$1 Bets and Harm Minimisation – Exploring the Evidence and Issues

Key Statements

- The Industry believes that regulatory measures to combat problem gambling and harm should be properly informed by empirical evidence and evaluated for efficacy, cost-benefit and unintended consequences.

- There has been no systematic research investigation in to the effect of a $1 bet limit across a range of EGM gamblers and machine denominations. While the PC was of the opinion that there may be "considerable piecemeal evidence available" the empirical research conducted is actually extremely limited. Even those authors who support the imposition of a $1 bet limit have admitted that the evidence available in support is "largely circumstantial".[1]

- Further, evidence from studies conducted in the years since the PC's 2010 report in international jurisdictions suggest that unintended consequences may ensue – with research finding that more bets are placed in games with a lower maximum bet size and/or less variable bet range.

- Even if accepting PC calculations themselves it remains possible that some 50% of problem gamblers could still experience harms despite the imposition of an EGM bet limit 1/5 – 1/10 the size of current Australian values. Meanwhile, a significant number of recreational gamblers would stand to have their non-problematic activity curtailed.

- Problem gambling and harm may not be effectively minimised simply through mandating low spend parameters on one of the many legal gambling forms available. In most Australian states/territories, where real EGM revenues are static (if not declining) and there is a growing demographic with a preference for online gambling it is quite feasible that $1 maximum bet EGMs will not remain an attractive product to many consumers (whether they are those experiencing problems or not).

- Information provided by both the PC and Australia's EGM manufacturers makes it plain that EGM parameter changes require lengthy timeframes for implementation and entail significant costs.

- A $1 bet limit would have significant negative impacts upon venue revenues, venue viability, venue employment, venue contributions to taxation revenues and the community objects funded by those revenues.

Background

A recommendation of the Productivity Commission's (PC's) 2010 report on gambling was that "governments should require that all new EGMs include the capability of being played at a maximum intensity of $1 per button push". Recognizing the significant costs of operationalising such a measure,

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[1] Livingstone C. and Francis L. (2014) *What is the evidence to support reduction of maximum bets on electronic gambling machines? Discussion of the current arrangements for community benefit statements by Victorian club gambling venues. Discussion of the likely effects of further local caps on EGM numbers on gambling harm and the prevalence of problem gambling.* Report to Municipal Association of Victoria. Monash University/MAV p4

the PC's suggested time frames for implementation were 6-8 years from the release date of the report.[2]

A $1 bet limit for EGMs has since been the subject of both a federal bill[3] and an inquiry into that bill by the Australian Parliamentary Joint Select Committee on Gambling Reform (JSCGR).[4]

The JSCGR ultimately reported a majority view that other existing and planned harm minimisation initiatives of the time remained a preferred response and that the potential costs of implementation for a $1 bet limit were not justified on the available evidence.[5]

However, both Tasmania's Independent MP Andrew Wilkie and former Senator Nick Xenophon, along with gambling reform campaigner The Reverend Tim Costello, have continued to reiterate their preference for $1 bets on numerous occasions in the years since.[6]

Likewise, the Australian Greens announced in October 2011 that a Greens gambling policy would institute a requirement for the provision of 'low-intensity' EGMs with a $1 maximum bet."[7] The Greens claim that such a bet limit would "rein in potential gambler losses from $1,200 an hour to an average of around $100" and "would not affect 88% of recreational gamblers".[8]

Currently, vocal proponents of a $1 EGM maximum bet include the Alliance for Gambling Reform, the Greens and, in South Australia, the SA Best Party led by Nick Xenophon.

NXT states that, if elected, members will call for "the immediate implementation of the Productivity Commission's (PC's) recommendation for $1 maximum bets per spin and $120 in hourly losses (compared to $10 per spin and $1,200 an hour)" and issue a challenge to the major parties "to conduct a referendum on implementing $1 maximum bet reforms".[9]

A recently released policy paper from the South Australian Council for Social Services (SACOSS) similarly states that "SACOSS continues to see $1 bet limits as an important and effective harm reduction measure which should be implemented in South Australia" and that, despite the transition challenges, "government could use the tax concession currently offered (only) to clubs in South Australia to provide an incentive for hotels to introduce $1 bet limits".[10]

Empirical Research into a $1 bet limit in Australia

Discussion in the body of the 2010 PC report, and referenced from other available sources, suggests that while regulating bet size in order to combat problem gambling has been a subject of consideration and debate for some years there is equally a clearly acknowledged lack of systematic research into precisely *what bet limit* would be appropriate and a similar lack of evidence to show

[2] Productivity Commission (2010) *Gambling*, Report no. 50, Canberra Recommendation 11.1, p56 and pp11.1-11.30
[3] The *Poker Machine Harm Reduction ($1 Bets and Other Measures) Bill 2012*
[4] Parliamentary Joint Select Committee on Gambling Reform (2013) *The Poker Machine Harm Reduction ($1 Bets and Other Measures) Bill 2012*, Final Report
[5] Ibid, Recommendation 1, p21
[6] See for example "Gambling reform push: Andrew Wilkie and Nick Xenophon to push for $1 maximum pokie bets", *Sydney Morning Herald*, 14 July 2016 http://www.smh.com.au/federal-politics/federal-election-2016/gambling-reform-push-andrew-wilkie-and-nick-xenophon-to-push-for-1-maximum-pokie-bets-20160713-gq5c5t.html>
[7] Australian Greens Media Release, *"Green's Announce Pokies Circuit Breaker",* 14 October, 2011 <http://www.austgamingcouncil.org.au/images/pdf/Media_Releases/greens%20mr%2014011.pdf >
[8] <https://greens.org.au/sites/greens.org.au/files/20160627_Dollar%20Bets%20for%20Pokies.pdf> <accessed 16 January 2018>
[9] <https://nxt.org.au/whats-nxt/policy-principles> <accessed 16 January 2018>
[10] South Australian Council of Social Services (SACOSS) (2018) *Gambling Harm Prevention Policies SA State Election 2018*, p3

what limit range would impact on the play of at risk or problem gamblers in real life settings.

Opinions on the issue abound – various studies have reported that limiting the number of lines played on an EGM, limiting maximum bets and slowing play speed have been rated by survey respondents as potentially effective or very effective harm minimisation measures.[11]

However, as a review of the Australian research has pointed out, "although these modifications may be intuitively appealing as harm minimisation measures, it is not clear whether there is any evidence that they work in practice, or whether problem gamblers would alter their behaviour in the face of such modifications".[12]

Despite a long discussed need for systematic empirical research in this area, very little has been conducted. Blaszczynski, Sharpe and Walker conducted one industry funded study in 2001 for the NSW Gambling Industry Operators Group (GIO) that is often referenced as the only empirical study to specifically research the effects of reducing Australian EGM bet limits to $1.

The GIO study involved 779 gamblers on 1c poker machines. A limited number of these 1c EGMs were reconfigured in a selection of hotels and clubs in Sydney to investigate not only the impacts of a maximum bet reduction to $1, but also a reduction in BNA levels to $20 and a reduction in reel spin speed.[13]

While reduction in reel spin speed and BNA levels provided equivocal results, study findings included that only a small percentage of participants reported bet sizes of an amount greater than $1. (An analysis by gambling status revealed that 2.3% of recreational, versus 7.5% of pathological gamblers placed bets greater than $1).

However the authors noted that it was not possible to determine whether this experimental reduction of maximum bet size differentially affected problem as compared to recreational gamblers. Since problem gamblers were almost three times more likely to bet over $1 at least once, it was rather considered "reasonable to assume" that this group would be affected more than recreational gamblers.[14]

While 2.3% of recreational gamblers and 7.5% of problem gamblers bet *above* the $1 limit in this study the implication remains that 92.5% of the problem gamblers studied bet *below* $1.[15]

The research concluded that reducing the maximum bet size to $1 "potentially might, for a small proportion of players, reduce both the development and the severity of gambling problems".[16]

This research clearly stipulated the limitations pertinent to the study. In short, findings were constrained by the parameters of inquiry (i.e., they pertained to 1c denomination machines and a

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[11] See for example Australian Institute for Primary Care (AIPC) (2006) *The changing electronic gaming machine industry and technology*, Victorian Gambling Research Panel; New Focus (2005) *The experience of problem gamblers, their loved ones and service providers*, Victorian Department of Justice; Rodda, S. and Cowie, M. (2005) *Evaluation of electronic gaming machine harm minimisation in Victoria*, Report prepared for the Victorian Department of Justice, Caraniche Pty Ltd – Reported in Delfabbro, P. (2008) *Australasian Gambling Review, Fourth Edition* (1992-2008) pp178-179
[12] Delfabbro, P. (2008) *Australasian Gambling Review*, Fourth Edition (1992-2008) p179
[13] Blaszczynski, A., Sharpe, L. and Walker, M. (2001) *The Impact of the Reconfiguration of Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling*, University of Sydney Gambling Research Unit.
[14] Blaszczynski, A., Sharpe, L. and Walker, M. (2001) Op. Cit. p 10
[15] KPMG Econtech (2009*) Economic Analysis of Productivity Commission Draft Report on Gambling*, Final Report prepared for the Australasian Gaming Council, p 21
[16] Blaszczynski, A., Sharpe, L. and Walker, M. (2001) Op. Cit. p 10

convenience sample of hotels, clubs and gamblers in metropolitan Sydney who agreed to participate).

The report authors also specified that consideration needs to be taken in the interpretation of results and specifically cautioned against "generalising the findings to other populations of gamblers and gaming devices other than 1c denomination poker machines".[17]

The lead author of the study, Professor Alex Blaszczynski, outlined the limitations of the research to the JSCGR in 2011:

> "I draw your attention to the fact that those findings were based on 1c gaming machines. Whether those findings extrapolate to high-denomination machines is questionable. Again, the limitations of that particular study are clearly outlined in that report: it was based on volunteers. No doubt a lot of problem gamblers would not have agreed to participate in that particular study. But it did give us some indications". [18]

The research conclusions of the 2001 Blaszczynski, Sharpe and Walker study note the "significant areas of deficit in basic understanding of the patterns and characteristics of play by problem and recreational gamblers" and go on to suggest further research and exploration is warranted.[19]

In 2004 IPART considered the Blaszczynski, Sharpe and Walker research as well as a report of the impacts of change to a $1 bet limit, written by the Centre for International Economics (CIE) and a subsequent review of both reports by the Centre for Gambling Studies at the University of Auckland. IPART expressed concern regarding the lack of evidence and called for research to be conducted by the Ministerial Council on Gambling, recommending that "no reduction should be undertaken without modelling the effects of a range of potential bet levels on recreational gamblers and the gaming industry to provide sufficient evidence of the optimal bet level. IPART recommended that research into a range of levels 'at and below the existing $10 limit' should be conducted at a national level".[20]

To the current day no such systematic research has been undertaken and even those who advocate vigorously for $1 bet limits admit that the research underpinning their argument is largely circumstantial and relatively limited, relying on now aging analyses from the PC:

> *The evidence for this intervention is largely circumstantial, but the Productivity Commission's case for the measure was clear and logical. Overall, our conclusion is that there is a reasonable evidence base to suggest that a reduction in maximum bets is likely to be an effective harm minimisation measure. Nonetheless, the formal evidence for this is relatively limited.[21]*

Logic and clarity are hardly sufficient substitutes for research evidence of actual efficacy.

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[17] Blaszczynski, A., Sharpe, L. and Walker, M. (2001) Op. Cit p10
[18] Professor Alex Blaszczynski, Parliamentary Joint Select Committee on Gambling Reform, Transcript of Public Hearing - Sydney, 4 February 2011 p GR38.
[19] Blaszczynski, A., Sharpe, L. and Walker, M. (2001) Op. Cit. pp 11-12
[20] Centre for Gambling Education and Research (2005) *Review of the ACT Government's Harm Minimisation Measures*, ACT Gambling and Racing Commission p 134
[21] Livingstone C. and Francis L. (2014) *What is the evidence to support reduction of maximum bets on electronic gambling machines? Discussion of the current arrangements for community benefit statements by Victorian club gambling venues. Discussion of the likely effects of further local caps on EGM numbers on gambling harm and the prevalence of problem gambling.* Report to Municipal Association of Victoria. Monash University/MAV p4

Conclusions

1. Informed policy must be based on clear, up to date evidence rather than the assertion of views formed by little more than an analysis nearly a decade old, opinion, assumptions and reformist zeal (no matter how well intentioned).

2. Empirical research that uses both objective and observational data is required.

3. There has been no systematic program of empirical research determining what EGM bet limit could feasibly ameliorate the harms experienced by a majority of problem gamblers and protect those 'at risk' from developing problems whilst simultaneously allowing recreational gamblers continued amenity.

4. There is also a mounting body of evidence to suggest that significantly lowered bet limits may actually encourage gamblers to place *more* bets – and result in the unintended consequences of extending play while failing to constrain problematic expenditure.

5. Investigations of a $1 bet limit proposal – such as that already conducted some five years ago quite thoroughly by the JSCGR – support a conclusion that the potential costs of implementation are not justified by the available evidence base.[22]

6. The evidence currently available in support of a $1 bet limit is certainly not sufficient as any imperative for policy action.

7. Rather a review of available research findings from both Australia and international jurisdictions point to the need for more considered actions and appropriately targeted initiatives that derive from careful analyses, reducing the possibility for unintended consequences and providing meaningful harm minimisation outcomes.

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[22] See for example Parliamentary Joint Select Committee on Gambling Reform (2013) *The Poker Machine Harm Reduction ($1 Bets and Other Measures) Bill 2012*, Final Report p20 para 3.57