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Machineries of Gambling:

Harm, commodity, revenue, regulation

Commercial Gambling in Australia

- **Net Revenue 2005-06 - \$18,187 million***
(\$1,138 pc)
 - EGMs – \$10,579 million (58.2%)
 - Casinos – \$3,084 million (17.0%)
 - Racing etc – \$2,372 million (13.0%)
 - Lotteries – \$1,709 million (9.4%)
 - Sports betting - \$172 million (0.95%)

A few favourites ...



Victorian pub venue – the Vegas room ...

30 EGMs, net 'gaming' revenue 2008-09: \$4.5 million



Parramatta Leagues Club (NSW): just a local club, really: total annual revenues ~ \$60 million



EGMs in Australia

- **About 200,000 deployed in 5 states and 2 territories (none outside casino in W.A.)**
- **Mostly in suburban venues**
- **State govt tax revenue of \$3,500 million**
 - (plus GST of ~\$960 million) (n.i. casino EGMs)
- **All high-impact EGMs:**
 - Max prize ~ \$10,000; max bet \$5 - \$10; max load-up \$10,000 (NSW), \$1,000 (Vic), \$200 (Qld); typically 80 million outcomes; jackpot odds 1:10 million; RTP around 90% but volatility highly variable!

A hypothesis about EGMs...

- **What do EGMs sell? Perhaps:**
 - A fantasy about winning money
 - A quasi-social experience
 - A moment of escape from life's vicissitudes
- **Or, a commodified stream of indeterminacy presented and mediated by principles of probability.**

Yet more statistics

- **‘Problem gamblers’ constitute 15% of regular gamblers**
- **‘At-risk’ gamblers another 15%**
- **Problem gamblers account for 42% of EGM revenue, at-risk another 20%**
- **Overall, about one to two percent of the adult population have some level of gambling problem**
- **75-85% are primarily troubled by EGM use**

Some key questions

- **What drives EGM consumption?**
- **Do current arrangements provide any balance between enjoyment of EGM consumption and its social harms?**
- **How might the EGM technical system be better managed?**

'Business as usual' – four buffers to orthodoxy

- **Only a small proportion of gamblers suffer harmful consequences from EGM gambling**
- **Current EGM arrangements are safe: gamblers are the problem**
- **Current EGM arrangements should not be altered as this will reduce the enjoyment of those who are not troubled**
- **The worlds of EGM gamblers are well understood and their voices are heard in the framing of policy and regulation**

The 'folk model'

- **Poker machines are simple entertainment products**
- **They provide amusement in social venues**
- **They promote community participation**
- **They collect money for community purposes**
- **It's simply up to the individual to decide whether to gamble**

So who's at fault?

- **Flawed consumers!**
- **Problem gambling is viewed (particularly by industry and government) as an individual pathology**
- **An industry defence**, *The Age* (2009)
 - ‘Ninety-eight per cent of people who play the slots suffer no negative consequences’
- **So the ones who do are aberrations**

Which means ...

- **Governments (typically) are keen to acknowledge that they care**
- **But not to interrupt the flow of funds ...**
- **So the individual pathology approach is very attractive**
- **Fund counselling services, warning signs, and marginalia**
- **But DO NOT interrupt the flow of cash**

What do EGMs do?

- **EGMs are ‘learning consoles’ – conditioning users via intermittent system of rewards**
- **EGMs are not all the same – every ‘gaming’ room presents an ‘economy of qualities’ – a diverse array of devices appealing to different consumer segments**

How much do problem gamblers spend?

(source: Caraniche 2005)

Category	% of sample	Visits per week	\$ per visit	Weekly spend	Total weekly spend	Share of total weekly spend
Non-problem	31.1	1.98	\$35.95	\$71.18	\$9,228	9.7%
Low-risk	16.5	2.13	\$56.52	\$120.39	\$8,307	8.7%
Moderate-risk	25.4	3.35	\$76.32	\$255.67	\$27,101	28.4%
Problem	27.0	4.34	\$103.41	\$448.80	\$50,714	53.2%

Source: Caraniche 2005. Total sample, 219 regular gamblers in multiple venues in Victoria.

The EGM technical system

- **Highly reflexive and iterative system, exemplifying the hyper-commodity – dematerialized consumption, constantly modified on basis of performance**
- **EGMs generate rich data, crucial to and used for product innovation**

So ...

- **Somewhere around half the EGM spend comes from problem gamblers**
 - (PC – 42% PG + 20% at-risk)
- **Somewhere around half the people in gaming rooms are likely to be in trouble with their gambling**
 - Can we sustain an argument about the small minority?
 - Can we sustain an argument about not inconveniencing 'recreational' gamblers (the new Vic government line)?

Upstream - Downstream

- **In a simplified public health model:**
- **‘Upstream’ interventions prevent harm from occurring**
- **‘Downstream’ interventions address the consequences of harm**
- **Treatment is downstream – necessary, but nowhere near providing a comprehensive approach to the problem**

How to go upstream ...

- **We would be driven by the evidence**
- **We would have regard to principles of consumer protection**
- **In other words – make sure the devices are safe to use, and very unlikely to inflict harm on those using them**
- **After all, this is supposed to be harmless fun**

Enter the PC ... a very powerful evidence base

- **Two inquiries – 1999, 2009-2010**
- **Many submissions, very keen interest from industry**
- **In both, the PC stressed importance of measuring benefits against costs**
- **By 2010, costs were seen as excessive – up to \$4.7 billion p.a.**
- **And gambling is no magic pudding**

Enter Wilkie ... a very powerful politician!

- **Wlkie-Gillard agreement, s.7.5a:**
 - Implementing a best practice full pre-commitment scheme - that is uniform across all States and Territories and machines – consistent with recommendations of the Productivity Commission ...[to] ... commence in 2012, with the full ... scheme commencing in 2014 ...

A consumer protection system?

- **Reduced volatility, which would flow from lower prizes and lower stakes (which the PC recommended)**
- **Certainly spend time and effort on game maths (not recommended by PC)**
- **Constrain marketing technologies (not recommended by PC)**
- **‘Smart’ system wide pre-commitment (recommended by the PC)**

Pre-commitment, etc

- **Effective pre-commitment needs a system wide network – which already exists**
- **Also needs a secure card or other device to ‘authorise’ play**
- **Would make self exclusion effective (for the first time)**
- **If well instituted would also assist many gamblers trying to manage their use**

BUT ...

- **Pre-commitment won't help everyone**
- **EGM technology can be modified to reduce the most extreme harmful consequences**
- **Whether this may result in EGMS that are less fun is an open question – the Brits don't think so**
- **Note: almost no other jurisdiction in the world does what we do**

NSW

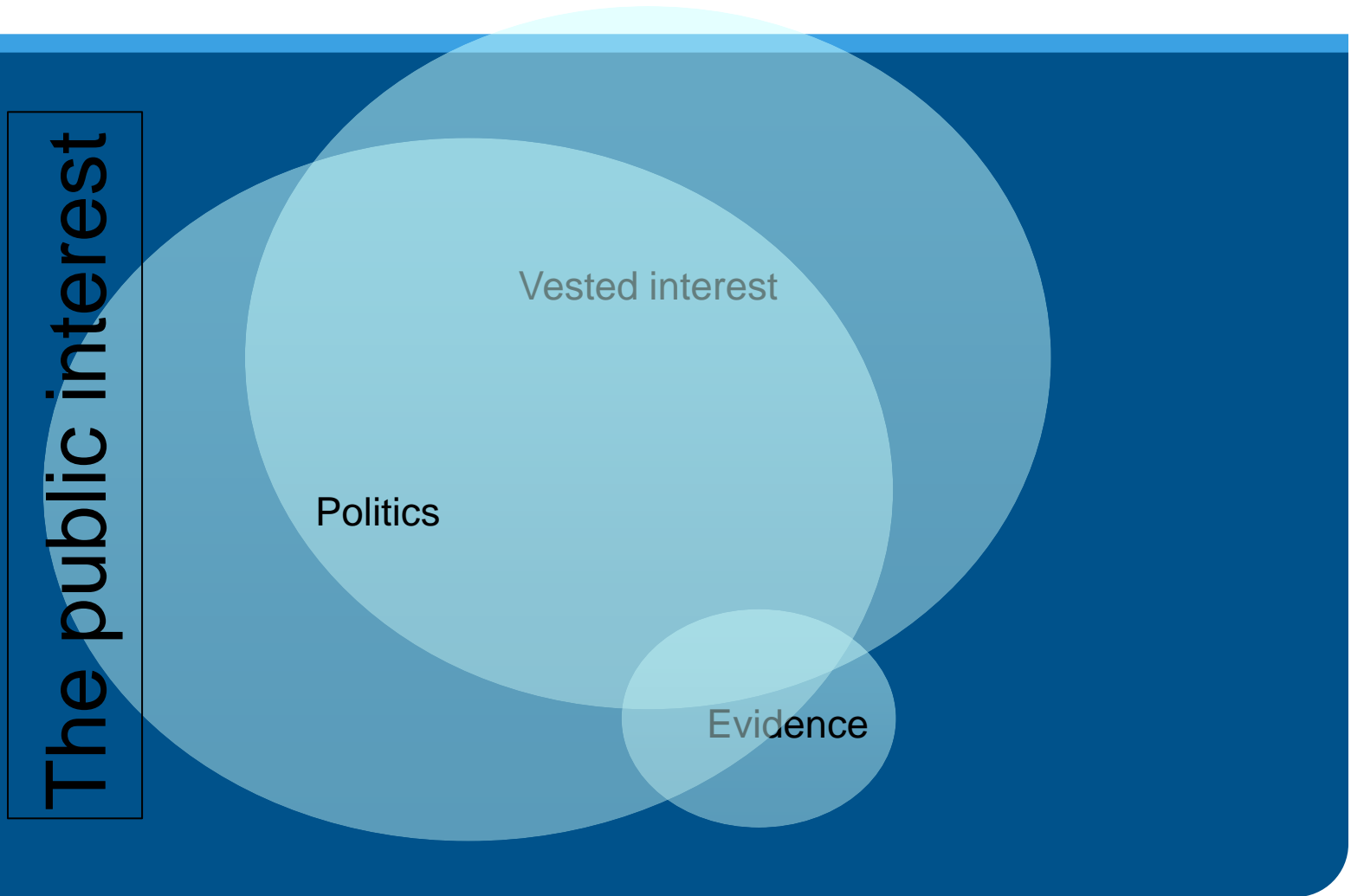
- **Is the key to the resolution of EGM derived problem gambling**
- **The pokies are metastasised into the fabric of NSW society**
- **Harm production is industrialised and politically powerful**
- **As we see from the submissions to the PC ...**

The regulatory battle

- **Is about:**

- Overcoming state's vested interests (significant)
- Overcoming industry vested interest (formidable)
- Achieving technical solutions (achievable, but daunting)
- Accepting political opportunity!

A very simplified EGM regulation dynamic ...



Finally

- **A sustainable, ethically defensible EGM industry may be achievable**
- **It needs technological and social solutions, esp. in NSW**
- **These can't be delivered with current thinking**
- **Consumer protection and resistance to vested interests are highly critical elements, amongst many!**

Indeterminacy, at a venue (very) near you ...

assuming you live in a new housing development on the outskirts of a major Australian city, of course

