterns of consumption that increase the likelihood of harmful consequences (Plant, Single and Stockwell, 1997a:5-6). The aim is not to achieve some ideal usage level, but to implement preventative measures that reduce the chances of adverse outcomes (Plant, Single

and Stockwell, 1997a:7). Importantly, harm minimisation approaches need to be negotiated within specific political and cultural contexts so that they are socially and politically appropriate and acceptable (Plant, Single and Stockwell, 1997b:263-264).

Harm reduction strategies have been categorised as primary, secondary or tertiary (Quinlan, 1996:279). Primary harm minimisation involves intervention through consumer and vendor education, limiting aspects of availability through pricing and advertising controls, and through promoting alternatives to the activity. Secondary harm minimisation involves early intervention through, for example, the use of screening instruments to detect problems. Tertiary harm minimisation involves treatment of the person suffering harm through their behaviour.

As this and the following chapters will demonstrate, limited progress has been made in harm minimisation in gambling in Australia, especially when compared with harm reduction approaches adopted for other potentially dangerous products and services. For example, in the alcohol field, primary harm minimisation strategies include legislation on responsible service of alcohol and its marketing, community education through the media, schools and licensed venues, and training of venue staff. Secondary harm minimisation techniques include early intervention for excessive alcohol consumption through simple screening instruments and brief therapies used in primary health care settings (Elliott *et al.*, 1994). A range of tertiary harm minimisation services for alcoholics exists, from the self-help group Alcoholics Anonymous to long-stay private clinics. Similarly, primary, secondary and tertiary harm minimisation techniques have addressed other social issues, such as smoking, drink driving, seat belt usage, birth control and safe sex (Elliott *et al.*, 1994:3).

However, most strategies to address problem gambling have been directed at tertiary harm minimisation, with few initiatives in primary and secondary areas. Quinlan (1996) criticises extensive availability, irresponsible marketing, and lack of education campaigns in gambling as areas where government and industry have learnt little from the drug and alcohol fields. Similarly, Mellor (1995:28) calls for strategic intervention to minimise harm from gambling, which he notes can be prevented or decreased to a significant degree (1995:28). Drawing parallels with the drug and alcohol fields, he advocated legislative amendments to ensure gambling venues display contact details for problem gambling services; more attention to consumer protection and occupational health and safety issues through providing clocks, windows and smoke-free zones in gaming areas, cooling-off periods for big winners, and win/loss odds, and by locating EFTPOS machines away from gambling

areas; restricted advertising and promotion of gambling; better prevention of underage gambling; and further research and funding to address problem gambling. McMillen (1997c:12) also notes that much can be learned from programs to reduce road accidents, drug abuse or risky sexual practices that can be applied to problem gambling, and that programs that encourage both self-limiting behaviour and development of socially responsible policies and industry practices are more likely to succeed. She argues for a reorientation from the current reactive response to problem gambling to a preventative health approach that focuses not only on gamblers, but their material and social circumstances (1997c:10).

While governments and health and welfare services can advance tertiary and secondary harm minimisation strategies in gambling, primary intervention requires active participation by gambling operators. As discussed later in this chapter, pressure is increasing on gambling operators such as NSW clubs to adopt primary, as well as to facilitate secondary, harm minimisation strategies in gambling, as the issue of problem gambling gains prominence amongst concerns of dominant and influential stakeholders. If parallels can be drawn with the alcohol field, it appears that harm minimisation strategies in gambling will most likely be implemented effectively when accompanied by public and political perceptions that there is a serious problem (Plant, Single and Stockwell, 1997b:265). Thus, it is important to assess those perceptions amongst dominant stakeholder groups.

3.3.5 Summary

Epistemic influences in Australia have been critical in advancing the interpretation of problem gambling from earlier mental disorder and addictions models to one now emphasising harm arising from problem gambling and its subsequent social impacts. Redefining problem gambling as a social, rather than individual, concern has propelled problem gambling into the public health arena and focused attention on responsibilities of governments and gambling operators to minimise harm and increase consumer protection in gambling. For the epistemic community, problem gambling has moved into the 'zone of acceptance' (Barnard, 1938) reflected in advocacy for gambling operators and regulators to treat problem gambling as a public health issue by providing a more responsible gambling environment. In terms of an issue lifecycle of problem gambling, this marks a shift in this stakeholder's stance, which formerly was indifferent to any role for gambling providers in addressing what was then considered a medical and individual problem. However, since the 1980s, expert opinion has increasingly reframed problem gambling in ways that place a social responsibility on gambling operators and governments to address

problem gambling, and which has fuelled arguments of pressure groups for structural changes to gambling provision. Thus, the epistemic community now perceives the issue of problem gambling as requiring management and regulatory changes that would have significant corporate impacts on gambling providers if the gap between corporate performance and stakeholder expectations is to be narrowed.

The next section examines the role of governments in the emergence of problem gambling as a corporate social issue, contending that increasingly expansionist and economically driven policies have subordinated social concerns in gambling, including concern for problem gambling.

3.4 GOVERNMENT INFLUENCES ON THE EMERGENCE OF PROBLEM GAMBLING AS A CORPORATE SOCIAL ISSUE

As public policy makers, governments play a key role in corporate social issues by determining the policy framework within which businesses operate and by establishing minimum legal and regulatory requirements for corporate performance. Governments can influence whether public concerns for corporate social impacts develop into a corporate social issue through providing a political and regulatory environment that rejects, is indifferent to, or accepts these concerns. This section reviews how governments in Australia, and more particularly the NSW Government, have influenced the emergence of problem gambling as a corporate social issue. This has occurred through policy shifts that gradually have subordinated links between legalised gambling and social benefit for increased emphasis on its economic returns, through mandating minimal initiatives by gambling operators to address problem gambling, and through initiating limited strategies themselves to allay related public concerns. As government policy on gambling has evolved from a prohibitionist approach to selective liberalisation to an expansionist agenda, the stance on problem gambling by Australian governments generally has declined from one of indifference to one of rejection (Barnard, 1938). The section concludes that government policies on gambling have fuelled public scepticism about the adequacy of consumer protection, fair trading, harm minimisation and community benefit in commercial gambling in Australia, thus elevating problem gambling to an issue of significant community concern. However, in reaction to this concern, some governments in the 1990s have increased funding and direct services for problem gambling and introduced regulatory requirements for some gambling operators to be more responsible providers of gambling. This signals a movement to greater acceptance of problem gambling as an issue worthy of government attention and resources.

3.4.1 Shifts in Government Policy on Gambling

In Australia, the regulation of gambling is a state government responsibility. In NSW, the current regulatory objectives have been identified as:

- ☐ keeping the industry free of criminal activity;
- ☐ ensuring consumers are protected from unscrupulous and irresponsible conduct;
- ☐ ensuring that gambling is conducted fairly;
- ☐ minimising social and personal harm associated with consumer participation;
- ☐ ensuring that an appropriate revenue share is paid in taxation for the benefit of the whole community.

(IPART, 1998:ii).

Accordingly, the underlying principles of gambling regulation in NSW can be identified as integrity, consumer protection, fair trading, harm minimisation, revenue raising and community benefit. However, this section will demonstrate that these principles have not received equal priority and that revenue raising in particular has come to dominate contemporary government policy on gambling. Trends in government policy on gambling have been categorised into three distinct shifts, from a period of selective prohibition, to liberalisation, then to market stimulation and competition (McMillen, 1996c:4). Reviewing these stages will illustrate how government policy has evolved from emphasising social considerations in commercial gambling to a more recent focus on its economic returns.

As discussed in Chapter Two, a principle of prohibition dominated government gambling policy in Australia until the 1920s, although applied selectively, tolerating illegal gambling by powerful propertied classes which conformed to Anglo-Saxon traditions and values, while imposing heavy penalties on working class gambling and ethnic games favoured by Europeans and Chinese (Caldwell, Young, Dickerson and McMillen, 1988:18). Thus, government policy on gambling largely expressed the values of the upper socio-economic classes and, to a lesser extent, middle class Protestant morality. However, while the working classes had little power in public policy decisions, their stance was evident through persistent participation in

gambling, even in the face of strict penalties. Even though prohibitionist government policies on gambling emphasised minimisation of social and personal harm, illegal gambling proliferated.

Between the 1920s and 1970s, gambling policy was driven by a softening government position, made palatable by more liberalised public attitudes prepared to prioritise social fund-raising over moral concerns, with government control and regulation designed to instill public confidence (Brown, 1997:3). Gambling gained new respectability through association with welfare purposes (McMillen, 1996c:5). The dominant principle underlying government policy on gambling was community benefit, achieved through selective legalisation, government control to enhance integrity, fair trading and consumer protection, and use of gambling revenues for social causes.

Since the 1970s, gambling policy has been characterised by market stimulation and competition, escalating tensions between the economic objectives and social responsibilities of state governments (McMillen, 1994:72; 1996c:5). Existing commercial gambling operations increasingly have been privatised and gambling expansion has been mainly through private, for-profit operators (McMillen, 1996c:1), eroding public confidence in the social benefit principle which underpinned gambling expansion in the mid-1900s.³⁸ Gambling has been explicitly incorporated into regional economic development strategies (McMillen, 1996c:1) and recognised as an important contributor to economic well-being (Brown, 1997:10-11). State governments increasingly have become dependent on gambling taxes, which now raise an average of 10.7 percent of total taxation revenues (Australian Bureau of Statistics, 1997 in NSW Treasury, 1998:5).³⁹ While 'politically palatable and invisible' (McMillen, 1996c:3), and able to be 'manipulated without fear of electoral backlash' (Błaszczynski, 1987:312), gambling taxes are regressive (Johnson, 1985:84; Smith, 1998:53-57; Productivity

³⁸ Further, in some jurisdictions where gaming machines and casinos have been recently legalised, some forms of charity gambling have experienced declining revenues (Department of Family Services and Aboriginal and Islander Affairs, 1995; Praxion, 1995; Tasmanian Gaming Commission, 1998).

³⁹ While NSW is less reliant on gambling taxes than most other states in percentage terms (NSW Treasury, 1998:5), 36.1 percent of all 1996-97 gambling taxes in Australia accrued to the NSW Government, while real NSW gambling revenues (adjusted for inflation) have increased exponentially from \$200.49 million in 1976-77, to \$597.67 million in 1986-87, to \$1,236.21 million in 1996-97 (Tasmanian Gaming Commission, 1998: Table 107).

Commission, 1999b:19.1), an effect exacerbated as lower income earners tend to spend most on certain forms of gambling, especially gaming machines (State Government of Victoria, 1994; DBM Consultants, 1995; Delfabbro and Winefield, 1996). 'Mounting national concern' about the possible 'discriminatory and inequitable' structure of gambling taxes (McMillen, 1996c:8) and reliance for government revenue on products which can cause social costs and hardships have provoked 'commonplace' public commentaries (McMillen, 1994:70) that 'gambling is merely a 'milch cow' for self-interested and expansionist governments all too willing to exploit the public and industry by imposing rents on gambling operators' (McMillen, 1996c:7). Further, widespread perception that some commercial gambling interests hold privileged positions in policy processes has provoked political retaliation from concerned community groups (McMillen, 1996c:2), with governments criticised for allowing the interests of gambling industries to predominate over broader public interests (Council of Social Service of NSW [NCOSS], 1998a:7; Public Interest Advocacy Centre [PIAC], 1998:1).

Thus, while gambling has attracted wide participation in Australia for many years, its legitimacy has rested on operation by not-for-profit organisations and governments for stated social purposes, with inbuilt mechanisms to enhance integrity and public confidence. Australians have tended to believe that if gambling supports a worthwhile charity or pastime, and if it is fairly run, then it is an acceptable activity (Caldwell, Young, Dickerson and McMillen, 1988:17). However, this implicit social contract has been significantly eroded. Where government policy on gambling was traditionally part of social policy, it is now an important component of economic policy. The principle of revenue raising now dominates, with gambling development determined by economic and commercial criteria, diluting the historical link between gambling and social causes. This has nurtured a climate of 'moral panic' (McMillen, 1997a:251), 'rising level of concern...(and) heightened community anxiety' (Brown, 1997:13) about the social effects of gambling, reflecting escalating divergence between government policy and public opinion on commercial gambling operations. McMillen (1996c:2) notes this is important because, 'after decades of relative consensus, debates over gambling policy have raised questions about the consequences for society and even for the continued economic viability of the gambling sector itself'. She contends that the economic performance of commercial gambling relies on adequate social protection of citizens and that the gambling sector can only achieve positive economic outcomes if the social implications of gambling expansion are met (1996c:3). While she considers this responsibility to sit primarily with governments (1996c), her contention

recognises that gambling operators have much at stake if the social ramifications of gambling are not addressed to the satisfaction of the broader community.

However, social outcries about current government policies on gambling have not gone unnoticed in the political arena. Both the current Australian Prime Minister, John Howard, and his predecessor, Paul Keating, expressed concern about the pace and scope of gambling expansion (McMillen, 1996c:12), the No Pokies Party won a Legislative Council seat in a 1997 South Australian election, and the government's gambling policy became a key issue in Victoria's 1996 state election (McMillen, 1996c:2). The release of the Victorian Casino and Gaming Authority's annual survey of community attitudes to gambling (1997) prompted the Shadow Minister for Gaming to comment 'there are some startling findings in this report that clearly show that the government is not adhering to the aspirations and concerns of Victorians in the way it allows the industry to be run' (Hulls, 1997:188). In NSW, the Director-General of the NSW Department of Gaming and Racing also conceded it is in the area of public policy that Australian governments are experiencing increased pressure to protect consumer rights in gambling (Brown, 1997:12-13). While such statements primarily can be considered political grandstanding, they demonstrate that certain politicians acknowledge community objections to current gambling policies and the potential political mileage from empathising with these concerns. However, this recognition is reflected only marginally in gambling-related legislation and regulation aimed at ensuring gambling operators adhere to principles of integrity, consumer protection, fair trading, harm minimisation and community benefit.

3.4.2 Public Interest Principles in Key NSW Gambling Regulations

In the interests of principles which underpin gambling regulation, all Australian state governments have enacted legislation specifying minimum rates of return to players from each type of gambling, outlawing underage and credit betting, and providing substantial monitoring and control systems (McMillen, 1996c:3).

Legislation specific to some gambling operators contains additional measures, although the extent of these appears related to the level of public scrutiny accorded to each particular type of gambling. In NSW for example, the most specific requirements to enhance integrity, consumer protection, fair trading and harm minimisation are applied to Star City Casino, a result of protracted, highly publicised debates and inquiries over establishing legal casinos in NSW (Lusher, 1977; Booth, 1982; Street, 1991; Swan, 1992). Under the *Casino Control Act 1992*

NSW, guidelines are provided for conducting staff training in identifying ‘problem gamblers’ (Section 64); the Casino Control Authority must approve all casino games and game rules with regard to consumer protection issues (Section 66); the casino is required to make available for patrons information about game rules, the operation of games, minimum and maximum wagers, and mode of payment of winnings (Section 72); restrictions are placed on cheques and deposit accounts (Section 75); exclusion and self-exclusion of patrons are permitted (Section 79); the public can direct complaints to the Director of Casino Surveillance (Section 110); regulations may be applied to casino advertising and the placement of notices about problem gambling counselling services (Regulations); and the Casino Control Authority can implement further directives to ensure responsible gambling practices are implemented (General).

In contrast, legislation and regulations applying to NSW registered clubs to enhance principles of consumer protection, fair trading and harm minimisation in gambling are more limited. While the *Registered Clubs Act 1976 NSW* and its amendments, as well as NSW Department of Gaming and Racing regulations, contain provisions for gaming machine approvals and licensing, outlaw practices that threaten the integrity of gaming machines, and require information to be displayed on machines about wagers, winning combinations and payouts, they have no provisions for licensing of gaming staff, staff training in problem gambling, self-exclusion of patrons with gambling problems, information about problem gambling counselling services, or an independent complaints mechanism.

While NSW clubs also are subject to broader regulations for the conduct of business and employment, as well as principles of common law, concerns have been raised about enforcement of such requirements. For example, PIAC provided evidence of ‘systematic breaches’ of Section 9A (5A) of the *Registered Clubs Act 1976 NSW* which outlaws cash advances to patrons on club premises (1998:2), of the *Trade Practices Act*, the *Fair Trading Act*, the *Contracts Review Act* and the *Credit Act*, as well as of the common law duty of care on service providers in relation to patrons (1998:2-3). Similarly, the Wesley Gambling Counselling Service noted that, despite evidence of continual breaches of credit betting legislation in clubs, there has never been a single prosecution by the Department of Gaming and Racing (1998:3). They criticised existing regulations for failing to prevent venue staff dismissed for dishonesty in gambling operations from obtaining immediate employment in another gambling venue, an emphasis on winning in ‘nearly all’ gambling advertising, and cashing of third-party cheques (1998:6-11). The Department of Fair Trading (1998:3) also called for greater enforcement in prohibiting credit betting, noting

transactions can be 'structured to evade the law'. Inadequate consumer protection and enforcement of current regulations in NSW clubs were amongst the reasons cited by IPART in recommending an overhaul of the regulatory structure of gaming in NSW (1998:iii), with many submissions to their inquiry noting an inherent conflict of interest between the NSW Department of Gaming and Racing's dual functions of promoting gambling and protecting the public interest.

Inadequacies in current gambling regulation to ensure gambling operators adhere to its underlying principles would be of minor concern if gambling operators voluntarily adopted effective compensatory measures. While existing measures will be discussed in the next chapter, it is fair comment that gambling operators have restricted their acknowledgement of social responsibilities in gambling largely to imposed legal and regulatory requirements, to the neglect of broader public sentiment. This appears a risky strategy, given these requirements may not adequately reflect contemporary public opinion on what responsible provision of gambling should entail. However, the NSW Government has recently elevated the importance of public benefit in gambling in NSW clubs by establishing a legislative framework for responsible provision of gambling, described later in this chapter.

3.4.3 Recent Government Initiatives to Address Problem Gambling in Australia

Despite exponential expansion of commercial gambling in Australia, state governments have taken initiatives only recently to minimise and treat problem gambling, apart from the regulatory responses outlined above. Recent initiatives include direct services for problem gambling and broad-based education programs, supported to varying degrees by legislation, government departments, auspicing agencies, advisory groups, and funding from gambling levies (Dickerson, 1995:82-84). Table 3.2 summarises funding mechanisms, direct services, and community education programs relevant to problem gambling for each Australian jurisdiction, with details discussed below. From this discussion, it will be evident that government initiatives to address problem gambling are diverse and fragmented, requiring a variety of inputs from governments, gambling operators and community service agencies, and reflecting varying levels of government commitment to social responsibility in gambling.

Table 3.2
Government and Industry Initiatives in Responsible Gambling in Australia

State	Mechanism	Details
ACT	Funding mechanism	Government funding for 2 counsellors.
	Direct services	2 specialist counsellors working with Lifeline.
	Community education	None.
NSW	Funding mechanism	2% of casino gross revenue to the Casino Community Benefit Fund for allocation to projects addressing social and economic impacts of gambling.
	Direct services	A telephone hotline (G-Line) and range of welfare organisations and private clinics operating, but no coordinated statewide service.
	Community education	None.
NT	Funding mechanism	25% of hotel gaming machine expenditure to the Community Benefit Fund for distribution to community organisations; turnover tax on hotel and club gaming machines for charitable, benevolent and philanthropic organisations; government funding for Amity House.
	Direct services	Amity House which provides gambling counselling, a toll-free telephone crisis line, a website for self-assessment and a directory of local agencies, and an advisory and training service for other community agencies in the NT.
	Community education	Limited to that provided by Amity House.
QLD	Funding mechanism	1% of casino gross revenue to the Casino Community Benefit Fund and tax on hotel and club gaming machines to the Gaming Machine Community Benefit Fund.
	Direct services	A telephone hotline (G-Line), limited network of Break Even services funded by the Department of Family, Youth and Community Services, and an Advisory Committee on Responsible Gambling.
	Community education	Community education and liaison officers from Break Even, a 'gambling module' for the secondary school curriculum.
SA	Funding mechanism	Gaming machine levy to the Charitable and Social Welfare Fund, voluntary funding for counselling services from the hotel and club industry associations.
	Direct services	Statewide network of Break Even services funded by industry through the Gambling Rehabilitation Fund, telephone counselling service.
	Community education	Community education and liaison officers from Break Even.
TAS	Funding mechanism	2% of club gaming machine gross revenue and 4% of hotel gaming machine gross revenue to central fund, 50% of which is to be distributed for research, counselling, community education and other health services.
	Direct services	Telephone counselling service (GABA) funded by the government and the Federal Group, network of counselling services recommended by the Tasmanian Gambling Industry Group.
	Community education	Recommended by the Tasmanian Gambling Industry Group.
VIC	Funding mechanism	1/12th of hotel gaming machine profits to Community Support Fund, 1/3 of club gaming machine profits to Hospital and Charities Fund and Mental Hospitals Fund.
	Direct services	Telephone hotline service and statewide network of Break Even services funded by the Community Support Fund.
	Community education	Media campaign in 1995/96, community education and liaison officers from Break Even.
WA	Funding	TAB, Lotteries Commission, Gaming Commission, Burswood Casino and the WA Bookmakers' Association contribute funds for a pilot program of services for problem gamblers.
	Direct services	A telephone hotline (G-Line) and pilot program of counselling services (CentaCare).
	Community education	None.

Source: derived from personal communication with Margo McGregor, Community and Public Relations Manager, Australian Hotels Association (SA), David Greenhouse, Policy Branch, NSW Department of Gaming and Racing, David Spencer, Gaming Machine Operations, ACT Revenue Office, David Ford, Executive Director, QLD Office of Gaming Regulation, Gary Moriarty, Executive Officer Gaming, NT Racing and Gaming Authority, Anne Rahilly, Public Relations Officer, Victorian Casino and Gaming Authority, Maxinne Schlanders, Corporate Services Division, WA Office of Racing, Gaming and Liquor; Anglicare, (1996, 1997); Dickerson, (1996); AIGR, (1998f).

Funding Mechanisms for Problem Gambling Strategies

As shown in Table 3.2, all jurisdictions, except Western Australia and the ACT, impose a levy on certain gambling sectors, usually casinos, hotels and clubs, to raise funds for specific community projects. Projects usually eligible for funding include those which directly address problem gambling, as well as more general community projects involved with tourism, sport, recreation, youth affairs, community services and general health. In addition, the Lotteries Commission of Western Australia makes grants directly to many community and charity groups (Stewart, 1998).

In NSW, the *Casino Control Act 1992 NSW* requires Star City Casino to pay 2 percent of its gross gaming revenue to the Casino Community Benefit Fund for allocation to projects addressing social and economic impacts of gambling. However, no community levy specifically directed at addressing the social fallout from gambling is payable by other gambling operators in the state, although the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW* recently has required NSW clubs with gaming machine profits in excess of \$1 million to donate 1.5 percent of this excess to approved community projects or pay the equivalent in tax.

Many criticisms have been levelled at the NSW Government regarding the amount, source and allocation of funding directed at addressing the social impacts of gambling. Summarising relevant submissions to the *NSW Gaming Inquiry*, IPART noted that 'claims have been made that there has been insufficient spending on support services for problem gamblers and their families, too much spending on general community programs, insufficient relevant research funded, lack of strategic planning and poor administration' (1998:64-66). Many submissions called for additional gambling providers to contribute to a community benefit fund (NCOSS, 1998; Star City Casino, 1998a; Uniting Church in Australia, 1998) or for a percentage of gambling taxes to be allocated to address problem gambling (Family Support Services Association, 1998). Numerous submissions also called for funding to be overseen by an independent body, separate from the Department of Gaming and Racing which currently oversees the Fund but which also has a role in revenue collection and promotion of gambling (NCOSS, 1998; Shoalhaven Neighbourhood Centre, 1998; Uniting Church in Australia, 1998; Wesley Gambling Counselling Service, 1998). Concerns were expressed that any dedicated industry levies not be used by the state government to reduce its spending responsibilities in human and health services (NCOSS, 1998), and about lack of transparency, accountability and prioritisation in current funding allocation (NSW Council on Problem Gambling,

1998; NCOSS, 1998; University of Technology Sydney, 1998; University of Western Sydney, 1998).

Direct Services for Problem Gambling

While a myriad of community, health, welfare, financial and legal services in Australia deal indirectly with problem gambling, specific services have been established only recently, other than self-help groups like Gamblers Anonymous and Gam-Anon (Anglicare, 1996:8). Direct services for problem gambling comprise financial or addictions counselling based in local resource centres, with counselling approaches varying widely with little research basis for favouring any particular approach (Dickerson, 1996:82-83). Problem gambling services are funded either through recurrent gambling levies (for example, Queensland, Victoria, Tasmania), gambling industry contributions (for example, South Australia, Western Australia), government funds (for example, ACT, the Northern Territory), welfare organisations (for example, Lifeline, Wesley Mission), or on a fee-for-service basis by private practitioners. A mixture of funding sources exists in NSW.

The current model of service provision for problem gambling in NSW has been criticised on a number of grounds, including questionable types of treatment, varying quality of problem gambling counsellors, lack of public knowledge about available services, inadequate services for regional areas, specific ethnic groups and residential treatment programs, lack of coordination, and inadequate funding arrangements (IPART, 1998:59-60).

Broad-Based Community Education Programs

Broad-based education programs aim to minimise harm from gambling through education about responsible gambling strategies, and symptoms and effects of problem gambling (Anglicare, 1997:26). This might involve school curricula to increase understanding of win/lose probabilities; information to encourage skilful gambling, money management strategies and avoidance of high risk behaviours; and community education aimed at harm minimisation (AIGR, 1996:68). The aim is prevention and problem recognition before the gambler reaches crisis point (Anglicare, 1997:26-27).

Despite their acknowledged importance, broad-based education programs in Australia have been confined to Victoria, a one-off campaign to increase community awareness of the existence and nature of problem gambling, and to increase the number of people with gambling problems who seek assistance (Wootton,

1996:189). In other states, community education has been limited mainly to the work of Break Even officers who liaise with industry, community health and welfare agencies, and the general community (Anglicare, 1996:67). By mid-1999, no jurisdictions, including NSW, had a comprehensive, ongoing community education program.

In NSW, lack of community education on problem gambling has attracted criticism, most recently in submissions to the *NSW Gaming Inquiry* (IPART, 1998). Strategies advocated included a module on gambling in the senior school curriculum, a television campaign promoting awareness of problem gambling such as those used in other public health areas, mandatory training relating to problem gambling for gambling-related staff, and an information program for families of people with gambling problems (IPART, 1998: 43-44).

3.4.4 Recent Government Initiatives to Address Problem Gambling in NSW

A Social Conscience Stand on Gaming (NSW Labor Party, 1995) appears to be the first recent articulation of policies relating to responsible provision of gambling by the incumbent NSW Government, reflecting a shift in its stance on problem gambling towards the 'zone of acceptance' (Barnard, 1938). It articulates the responsibility of the NSW Labor Party to 'redress any inefficiencies within the Gaming Industry, and community, which may contribute to the problems of gambling addiction'. It defines key principles underpinning its position as the importance of protecting the public 'from the pitfalls of gambling addiction', the urgency of addressing the issue of problem gambling, and recognition that gambling 'will always exist' and is 'preferable in an open and controlled environment' that respects 'freedom of choice for people' and 'the wealth that it can create by revenue-raising'. The key challenge identified was 'find(ing) a situation whereby the government continues to raise revenue and allows freedom of choice whilst maintaining community support and preventing gambling dependency.'

These sentiments were echoed in March 1997 in a conference paper presented by the Director-General of the NSW Department of Gaming and Racing (Brown, 1997). While emphasising the importance of the economic benefits of gambling in shaping future regulation of gambling, he also drew attention to the importance of legal compliance and consumer protection, noting that governments are facing increasing pressure to deliver gaming and wagering services in 'a public policy context'.

However, he also noted the potential role of gambling providers in responsible provision of gambling:

...in these times of community sensitivity about many aspects of commercial gaming, gaming operators should also consider their broader social responsibilities to conduct gaming activities in a manner which respects that rising level of concern. In the same way that the liquor industry is showing its responsiveness to the message of responsible service of liquor, so might the gaming and wagering industry reflect on the desirability of being responsible providers of gaming services.

This shift towards the ‘zone of acceptance’ (Barnard, 1938) has culminated in the four-pronged approach now adopted by the NSW Government in addressing problem gambling (*Liquor and Gaming*, December, p. 14). This comprises:

- dedicated funding through the Casino Community Benefit Fund, which is ‘the central initiative which provides financial assistance for projects which aim to reduce the harm associated with gambling’⁴⁰;
- the establishment of G-Line, a 24 hour, toll-free, multi-lingual, telephone counselling service that operates seven days a week. The Department states that the service is accessible to all NSW residents and provides immediate crisis counselling, provides information and contact details of financial, legal and face-to-face counselling agencies throughout NSW, and ensures confidentiality and anonymity for callers;
- development of legislative and other regulatory controls on gambling operators which give effect to public interest issues through ensuring credit is not provided for gambling purposes, ensuring minors cannot access gambling facilities, controls on hotel and club advertising relating to gambling, and controls on advertising that misleads patrons about the nature of a venue’s gambling facilities;
- encouragement and fostering of industry based ‘patron care’ initiatives through specifying a range of ‘best practice strategies’ for gambling providers that can supplement adherence to statutory requirements. (These will be reviewed in Chapter Seven.)

⁴⁰ A press release by the NSW Treasury on 20 February 1998 noted that the Casino Community Benefit Fund had spent more than \$15 million, ‘of which more than \$10 million has gone to research, education, treatment and rehabilitation of problem gamblers’.

3.4.5 Recent Government Initiatives to Address Problem Gambling in NSW Clubs

For the first time in its forty-three year history of machine gambling, NSW registered clubs now have a legal responsibility to address the issue of problem gambling, as contained in section 87AA, Problem Gambling Policy, of the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW*. Through this legislation, the NSW Government has retained its primary focus on revenue raising from commercial gambling, while shifting the onus onto industry to address perceived deficiencies in consumer protection, harm minimisation, fair trading and community benefit.

As discussed in Chapter Two, historical development of machine gambling in NSW clubs has followed a pattern of increased commercialisation at the expense of strategies to optimise community benefits from gambling. Public criticism of this agenda has increased as NSW clubs continually have expanded gaming machine installations, marketed them more aggressively, and directed profits into revenue raising areas rather than direct community support. Competitive threats to their dominance over machine gambling have fuelled political retaliation from the clubs, accompanied by greater public and government scrutiny of their priorities in machine gambling. Such scrutiny has raised questions over adherence of contemporary clubs to their not-for-profit agenda, social purposes and community focus, factors that were instrumental in gaining dominance over machine gaming in the state. The *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW* encourages NSW clubs to now restore social objectives to their former importance in machine gambling operations.

In foreshadowing the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Bill 1998 NSW*, a media release on 20 February 1998 heralded it as a ‘community partnership (which) protects clubs, pubs and community’ (Treasurer of NSW, 1998). The Bill was introduced to Parliament on 29 April 1998, with the Minister for Gaming and Racing contending it would deliver significant tax relief for clubs, greater certainty for clubs and hotels, ‘a co-ordinated and systematic approach to dealing with problem gambling’, and potential benefits for the NSW TAB, while ‘preserving government revenue derived from gaming machine operations’ (*NSW Legislative Assembly Parliamentary Debates*, 29 April 1998, pp. 4150-4153). He noted the legislation would rectify the fact that some clubs had ‘strayed’ from their commitment to the community, which had been ‘the

cornerstone for their establishment’ (*NSW Legislative Assembly Parliamentary Debates*, 5 May 1998, p. 4404). Key elements of the Bill relating to NSW clubs, hotels and the NSW TAB are shown in Table 3.3.

Table 3.3
Key Elements of the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Bill 1998 NSW*

NSW Clubs:

- Club poker machine tax rates set for 3 years at 26.25% (\$1 million plus) and 20% (200,000 to \$1 million), backdated to February 1998 and to be reviewed after 3 years.
- Allowance of up to 1.5% of poker machine profits over \$1 million for amounts spent on approved community support measures, to replace the existing welfare expenditure scheme under the *Registered Clubs Act 1976 NSW*.
- Clubs which operate from more than 1 location to treat each premises as a separate entity for duty purposes.
- The RCA to publish an appropriately funded and enforceable problem gambling policy by 31 May 1998. For every month delay in doing so, the term of the guaranteed tax rate is reduced by 2 months.

NSW Hotels:

- Maximum number of gaming devices remains at 30, but hotels are no longer required to operate any AADs.
- A competitive sale of 2,300 additional poker machine licenses to hotels, but subject to a maximum of 30 per hotel, with no further licenses for 3 years.
- A freeze on hotel gaming machine duty rates until at least 1 February 2001.

NSW TAB Ltd:

- TAB allowed to enter into voluntary agreements with individual hotels to purchase stand-alone or statewide links machines, or to place machines in hotels and share in profits derived from those machines.
 - TAB authorised to own, supply and finance gaming machines connected to the clubs’ statewide links system.
-

Source: derived from *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Bill 1998 NSW*, Second Reading Speech, *NSW Legislative Assembly Parliamentary Debates*, 29 April 1998, pp. 4150-4153).

The Bill was hotly debated in Parliament. Many MPs accused the government of prioritising revenue raising over social concerns. For example, the Deputy Leader of the Opposition and Member for Miranda argued that, by creating ‘a gambling den on every corner’, the legislation would ‘increase the dependency of the Carr Government upon socially harmful gaming revenue...at the expense of people in our society who suffer from a family destroying addiction’ (*NSW Legislative Assembly Parliamentary Debates*, 29 April 1998, p. 4397). MP Elisabeth Kirkby commented that it was difficult to understand how any government can ‘provide more opportunities for people to become gambling addicts, to destroy themselves and their families, to impact on their friends, and still call itself a responsible government’ (*NSW Legislative Council Parliamentary Debates*, 6 May 1998, p. 4462). Independent MP, Richard Jones, noted that ‘while government revenues from gaming were once explicitly tied to social welfare...that nexus is now severed. ...As

a community we must come to grips with our dependence - which is mostly economic at government, club and hotel level - on gambling revenue' (*NSW Legislative Council Parliamentary Debates*, 6 May 1998, pp. 4463-4464). Greens MP, Ian Cohen, commented that 'encouragement to gamble and the increased number of poker machines in the community are a sad indictment of the economic functions of any society, which often ride on the backs of the vulnerable in our society'. He called for comparable gaming machine taxation rates in NSW to other jurisdictions, and provisions relating to community support expenditure and problem gambling policies to be applied to hotels as well as clubs (*NSW Legislative Council Parliamentary Debates*, 6 May 1998, p. 4465). Christian Democrat MP Reverend Fred Nile questioned 'whether we as a community may have created a monster', noting 'revenue raised through gambling will be eaten up by the cost of social destruction'. He called for problem gambling provisions also to be applied to the NSW TAB Ltd and for a cap on the number of gaming machines in NSW clubs (*NSW Legislative Council Parliamentary Debates*, 6 May 1998, pp.4469-4470).

Other MPs accused the government of succumbing to powerful industry imperatives. For example, the Member for Manly noted the bill 'provides some welcome relief for clubs, but it does so at a shocking price. The political force that both clubs and pubs are imposing on political parties is irresistible' (*NSW Legislative Assembly Parliamentary Debates*, 5 May 1998, p. 4402), a point reiterated by MP Jones (*NSW Legislative Council Parliamentary Debates*, 6 May 1998, p. 4463). The Member for Miranda accused the government of backing down on its earlier tax increases for club poker machines because of 'enormous loss of support in the broad community' and because a 'South Sydney rugby league legend and Labor stalwart George Piggins threatened to stand against the Premier in his electorate of Maroubra' (*NSW Legislative Assembly Parliamentary Debates*, 5 May 1998, p. 4397).

A further issue of contention was the self-regulatory model proposed for clubs to address problem gambling. Greens MP, Ian Cohen, argued that:

The sheer size of the gambling industry in New South Wales does not lend itself to industry self-regulation. Problem gambling is a serious social and health problem which requires intervention by Government rather than by industry. There is no evidence of any commitment on the part of industry to embrace harm minimisation strategies. Uniformity would be essential for any industry code of practice to be effective. This would require a co-operative approach by the various peak industry bodies which, in view of the poor relations between the AHA and the RCA, could not be achieved. An industry code of practice would not be binding on all industry members. Sanctions or penalties for non-compliance could not be enforced. This would seriously diminish its effectiveness.

The Member for Manly echoed this point, calling for a mandatory, uniform code of practice for industry rather than self-regulation, as the latter was ‘not in their interests; they are looking only to expand’ (NSW Legislative Assembly Parliamentary Debates, 5 May 1998, p. 4403). The Member for Miranda accused the government of trying to ‘placate community outrage about the social problems of gambling’ by putting ‘bandaids over the problems’ (NSW Legislative Assembly Parliamentary Debates, 29 April 1998, p. 4398). However, the Minister for Gaming and Racing countered that ‘it will take some time to overcome a problem that has been neglected for years’ and that he was committed to a review of regulatory controls ‘to ensure that they continue to reflect contemporary community expectations’ (NSW Legislative Assembly Parliamentary Debates, 29 April 1998, pp. 4406-4407).

A final key issue to emerge in debates over the Bill was the need for an inquiry into gambling in NSW. The Member for Miranda reminded the government it had promised an inquiry when in Opposition (NSW Legislative Assembly Parliamentary Debates, 5 May 1998, p. 4398) and the Deputy Leader of the Opposition subsequently moved an amendment. The government finally agreed, sensing it was instrumental to the passing of the Bill. Thus, the end of the Parliamentary session saw the passage of the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW* with key provisions of the bill retained, as outlined in Table 3.3, but with an additional obligation to conduct a state inquiry into gambling in the second half of 1998.

3.4.6 Summary

The expansionist agenda characterising government policy on gambling during the last three decades principally has been driven by powerful government and industry imperatives to the diminution of social concerns. In contrast to earlier policies of prohibition and selective liberalisation, these contemporary economic imperatives are reflected in both the content and enforcement of regulations pertaining to commercial gambling which emphasise the principle of revenue raising, to the subordination of consumer protection, harm minimisation, fair trading and community benefit mechanisms which adequately meet public expectations. While these mechanisms have not become weakened in contemporary regulation, questions have been raised over their effective enforcement, while their effect has been diluted as commercial gambling has expanded and become more competitive. Thus, the stance of Australian governments on problem gambling has evolved from one close

to indifference when prohibitionist and selectively liberalised gambling policies dominated, to one nearing rejection in the context of market stimulation and competition.

Consequently, many stakeholders have expressed concern over inadequate regulatory obligations for gambling operators to be more responsible providers of gambling and lack of other government initiatives to address the issue. This, along with pressure from the epistemic community to treat problem gambling as a social and public health issue, has prompted governments to allocate further resources to address problem gambling and to tighten regulatory requirements for gambling operators to provide a more responsible gambling environment. This marks a recent shift in the stance of Australian governments towards more acceptance of problem gambling as an issue worthy of substantive action. This has been reflected in NSW by a four-pronged government approach to address problem gambling and recent legislation requiring the RCA to develop a problem gambling policy.

Despite this shift, its recency means public concerns over contemporary government policies on gambling have yet to be allayed. Funding, direct services and community education for problem gambling generally are perceived as fragmented and under-resourced, while statutory requirements for gambling operators to introduce initiatives to address problem gambling largely are considered inadequate. Even where such requirements have become more stringent, as in the case of NSW clubs, the early stage of response to such requirements means they have yet to diminish community concerns about problem gambling. Thus, the expectational gap that exists between government policies on gambling and public and epistemic expectations, is valuable in understanding the emergence of problem gambling as a corporate social issue. This emergence also has been influenced by gambling operators, as discussed in the next section.

3.5 CORPORATE INFLUENCES ON THE EMERGENCE OF PROBLEM GAMBLING AS A CORPORATE SOCIAL ISSUE

Escalating gambling expenditure in Australia over the last two decades (Tasmanian Gaming Commission, 1998; Productivity Commission, 1999a, 1999b) demonstrates that commercial gambling continues to provide robust returns. Private investors have capitalised on gambling's apparent immunity to harsh economic conditions, adopting an expansionist approach nurtured by sympathetic government policies. Legacies of this expansion include unprecedented access to gambling, particularly continuous forms, increased diversity of gambling options, and aggressive marketing

strategies adopted by gambling operators in the face of intense competition for the gambling dollar. In turn, these factors have deterred widespread implementation by gambling operators of responsible gambling strategies that might threaten profitability. Thus, since the early 1970s, the stance of gambling operators on problem gambling has declined from one of relative indifference when gambling was limited in scope and provided for social benefit, to one of rejection in the context of intense competition for the gambling dollar. It is argued in this section that these factors have increased the likelihood of gambling-related problems in the community, whilst heightening public concern for problem gambling. In the 1990s however, some gambling operators have adopted some responsible gambling strategies, signalling increased acceptance of problem gambling as an issue necessitating their intervention. While these strategies will be reviewed in Chapter Four, suffice to note here they have been the exception rather than the rule, have been criticised for ineffectiveness, and as yet have not allayed public concerns for problem gambling, nor quietened calls from pressure groups or the epistemic community for more active intervention by gambling operators and governments.

3.5.1 Increased Access to Gambling

As detailed in Chapter Two, the scope and diversity of Australian commercial gambling has expanded exponentially since the 1970s. However, lack of baseline and follow-up studies preclude hard evidence for any resulting increase in problem gambling. Nevertheless, the Productivity Commission (1999b:8.1) concluded that ‘there is sufficient evidence from many different sources to confirm a significant connection between greater accessibility – particularly to gaming machines – and the greater prevalence of problem gambling’, although conceding that ‘causation is hard to prove beyond all doubt’. The AIGR (1997:60) provides tentative evidence to support this connection, speculating that a proportionately higher level of problem gambling found amongst city compared to country respondents in a survey of NSW residents is partially influenced by ease of access to gambling facilities. In the USA, prevalence rates of problem gambling in states where commercial gambling has been legal for over twenty years are higher than in states with legalised gambling for less than ten years (Volberg, 1994). Indeed, some scholars have concluded that increased social availability of gambling outlets is the primary factor precipitating at-risk individuals into problem gambling (Moran, 1970; Cornish, 1978; Dickerson, 1984). It has been proposed that the higher the proportion of the community that gambles, the more the incidence of problem gambling will increase (Blaszczynski, 1987:307). Further, expansion of many forms of gambling into licensed venues increases

potential loss of control due to alcohol-impaired judgement (Blaszczynski, 1987:313).

In the absence of empirical research into a connection between gambling accessibility, the incidence of problem gambling, and any attendant harm, recent experiences of practitioners dealing with gambling-related problems can be reviewed, although client data from practitioners can be influenced by patterns of service availability and community awareness (AIGR, 1997:60). Nevertheless, since Star City Casino opened and poker machines have operated in NSW hotels, the Family Support Services Association of NSW (1998:2-3) notes several branches have reported increased problems with gambling, while Gamblers Help Line has reported a ten-fold increase in client numbers (1998:1). Based on data from treatment agencies in Australia, Walker (1997:381) concluded that the introduction of legalised casino gambling in urban centres is likely to be associated with large increases in problem gamblers seeking treatment. Various agencies in Sydney also have experienced increased demand since the opening of Sydney's casino and the introduction of poker machines in NSW hotels (Prosser, Hing, Breen and Weeks, 1997b). However, no research has been conducted into the association between the introduction and expansion of machine gambling in NSW clubs and changes in gambling problems, although a higher incidence of problem gambling was found amongst a random sample of 3,000 members of six large Sydney clubs compared to the general population (Prosser, Hing, Breen and Weeks, 1997a).

Despite inconclusive evidence to support a relationship between access to gambling and problem gambling, an important point is that the community perceives such a relationship exists (IPART, 1998:40). Such a perception has heightened community concern that the incidence of problem gambling is increasing, along with its attendant social impacts.

3.5.2 Increased Diversity of Gambling Venues and Products

There is evidence that some social groups not attracted to previously available forms of gambling have found new products and venues appealing. For example, the introduction of bingo in Australia after the 1940s prompted new levels of female participation in gambling (McMillen, 1996c:5). More recently, increased availability of gaming machines has increased women's involvement in gambling (Ohtsuka *et al.*, 1995; Johnson and McLure, 1997), such that females now gamble more than ever before (Brown and Coventry, 1997). Further, greater numbers of women seeking treatment for gambling problems have been reported since gaming machines

were introduced in Queensland (Dickerson *et al.*, 1995) and in Victoria (Wootton, 1995), and since the opening of Sydney's casino and the introduction of poker machines in NSW hotels (Prosser, Hing, Breen and Weeks, 1997b). This is consistent with a conclusion by the AIGR that an increase in problem gambling has been reported when women who gamble prefer gaming machines (1997:61).

The introduction of casino and hotel machine gambling in NSW also has been accompanied by increased numbers of young people and people from non-English speaking backgrounds seeking assistance from Sydney agencies (Prosser, Hing, Breen and Weeks, 1997b). Lifeline reported increased numbers of Chinese, Vietnamese and Indonesian clients, St Edmund's Private Hospital reported increased numbers of young people, while a doubling of meeting attendees and phone calls experienced by Gam-Anon between mid-1995 and mid-1997 has come from younger people and those from Asian backgrounds (Prosser, Hing, Breen and Weeks, 1997b).

While evidence for an association between levels of problem gambling and diversity of legalised gambling options is tentative, the public may logically equate increased diversity of gambling options with emergence of gambling problems amongst new markets and the extension of harm into more diverse community sectors.

3.5.3 Expansion of Gambling into Low Socio-Economic Areas

Concerns about increased accessibility and diversity of gambling options also have extended to the types of locations where gambling has expanded. Numerous studies have found that machine gambling disproportionately attracts people in lower socio-economic situations. For example, the State Government of Victoria (1994) found that 'big spenders' on poker machines in NSW and the ACT tend to have below average income and are over-represented by recipients of social benefits and public renters. A community survey of gambling patterns in Victoria (DBM Consultants, 1995) concluded that gaming machines have their greatest appeal amongst lower white collar workers and those on low incomes. In NSW, resident populations spending highly on club poker machines generally have a lower socio-economic profile than those spending less (Prosser, Hing, Breen and Weeks, 1996).

In NSW, concern has been expressed that gambling is geographically concentrated in low income areas where high numbers of people on pensions and benefits gamble in hope of improving their existing situation (NCOSS, 1998:5). A concentration of gaming machines in low socio-economic areas is supported by the NSW Department

of Gaming and Racing's list of the top 200 NSW clubs by gaming machine profits which shows the distribution of machine numbers (1998:34). While poor socio-economic circumstances may not necessarily increase vulnerability to problem gambling, they increase its potential impacts due to inability to sustain high levels of gambling expenditure over time.

3.5.4 Expansion of Continuous Forms of Gambling

Most types of gambling recently introduced and expanded in NSW, as well as other Australian jurisdictions, are continuous forms such as gaming machines and casino table games, which provide opportunities for repeated gambles within the same session of play, due to short time intervals between stake, play and outcome. Numerous studies have consistently found problem gambling more frequently associated with continuous, rather than non-continuous, gambling (Dickerson Baron, Hong and Cottrell, 1996:174; AIGR, 1996:54, 1997:61-63; Delfabbro and Winefield, 1996:98; Abbott and Volberg, 1996:150; Productivity Commission, 1999b:6.1).

Gaming machines in particular are considered to have high potential for encouraging problem gambling. For example, Fisher and Griffiths (1995:239) point out that gaming machines are now the predominant form of gambling activity by 'pathological' gamblers treated in numerous countries, while research in NSW suggests about 15 percent of regular gaming machine players may have significant personal, financial and family problems arising from their gambling (Dickerson, 1996:163). Surveys of treatment services for problem gambling in Sydney also reveal wide acceptance that machine gambling is responsible for loss of control amongst many clients (Keys Young, 1995; Prosser, Hing, Breen and Weeks, 1997b). The only study measuring the incidence of problem gambling for poker machines in particular found that poker machines, either alone or in conjunction with other types of gambling, were responsible for 65.5 percent of the cases of problem gambling amongst 3,000 Sydney club members (Prosser, Hing, Breen and Weeks , 1997b:125).

While NSW has had legalised machine gaming in clubs for over forty years, its recent expansion into NSW hotels and Star City Casino has drawn increased attention to their association with problem gambling. Not surprisingly, some of this attention has been directed at registered clubs as the largest providers of machine gambling in the state.

3.5.5 Marketing of Gambling Products

Expansion of legalised gambling and the resultant competitive environment have prompted gambling operators to market their products more aggressively.⁴¹ As discussed in Chapter Two, gaming machine operators, such as NSW clubs, are relying on technological advances, venue enhancement and increased promotional efforts to remain competitive. Inducements rewarding player persistence, regular patronage and high expenditure, all of which have been associated with problem gambling (AIGR, 1997:69), along with intensified marketing in most sectors, have increased the visibility of gambling and fuelled public concerns about the likelihood of increased problem gambling. For example, the majority of non-industry submissions to the *NSW Gaming Inquiry* (IPART, 1998) expressed concerns about the way in which commercial gambling is marketed, leading to recommendations for development of advertising standards, mechanisms to limit inducements to gamble, particularly free alcohol and free poker machine credits, and more responsible practices for frequent player points schemes (IPART, 1998:76-77).⁴²

3.5.6 Responsible Gambling Initiatives by Gambling Operators

Proactive industry strategies in responsible gambling have been initiated by some gambling operators in some jurisdictions, either cooperatively with other gambling sectors, or at a sector or venue specific level. While these strategies will be reviewed in Chapter Four, suffice to note here they have been the exception amongst Australian gambling operators. While the extent of responsible gambling strategies in NSW clubs forms part of the later empirical investigation in this study, no industry-endorsed or statewide program had been implemented in the clubs by mid-

⁴¹ For example, property upgrades, image repositioning, market research to better target local residents, interstate and overseas junket programs, and increased promotion have characterised recent casino marketing (Kelly, 1996d). Lotteries have released a continual stream of new products and more frequent draws, developed interstate linkages allowing bigger prizes, and are experimenting with distribution through pay television (Kelly, 1995). TABs have continued to increase betting options and extend live race coverage, have benefited from more numerous race meetings and shorter time intervals between races, and are now looking to pay television and product expansion to offer further forms of sportsbetting (Blaszczynski, 1987:307; Hyland, 1998).

⁴² In late 1999 when this thesis was nearing completion, the Reverend Fred Nile introduced the *Gambling (Anti-Greed) Advertising Prohibition Bill 1999 NSW* to the NSW Legislative Council. Its objectives are to 'discourage the proliferation of all forms of gambling by prohibiting advertising of existing forms of gambling and gambling facilities; prohibiting advertising and other promotional activities aimed at publicising new forms of gambling and new gambling facilities; prohibiting the use of any form of gambling to support the sponsorship of any government or community activities, including but not limited to sporting activities; and requiring studies and assessments to be made of the impact of proposed gambling legislation on families and the community' (*NSW Council Parliamentary Debates*, 15 September 1999, p.25).

1999, although a trial responsible gambling program had been implemented in nineteen NSW clubs in late 1998 (AIGR, 1998e).

Further, existing responsible gambling models have attracted substantial criticism for their passive approach to the issue which places the onus on individual gamblers to recognise a gambling problem and seek assistance, inadequate mechanisms to overcome limitations of self-regulation regarding monitoring, compliance and evaluation, and their few initiatives to address irresponsible practices by gambling operators that may facilitate or exacerbate problem gambling and its harmful effects. As detailed in Section 3.6, such programs have had minimal success in closing the expectational gap between corporate practices of gambling operators and those expected by relevant pressure groups. Nevertheless, the adoption of responsible gambling strategies by some gambling operators has provoked wider criticism of less proactive operators and heightened public awareness of the potential role that gambling operators can play by adopting harm minimisation and consumer protection strategies aimed at minimising problem gambling and its impacts.

3.5.7 Summary

Expansionist government policies on commercial gambling since the 1970s have been mirrored by the actions of gambling operators, resulting in increased accessibility and diversity of gambling, particularly continuous forms, and aggressive marketing strategies to cope with an intensely competitive environment. Unlike the earlier indifferent stance of gambling operators to problem gambling accompanying restricted availability, explicit ties to social benefit and less active marketing, the actions of most contemporary gambling operators reflect a rejection of problem gambling as an issue which should impose on their current approach to gambling operations, management and marketing. While empirical evidence is tenuous, public perception is that the marketing and expansion strategies of gambling operators have resulted in higher levels of gambling-related problems and their flow-on community effects. This has widened an expectational gap between corporate performance in responsible provision of gambling and public and epistemic expectations of these.

In attempting to narrow these expectational gaps, governments have imposed more stringent requirements on some gambling operators, such as NSW clubs, to meet their social responsibilities in gambling. In the case of NSW clubs, the government has taken a legislative approach to achieve greater congruence between the expected role of clubs in providing social benefit from their machine gaming, and their actual

social performance. In addition, since the 1990s, a minority of gambling operators have demonstrated greater acceptance of problem gambling as requiring their intervention through strategies aimed at harm minimisation. To date however, both industry and government initiatives to address problem gambling have been criticised as inadequate to resolve the issue and the accompanying expectational gaps between key stakeholders. As detailed in the next section, this has been reflected in increasingly vocal pressure on gambling operators to be more responsible providers of gambling and on governments to introduce a more responsible regulatory and policy environment.

3.6 PRESSURE GROUP INFLUENCES ON THE EMERGENCE OF PROBLEM GAMBLING AS A CORPORATE SOCIAL ISSUE

In reviewing influences on Australian attitudes to gambling, Caldwell (1972:44) maintains that ‘Australian social history reflects an important and divisive tension between individuals and groups practising hedonistic values and those who have supported Puritan morality’. This tension was greatest from the early 1800s to the early 1900s when opposition to gambling by the churches and conservative middle classes largely was based on moral grounds. However, with increased secularisation, more liberal social attitudes and the institutionalisation of gambling as a culturally acceptable leisure activity during the second half of the 1900s, arguments against gambling have focused increasingly on its social impacts and emanated from a wider variety of stakeholders, more often advocating restriction and control rather than abolition. The following discussion takes an historical approach to demonstrate that arguments by various pressure groups against gambling have evolved from a focus on moral objections to concerns for a wider variety of social impacts, particularly problem gambling. This evolution has helped shift the onus of responsibility from individual gamblers to resist the temptation of gambling, to gambling providers to operate, manage and market gambling in ways that limit its harmful effects. It also reflects a shift in the stance on problem gambling by pressure groups from indifference to acceptance as an issue worthy of their attention, resources and lobbying.

3.6.1 Moral and Theological Arguments Against Gambling

Probably the most vocal, avid and longstanding opponents to gambling in Australia have been the Protestant Churches which object to gambling on moral and theological grounds. A more liberal view has been adopted by the Catholic Church, which considers gambling harmful only in excess or under unfair circumstances.

Both religious groups have been active pressure groups in gambling policy since the late 1700s, as the following section discusses.

The Moral Reform Movement in the 19th Century

The bases for Protestant opposition to gambling emphasise their moral and theological underpinnings. Protestants oppose gambling *per se*, as it is against the Christian ethic and way of life the church exists to uphold and extend. Gambling, no matter how small an amount, is a vice because the moral values it expresses - luck, greed, covetousness, chance and the associated corruption, exploitation, racketeering and graft - are contrary to Protestant teachings (Lusher, 1977:69-71). However, as discussed in Chapter Two, the Protestant moral reform movement in the nineteenth century enjoyed little success in curbing either legal or illegal gambling.

One reason for the limited success of the moral reform movement was that, unlike the united religious stance on drinking and sexual immorality, the Protestant Churches faced opposition from the Catholic Church which viewed gambling as harmless in itself and only bad in excess (Inglis, 1985:12). The Catholic stance is that gambling is not morally evil, but that evil may emerge according to the extent and circumstances under which it is done (Lusher, 1977:70). Gamblers have the right to dispose of their property as they wish, as long as this does not render them less capable of fulfilling individual, family, social or charitable duties and does not involve taking advantage of the weak. For gambling providers, as long as the type of gambling provides a degree of equality and understanding between the parties, provides fair return for labour and capital, is legal, free from fraud, and does not encourage the underprivileged to gamble, then it is morally acceptable (Lusher, 1977:70).

Thus, the more tolerant Catholic position on gambling differs markedly from the hostile Protestant one. However, in both views, gambling to excess is considered morally wrong, capable of undermining the work ethic and responsibility to others. Thus, while problem gambling was not an issue of importance to gambling providers during the 19th century, both major faiths recognised that harm might emanate from excessive gambling.

The Churches' Opposition to Gambling in the 20th Century

Neither the Protestant nor Catholic Churches have softened their stance on gambling since the 1800s. However, increasing secularisation of Australian society meant theological arguments continued to have limited influence either on public policy or

public participation in gambling. While both religions maintained vocal interest in debates over gambling policy, their arguments have evolved from emphasising moral objections to concerns about excessive and unfair gambling. Thus, their attention turned more to the way in which gambling is conducted, rather than the moral weaknesses of its participants.

Two campaigns in NSW illustrate church failure to garner opposition to gambling on moral and theological grounds. The Protestant campaign against the legalisation of poker machines in NSW clubs emphasised the moral dangers of gambling, with the NSW Council of Churches noting the machines tempted the weak, offered ‘easy money’, encouraged covetousness, and increased moral danger (*Sydney Morning Herald*, July 10 1956 in Caldwell, 1972:100). The Australian Council for the World Council of Churches issued a resolution stating ‘we believe that gambling is a social evil and also that the legalization of lotteries, poker machines and other forms of gambling is not only a step to moral degradation, but will have the effect of perverting the true spirit of adventure in Australian life’ (*Sydney Morning Herald*, August 4, 1956 in Caldwell, 1972:102). The Protestant Churches campaigned in 1958 to reverse the spread of commercial gambling, advocating a government inquiry into the extent of ‘chronic gambling’ in NSW (Caldwell, 1972:112). At one campaign meeting, the Methodist Reverend Alan Walker referred to NSW clubs as ‘cesspools of iniquity’ which destroyed the highest levels of personality, wrecked homes and filched people’s money (Caldwell, 1972:112). In contrast, the Catholic Church refused to condemn poker machines on moral grounds as long as they were played moderately (Caldwell, 1972:120). However, neither the strict moral Protestant stance nor the more liberal Catholic view could prevent the legalisation of poker machines, with legislators noting they were already played by decent, law-abiding citizens experiencing no moral crisis as a consequence (in Caldwell, 1972:102).

Twenty years later when the state government called an inquiry into legalising casinos in NSW, the churches reiterated their arguments (Lusher, 1977). However, the inquiry recommended legalised casinos in NSW, noting:

there is no unanimity of world opinion that gambling is a wicked, immoral or socially destructive activity. In fact, its legality exists and is well established and is currently being developed and accepted in most civilized western and Christian oriented communities.

(Lusher, 1977:73).

These sentiments were later echoed in Victoria in the *Report of Board of Inquiry into Casinos* (Connor, 1983) which concluded that ‘even if the better view were that gambling is in itself immoral it seems clear that such a view is not shared by thousands of Victorians. ...I believe that legislation inspired solely by religious or moral objections to gambling would lack public support’ (in Wilcox, 1983:11.01).

Successive failures to provide a convincing theological or moral argument against gambling prompted a somewhat different tack in church submissions to the *Board of Inquiry into Poker Machines* in Victoria (Wilcox, 1983). While the Protestant submission reiterated its traditional moral objections, it also criticised particular features of poker machine gambling, referring to it as ‘pressure gambling’ depending on ‘psychological stimulants through the conditioning effect of the mechanism for gambling’ (in Wilcox, 1983:11.04). The church was particularly concerned about the rapid turnover of money on poker machines, the strong incentive to gamble irrationally, joylessly and beyond the players’ means, and the destruction of positive elements of play. The ‘means contrived to encourage playing beyond the gambler’s means’ meant ‘rationality is no longer being exercised in decision making’ leading to reduced player freedom ‘so that their actions become confused and compulsive rather than free and deliberate’ (Wilcox, 1983:11.04). The end result was ‘failure in justice to pay their debts or failure in charity to their family or the ever widening circle that appeals to them for help out of their superfluity’ (Wilcox, 1983:11.04).

The Protestant stance was consistent with Catholic concerns for fair play and reflected some merging of their positions. The Catholic submission to the *Wilcox Report* (1983) contended poker machine gambling should be judged differently from other gambling as ‘it destroys the very nature of play’ and ‘substitutes for freedom a highly contrived set of environmental stimulants (as in casinos or even clubs) and psychological stimulants (as in poker machines)’ that ‘mesmerise the gambler into a strange ritual in which money is quickly consumed...without time to revise or control decisions’ (Wilcox, 1983 11.05). The submission further contended poker machines sacrifice social and diversionary functions of gambling for ‘self-centred avarice’, because of the ‘mindless repetition and cumulative anxiety’ and the ‘compulsive tug of the handle with the bait of tinkling coins, the intermittent reinforcement of rewards just sufficient to sustain the drive, and the rapid supersession of free processes by those of conditioned brute’ (Wilcox, 1983:11.05). Because poker machine gambling increases the quantity of money gambled ‘beyond acceptable limits’, it risks fulfillment of other obligations of the gambler (Wilcox, 1983:11.05).

More recently, the *NSW Gaming Inquiry* (IPART, 1998) attracted only one church submission mentioning moral opposition to gambling. Moreover, this was coupled with concern for problem gambling. The Uniting Church in Australia noted ‘the Christian church has traditionally opposed gambling because of its association with greed and because it holds out rewards without effort. Also, the church has always recognised the negative impact of addictive gambling, especially on dependents of gambling’ (1998:1). The submission did not argue for the abolition of gambling, but made recommendations for an appropriate regulatory framework.

This overview of arguments against gambling advanced by key religious groups over the last two centuries demonstrates gradual progression from concern for its moral dangers to concerns about its social consequences. In terms of Mahon and Waddock’s issue lifecycle model (1992), the churches’ stance has shifted to greater acceptance of problem gambling as their key objection to gambling. Reid explains that church moral opposition to gambling has not always been received sympathetically, with traditional arguments having little impression on the community, being ‘passed off as just another case of religious wowserism’, and often not even heeded by the churches’ own people (1985:195). This failure of moral reform arguments to educate gamblers on the error of their ways partly explains why objections to gambling have shifted from its immorality to its unacceptable social consequences (Sylvan and Sylvan, 1985:223), and the movement of problem gambling into the ‘zone of acceptance’ for the churches (Barnard, 1938). That is, lacking support that gambling itself is immoral, acknowledgement that gambling produces significant welfare problems requiring interventions or restructuring gave credibility to the churches’ stance (Sylvan and Sylvan, 1985:220; Blaszczynski, 1996:1). This laid the basis for social arguments against gambling impacts, as discussed below.

3.6.2 Social Arguments Against Gambling Impacts

More recent arguments of gambling reformers have focused on its social impacts. Three of the most vocalised have been that gambling is associated with crime, is socially disruptive, and has harmful impacts on individuals, families and the community. The first two arguments are briefly reviewed to demonstrate how their bases have diminished over time, such that the third is now the most commonly advanced and accepted by pressure groups as their most influential argument for gambling reform. This has contributed to the emergence of problem gambling as a significant corporate social issue through calls for gambling providers to adopt strategies to minimise the harmful effects of gambling.

The Criminal Involvement Argument

Sylvan and Sylvan contend ‘there is little doubt that certain types of gambling in Australia and elsewhere are regularly conjoined with criminal activity, and more important, with organised criminal activity’ (1985:224). The association between gambling and crime has underpinned much opposition to gambling, most notably when the legalisation of casinos and gaming machines has been proposed in various Australian jurisdictions. This has occurred largely in the last three decades, as documented in numerous government inquiries (Moffitt, 1974; Lusher, 1977; Connor, 1983; Wilcox, 1983; Street, 1991). Clearly these objections failed to stem the spread of casino gaming and gaming machines to every Australian jurisdiction, although they did delay their introduction (McMillen, 1993).⁴³ Faced with overwhelming evidence of widespread criminal involvement with illegal casinos and illegal gaming machine operations, all state governments have opted for legalisation with strict regulatory controls, accompanied by a taxation or revenue generating mechanism. Effective regulation and tax collection have been facilitated by technological advances in monitoring and control, earning Australia ‘a deserved international reputation’ for integrity, prevention of criminal influence, and an absence of major scandals in legalised gambling (McMillen, 1997a:247). The effective deterrence of criminal activity in Australian gambling and its relative success in curbing illegal gambling have weakened crime-related arguments against gambling.

The Social Disruption Argument

McMillen (1996b:12-15) notes that a perception of gambling as socially disruptive stems from numerous sources, including the Protestant notion that gambling is an attempt at ‘easy money’ thus undermining the work ethic and threatening production; an assumption of economic studies that gambling is devoid of useful economic functions; social science theories that present gambling as harmful to the individual and society; and sociological studies that portray gambling as deviant behaviour. Many such arguments fail to distinguish between different types of gamblers, conveniently categorising most as lazy, non-productive, covetous or deviant (Sylvan and Sylvan, 1985:220-223).

⁴³ Gaming machines have been legalised in clubs and hotels in every Australian jurisdiction, except in Western Australia where their operation is restricted to Burswood Casino. Cashless video lottery terminals, however, do operate in West Australian hotels and clubs.

However, along with increased legalisation and respectability, a more positive view of gambling as a rewarding leisure experience (McMillen, 1996b:15) has helped undermine this argument. For example, sociological analyses present a mainly positive explanation of gambling as a legitimate and natural leisure activity, offering participants intrinsic value, such as entertainment, hope, challenge and excitement, diversionary value as an escape from boredom and everyday life, and external rewards, such as social and monetary gains (McMillen, 1996a:15). Further, there is increasing recognition that adequate leisure is necessary for productive work and a questioning of all but a heavily qualified work ethic (Sylvan and Sylvan, 1985:221). Thus, a view of gambling as a positive leisure experience has been nurtured in recent decades, undermining former perceptions of gambling as inherently socially disruptive.

However, sociological analyses which present gambling as fulfilling useful social functions have been counterbalanced by more numerous studies into its social impacts, as discussed earlier in this chapter. Such social impact studies have added fuel to arguments for gambling reform based on concerns for problem gambling and its impacts.

The Problem Gambling Argument

Accompanying a decline in moral, crime-related and social disruption arguments against gambling, gambling reformers have increasingly focused on problem gambling and its harmful social effects as their major concern in gambling policies and practices. Public commentary on problem gambling has emanated from many sources, including community surveys, the media, the welfare sector, the medical and legal professions, and special interest groups, as discussed below. These pressure groups have placed the responsibility to address problem gambling squarely on the shoulders of governments and gambling operators, with individuals experiencing gambling-related problems often depicted as victims of predatory and irresponsible practices.

Recent surveys have highlighted broad community concerns for problems which can emanate from gambling. For example, a NSW survey (AIGR, 1996:37) reported that 79.1 percent of respondents strongly agreed that gambling results in serious problems for some individuals. In Victoria, a community survey (Victorian Casino and Gaming Authority, 1997) found most respondents agreed gambling is too widely accessible, gambling providers should not be allowed to advertise, gambling-related problems have worsened over the last three years, the number of gaming

machines should be reduced, people having problems with gambling are those least able to afford it, the community needs to do more for the families of problem gamblers, and additional steps are needed to avoid adverse consequences of gambling. The Federal Government's inquiry into Australia's gambling industries (Productivity Commission, 1999b:3) found that around 70 percent of people surveyed believed that gambling does more harm than good and that 92 percent did not want to see an increase in gaming machines. Such surveys demonstrate general contemporary community agreement on the potential for gambling to cause serious social harm and the perception that insufficient is being done to address the issue.

These perceptions likely have been fuelled by recent extensive media coverage of commercial gambling, and their 'never-ending...stories publicising the harmful results of problem gambling' (Brading, 1997:30). No formal studies have been conducted into how, or the extent to which, the media portrays gambling. However, Brading (1997:30) contends journalists are now raising the issue of consumer protection for gamblers and the community, and that contemporary inaction does not satisfy the media nor the community to whom they report. Certainly a cursory glance at media articles on gambling suggests stories of social hardships arising from gambling have featured frequently in recent years, especially when new forms of gambling have been introduced, the results of social impact studies released, or statistical information on gambling industries published.

The welfare sector also has been increasingly vocal about the social fallout from commercial gambling, calling for governments and operators to address the issue. New special interest groups have been formed, such as the Centre for Problem Gambling Research and the Interchurch Task Force on Gambling in Victoria, and in NSW the Gambling Issues Forum and the NSW Council on Problem Gambling. Additionally, general welfare and consumer protection agencies have begun lobbying about gambling policies and practices. For example, the peak body for the social and community services sector in NSW, NCOSS, recently vocalised its concern about the social ramifications of commercial gambling through submissions to the *NSW Casino Control Authority Section 31 Investigation Public Interest Forum* in late 1997 and the *NSW Gaming Inquiry* in late 1998. The NSW Department of Fair Trading (1998) and PIAC in NSW (1998) also have expressed concerns about consumer protection in gambling. At a national level, proceedings from recent conferences held by the National Association for Gambling Studies (O'Connor, 1995; Tolchard, 1996; Coman, Evans and Wootton, 1997) reveal a predominance of papers from the welfare sector directed at the issue of problem gambling, with a consistent theme being the call for governments and gambling operators to act in a

more socially responsible manner to minimise associated harm. Such calls for consumer protection, harm minimisation and fair trading in gambling have helped broaden the notion of problem gambling beyond behavioural and medical models.

The medical profession also has recognised the public health dimensions of problem gambling, with a project recently initiated by the Australian Medical Association (AMA) (NSW) aimed at ‘decreasing the negative impact of gambling on the community’ through a general practitioner awareness program, establishing a network of general practitioners and service providers, and a media and community awareness campaign (1998:2). The AMA (NSW) has issued a *Position Statement on Gambling-Related Problems* (in AMA, 1998) that recognises gambling as a public health issue which ‘should be addressed accordingly’, that supports the development of harm minimisation strategies ‘including the promotion of responsible gambling programs’, and that states a commitment to raising awareness amongst the community and medical fraternity of the adverse impacts of problem gambling, its incidence, the role of medical practitioners, and ‘the social, cultural and material dimensions of problem gambling’.

Members of the legal profession also have cautioned governments and gambling operators of their responsibilities in commercial gambling. For example, questions have been raised over the liability of gambling operators for breaching a duty of care to patrons when, for example, operators know a gambler is losing more than he/she can afford, when they fail to enforce self-exclusion, or when they extend credit to someone they know has a gambling problem (Brading, 1997:29). In NSW, several such cases were being prepared by the Wesley Community Legal Service at the time of writing (Russell, 1998:10).

Contemporary community concerns about problem gambling also are reflected in submissions to the *NSW Gaming Inquiry* (IPART, 1998). Table 3.4 summarises key concerns relating to problem gambling expressed in selected, non-industry submissions.

Table 3.4
Summary of Concerns about Problem Gambling in Selected Submissions to the NSW Gaming Inquiry

Atheist Association of NSW Inc.:
• inadequate counselling and control of addicts.
• devastation gambling causes to people’s lives.

Australian Institute for Gambling Research (Professor Jan McMillen):

- independent commission needed to, amongst other functions, monitor and control responsible management of gambling and consumer protection, commission and publish research on community impacts of gambling, and develop needs-based strategic plans for service delivery, research, community education and general community projects.
- gambling industry ombudsman needed to receive and resolve consumer complaints.
- responsible gaming advisory committee needed to assist and advise on responsible gambling.
- enforceable whole of industry and statewide responsible gambling program should be developed, implemented and evaluated in 1999.
- recommends development and support for an integrated network of community agencies rather than problem gambling specific services.
- responsible gambling program should be developed emphasising prevention rather than treatment and which is sensitive to cultural differences.
- recommends a multi-media community education program to encourage safe and controlled gambling.
- a players' charter should be developed for NSW.
- an updated register of relevant community agencies be compiled and maintained.
- NCOSS should coordinate network of existing service agencies funded, trained and assisted to support those with gambling-related problems.
- recommends a statewide database of research and information on gambling in NSW and extended research into gambling impacts.
- whole of industry levy needed to fund a commission, statewide responsible gambling program and service agencies.

Australian Medical Association:

- recognises gambling as a public health issue.
- highlights potential adverse effects of gambling on health, eg: hypertension, peptic ulceration, headaches, alcohol and drug dependence, irritability, anxiety, depression and suicidal ideation.
- recommends further research on health effects of problem gambling and methods of treatment.
- identifies increase in people with gambling problems presenting to GPs.
- recommends evaluation of service provision to problem gamblers and their families.

Department of Fair Trading:

- calls for more attention to enforcing prohibition of credit by gambling institutions.
- recommends representation or consulting with consumer protection and financial/credit counselling sectors in any gaming commission.

Family Support Services Association of NSW:

- gambling found to be a significant issue for 5% to 6% of clients.
- families with gambling problems were more likely to report domestic violence, drug/alcohol abuse, physical abuse, neglect of children, and past sexual abuse.
- families with gambling problems were more likely to be complex cases, requiring more intensive and longer term support.
- anecdotal evidence that families presenting with gambling problems have increased since the opening of Star City Casino and the introduction of poker machines in NSW hotels.
- gambling problems often result in family breakdown with negative effects on women.
- gambling problems adversely affect children *via* inadequate diet, clothing, entertainment and educational opportunities, homelessness, domestic violence, lack of parental attention, over-reliance on older children to look after those younger, being left unattended outside gambling venues, emotional problems, loss of trust of parents, and modelling parents' gambling behaviour.
- high rates of gambling problems noticed in Aboriginal, Arabic, Chinese and Vietnamese communities.
- recommends funding for support services on a needs basis, more attention to the need for local services, more funding of existing service networks, more counsellor training in gambling issues, community awareness program on potential adverse effects of gambling, venue imposed limits on time spent on gaming machines by those known to have gambling problems, controls on amount of money that can be put through gaming machines in a set time period perhaps by lowering maximum bet, restricting multiple plays, or increasing returns to players, and adequate research into socio-economic impacts of gambling on families.

Gam-Anon:

- Believes problem gambling is an addiction that can lead to total loss of control and emotional illness, and that it is a destructive force to family and friends of the gambler, financially, emotionally and spiritually.

Gamblers' Helpline:

- clients have increased from 350 p.a. to 3,500 p.a. since the opening of Star City Casino and the introduction of poker machines in NSW hotels.
 - recommends gaming commission to control gambling in NSW so it is more responsibly provided, coordination of problem gambling measures across industry sectors, monitoring and funding of all support services, a consistent responsible gambling slogan and warning signs for all sectors, a 1% levy on all gambling operators for service delivery, and evaluation of G-Line.
-

GAME: Gambling Counselling Service of St Vincent de Paul:

- gambling industry has a poor ethical track record and needs restraint and oversight of a gaming commission.
 - criticises inaccurate advertising of gambling, programming of gaming machines to elicit problem gambling behaviour, use of touts and incentives to gamble, and illusionary and fanciful decor in gambling venues.
 - recommends training of gambling venue staff to recognise problem gambling, machines to display total amount spent by patrons, and better coordination and scrutiny of problem gambling services.
-

Local Community Services Association Inc.:

- gambling destroys communities and their social capital, destroys families, harms children, disproportionately hurts low income and marginal people and groups, results in severe problem gambling for a significant minority, and is paid for through under-resourced services.
 - believes government should reduce and discourage gambling, give the public interest priority over revenue-raising, limit the number, variety, placement and concentration of gambling opportunities, monitor and control advertising, marketing and incentives for gambling, highly tax all gambling to fund services for problem gambling and social infrastructure.
 - recommends a code of conduct for gambling operators to ensure gamblers are informed about their chances, unfair inducements are not allowed, gamblers are informed about support services, there is a consumer redress system, self-exclusion from gambling venues is available, and the environment does not encourage uncontrolled gambling.
 - recommends better funding, coordination and training of support services, community education, and further research into impacts of gambling.
-

Council of Social Service of NSW (NCOSS):

- identifies research that suggests welfare and family support agencies report 5% to 10% of clients have gambling-related problems, gambling has a net social cost, disadvantaged groups are more likely to experience adverse effects, gambling can cause family hardship through financial losses, increasing reliance on welfare, stealing, violence and deteriorating health, a high incidence of problem gambling amongst members of Sydney clubs, wide social, economic and cultural costs from problem gambling, gambling is heavily concentrated in low income areas, and 70% of problem gamblers play poker machines.
 - recommends an immediate moratorium on the introduction of more poker machines in NSW, a gambling commission to limit the expansion of gambling, develop and enforce a mandatory code of practice for all gambling operators to ensure consumer protection, an industry levy to fund welfare, social services and problem gambling treatment programs, appointment of industry and community liaison officers to implement responsible gambling programs and undertake community education, gambling operators be required to advertise the true value of prizes and odds of winning, research be conducted into the extent and impact of inducements to gamble, inclusion of gambling information in school curricula, consumer health warnings on gambling, and increased resources for problem gambling services.
-

NSW Council on Problem Gambling:

- recommends better allocation of funding to support services, and a sustained community education and information campaign.
-

Public Interest Advocacy Centre (PIAC):

- identifies systematic breaches by gambling venues of prohibition of credit gambling, the *Trade Practices Act*, the *Fair Trading Act*, the *Contracts Review Act* and the *Credit Act*, and common law duty of care.
 - recommends an independent regulatory body with community and consumer representation to ensure gambling services do not exploit customers, to monitor the industry and enforce consumer protection provisions, develop and enforce a mandatory code of practice for gambling operators, organise research on the impacts of gambling, handle customer complaints and disputes, develop and disseminate information about the negative effects of gambling, develop a staff training program about gambling problems, enforce self-exclusion orders, and restrict signage.
-

Rationalist Association of NSW Inc.:

- concern for health effects of gambling and inadequate counselling and treatment for problem gambling.
-

Shoalhaven Neighbourhood Centre:

- opportunities for people to gamble are too easy, accessible and glamourised by the industry.
- extent of problem gambling goes unnoticed and without public debate.
- insufficient research and public awareness campaigns on the impacts of gambling.
- problem gambling causes family devastation, marriage breakdown, damage to children, financial deprivation, health problems, loss of security and accommodation, shame, secretiveness, lack of trust and coping ability, suicide, and the costs of lower productivity, sickness, debt, crime, unemployment, welfare and support services.
- insufficient support services for problem gamblers and families, which need to have trained staff and be adequately available, advertised and resourced.
- prevention programs need to be developed, eg: skills development, social programs, education.
- recommends mandatory provision by gambling venues of patron information on support services, responsible gambling policies, and staff education, and more limits on cheque cashing, access to ATMs, and access to change.
- recommends no more poker machines, a community welfare levy to support local services, regulation of gambling environments to discourage disengagement from reality, regulation of machine manufacturers to avoid abuse of psychological inducements to gamble, limits on advertising that emphasises winning, health warnings, and limits on inducements to gamble.

Uniting Church in Australia:

- recognises the negative impact of addictive gambling, especially on dependents.
- additional gambling facilities should be approved only when they are in the public interest.
- recommends mandatory policies for gambling venues in consumer protection and proper policies for addressing problem gambling, eg: proximity to ATMs, credit facilities, staff training, signage about support services, exclusion procedures.
- advocates a whole of industry levy to fund a gambling council with community representation to develop and provide gambling policy, measures to prevent and treat gambling-related problems, research, public education, counselling and treatment services, advertising guidelines, assess social impacts of additional gambling, handle consumer complaints and fund community benefit in general.

University of Technology Sydney (Associate Professor Rob Lynch):

- recommends a gambling commission to promote industry best practice, ensure the honest conduct of gambling, and coordinate problem gambling policies and actions to minimise harm.
- recommends that a responsible gambling environment would be fostered by more opportunities for public debate, continually updated legislation communicated to relevant agencies and the public, staff training, coordinated funding and policy of problem gambling support services, coordinated responsible gambling policies across the industry, more patron education, restriction of advertising of gambling, more responsible advertising, and more research.

University of Western Sydney (Professor Mark Dickerson):

- recommends the Department of Community Services or Department of Health should hold the mandate for developing and managing a strategic plan for services for problem gamblers and their families, funded by the Casino Community Benefit Fund.

Wesley Gambling Counselling Service:

- supports need for a gaming commission to protect interests of problem gamblers and families, as numerous clients complain about inadequate policies and oversight of gambling, massive inducements to gamble, constant gambling advertisements and easy access to gambling.
 - recommends gaming commission to examine new machines for their impact on problem gambling, investigate customer complaints, perform random checks on harm minimisation efforts of the industry, set minimum standards for harm minimisation measures, develop an advertising code for gambling, coordinate a public awareness campaign on the dangers of gambling, and provide information about problem gambling to the community.
 - identifies greater need for consumer protection relating to credit gambling, underage exposure to gambling, fairness and honesty in gambling provision, warning signs and cautionary literature, inducements to gamble, gaming machine characteristics, numbers of poker machines, controls on promotions and advertising, prize limits, access to ATMs, self-exclusion, and intervention by gambling providers.
 - criticises NSW gambling providers for doing little and being behind other states in responsible provision of gambling.
 - notes that problem gambling services are insufficient and insecurely funded.
-

Women and Gambling Project:

- notes that women's participation in gambling has increased with availability and now approximates male participation.
 - cites research that women want gambling venues to maintain a semblance of reality, provide adequate staff training in responsible gambling, restrict seductive advertising, bounties and inducements, provide non-gambling games and entertainment, improve machine payment practices, establish warning systems and other prompts to be responsible, provide realistic portrayal of gambling facilities and education about the odds, and ban ATMs from gambling venues.
 - recommends an industry code of practice to ensure responsible and ethical provision of gambling.
 - problem gambling policies and services need better coordination and should reflect female and multi-cultural needs.
-

Source: derived from submissions to the *NSW Gaming Inquiry*, (IPART, 1998).

From Table 3.4, numerous areas of concern relating to problem gambling are evident. Many submissions highlighted emotional, financial, health, legal, vocational and interpersonal impacts of problem gambling, not just for the gambler but also for spouses and children, with associated costs extending to specialist, health, community and legal services, employers and others. Thus, the submissions reflect the escalation of problem gambling to an important public health and social issue with ramifications that extend beyond the individual gambler into many other community sectors.

In treating gambling problems, there was common acknowledgement in the submissions that current services are inadequate especially for some groups and in some geographical areas, are poorly and inconsistently resourced, require better coordination and staff training, and should be informed by needs analyses and research into effective treatment methods. As such, they further identify the expectational gap that exists between community expectations and government efforts to establish an appropriate framework for tertiary intervention strategies to minimise harm from problem gambling. Additional unresolved expectations of the NSW Government raised by the submissions were further research into the social impacts of gambling and an independent body to oversee the gambling sector in NSW.

Another concern raised in the submissions was current gambling industry practices which promote problem gambling or exploit those at risk, such as misleading advertising, inducements to gamble, illusory design of gambling venues, easy access to gambling money, and failure to adhere to current consumer protection legislation. Numerous suggestions were made for how gambling operators can be more responsible providers of gambling services, with many submissions contending such requirements should be mandatory. While these will be analysed in more detail in Chapter Seven, suggested operator strategies included codes of conduct, patron and community education, staff training in responsible gambling, self-exclusion

programs, cautionary signage, information about support services, changes to machine design and the provision of industry funding to address problem gambling. While these stakeholder expectations for gambling operators to incorporate strategies to address problem gambling will be compared to current industry practices in NSW clubs in Chapter Seven, it can be noted here that few of these initiatives are currently implemented by other gambling operators in Australia. As discussed in Chapter Four, gambling operators who have adopted responsible gambling programs have tended to include codes of conduct, patron information, staff training, self-exclusion options, cautionary signage and information about support services, but have stopped short of altering machine or venue design, providing industry funding to address problem gambling or avoiding misleading advertising, gambling inducements and easy access to gambling money. Thus, the submissions reflect unresolved public expectations for a more responsible approach to gambling provision, one that has strategic implications for gambling operators.

3.6.3 Summary

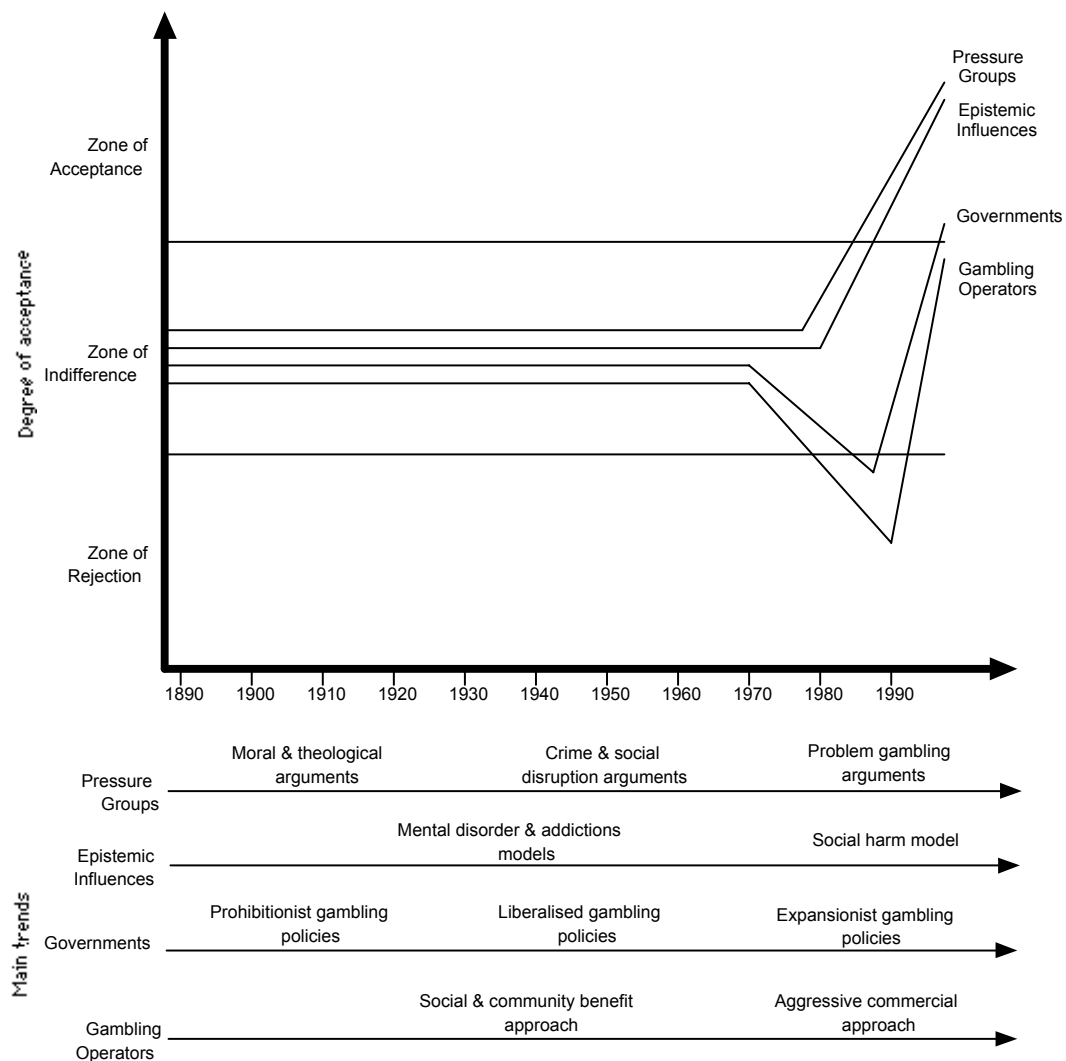
The preceding section has discussed the evolution of key arguments of various pressure groups seeking to abolish, restrict or reform gambling policies and practices, from a stance largely indifferent to problem gambling to acceptance of the issue as deserving attention, resources and lobbying. Early moral and theological objections, advanced principally by the churches and conservative middle classes, largely have evaporated with changing social attitudes and a broadening democracy resisting the imposition of sectional moral perceptions (Sylvan and Sylvan, 1985:226). For a time, these arguments were replaced or complemented by association of gambling with crime and social disruption. However, improved regulatory structures and monitoring and control mechanisms largely have dispelled fears of criminal infiltration in contemporary gambling, while a modern view of gambling as a natural and legitimate leisure activity has replaced the earlier view of gamblers as necessarily lazy, deviant or covetous. This more positive sociological perspective on gambling recognises that levels of gambling involvement are contextually based and has encouraged a broader view of gambling-related problems, not simply restricted to those diagnosed as ‘problem gamblers’. This has focused increased attention on the broader context in which gambling operates, and the obligations of governments and gambling operators in providing a responsible environment. Thus, the onus of responsibility has shifted from individual ‘problem gamblers’ needing assistance to overcome their affliction or weakness, to governments and gambling operators to enact structural changes to minimise gambling-related problems and the harm they generate. Contemporary arguments on

gambling reform reflect the importance of a strategic approach to managing the issue of problem gambling for gambling providers such as NSW clubs, with various pressure groups advocating changes to the ways in which gambling is operated, marketed and managed.

3.7 THE LIFECYCLE OF THE ISSUE OF PROBLEM GAMBLING

As discussed earlier in this chapter, Mahon and Waddock (1992:25) propose that a simultaneous understanding of key stakeholders' perceptions of the stage of an issue and their stance regarding the issue is necessary to understanding its lifecycle, current state and likely future impacts. In this chapter, evolving perceptions and stances relating to problem gambling of four key stakeholders have been examined. This evolution can be plotted over time to depict the interplay between these four stakeholders that has advanced the issue of problem gambling through its lifecycle. This depiction is shown in Figure 3.1 and discussed below.

Figure 3.1
A Lifecycle Depiction of the Issue of Problem Gambling in Australia
1890s-1990s



Source: adapted from Mahon and Waddock, (1992:26).

Figure 3.1 depicts the issue of problem gambling as a function of its interpretation by four key actors - pressure groups, the epistemic community, governments and gambling operators. It is an integrative model which recognises that, while a social problem may exist objectively, it only becomes an issue requiring managerial attention when defined as problematic to society by a key stakeholder or group of stakeholders (Mahon and Waddock, 1992:20). This occurs when one or more stakeholders accept the problem as relevant to their affairs and in need of a response. Following Mahon and Waddock's (1992) incorporation of Barnard's concept of 'zone of acceptance' (1938) in the issue lifecycle model, the position of each

dominant stakeholder is depicted in Figure 3.1 according to its degree of rejection, indifference or acceptance of the issue at various stages of its evolution

The lifecycle model in Figure 3.1 represents an approximation, with no quantitative measures for more accurate depiction. It shows how four dominant ‘actors’ have influenced the progression of problem gambling and shaped the agenda for corporate action since the 1890s. Until the 1970s, problem gambling received little awareness and attention from any stakeholder. Since then however, as expectational gaps between stakeholders have diverged, problem gambling has emerged as a significant corporate social issue for gambling operators in the 1990s. This widening of expectational gaps has arisen due to changes in expert opinion about problem gambling (epistemic influences), in the expectations of pressure groups for gambling operators and governments to address problem gambling, in shifting government policies on gambling, and in changes in the corporate performance of gambling operators. These changes are discussed below to summarise how trends in perceptions and stances of these four stakeholders have progressed problem gambling through its lifecycle to a stage where it now threatens to have significant strategic impacts on the future management of commercial gambling operations.

In Figure 3.1, epistemic influences and pressure groups are depicted as leading concern for the issue of problem gambling since the 1970s, prompted towards symbolic and substantive action by expansionist government policies on gambling and a more aggressively commercial approach by gambling operators. A redefinition of problem gambling by the epistemic community in terms of social harm, rather than a medical disorder, has been instrumental in projecting problem gambling into the social and public health arena, and in focusing demands to address problem gambling on governments and gambling operators rather than on individual gamblers. This change in focus has assisted and been mirrored by pressure groups seeking gambling reform, who have shifted their arguments away from an earlier emphasis on moral and theological objections and an association of gambling with crime and social disruption, to focus on social harm arising from problem gambling as their dominant concern. Thus, by the 1990s, both the epistemic community of researchers and experts in the field and pressure groups had taken the symbolic action of reframing the issue of problem gambling in terms of social harm, and they increasingly have undertaken substantive action by pressuring governments and gambling operators for gambling reform.

In Figure 3.1, the stance of Australian governments on problem gambling is depicted as descending from the ‘zone of indifference’ (Barnard, 1938) prior to the 1970s

when limited commercial gambling operations restricted social harm to levels acceptable to key stakeholders, to the 'zone of rejection' (Barnard, 1938) until the 1990s. From the 1970s to the 1990s, government policy on gambling shifted towards an expansionist approach where social benefit from gambling was superseded by economic imperatives. Some consumer protection measures were incorporated in gambling legislation, but lack of government initiatives to address problem gambling and a shift towards a policy environment that nurtured an aggressive commercial approach by gambling operators demonstrate that governments largely rejected problem gambling as an issue deserving attention. However, with increased pressure from the epistemic community and pressure groups, governments in the 1990s have taken at least symbolic action to incorporate mechanisms to address problem gambling into gambling policy, especially when they have legalised new forms of gambling. Government efforts have, however, fallen short of significant substantive action, shifting responsibility to problem gambling treatment providers and some gambling operators to address problem gambling. Governments have tended to allocate funding for the treatment of problem gambling and to require some gambling operators to adopt some harm minimisation and consumer protection measures, but have not enacted policy changes themselves which might impede their expansionist approach and the economic benefits it yields.

The role of gambling operators in advancing the issue of problem gambling through its lifecycle is depicted in Figure 3.1 largely as mirroring that of governments, shifting from the 'zone of indifference', to the 'zone of rejection' (Barnard, 1938), towards limited acceptance by some gambling operators of the need to address problem gambling. Prior to the 1970s, most gambling operators were licensed to conduct gambling to provide social and community benefits. Further, a restricted competitive environment meant gambling operators did not need to market their products vigorously. After the 1970s however, the social benefit agenda of legalised gambling was superseded by an aggressively commercial approach, fuelled by intense competition, a sympathetic policy environment and increased privatisation of gambling. These economic imperatives were pursued with minimal concern for any social ramifications of gambling, reflected in rejection of problem gambling as an issue warranting corporate attention and resources. During the 1990s however, pressure from experts, pressure groups and in some instances governments, has resulted in greater corporate attention to problem gambling and allocation of resources by a minority of gambling operators to address it. In most such instances however, these corporate efforts have not been substantial, often representing symbolic actions to improve corporate image.

From the preceding analysis, it is evident that problem gambling has now emerged as a significant corporate social issue in Australia, embodying the essential three characteristics of issues identified by Wartick and Mahon - impacts, controversy and expectational gaps (1994:306). In terms of impacts, influences from the epistemic community, pressure groups and governments now mean the issue of problem gambling is beginning to affect the way some operators manage and market gambling, and appear likely to have more widespread impact in the future. In terms of controversy, the opinions of pressure groups and the epistemic community conflict with current actions of gambling operators and governments to address problem gambling and their allocation of resources to the issue, even for those who have developed some responsible gambling strategies. This demanded change to gambling policy and management reflects expectational gaps between the four stakeholders examined in this chapter, a result of sustained divergence between current practices and stakeholder expectations for more responsible conduct of gambling. Thus, resolution of the issue relies on narrowing these gaps through substantive actions to address problem gambling.

Further, NSW registered clubs have not been immune from the influences of the four stakeholders examined in this chapter on the emergence of problem gambling as a corporate social issue. While demands by the epistemic community and pressure groups to take corporate actions to address problem gambling often have focused on commercial gambling in general, greater emphasis has been given to those forms more usually associated with problem gambling. As noted previously, one of these is machine gambling for which NSW clubs are the major providers in both NSW and Australia. Epistemic influences have helped identify the association between machine gambling and problem gambling along with the social harm that can arise, while pressure groups have increasingly vocalised their objections to lack of restraint over machine gambling operations and marketing.

However, NSW clubs had been able to ignore the issue of problem gambling for many decades. The implicit assumption that club machine gambling yielded important social benefits deflected public concern and government action. However, as NSW clubs joined other gambling providers in taking an aggressively commercial approach to their gambling operations to cope with an intensifying competitive environment, the social benefit foundation and not-for-profit focus of their machine gambling have been undermined. Their expansion and aggressive marketing of machine gambling have been pursued with disregard for its social ramifications and the increased commercial orientation of the clubs has driven attempts to attract more players, increase player persistence and encourage high machine expenditure. The

resulting public outcries over expansionist commercial gambling operations and a trade-off by the clubs to reduce taxation levels on gaming machines to former levels have catalysed a legislative response from the NSW Government which required the RCA to address problem gambling through developing a problem gambling policy and related strategies. Thus, responsible conduct of gambling was no longer an ethical issue for NSW clubs by 1998, but a legal and management issue. This has forced NSW clubs to shift their stance on problem gambling away from the 'zone of rejection' (Barnard, 1938) towards one that accepts more responsibility for addressing problem gambling. However, because of the early stages of their response to the requirements of Section 87AA of the *Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998 NSW*, an expectational gap still existed between the corporate actions of clubs in addressing problem gambling and those expected by other stakeholders by 1998.

Closing this expectational gap has strategic implications for the management of machine gambling in NSW clubs, by requiring allocation of resources and implementation of strategies to address problem gambling, if the clubs' legitimacy as responsible gambling providers is to avoid further challenge. The next chapter pursues this theme by examining theoretical models of corporate social responsibility and applied models of responsible gambling to evaluate their relevance to NSW clubs in their strategic management of the issue of problem gambling.

3.8 CHAPTER CONCLUSION

This chapter has focused on the second stage of the research design (Figure 1.1), drawing on secondary data to explain the emergence of the issue of problem gambling in Australia and its implications for NSW registered clubs. This analysis was conducted by examining the influence of four key stakeholders in defining the issue of problem gambling and in shaping the agenda for corporate action. The changing stances on problem gambling by the epistemic community, governments, gambling operators and pressure groups were analysed and then plotted over time to develop a lifecycle model of the issue of problem gambling.

Epistemic influences and pressure groups were shown to have led the emergence of problem gambling as an issue of corporate social concern. Through redefining problem gambling as a public health issue, the epistemic community of researchers and experts in the field has propelled problem gambling into the social arena with attendant responsibilities for gambling policy-makers and providers to enact

structural changes to minimise harm and increase consumer protection in gambling. Pressure groups also have established problem gambling as a corporate social issue by reframing their arguments for gambling reform to emphasise social harm from gambling and by calling on governments and gambling operators to be more responsible providers of gambling. Such pressure has been fuelled by the expansionist approach of Australian governments, their lack of initiatives to address problem gambling, their nurturing of an increasingly competitive environment for gambling, and the aggressive commercial response to this environment by gambling operators. The opening and divergence of expectational gaps between government and corporate performance in gambling and the expectations of other stakeholders has thus witnessed recent prominence of problem gambling as a significant corporate social issue.

Resolving the issue of problem gambling has strategic implications for gambling operators, such as NSW registered clubs. It is likely to require alterations to the management and marketing of commercial gambling operations in ways that require the allocation of corporate resources and a softening of their vigorous economic agenda to incorporate concerns for the social ramifications of gambling. While contemporary demands by stakeholders for NSW clubs to better manage their social responsibilities in gambling will be taken up in Chapter Seven, the next chapter examines theoretical models of corporate social responsibility and applied models of responsible gambling to assess how the issue of problem gambling might best be managed at the corporate level.