

**Appendix 1:**

**Gambling Background Paper**

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# Introduction

The City of Maribyrnong is a diverse and vibrant community undergoing significant changes with population growth and new residential development. These changes create opportunities for social and economic development in the municipality.

However, they also create a number of complex challenges for local residents in areas such as housing affordability, problem gambling and access to community services and facilities and opportunities for employment and education.

Maribyrnong City Council (Council)has a history of supporting community wellbeing and encouraging social inclusion by providing programs and services that help to meet the diverse needs of the city’s residents.

Gambling in Victoria is lawfully provided through electronic gaming machines (EGMs) located in hotels, clubs and the casino, wagering (racing and sports betting), lotteries, keno and bingo, as well as by casino table games. In recent years, there have also been significant increases in online gambling through online wagering.

Local Government has an important role in managing the social, economic and health and wellbeing impacts of gambling in local communities, particularly for EGMs.

This background paper provides information about gambling in Victoria and the City of Maribyrnong. This includes information about the level of losses from gambling and the taxation revenue raised from gambling in Victoria.

This paper also considers the causes and impacts of problem gambling and includes key information about the level of problem gambling in Victoria.

# Gambling in Victoria

Gambling in Victoria is lawfully conducted via EGMs in hotels, clubs and the casino, wagering (Racing and Sports Betting), Lotteries, Club Keno, bingo and Crown Casino, all regulated by the VCGLR under the *Gambling Regulation Act 2003*. Lawful online gambling involves wagering via the internet, mostly on racing and sport.

***EGM gambling***

Under the *Gambling Regulation Act 2003*, the regulation and conduct of EGM gambling in Victoria involves two levels of control and participation in the industry: EGM gambling venues (which since 2012 have also owned and been the licensed operators of EGMs), and the State Government.

A maximum of 30,000 EGMs may operate in Victoria. This includes more than 2,500 in Melbourne Casino and the balance of the 30,000 EGM's available to be operated in clubs and hotels in Victoria. At least 20 per cent of EGMs must be situated outside Melbourne and a maximum of 105 may be permitted within a single venue, with the exception of Crown Casino.

***Crown Casino***

Crown Casino is regulated under separate legislation to clubs and hotels in Victoria under the *Casino Act 1991.* Although Crown Casino is required to follow the same standards and requirements as other gaming venues, there are some exceptions. For example, the Casino operates 24 hours a day, table games are provided and some EGMs offer considerably higher bet limits.

Crown Casino operates 440 gaming tables and 100 poker tables, Table games include poker, roulette, baccarat, blackjack and craps. Some of these table games are now automated and have some of the characteristics of EGMs. Crown Casino currently operates 2,628 EGMs.

***Wagering (Racing and Sports Betting)***

Wagering is the placing of a bet on racing, sports and other approved events. In Victoria, wagering on horse and greyhound races is offered on-course, by bookmakers at a racetrack, and off-course by Tabcorp Wagering and TAB agencies.

Tabcorp is licensed to operate the only on course wagering retail network in Victoria. Tabcorp’s licence also allows it to accept bets online or by telephone. As of 31 May 2015, there were 738 TAB outlets in Victoria (taken from Gambling Information Resource Office Information Sheet).

The regulation of wagering is undertaken by the VCGLR. Increasingly, Victorian clubs and pubs are seeing the combination of EGM gambling with sports betting, which further encourages gambling in these venues. This increases the atmosphere of gambling in the venue.

***On line Wagering***

Increasingly, wagering is occurring online in Australia. The high adoption of the Internet among Australians has fuelled the growth of online sports betting. 36 per cent of national wagering revenue is derived from Internet Wagering. 40 per cent of Australian wagering (including betting on sports and races) takes place online.

In its 2009 Inquiry into Gambling, the Productivity Commission estimated there were 424,000 active online wagering accounts and approximately $391 million was spent online in 2008. Estimates in 2014 indicate Australian online wagering is now a $1.6 billion revenue industry, increasingly fuelled by mobile/tablet adoption and product innovation.

During 2012-13, sports wagering on the Internet in Australia generated approximately $1.7 billion in turnover. The majority of players lost money overall. On average, players lost 34.1 per cent of the total amount wagered. Most players appeared to bet moderate amounts with average bet sizes ranging from $14.05 to $18.02.

Social media may also play a role in encouraging online gambling. The report, the Use of Social Media in Gambling by Gainsbury et al, found that 34 per cent of adolescents who were at some risk of gambling problems reported social media use by gambling operators had increases their problems with gambling.

In Victoria, sports betting is legal on any event where approval has been given by the VCGLR. Sports betting can be offered by Tabcorp or other sports betting companies licensed in an Australian jurisdiction.

The VCGLR must approve sports for both fixed odds and totalisator betting. It is important to note that on line bookmakers registered or licensed in other states and territories are permitted to offer wagering services to any person regardless of their state of residence. Many on line bookmakers lawfully offer wagering services to Victorians including residents in the City of Maribyrnong.

***Lotteries***

A lottery is a rapid draw game where a set of numbers is drawn through a random number generator. The only public lottery licence in Victoria is held by Tattersall’s Sweeps Pty Ltd. Tattersall’s is authorised to offer Tattslotto, Oz Lotto, Powerball, Super 66, the Pools, Monday and Wednesday Lotto, Lucky Lotteries and instant scratchies.

***Keno***

Keno is a rapid-draw game in which a set of numbers is drawn through a random number generator from a pool of numbers. The numbers are then posted electronically in venues. In Victoria, Keno can be offered by Tabcorp Investments No. 5 Pty Ltd. Tabcorp is authorised to provide Keno in eligible hotels, clubs and TAB agencies across Victoria under a 10 year licence, which ends in 2022.

Unlike EGMs, Keno is not restricted to the gaming areas of a hotel or club. As of 31 May 2015, there were 670 Keno outlets in Victoria.

***Bingo***

Bingo is a form of minor gaming. Players receive tickets with randomly numbered squares then players mark off the numbers as they are randomly drawn and announced. To win, a player must be the first to mark off all numbers on their ticket and call ‘line’, ‘pattern’ or ‘bingo’.

Bingo may only be conducted for fundraising purposes by organisations registered by the VCGLR as a community or charitable organisation. A licenced bingo centre operator can also run bingo sessions on behalf of a declared community or charitable organisation. Bingo centre operators must be licensed by the VCGLR.

***Losses from Gambling in Victoria***

Losses from gambling in Victoria were $5.4 billion in 2013-14. The following chart summarises these losses across the different types of gambling licensed in Victoria.

**(Source: Appendix 15, VCGR Annual Report 2013-14)**

As a percentage the legal gambling losses the breakdown of losses is losses in Victoria were as follows:

* EGMs outside Crown Casino accounted for 46 per cent of gambling losses in Victoria in 2014-15.
* Crown Casino represents 29 per cent of losses which is based on losses for table games and EGMs. Crown Casino has over 2,500 EGMs and 400 table games, as well as 100 poker tables. Figures are not available for the breakdown of losses from Crown. Revenue from EGMs is informally estimated at about 65 per cent of total revenue for the casino.
* Lotteries account for 9 per cent of total losses.
* Wagering which includes race betting and TAB, accounted for 15 per cent of total losses.
* Club Keno accounts for 0.2 per cent of total losses.

Another way of considering the impact of gambling on the community is gambling losses as a percentage of household disposable income in Victoria. As is the case with losses overall, the losses from EGMs are the highest at 1.1 per cent followed by losses from Casinos at 0.7 per cent of household budgets.

**Taxation from Gambling in Victoria**

The Victorian State Government relies heavily on taxation revenue from gambling. In 2013-14, $1.5 billion was collected in taxation revenue from gambling in Victoria.

As a percentage breakdown this shows the following:

* EGMs outside the Crown Casino - 57 per cent
* Crown Casino - 14 per cent
* Lotteries - 26 per cent
* Wagering - 4 per cent
* Club Keno - 0.2 per cent

This breakdown demonstrates that EGM gambling represents by far the largest source of revenue from gambling for the Victorian Government, with over twice the level of taxation revenue as lotteries, and over four times the taxation revenue collected from Crown Casino.

# Gambling in the City of Maribyrnong

Lawful gambling in Maribyrnong involves the use of EGMs, wagering (Racing and Sports Betting), Lotteries, Club Keno and online gambling. Statistics are not available for the level of losses from wagering, lotteries and online gambling in the municipality.

However, it is likely that the breakdown of losses from different forms of gambling in Victoria is similar in Maribyrnong to the Victorian levels. This means that EGM gambling is likely to comprise a far larger proportion of losses than other forms of gambling.

The City of Maribyrnong has a cap of 511 EGMs with 415 licenced EGMS in nine venues. This represents 6.1 EGMs per 1000 adults. The municipality had losses of $52.9 million on EGMs in 2014-15. This equates to EGM losses of $798 per adult, which is the third highest in Victoria, after the cities of Greater Dandenong and Brimbank.

The level of losses from EGMs is highest in the suburb of Braybrook with $14.86 million in 2014-15 from two venues, the Braybrook Hotel and the Ashley Hotel. This is followed by Maidstone with $13.61 million, from one venue, the Yarraville Cricket Club (Palms Bingo).

The City of Maribyrnong is an area of relative social and economic disadvantage, it being ranked 72 out of 79 municipal districts for disadvantage on the SEIFA scale.

Braybrook is the fourth most disadvantaged suburb in metropolitan Melbourne, with a SEIFA Index of Disadvantage rank of 801.1. Braybrook also has significant levels of disadvantage across a range of indicators including educational attainment, qualifications, and unemployment.

Braybrook has the lowest level of completion of Year 12 of any suburb in the City of Maribyrnong, and in comparison with Greater Melbourne.

Braybrook also has the highest proportion of people without qualifications, with 53.7 per cent, compared to 40 per cent for the City of Maribyrnong and 42.5 per cent for Greater Melbourne. People with no qualifications are classified as people who do not have a unversity, TAFE, technical or trade qualification. This can restrict people to unskilled occupations, which are frequently low paid.

Braybrook’s unemployment rate is 12.9 per cent as of March 2015 compared to 7 per cent for the City of Maribyrnong and 6.3 per cent for Victoria.

Braybrook historically has had a very high concentration of social housing. Social Housing in Victoria is characterised by people on low incomes either renting from a government authority such as the Victoria Office of Housing, or from a social housing cooperative. Based on ID Census 2011 data, 19.3 per cent of Braybrook’s housing is classified as social housing, as compared to 6.2 per cent for the City of Maribyrnong and 2.9 per cent for Greater Melbourne.

The level of losses from EGMs across the suburbs of Maribyrnong is not reflected in large absolute numbers of EGMs. Yarraville has 26 more EGMs than Braybrook and Footscray and 26 more than Footscray. However, both Braybrook and Maidstone have far higher losses than Yarraville.

***Gaming Applications in the City of Maribyrnong***

Since 2008, the City of Maribyrnong has had three gaming applications: the Edgewater Club; the Braybrook Hotel; and the Yarraville Club.

The Edgewater Club development in the suburb of Maribyrnong was approved in 2010. The proposed venue includes the installation of 70 EGMs. Council opposed this application in the VCGR (as it then was) and at the Tribunal, highlighting the high level of losses from venues surrounding the proposed venue.

In 2015, the developer for the Edgewater Club proposed to develop 12 residential dwellings above the venue and within the same building. Council received 40 objections to the proposal from local residents and initially resolved to oppose the application. Ultimately, the Tribunal granted the additional dwellings having regard to the planning merits of the particular proposal.

Council has subsequently raised concerns with the Minister for Gaming over the development and use of dwellings co-locating on or above gaming venue sites.

The Braybrook Hotel gaming case involved the owners of the Braybrook Hotel, Bakers Arms Pty Ltd applying to the VCGLR for an increase of 19 EGMs at the venue from 31 to 50, in the context of a proposal for a $6 million redevelopment of the site. The applicant also undertook to establish a $100,000 Annual Community Support Fund.

At VCGLR, Council successfully opposed this application on the grounds that the proposed increase would cause significant harm and increase levels of problem gambling in a community with high levels of social and economic disadvantage. In its decision, the VCGLR stated the dis-benefits to the community outweighed the benefits from the proposed development.

The Applicant applied to the Tribunal to review the VCGLR's decision and in so doing amended their application from 19 to 14 EGMs and the proposed redevelopment to $4 million. The Tribunal overturned the VCGLR's decision determining the proposed development provided significant benefits, which outweighed the potential detrimental impacts on the residents living in the area.

The Yarraville Club VCGLR application included a proposed increase of 25 EGMs from 78 to 103. It also included a $1 million redevelopment proposal for the venue. Council submitted to the VCGLR, the extra revenue generated by the increase in EGMs, the attractiveness of the venue to local residents and the potential for further redevelopment of the venue would result in a negative impact on the local community.

# The Causes and Impacts of Problem Gambling

## Defining Problem Gambling in Victoria

The Victorian Competition and Efficiency Commission estimates the social and economic costs of problem gambling in Victoria is likely to between $1.5 billion and $2.8 billion (in 2010-11 values).

The Adelaide University Paper *Problem Gambling and Harm: Towards a National Definition* defines problem gambling as follows:

***Problem gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community.***

Thus, the concept of problem gambling is the recognition that gambling can cause harm, and that this has adverse consequences for many in the community, including the gambler and many others.

To characterise gambling harm as ‘problem gambling’ is a limitation on the actual nature of this problem, and in any event is at odds with the above definition. Council’s focus is to ensure gambling harms are reduced in order to reduce as far as possible the incidence of problem gambling, and the harmful effects on others of gambling.

## Background

It is estimated there are between 80,000 to 160,000 people in Australia who could be classified as problem gamblers (i.e. people who score 8 or more on the Problem Gambling Severity Index, or PGSI). In addition, there are between 230,000 and 350,000 people who are moderate risk gamblers (i.e. who score from 3 to 7 on the PGSI) who experience lower levels of harm and who may progress to problem gambling. About 1 per cent of Victoria’s population are problem gamblers.

***The Victorian Competition and Efficiency Commission estimates that the social and economic costs of program gambling in Victoria was likely to between $1.5 billion and $2.8 billion in 2010-11 values.***

Problem gambling occurs across all forms of gambling from EGM gambling to wagering. The increase in online wagering has seen an increase in problem gambling rates with young men who are the main target of online wagering advertising.

According to the Department of Justice's longitudinal gambling study, 91 per cent of problem gamblers and 77 per cent of moderate risk gamblers use EGMs. This survey also estimated the problem gambling rate in the North and West Metropolitan region (in which the City of Maribyrnong is located) at 1.18 per cent, with a moderate risk rate of 2.66 per cent. This is significantly above the Victoria average problem and moderate risk gambling rates of 0.7 per cent and 2.36 per cent respectively. The Australian government estimates 75 per cent of gambling problems are primarily associated with EGMs.

The Productivity Commission Inquiry into Gambling report estimates problem gamblers account for between 22-60 per cent (with an average of 41 per cent) of total expenditure from EGMs in Australia. Moderate risk gamblers are estimated to account for an additional 20 per cent of EGM expenditure.

***If the average of 41 per cent is applied to the City of Maribyrnong EGM losses of $52.9 million in 2014-15, the level of losses derived from problem gambling would be $21.7 million. An additional $10.6 million would be attributable to moderate risk gamblers.***

## Causes of Problem Gambling

The focus of problem gambling is on individual responsibility. Problem Gamblers are encouraged to take responsibility for their actions and seek support through program such as Gamblers Help and the Victorian Government’s Voluntary Pre-commitment Program.

However, there are a number of social and environmental factors that contribute to problem gambling. A public health approach to gambling problems involves careful consideration of environmental, social, ecological, economic and structural factors that contribute to the development of harm from gambling. A public health approach does not emphasise personal responsibility, but rather is focused on prevention rather than treatment. Where treatment is offered, it should be well funded and as accessible as possible.

***Gaming Machine Design***

The *Gambling Regulation Act 2003* stipulates that the holder of an EGM licence must ensure that the pay-out table on gaming machines at each venue is set to a minimum of 85 per cent return to the player (RTP) of the total amounts wagered each year at that venue, after deduction of the sum of jackpot special prizes determined as prescribed and payable during that year.[[i]](https://mail.google.com/mail/u/0/#150eefb6e344a191__edn2)

In effect, what this means is that a player who arrives at a venue with $10 to gamble will lose an average of 15 per cent of that stake (if the game is set to that RTP of 85 per cent) at each bet. Thus, after the first bet the average stake retained will be $8.50; after the second, the average stake retained would be $7.23; after the third, $6.15; and so on until the balance is zero.

The legislated level of return from EGMs each year does not take account of EGM design and the habits of EGM gamblers and the losses incurred at each session of play.  EGMs have the capacity for rapid repetition of games. The rapid repetition allows players to continuously place bets on the machines each session, which are often small bets of a dollar or less, but which in Victoria can be $5 per bet. Of course, these are averages. A small proportion of EGM users increase their stake, because they achieve a substantial payout.

The Productivity Commission found the level of return from EGMs is significantly reduced the longer a user utilises a machine. Based on 10,000 simulations of actual EGM games with over a 90% rate of return and with free features, moving from 1 hour to 16 hours of play reduces the proportion of people increasing their stake during the session of use from 30 per cent to 7 per cent.

EGM users can experience a sense of dislocation, disorientation or disengagement from reality. In the case of those with an established gambling addiction this is referred to as being ‘in the zone’. Many players acknowledge they play EGMs to escape or tune out from a variety of personal situations.

It is clear that EGMs can provide relief from pressing problems and stress. Unfortunately, the gambling industry understands this propensity and has tended to locate more EGMs in areas of disadvantage, thus significantly increasing the impacts of EGM gambling in such communities.

One of the key factors in developing an addiction is the repetition of behaviour, which forms a habit. This habit provides a sense of reassurance associated with the addiction, because it provides a pleasurable constant in the person’s life. [[ii]](https://mail.google.com/mail/u/0/#150eefb6e344a191__edn1) (Gambling Regulation Act). Repetition reinforces specific neural pathways associated with pleasure and relief from stress and pain. The same neural pathways are developed with gambling addiction as with (for example) cocaine addiction.

EGM design and usage can provide a framework for a habit to develop by encouraging repetition of actions and feelings associated with gambling. The conditioning mechanisms via which repetition of potentially addictive behaviour is encouraged are discussed below.

EGMs utilise well-understood principles of operant and classical conditioning to establish patterns of sustained EGM use. It is now known that the operation of such conditioning systems stimulate the release of dopamine and other brain chemicals, which act on the brain’s reward system in the same way that occurs in those with addictions to narcotic drugs such as cocaine.

Classical conditioning was discovered in the 19th century by [Ivan Pavlov](http://psychology.about.com/od/classicalconditioning/a/pavlovs-dogs.htm). This can be demonstrated by the example of a dog which, when fed, hears a bell. The dog becomes accustomed to the sound, and will salivate when it hears it, even without food. The reward (food) becomes associated with a quite different stimulus.

From the 1950s, the US psychological researcher B. F. Skinner and colleagues conducted a series of experiments on pigeons and rats. These demonstrated that random provision of rewards would make animals likely to repeat activity associated with the rewards. This is much more likely to lead to continued behaviour than a system of regular rewards. This is known as [operant conditioning](http://psychology.about.com/od/behavioralpsychology/a/introopcond.htm). It works as well on humans as it does on pigeons and rats.

There can be a misconception by some EGM players that the machines operate in cycles of winning and losing. EGM players may believe they acquire more knowledge if they play more often. Regular gamblers, and those with established problems, are also more likely to prefer a specific game, on the basis that they believe it will bring them luck. Other erroneous beliefs are common amongst regular gamblers, and amongst those with gambling problems.

The success of EGM design strategies lies in the capacity of EGMs to attract patrons to devote increased expenditure. Unfortunately, this success is also associated with the development of gambling problems in about 15 per cent of regular patrons, with another 15 per cent of regular patrons displaying moderate risk of gambling problems.

***Venue Location and Layout***

One of the key issues associated with moderate and problem gambling is exposure to accessible gambling opportunities. 90 per cent of people living in metropolitan Melbourne reside within a 2.5 kilometre radius of a club or hotel with EGMs, as do 55 per cent in non-metropolitan areas. A survey of 8,500 Victorian residents by KPMG found that 32 per cent of gamblers travelled an average of 2.5 kilometres to a venue and 57 per cent less than 5 kilometres. It is now well understood that regular exposure to gambling opportunities is a risk factor for the development of gambling problems.

Hotels and clubs are often located in or around activity centres or near local shopping areas. This makes it more likely that people conducting their everyday business in their local area will be exposed to gambling opportunities, and in many cases subsequently engage in gambling. A small proportion of people who gamble on EGMs will develop gambling problems and experience associated harms.

It is rarely necessary to travel any great distance in Melbourne (and particularly in western metropolitan Melbourne) to find an EGM venue. EGM density in Maribyrnong is historically high and the social conditions experienced in the municipality are such as to predispose many Maribyrnong residents to use EGM gambling, with a proportion experiencing harm and gambling problems.

***Convenience of Online Gambling***

The convenience of online gambling such as sports betting appears to be contributing to problem gambling rates in Australia, particularly among younger men who make up the largest proportion of online gamblers.

In its report on the survey of interactive (online) gambling, Gambling Research Australia estimates that men make up approximately 77 per cent of those people surveyed online. The report also stated that the online gamblers ability to bet quickly and repeatedly through using credit card transactions, were contributing to the risk of problem gambling. Rapid repetition of bets and ready access to resources to support this are also risk factors for the development of gambling problems, as is also the case with EGM gambling.

## Impacts of Problem Gambling

***Health and Psychological Impacts***

Problem gamblers are likely to experience a number of psychological and health related impacts. Evidence suggests that a high proportion of people presenting for help with gambling are also dealing with other health or behavioural issues. The Productivity Commission Inquiry report found that:

* the rate of likely hazardous alcohol use was 5 per cent;
* the risk of depression was 71 per cent; and
* the rate of daily smoking was 5 per cent.

In addition, there is evidence that problem gambling further exacerbates existing health and psychological problems with 36 per cent having a severe mental disorder that contributed to their addiction.

The Department of Justice study of 15,000 respondents found that:

* 46 per cent reported anxiety as a major issue compared with 17.17 per cent of moderate gamblers.
* 43 per cent of problem gamblers smoke between 11-20 cigarettes a day.
* 25 per cent of problem gamblers risk alcohol consumption of between 15-28 drinks per week.
* 52 per cent reported depression as a major issue compared with 20.33 per cent for moderate gamblers.
* 21 per cent of problem gamblers were obese.
* 28 per cent of problem gamblers had a disability.

***Income stress and Poverty***

A high proportion of problem gamblers are already on low or moderate incomes. Gambling problems exacerbate financial problems and can lead to reliance on social welfare services and charities, and a heightened risk of homelessness.

Financial losses, and ‘chasing’ behaviour (via which gamblers seek to recover such losses) are an early marker of gambling problems. The impacts of financial stress are thus linked to the social impacts of problem gambling. Uncontrolled gambling spending and resultant household financial stress, adversely affect the financial security of an individual or their family, impacting on food security and an ability to pay necessary expenses.

***Family violence***

Problem gamblers are more likely to face family and relationship breakdown issues as a result of the pressures of problem gambling. A qualitative research project in Victoria found that there was a link between family violence and problem gambling. Family violence increased with the development of gambling problems, in some circumstances where dispute the extent and effects of the problem. There is also an increased risk of gambling problems in the presence of family violence, as women gamble in search of a relief from abuse.

***Crime***

Several studies demonstrate that income-generating crimes such as theft, breaking and entering and fraud are used by some problem gamblers to support their addiction.

A 2008 study of all Australian convictions for deception related offences between 1998 and 2007 identified 528 criminal cases in which gambling was a significant factor. The study found that Victoria has the highest number of criminal cases relating to gambling at 156, as well as the highest losses to fraud at $102.7 million. Research undertaken by the Productivity Commission in 1999 estimates that 1 in 10 problem gamblers have committed a crime to finance their gambling.