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The politics of problem gambling: Explaining differences between Victoria and Western Australia

Ryan Blake
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The Politics of Problem Gambling: Explaining Differences Between Victoria and Western Australia

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October 31 2006
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ABSTRACT

Greater accessibility of electronic gaming machines increases the prevalence of problem gambling. The emergence of gaming machines in the context of Australian gambling is a relatively recent phenomenon. Victoria has had strong growth in electronic gaming machines, whereas in Western Australia growth and accessibility has been very limited. This dissertation examines the importance of gambling revenue to the state economies, what factors explain Western Australia's lower dependence on gambling revenue and the extent to which problem gambling is more prevalent in Victoria.
DECLARATION

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Special thanks to Troy Buswell MLA and his staff for their great assistance in providing me with the latest taxation figures for Victoria and Western Australia. Finally, thank you to the Fremantle Football Club for a great 2006 season which has allowed me to take my mind off research occasionally throughout the year!
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**Thesis Introduction**

Gambling for most Australians is an irregular, relatively harmless and often enjoyable recreational activity. However, for some it can have very detrimental side effects. It is generally accepted that problem gambling exists as a form of addiction, yet there are a variety of definitions used. For the purposes of this thesis, problem gambling refers to a gambler's lack of control over their gambling that causes personal, economic and social harm (Market Solutions and Dickerson, 1997, p.2, Volberg, Moore, Christiansen, Cummings and Banks, 1998, p.350).

Problem gambling is an extremely serious economic and social issue for Australian governments. Likely to have always been associated with gambling, it has only been during the past two decades that problem gambling has emerged as a significant social issue. Although the proportion of problem gamblers is relatively small, they account for nearly one-third of gambling expenditure (Productivity Commission, 1999, p.2). As a public policy issue problem gambling is an example of a 'wicked problem' as it is an issue that cannot be resolved nor one which will go away (Rittel and Webber, 1973, p.160).

Government policies towards gambling, as well as gambling itself, have come a long way since the first official horse race in 1810. Several key developments during the latter half of the twentieth century brought about significant changes to gambling in Australia. There is an enormous disparity between the social gambling advocated by Governor Macquarie in the nineteenth century to the mass marketed gambling that is available today. Beginning with the advent of the TAB, the introduction of casinos and the spread of electronic gaming machines, these developments were ground-breaking and were pivotal to what followed in the other states. A common theme is that, in all instances, the liberalisation of gambling came as a result of forces other than public demand and there was never overwhelming support amongst the community (Costello and Millar, 2000, p.141).

There is a considerable difference in the extent to which gambling is a political issue between Victoria and Western Australia. Since the introduction of electronic gaming machines into Victoria in 1990, gambling has remained a contentious political issue. In Western Australia, continued bipartisan opposition to further liberalisation of gaming machines has meant that it is not a significant political issue in the state. These contrasting approaches have had a profound effect on the nature of gambling in the two states.
The presence of electronic gaming machines in pubs and clubs in Victoria and their restriction to the casino in Western Australia is the key difference between the two states' gambling policies. Evidence suggests that problem gambling is most strongly associated with "pokies" and the relative accessibility of pokies is one of the most important factors behind the prevalence of problem gambling. Since accessibility is much higher in Victoria, there are far more problem gamblers in that state compared with Western Australia. Differences in gambling policies, therefore, have a profound impact on the prevalence of problem gambling.

Liberalisation of gambling policies during the past two decades has come as a response to the impact of vertical fiscal imbalance (VFI) on state economies. This has led to governments becoming increasingly dependent on gambling for revenue raising. However, reliance on gambling revenue varies considerably between states. Victoria has the highest dependence on gambling taxes for state budgeting of all Australian states, collecting 14.8 percent of own-source taxation revenue from gambling (Victorian Department of Treasury and Finance, 2006, pp.131, 148). In contrast Western Australia is the least dependent state on gambling taxation, which contributes only 2.7 percent of own-source revenue (Western Australian Department of Treasury and Finance, 2006, pp.231-234).

Variances in the composition of the Western Australian and Victorian revenue bases are responsible for the disparity in reliance on gambling revenue. The government of Western Australia derives a significant proportion of its operating revenue, 9.1 percent ($1506 billion), from mining and other royalties (WADTF, 2006, pp.231-234). Victoria's income from royalties is only $63.1 billion (0.90 percent) (VDTF, 2006, pp.131, 148). Western Australia does not have to rely on gambling for revenue and there is no economic need for further increased accessibility to electronic gaming machines.

The Australian culture is instilled with gambling practices and problem gambling is something Australian state governments are increasingly grappling with. This thesis examines the differences in the prevalence of problem gambling in Victoria and Western Australia, and what has prompted different gambling environments to emerge. Given that Australia's cultural development has been dependent, at least to an extent, on the practice of gambling, it is worth examining the historical development of gambling policies. Chapter Two analyses the extent to which problem gambling is of concern for Australian society, as well as the association between problem gambling and electronic gaming machines.
Studies of gambling tend to look at individual states. Recent reports by the Productivity Commission (1999) and the Victorian Department of Justice (2005a) have both provided case studies comparing states in their research. Examination of the impact of gambling in two Australian states, providing an important comparative analysis, is a central component of this thesis. Significant differences in relation to electronic gaming machines have resulted in the development of two completely different gambling environments in Victoria and Western Australia.

Chapter Three focuses on the main differences between the two gambling environments as well as an examination of the impact of these differences on the prevalence of problem gambling in the respective states. Chapter Four explains why there is such a difference between Victorian and Western Australian gambling policies, particularly with respect to economic variables. Ultimately these factors explain the differences in the prevalence of problem gambling between the two states.
Chapter One: The History of Gambling in Australia

Introduction
Gambling in its innumerable forms, from simple wagering to sophisticated casino games, has always been at the core of Australian society. It has been argued that Australians would even place bets on two flies crawling up a wall (Costello and Millar, 2000, p. 19). Decisions by colonial authorities and successive state and federal governments, as well as local government authorities, reflect the influence of a myriad of social, economic and historical factors. The nature of the influence has shifted significantly from time to time as legislators and regulators have sought to maintain a balance which tolerates gambling while seeming to protect the community from its detrimental effects, real or perceived. The recent emergence, over thirty years, of the casino and electronic gaming industry has had a dramatic impact on government policy and on the attitude and expectations of an increasingly complex society.

An analysis of the four dominant current forms of gambling in Australia provides useful insights into the dynamics of gambling across the decades of European settlement in Australia. Racing and wagering, TAB betting, casino gaming and electronic gaming machines currently shape the gambling industry. Research into gambling and its effects has tended to focus on the two most populous states, New South Wales and Victoria. The growth of gambling in other states as well as its attendant attitudes and legislative frameworks has tended to reflect similar influences as those researched in NSW and Victoria.

Political attitudes towards gambling in Victoria directly contrast with those in Western Australia. Despite considerable public antipathy towards the spread of electronic gaming machines, little has been done to reduce their prevalence throughout Victoria. In Western Australia, however, there has been long standing bipartisan opposition to further liberalisation of gambling, namely gaming machines. This is the main difference between the Victorian and Western Australian gambling policies and is a pivotal point in regards to the overall context of this study. There is little public support for the introduction of further gaming machines in WA and there are no moves to change the status quo (Penn, Butler and Spencer, 2006). Gambling is subsequently much less of a political concern in WA than it is in Victoria.
**Historical Context**

Gambling has long been part of Australia’s history and it is believed to have emerged from England during the 1800s, reflecting a desire by European settlers to establish a colonial version of English society (O’Hara, 1987). The euro-centric focus of gambling during the formative early years of the colony is based primarily on what occurred in New South Wales and Victoria (Costello and Millar, 2000, pp.21-22). Keeping with English practices, gambling has always been regulated and controlled to some extent by the authorities. These policies, however, have changed substantially over the past 200 years due to a range of societal and economic factors and this has ultimately had an impact on problem gambling.

The first response by authorities towards gambling during the formative years of settlement was to enforce a complete ban on gambling which was perceived to be a dangerous and immoral activity. Prohibition ultimately failed, however, with gambling on cards, coins and dice, among other things, continuing to be rife throughout the colonies (Costello and Millar, 2000, p.27). Sensing the futility of an outright ban, authorities were forced to change tack by allowing some forms of gambling deemed to be acceptable, such as horse racing, whilst banning other forms. This approach lasted for over a century.

Wagering on horse races was one of the earliest examples of gambling in Australia with the first officially sanctioned race held in 1810. Seen by Governor Lachlan Macquarie as a means of strengthening community feeling (Costello and Millar, 2000, p.99) racing soon became an important aspect of early colonial life. Although other illegal forms of gambling were increasing in popularity, racing was by far the most dominant form and became synonymous with Australian gambling. Amongst the emerging colonial elites wagering quickly became the preferred gambling activity. Compared with other gambling forms, the ‘sport of kings’ was seen as eminently respectable and egalitarian (Charlton, 1987, p.59).

Racing came to dominate the gambling scene for much of Australia’s history and by the mid 1800s turf clubs had been established in every colony. By 1900 it was claimed that Western Australia had ‘more racecourses per head of population than any other place in the world’ (Charlton, 1987, p.63). It was also asserted in 1973 that Australia had more racetracks and race meetings than any other nation on Earth, irrespective of population size (Dunstan, 1973, p.43). The dominance of racing is still evident today as exemplified by the popularity of the Melbourne
Cup. That a whole nation gives so much attention to one annual horse race exemplifies the extent to which horse racing and gambling is engrained in the national ethos.

There has always been both opposition and support for gambling and authorities have been forced to develop comprises acceptable to both sides. Compared with more serious concerns such as the heat, starvation, drunkenness and conflicts with Aborigines, gambling was not a high priority (Costello and Millar, 2000, p.24). Illegal gambling was therefore mostly unchecked by authorities and soon flourished throughout the colonies. With strong demand for gambling the ineffectiveness of prohibition soon became evident. In Western Australia illegal gambling was rampant with strong patronage of two-up schools and card houses (Gaming and Wagering Commission of Western Australia, n.d., p.1). This was exacerbated by a lack of any serious opposition to gambling during the period.

Unlike other Western nations, such as the United Kingdom, early anti-gambling reformers had considerably less impact upon gambling legislation in Australia. This was the result of two factors. First, the middle class was comparatively smaller than other social groups and lacked any significant political and cultural influence. Secondly, church groups were pre-occupied with educational and sectarian issues (McMillen, 1996, p.67). There was simply not enough impetus for gambling reform movements to substantially alter the widespread gaming and betting habits of the majority of settlers. With little sustained opposition gambling became widely accepted within society and there was little interference by authorities (O'Hara, 1988, p.128).

The arrival of English evangelicals during the 1830s represented a significant challenge to existing attitudes toward gambling (O'Hara, 1988, p.130). Australian society increasingly became characterised by a complex political debate over morality and social behaviour, central to which was the issue of gambling. By the advent of the twentieth century, gamblers faced a sustained attack on their pastime more than any faced before. Evangelical Protestants targeted legislative changes to suppress gambling rather than to educate gamblers about its immorality. Their influence on government policy was profound and between 1876 and 1897 all colonies enacted legislation designed to prevent gambling in the public arena, most notable of which was lotteries (O'Hara, 1988, p.115). Their impact was also highlighted during the early 1900s which saw an 'avalanche of anti-gambling laws from state governments' (Costello and Millar, 2000, p.54).
Not everyone agreed with the ‘wowsers’, however, and influential magazines such as The Bulletin ridiculed them mercilessly. They also faced opposition from other social and religious groups especially the Irish Catholics. The gambling debate consequently incorporated a religious and societal aspect prompting increased sectarian division between Catholics and Protestants which was fought fiercely until the onset of the First World War in 1914 (Costello and Millar, 2000, p.54). The gambling debate came to be intrinsically linked with the ideological conflict between the ‘Micks’ and the ‘wowsers’. Historian Ken Inglis (1985, p.5) asserts that the history of gambling in Australia can essentially be seen as a contest between Catholic and Protestant cultures. Whilst this may be seen as a simplistic view it indicates the extent to which religion became intertwined in the gambling debate.

After the Second World War the intense sectarian divisions which had characterised earlier gambling debates had all but disappeared, primarily as a result of the diminishing influence of church groups. Australian society was essentially secular by the 1960s with church groups ‘no longer the powerful pressure groups they had been in earlier decades’ (Horne, 1968, p.54). A decade later religious influence on the gambling debate had all but disappeared as anti-wowser sentiment became more common throughout society. Regardless, the gambling debate continued to simmer in the decades after the Second World War with significant opposition to further expansion of gambling still prevalent throughout society (Costello and Millar, 2000, p.61).

The Emergence of New Gambling Forms
The importance of the economic value of gambling was evident by the end of the 1940s when a rapid decline in racing attendances and revenues forced the Victorian Racing Club (VRC) into desperate measures which included lobbying the state government to introduce off-course betting (Pacini, 1988, p.374). It was not until the 1960s that off-course betting became a reality through the introduction of Totalisator Agency Boards (TAB) across the country (Womersley and Richmond, 2001, p.171). The birth of the now ubiquitous TAB was not untroubled taking a decade of political jostling, several defeats and delays as well as the passage of three state elections. The troubled birth highlighted the extent to which wowser sentiment remained, as well as a lack of general public support for the proposal (Costello and Millar, 2000, p.318).

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1 One cartoon appearing in The Bulletin on October 5 1905 portrayed the anti-gambling crusade as a ‘wild goose chase’ (O’Hara, 1988, p.146).
Off-course TABs generated increased funds for the racing industry and contributed to a further decline in race attendance and a gradual culling of racetracks. In Victoria more than thirty-four racetracks closed between 1960 and 1983 (Costello and Millar, 2000, p.100). Despite this, racing continued to be the most popular gambling activity for most of the twentieth century. Its prominence has diminished significantly in the past three decades, however, and it has surrendered its pre-eminent position to ‘newer’ gambling forms such as casino gambling and electronic gaming machine gambling.

Governmental approaches to gambling have traditionally reflected British principles of catering to ‘unstipulated demand, distinguishing between forms of gambling, and strictly regulating to control crime’ (Smith, 1999, p.4). A subtle shift, however, started to emerge in government motivation by the end of the 1960s. Legislation started to reflect government intention to use gambling to raise funds for community programs. Governments remained conscious of their obligation to protect their citizens. They also realised the potential of gambling revenue. Although relatively minor in the context of the development of gambling in Australia this represented a subtle shift in attitudes towards gambling. This subtle shift quickly emerged into considerable anti-wowser sentiment coinciding with the election of the Whitlam government in 1972 (Costello and Millar, 2000, p.61). The rationale for further expansion of gambling soon departed from previous social considerations towards a more economic outlook (Productivity Commission, 1999a, p.2.4). This represented a fundamental shift in government attitudes. As gambling laws became further liberalised an aggressive gambling industry was unleashed that was committed to one thing: profit. From this point onwards the nature of gambling was completely transformed.

The opening of Australia’s first casino, at Wrest Point Tasmania in 1973, represented a turning point as it was one of the most noteworthy examples of the new desire by state governments to use gambling for overtly economic purposes. This decision was not motivated by public demand, however. As noted by Walker (1998, p.5) a 1972 Gallup Poll found that only 21 percent of respondents supported the introduction of casinos. The decision to establish a casino was primarily motivated by a desire to generate quick economic returns. The Wrest Point decision occurred at a time when traditional industries such as fruit growing and cloth processing were under threat (O'Hara, 1988, p.202). It has since been asserted by McMillen (cited by Costello and Millar, 2000, p.90) that the gradual introduction of casinos throughout Australia was a direct
result of differing regional impacts of global economic recessions. Casinos were established first in economically weaker states and later on in the more affluent ones.

The first phase saw casinos open in Tasmania and the Northern Territory, the two jurisdictions most vulnerable to economic downturns of the period (McMillen, 1995, p.14, Costello and Millar, 2000, p.90). These were the first casinos established primarily to stimulate dwindling state and territory economies and marked a major shift in government policy. By the mid 1980s legalisation of casinos had occurred throughout the country, prompting another phase of economic development (Smith, 1999, p.5). As a response to yet another economic slump, Australia experienced a second phase of casino legalisation as Queensland, South Australia and Western Australia sought to diversify their economies and expand into tourism (McMillen, 1995, p.14). Indeed one of the key factors behind the recommendation that a casino should be established in Western Australia was the notion that it would result in the development of a ‘major resort and tourist centre’ that would bring significant economic revenue to the state as well as ‘the people as a whole’ (Report of The Royal Commission into Gambling, 1974, p.93). Despite being recommended as early as 1974 it was over a decade before construction of the Burswood Casino began.

The opening of casinos in Perth, Adelaide (1985-86) and on the Gold Coast, as well as on Christmas Island, saw casino gambling become one of Australia’s fastest growing industries. By 1990 only the more affluent states of New South Wales and Victoria, as well as the Australian Capital Territory, lacked casinos (Costello and Millar, 2000, p.91). Whilst these states had been able to weather earlier economic downturns they had been hit hard by the 1990 recession and were now more susceptible to the lure of gambling taxation revenue (McMillen, 1995, p.14). Casinos soon opened in Canberra (1992), Melbourne (1994) and finally Sydney (1997) before additional casinos were established in Brisbane and Cairns. All states and territories have at least one casino, Tasmania two and Queensland four (Costello and Millar, 2000, p.91). Economic factors were primarily responsible for the spread of casinos throughout the country having an enormous impact on Australia’s gambling industries. It was not, however, the most dominant aspect of the booming new industry.

First operating in New South Wales pubs during the 1880s electronic gaming machines (EGM’s) have been contentious for over a century. Despite their presence in pubs being declared illegal by the Supreme Court in 1921, the ruling was ambiguous enough to allow them in community and
sporting clubs (such as the RSL and football clubs) where they flourished unimpeded by police 
(O’Hara, 1988, p.198). Following several failed attempts by New South Wales governments to 
prohibit them by the 1940s they had been ensconced as an integral part of club life and finances. 
The eventual decision in 1956 by the John Cahill Labor government to legalise pokies in clubs 
ended decades of confusion by successive New South Wales state governments. Charlton (1987, 
p.243) suggests that pokies were only legalised ‘because they already existed and because the 
government of the day thought that legalisation was the lesser of two evils’. Regardless, the 
decision was a pivotal one effectively opening the floodgates for the spread of pokies in pubs and 
clubs throughout NSW as well as creating enormous pressure for their spread throughout the 
country (Costello and Millar, 2000, p.137).

Pokies continued to be banned throughout the rest of Australia for decades after the 1956 
decision. In Victoria decades of public and parliamentary antipathy towards gaming machine 
meant that there was little support for their introduction. The 1990 resignation of staunch pokies 
opponent Premier John Cain was a significant turning point when his successor, Joan Kirner, four 
months into her tenure overturned previous policies announcing plans to introduce gaming 
machines into Victoria. Kirner’s rush to implement a new policy in a short length of time directly 
contrast with previous decades of incremental change (Costello and Millar, 2000, pp.142-143). 
Forgoing parliamentary and public debate the new approach ultimately proved to be an example 
of bad policy and bad politics. The public never had an opportunity to vote on this new expansion 
of gambling and it has since become a most contentious political issue as subsequent Victorian 
governments have allowed further expansion of pokies in the state.

Since the 1980s, state governments have been more than willing to use pokies as a source of key 
revenue and they have now been introduced in all states except one. Government attitudes 
towards pokies have changed noticeably and the desire for revenue has seemingly become more 
important than any previous notions of protecting the community from gambling. Governments 
have been more than willing to reap the economic benefits of further liberalisation of gambling, 
despite problem gambling becoming more acute during recent years. Pokies are also no longer 
dedicated to making money for community clubs and programs as they had been in the past. They 
now exist solely to make money for the gambling industry as well as the government through 
taxation.
Western Australia has bucked the trend, maintaining a long standing opposition to the introduction of pokies. Pokies have traditionally been seen as involving ‘no thought, no skill or social contact’ and are ‘addictive to many people’ (Report of The Royal Commission into Gambling, 1974, p.72). The Royal Commission recommended that they should not be introduced into WA and successive state governments have strictly adhered to this policy. The only exception is that slower less intensity machines are allowed in the Burswood Casino. The current no-pokies stance by Western Australia, compared with the rest of the states, remains an anomaly today. However, for a long period of time the rest of Australia held similar views. Some banned them very early in their history. Throughout the world they continue to be restricted and by 1997 only twenty four American states and seven Canadian provinces offered electronic gaming machines (Abbott and Volberg, 1999, p.33). The varying accessibility of pokies in Victoria and Western Australia has had a profound impact on the nature of gambling problems in the two states. This is due to a strong causal relationship between electronic gaming machines and problem gambling.

Political Pressures on Gambling Policy
A common theme throughout the development of gambling in Australia has been the lack of significant public support for government moves to liberalise gambling. As noted by the Productivity Commission’s National Gambling Survey there is widespread community concern about gambling. Over 71 percent of respondents felt that gambling causes more harm than good (Productivity Commission, 1999, p.14). There is also anxiety as to the impacts of electronic gaming machines with over half wanting the number of existing machines to be reduced. Considering that gaming machines account for the highest proportion of Australian gambling expenditure, 58.9 percent (Figure 3.6), these figures are quite surprising. It seems that whilst there is a high level of disapproval of gambling amongst Australians, it does not stop them from actually partaking in it. It also further underlines the extent to which other factors have prompted governments to liberalise their gambling policies.

It has become evident in recent years that gaming machines are extremely unpopular amongst the Australian community. In the 1999 national gambling survey, almost 93 percent of respondents in New South Wales said they did not want any more pokies to be introduced and just over half wanted a decrease in existing numbers (Costello and Millar, 2000, p.137). Seventy two percent of

---

2 Queensland for example banned the use of gaming machines in 1868 (Costello and Millar, 2000, p.94).
respondents said that they felt gambling did more harm than good. Similar figures were found in a study by the former independent gaming research panel in which over 85 percent of respondents felt that gambling was a serious problem and 90 percent wanted large cuts in gaming machine numbers ("Liberals Poke", 2006).

Two former Victorian premiers, Jeff Kennett and Joan Kirner, have since stated that their enthusiasm for poker machines was more than likely damaging to the state. They have even used the Western Australian model as evidence of what they should have done. As noted by Kirner; "restricting them to the casino alone is a remarkably good idea" whilst Kennett added, "it's easy to make comments in hindsight...[but] I would certainly think about doing it differently" (Victorian Department of Justice, 2005a, p.4). The current state government has pledged to reduce the prevalence of problem gambling; little, however, has been done.

Prior to being elected in 1999, then opposition leader Steve Bracks vowed that "Labor will reduce the State Government's reliance on revenue from gambling" ("Liberals Poke", 2006). Since then, however, gambling revenue has increased. As shown by the 2006/07 budget's statement of finances, it is expected that gambling taxes (primarily from gaming machines) will provide $1556 million in government revenue increasing to $1680m by 2009/10 ("Liberals Poke", 2006). This is not the first time, however, that the Bracks government has not acted on problem gambling. Prior to the 2002 election, Bracks announced that an education program would be established to teach children about problem gambling, but no action was taken (Haberfield, 2006).

In the lead up to the November 2006 state election, problem gambling has re-emerged as a contentious political issue. In July the Victorian Liberal Opposition announced that, should they win government, the number of poker machines in Victoria would be reduced by 20 percent (Tomazin, 2006). Despite widespread support for such a move, the Bracks government has announced that it has no intention of reducing the number of pokies in Victoria (Warner, 2006a). Whilst the Liberal plan has naturally been opposed by industry groups such as Tattersalls and Tabcorp (who hold a duopoly on Victoria’s gaming machines) it has been welcomed by welfare groups such as the Victorian Council of Social Services. It has also attracted the support of Prime Minister John Howard and Treasurer Peter Costello who have both urged the Victorian government to reduce their economic dependence on gambling ("Howard", 2006, " Pokies", 2006). Electronic gaming machines continue to cause controversy in Victoria.
The lack of widespread civic participation in the public policy process has a considerable impact on wicked problems. Colebatch (2006, p.125) has argued that, due to the lack of citizen engagement, only incremental policy answers are proposed by governments when more far reaching solutions are required. Policy makers may also ignore important issues because ‘the mechanisms for achieving large scale community change in attitudes and behaviour are absent’. This is evident in the piecemeal response by the Bracks government towards problem gambling. Public apathy towards politics has meant that the Bracks government has been able to break promises with little electoral repercussions. Another method of avoiding wicked problems is by adopting a non-decision approach as it is sometimes easier to not make a decision at all, than make one which alienates key constituents. This is also evident in the Bracks government’s response to gambling.

In Western Australia there has historically been continued bipartisan opposition to the introduction of electronic gaming machines into the state. As pokies were introduced throughout Australia during the 1990s, WA Liberal Premier Richard Court emerged as one of their most vocal opponents. Although other states believed that pokies increased tourism, Court rejected this notion. “The [Western Australian] people find it insidious when they go to Melbourne and Adelaide and see these machines and all the gaudy neon lights. They just don’t want to see it here”. We’ve got enough natural attractions here without having to bring in an artificial one. Our tourism numbers are growing significantly and it’s not on the back of gambling” (Costello and Millar, 2000, p.215). Not surprisingly he was criticised and pressured by the gambling industry who claimed that his views towards pokies were dated and ‘out of step with the demands of the Australian community’ (Costello and Millar, 2000, p.146). This comment was despite the fact that 83 percent of Western Australian respondents to the National Gambling Survey said they did not want more pokies in the state. Throughout his tenure Premier Court refused to alter his position and his approach directly contrasted with his Liberal counterpart in Victoria who actively spruiked gambling.

Despite a change of government in 2001 there have been no moves to alter this stance. His successor, Labor Premier Geoff Gallop, continued a long standing WA tradition exclaiming in 2004; “Here in Western Australia we’re different...we draw the line with poker machines” (Laurie, 2004). Gallop also noted; “Western Australians are better off and the fact we have the lowest rate of problem gamblers per capita is irrefutable evidence of this” (Hoare, 2004). These statements were immediately supported by Opposition spokesman Barry House, who noted...
“We’ve made a political judgement that the social costs outweigh the economic benefit, and in line with the Labor Party, we’re against it” (Laurie, 2004).

The gambling debate re-emerged in 2006 with James Packer’s failed attempts to persuade the government to introduce pokies to the Burswood Casino. Whilst the government refused to consider Packer’s proposals then state opposition leader Matt Birney noted that he was open to such a move if there was significant support for it in the community. A recent telephone poll, however, has shown that there is little support for pokies at Burswood (Penn, Butler and Spencer, 2006). Accompanied by attempts by the government to provoke the Liberals to change its stance (McGowan, 2006) the opposition has since backed down. In August 2006, however, the government announced plans to introduce another 250 gaming machines and 35 gaming tables into the Burswood Casino over the next three years (Mason, 2006, p.7). Despite this, gambling is not a significant political issue in Western Australia.
Chapter Two: Problem Gambling and Electronic Gaming Machines

Introduction

The most adverse effect of the expansion of gambling in Australia has been the increase in problem gambling. Problem gambling has only recently emerged as a prominent public policy issue and it is important to establish how serious it is as well as the factors that are responsible for it. Understanding the context behind problem gambling is directly relevant to the overall focus of this study.

Problem gambling is not a new phenomenon and it is likely that it has always been associated with gambling. It first came to the forefront of public attention as a result of a report on the social and economic impacts of gambling by the Productivity Commission (PC) in 1999. Evidence suggests that problem gambling is largely caused by electronic gaming machines (Productivity Commission, 1999, p.6.54). EGMs are the most popular gambling activity in Australia comprising 58.9 percent of total gambling expenditure (Centre For Gambling Research, 2005a, p.1). Government policy, therefore, needs to target gaming machine usage if it is to reduce problem gambling in Australia.

The relative accessibility of gaming machines is directly linked with problem gambling. The existence of different state gambling policies has meant that accessibility varies considerably throughout Australia. States with a higher accessibility to gambling have a higher prevalence of gambling problems than those with lower access (PC, 1999, p.8.23). The causal relationship between problem gambling and gaming machines is further evident in the link between gambling expenditure and problem gambling. States with a higher per capita expenditure on gaming machines have a higher incidence of problem gambling.

A link also exists between electronic gaming machines and a shift in the socio-demographic nature of problem gambling. At the start of the 1990s, only 14 percent of problem gamblers were female. By 1999 this figure had risen by 26 percent (PC, 1999, p.8.21). Other than the spread of pokies, no other significant change in gambling policy occurred during this time. This further exemplifies the association between pokies and problem gambling. The increased numbers of female problem gamblers, as a result of the introduction of gaming machines, has contributed to
problem gambling's increased prominence in society and it is now a serious issue for Australian
governments (Jackson et al, 1999, p.27).

The Productivity Commission Report
Problem gambling first gained national notoriety after the publication of the Productivity
Commission’s report *Australia’s Gambling Industries* in 1999. Directed by the Commonwealth
government to assess the economic and social impacts of gambling in Australia, the PC report is
noteworthy for a number of reasons. It was the first comprehensive study into gambling in
Australia (Howard, 1999) as well as the first complete evaluation of both the economic and social
impacts of gambling. Prior to the report no previous study of this magnitude had ever been
undertaken in Australia.

The rapid expansion of Australia’s gambling industries during the past three decades has resulted
in significant costs to the community. Nearly 300,000 Australian adults, 2.1 percent of the adult
population, are classified as having gambling problems (Productivity Commission, 1999, p.2).
Costello and Millar (2000), have argued that this number is likely to be much higher due to flaws
in the national gambling survey which formed the basis of the PC report. As the survey was
conducted by telephone they believe not all problem gamblers were identified. Some may not
have had access to a phone because they are homeless or incarcerated. Problem gamblers, like
many other addicts, also have a tendency to lie about their habits. The exact number of problem
gamblers is therefore difficult to ascertain and is likely to be much higher than reported.

Regardless of the exact numbers, problem gamblers have had a profound impact on Australian
gambling accounting for around $3.5 billion of total national gambling expenditure. This
represents almost one-third of the entire gambling market (Productivity Commission, 1999, p.2).
The impact of problem gamblers is further highlighted by the fact that they lose, on average,
$12,000 per year compared with less than $650 lost by other gamblers. In Canada it was
estimated that problem gambling affected 4-6 percent of the general population (Seelig and

Problem gambling typifies many aspects of a ‘wicked problem’. There is little consensus about
the problem is nor how to solve it. The gambling industry is also highly dynamic constantly
creating new sets of inter-related challenges and problems that need to be solved (Rittel and
Webber, 1973, p.160). Above all it is a complex and long term public policy issue and it is unlikely that it can ever be completely eradicated. The challenge for governments, therefore, is to reduce its impact on society.

Gaming Machines and Problem Gambling
Identifying the primary cause of problem gambling is an important concern for public policy as it enables a more targeted approach towards problem gambling by state governments. Evidence has shown that some gambling activities are more strongly associated with problem gambling than others. As noted by the Productivity Commission (1999, p.6.53) 'it appears that some forms of gambling, in their current forms, currently present low risks for problem gambling. Other forms, particularly regular playing of gaming machines and casino table games, appear to be associated with a higher likelihood of gambling problems.' Electronic gaming machines are believed to be more strongly linked with problem gambling than any other gambling activity. This is evident by calculating the share of problem gamblers by their favourite gambling activity, as shown by Figure 2.1.

Figure 2.1: Share of Problem Gamblers by Their Favourite Gambling Activity

<table>
<thead>
<tr>
<th>Gambling Activity</th>
<th>Share of Problem Gamblers (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EGM</td>
<td>9.27</td>
</tr>
<tr>
<td>Racing</td>
<td>6.23</td>
</tr>
<tr>
<td>Instant Scratch Tickets</td>
<td>0.66</td>
</tr>
<tr>
<td>Lotteries</td>
<td>0.28</td>
</tr>
<tr>
<td>Casino Table Games</td>
<td>3.69</td>
</tr>
<tr>
<td>Other Commercial Games</td>
<td>6.00</td>
</tr>
<tr>
<td>All Commercial Gambling</td>
<td>3.00</td>
</tr>
</tbody>
</table>

Note: Data only refers to those problem gamblers who cite one particular activity as their favourite and only those who gamble weekly or more.

Gambling problems are highest among electronic gaming machine players, followed by those who prefer racing and wagering. It is least associated with lotteries and instant scratch tickets. Based on this evidence, electronic gaming machines are most strongly associated with problem gambling.

The Impact of Accessibility on Problem Gambling

Accessibility is one of the most significant factors behind the prevalence of problem gambling. It refers to not just the proximity to gambling but also the number of opportunities to gamble, spatial distribution, ease of use, initial outlays, conditions on entering gambling venues as well as several factors. All of these are important when distinguishing the considerable differences in accessibility of the four main gambling activities; gaming machines, TAB wagering, casino gaming and lotteries.

Table 2.1: Varying Accessibility Across Main Gambling Activities

<table>
<thead>
<tr>
<th></th>
<th>Gaming Machines*</th>
<th>TAB Wagering</th>
<th>Casino Gaming</th>
<th>Lotteries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Opportunities to Gamble</strong></td>
<td>Very High (10,000s of machines)</td>
<td>High (1000s of Outlets/Phone Betting)</td>
<td>Low</td>
<td>Very High</td>
</tr>
<tr>
<td><strong>Spatial Distribution</strong></td>
<td>Dispersed Widely</td>
<td>Dispersed Widely</td>
<td>One Per City</td>
<td>Large Number Per Capita</td>
</tr>
<tr>
<td><strong>Opportunities Per Venue</strong></td>
<td>High (NSW), Restricted in SA &amp; VIC</td>
<td>Determined by Staffing^</td>
<td>Typically Large</td>
<td>Determined by Staffing^</td>
</tr>
<tr>
<td><strong>Opening Hours</strong></td>
<td>Open 24 Hours</td>
<td>Around 12 Hours</td>
<td>Mostly 24 Hours</td>
<td>Business Hours</td>
</tr>
<tr>
<td><strong>Conditions of Entry</strong></td>
<td>Very Easy in Hotels, Easy in Clubs/Casino</td>
<td>Very Easy</td>
<td>Easy</td>
<td>Very Easy</td>
</tr>
<tr>
<td><strong>Ease of Use</strong></td>
<td>Very Easy</td>
<td>Moderate</td>
<td>Hard for Many</td>
<td>Easy</td>
</tr>
<tr>
<td><strong>Initial Outlays</strong></td>
<td>Very Low</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Social Accessibility</strong></td>
<td>High for Women</td>
<td>Low for Women</td>
<td>High for Women, Asians</td>
<td>High</td>
</tr>
<tr>
<td><strong>Overall Accessibility</strong></td>
<td>Very High</td>
<td>Medium</td>
<td>Low</td>
<td>Very High</td>
</tr>
</tbody>
</table>

Note: Including WA which has no gaming machines outside Burswood Casino. ^ If there are few staff in a venue this potentially restricts the number of bets made or tickets sold.

Source: Productivity Commission, 1999, p.8.7

As shown by Table 2.1 electronic gaming machines and lotteries are the most accessible gambling activities. Although they both have very high overall accessibility, electronic gaming machines are more accessible for several reasons. First, there are over 200,000 gaming machines
throughout Australia, far more than there are lotteries outlets. The number of gambling opportunities per venue for EGMs is also the highest, despite caps on the number of machines in Victoria and South Australia. Pokies are also accessible 24 hours a day, require the lowest initial outlay and are the easiest gambling mode to use. Electronic gaming machines are subsequently the most accessible form of gambling in Australia and are more associated with problem gambling.

The key difference between pokies and lotteries is the nature of their use. Gaming machines are often referred to as a continuous gambling activity involving 'repetitive, but random, rewards for further play- which conditions behaviour in some people to gamble persistently' (Productivity Commission, 1999, p.7.7). Lotteries, on the other hand, are considered to be a non-continuous form of gambling that is constrained by significant time intervals between draws. It is far easier to spend more on gaming machines than lotteries products. As a result, gaming machines are more associated with gambling problems.

The causal link between the two is further evident by the relationship between gambling expenditure and the prevalence of problem gambling. States with a higher per capita expenditure on gaming machines have a greater occurrence of problem gambling than those where such expenditure is the lowest (VDOJ, 2005a, p.89). This is exemplified by comparing Victoria with Western Australia. The number of gaming machines per adult and the overall frequency of gambling problems in a particular jurisdiction is another key indicator of the causal relationship. States with a higher number of gaming machines per capita, thus higher accessibility, have a greater number of problem gamblers (Productivity Commission, 1999, p.8.9). Greater accessibility to gaming machines results in higher levels of problem gamblers with New South Wales possessing the highest frequency of problem gambling and Western Australia the lowest. This signifies the differences in accessibility of gaming machines in the two states and reinforces the strong linkage between pokies and gambling problems.

A profound shift in the socio-demographic nature of problem gamblers, over the past decade, is another example of the relationship between the accessibility of gaming machines and gambling problems. Traditionally problem gambling has been seen by scholars as a male oriented phenomenon. Prior to the spread of electronic gaming machines throughout Australia in 1991, only fourteen percent of problem gamblers were female. By 1999 this figure had risen to forty percent (Productivity Commission, 1999, p.8.21). Other than the spread of gaming machines
throughout Australia, there was no other major change in gambling policies during this time. It is likely, therefore, that pokies are largely responsible for this gender shift. This is important in relation to the increased prevalence of problem gambling over the past decade.

Table 2.2: The Source of Problems for Gamblers in Counselling by Gambling Activity and Gender

<table>
<thead>
<tr>
<th>Game</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Number</td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
<td>Percent</td>
<td>Percent</td>
</tr>
<tr>
<td>Lotteries</td>
<td>49</td>
<td>39</td>
<td>88</td>
<td>3.9</td>
<td>3.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Racing</td>
<td>350</td>
<td>25</td>
<td>375</td>
<td>27.8</td>
<td>2.2</td>
<td>15.6</td>
</tr>
<tr>
<td>Gaming Machines</td>
<td>681</td>
<td>970</td>
<td>1651</td>
<td>54.1</td>
<td>85.2</td>
<td>68.9</td>
</tr>
<tr>
<td>Bingo</td>
<td>8</td>
<td>56</td>
<td>64</td>
<td>0.6</td>
<td>4.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Casino Table Games</td>
<td>107</td>
<td>14</td>
<td>121</td>
<td>8.5</td>
<td>1.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Other Kinds</td>
<td>18</td>
<td>9</td>
<td>27</td>
<td>1.4</td>
<td>0.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Not Known</td>
<td>46</td>
<td>25</td>
<td>71</td>
<td>3.7</td>
<td>2.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Total</td>
<td>1259</td>
<td>1138</td>
<td>2397</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Jackson et al, 1999, p.27

The spread of electronic gaming machines has had a significant impact on the increased numbers of female problem gamblers. Amongst females seeking counselling 85.2 percent cite electronic gaming machines as the main source of gambling problems. This contrasts with only 54.1 percent of males. Females also now represent nearly half of clients in counselling, indicating the impact of pokies on problem gambling. As identified by Table 2.2 gaming machines are most associated with problem gambling, accounting for 68.9 percent of male and female clients. This dwarfs the nearest form of gambling, racing, which accounts for only 15.6 percent of gambling problems amongst clients. This further underlines the strong connection between problem gambling and the accessibility of gaming machines. It also helps explain the rise in prevalence of problem gambling over the past decade. Similarly in American jurisdictions, where gaming machines are widespread, evidence suggests that problem gamblers are just as likely to be women as men (Volberg, 1997). More women are now problem gamblers than ever before.

People have to be ‘exposed to a risk to develop problems’ and as a result of the various gambling environments, exposure to gambling varies considerably throughout Australia (Productivity Commission, 1999, p.8.23). Those assumed to be most at risk of experiencing gambling problems are regular gamblers. The extent to which increased accessibility of gaming machines influences the numbers of regular EGM players with gambling problems is highlighted by Table 2.3.
Table 2.3: Gambling Problems and Regular Gaming Machine Players

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Share of Regular GM Players Who Have Problems</th>
<th>Share of GM Players Who Are Regular Players</th>
<th>Share of Adults Who Are GM Players</th>
<th>Share of Adults Who Are Regular GM Players</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent</td>
<td>Percent</td>
<td>Percent</td>
<td>Percent</td>
</tr>
<tr>
<td>NSW</td>
<td>24.9</td>
<td>14.6</td>
<td>38.7</td>
<td>5.6</td>
</tr>
<tr>
<td>VIC</td>
<td>27.2</td>
<td>10.2</td>
<td>44.6</td>
<td>4.5</td>
</tr>
<tr>
<td>QLD</td>
<td>14.7</td>
<td>9.9</td>
<td>41.5</td>
<td>4.1</td>
</tr>
<tr>
<td>SA</td>
<td>14.6</td>
<td>8.8</td>
<td>41.4</td>
<td>3.7</td>
</tr>
<tr>
<td>WA</td>
<td>0.0</td>
<td>3.7</td>
<td>16.4</td>
<td>0.6</td>
</tr>
<tr>
<td>TAS</td>
<td>15.9</td>
<td>2.0</td>
<td>35.9</td>
<td>0.7</td>
</tr>
<tr>
<td>NT</td>
<td>39.5</td>
<td>8.8</td>
<td>33.1</td>
<td>2.9</td>
</tr>
<tr>
<td>ACT</td>
<td>18.5</td>
<td>12.4</td>
<td>37.3</td>
<td>4.6</td>
</tr>
<tr>
<td>Australia (Excluding WA)</td>
<td>22.9</td>
<td>11.4</td>
<td>41.0</td>
<td>4.7</td>
</tr>
</tbody>
</table>


In jurisdictions with high levels of accessibility to gaming machines, between 15 and 30 percent of regular gaming machine players experience problem gambling. The Northern Territory has the highest ratio of problem gambling amongst regular pokies players, 39.5 percent, whilst Victoria leads the states with 27.2 percent. Only 14.6 percent of regular gaming machine players in South Australia have gambling problems which is the lowest amongst the states excluding Western Australia. Gamblers in states with lower exposure to electronic gaming machines consequently have fewer problem gamblers, again highlighting the impact of accessibility.

Exposure to electronic gaming machines is directly related to the proportion of electronic gaming machine players with gambling problems. This is due to the strong relationship between problem gambling and gaming machines. Evidence suggests that by further liberalising gaming policies by increasing the numbers of pokies, there would be an increase in the numbers of problem gamblers. In Tasmania, for instance, more gaming machines would result in an increase of 6300 adults becoming regular gaming machine players and up to 1880 becoming new problem gamblers, an increase of 13-19 percent (Dickerson and Maddern, 1997, p.66).

Western Australia could expect a similar increase should accessibility to gaming machines be further liberalised, for example permitted outside of the casino. Higher accessibility to pokies would lead to an increase of 10,500 (11,250 on 2003 population estimates) problem gamblers in Western Australia (VDOJ, 2005a, p.46). This is more than double current levels. The accessibility of gaming machines has a large influence on the prevalence of problem gambling.
Conclusion
Problem gambling has become even more prominent in recent times and is of serious concern for Australian governments. For the most part it is generally accepted that it is a very damaging by-product of gambling. The identification of the catalysts for problem gambling is vital so that governments can develop more effective policies to ameliorate its impact on society.

Evidence has shown that electronic gaming machines are more strongly associated with problem gambling than any other gambling activity. Lotteries products are found to be least associated with problem gambling. One of the main factors in regards to the prevalence of problem gambling is accessibility. Electronic gaming machines and lotteries are both highly accessible; however, there is a considerable difference between the two in relation to their association with gambling problems. The main difference is that pokies are a continuous gambling activity, whilst lotteries are considered to be a non-continuous gambling activity. This distinction is noteworthy and is explored in greater detail in the next chapter.

Gaming machines are the most accessible gambling form and are most associated with problem gambling. States with a higher access to gaming machines have considerably more problem gamblers than those with low accessibility. Differences in accessibility have a significant bearing on the nature of problem gambling in Victoria and Western Australia.

As will be outlined in the next chapter, the Victorian gambling environment is considerably different from that of Western Australia with accessibility to gaming machines much higher. Considering the causal relationship between accessibility and the prevalence of problem gambling, Victoria is likely to have a considerably higher incidence of problem gambling. In order to determine the validity of this, a comparison of the two gambling environments is required. Establishing exactly how the two states differ and whether this has any influence on problem gambling rates is one area which needs further examination.
Chapter Three: Accessibility of Gaming Machines in Victoria and Western Australia

Introduction
The causal relationship between the accessibility of gaming machines and problem gambling has a profound bearing in regards to gambling in Victoria and Western Australia. Evaluating how the two states differ and the impact of this on the prevalence of problem gambling is important to examine as it explains why problem gambling is more acute in Victoria.

The high accessibility of gaming machines in one state and low accessibility in the other is the key difference between the Victorian and Western Australian gambling environments. Although both states experienced significant growth in expenditure over the past two decades, Western Australia’s growth has been much more modest (Victorian Department of Justice, 2005, pp.24-25, 29). In relation to real expenditure per capita, Victorians spend considerably more than those in WA. This difference in expenditure is directly related to electronic gaming machines.

Electronic gaming machines are the most popular gambling activity in Australia, except in Western Australia, and their popularity is a predominant reason behind the increased prevalence of problem gambling. In the absence of gaming machines in Western Australia three gambling activities casino gambling, lotteries and wagering dominate the gambling market (Figure 3.4). This is a key distinction, as these activities are only weakly associated with problem gambling. Gambling expenditure is related to problem gambling and Western Australia’s non-gaming machine expenditure has influenced the extent of problem gambling in the state.

Differences in accessibility to gaming machines between Victoria and Western Australia have a significant bearing on the prevalence of problem gambling. Evidence suggests that there is a strong correlation between higher accessibility and a higher prevalence of problem gambling. Since accessibility to gaming machines is higher in Victoria, it is likely that there are far more problem gamblers in that state than in Western Australia.
Emergence of Different Gambling Environments
During the past three decades Australia's gambling industries have grown at an exponential rate. Between 1977/78 and 2002/03 there has been significant growth in gambling expenditure and as highlighted by Figure 3.1 several trends are identifiable.

Figure 3.1: Total Real Expenditure Australia, Victoria and Western Australia
1977/78 to 2002/03

Between 1977/78 and 2002/03 total real national expenditure grew from $4,084 million to $15,365m. During this period Victorian expenditure increased from $857m to $4,236m whilst Western Australia saw much more modest growth from $177m to $670m. The spread of casino gambling and electronic gaming machines throughout the country are the main reasons for this growth in expenditure. During the second phase of casino development real national expenditure rose from $4,439m (1982/83) to $7,749m (1992/93). This was aided by the introduction of pokies in Victoria in 1990. The largest growth, however, occurred following the opening of casinos in Victoria and New South Wales and the spread of pokies throughout Australia (except WA). By 1997/98 total real national expenditure had increased to $13,222m exemplifying the profound impact of pokies and casino gambling on Australia's gambling industries.

Along with total expenditure, real expenditure per capita has also increased substantially since 1977/78 and casino gaming and pokies have again had a significant influence on expenditure.
levels. The extent of their impact soon becomes evident when comparing expenditure levels per capita between the two states and the national total over the past 25 years.

Figure 3.2: Real Expenditure Per Capita Australia, Victoria and Western Australia 1977/78 to 2002/03

The significant reversal in expenditure per capita in the two states during the past fifteen years is one of the most interesting trends. During the late 1980s, following the opening of the Burswood Casino, Western Australians on average spent $10 more on gambling than Victorians and by 1992/93 this had increased to $118. Following the opening of the Crown Casino and the further spread of pokies in Victoria during the mid 1990s, however, a significant reversal occurred and by 1997/98 Victorians spent nearly $462 more than Western Australians. Nevertheless, expenditure per capita has continued to grow throughout the country. Since reaching a peak in 1997/98, expenditure has actually decreased in Western Australia where it is the lowest in the country. Variations in expenditure are a direct result of the two gambling environments and underlie the need for a comparison between Western Australia and Victoria.

The Victorian gambling industry has undergone considerable change in the past three decades. Legislation allowing the introduction of electronic gaming machines into hotels and clubs was passed in 1991 and Melbourne’s Crown Casino opened in June 1994. These two factors had an immediate impact on Victoria’s gambling industry resulting in a substantial increase in gambling expenditure.
Table 3.1- Victoria's Gambling Industry 1977/78 to 2002/03

<table>
<thead>
<tr>
<th></th>
<th>Total Expenditure ($ million)</th>
<th>Real Expenditure (2002/03 $m)</th>
<th>Expenditure Per Adult ($ Per Adult)</th>
<th>Real Expenditure Per Adult (02/03 $ per adult)</th>
<th>Share of Household Disposable Income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977/78</td>
<td>232</td>
<td>857</td>
<td>88</td>
<td>326</td>
<td>1.31</td>
</tr>
<tr>
<td>1982/83</td>
<td>390</td>
<td>904</td>
<td>137</td>
<td>318</td>
<td>1.26</td>
</tr>
<tr>
<td>1987/88</td>
<td>661</td>
<td>1,069</td>
<td>214</td>
<td>347</td>
<td>1.30</td>
</tr>
<tr>
<td>1992/93</td>
<td>1,112</td>
<td>1,427</td>
<td>334</td>
<td>429</td>
<td>1.60</td>
</tr>
<tr>
<td>1997/98</td>
<td>3,197</td>
<td>3,728</td>
<td>915</td>
<td>1,067</td>
<td>3.58</td>
</tr>
<tr>
<td>2002/03</td>
<td>4,236</td>
<td>4,236</td>
<td>1,133</td>
<td>1,133</td>
<td>3.58</td>
</tr>
</tbody>
</table>

Note: Real expenditure refers to expenditure inflated at 2002-03 levels using the Consumer Price Index

Source: Victorian Department of Justice, 2005a, p.26

Electronic gaming machines and casino gambling have both had a significant impact upon Victorian expenditure. In the five years prior to the introduction of poker machines into Victoria (1987/1988) total gambling expenditure was $661 million. By 1992/93 this had increased to $1,122 million. The opening of the Crown Casino had a similar impact with gambling expenditure increasing significantly to $3,197 million by 1997/98. Over a decade since their introduction, total expenditure has risen from $1,112 million (1992/93) to $4,246 million (2002/03).

During the same period total expenditure per adult has also increased from $214 in 1987/88 to $1,133 in 2002/03. The share of household disposable income spent on gambling has increased considerably as a result and this, ultimately, has affected the prevalence of problem gambling. Overall, between 1977/78 and 2002/03, the Victorian gambling industry has seen a dramatic increase in gambling expenditure of $4,004 million. In the past decade there has been a five fold increase in expenditure during a time in which there was low inflation.

The decision to introduce pokies and casino gaming has had a noticeable impact on the gambling habits of Victorians. During the decade 1993/94 to 2003/04 expenditure on gaming machines and casino gambling, as a proportion of total gambling expenditure, mostly increased whilst expenditure on other gambling activities decreased. However, pokies alone have been the most dominant gambling activity in Victoria.
Figure 3.3: Expenditure on Different Forms of Gambling as Proportion of Total Gambling Expenditure in Victoria 1993/94 to 2003/04

Note: Lotteries included lotto, pools, instant scratch-its and lotteries. Gaming Machines refer to electronic gaming machines in clubs and hotels. Casino Gaming refers to table games, gaming machines and keno systems in the casino. ‘Other’ include keno, interactive and minor gaming.

Source: Centre for Gambling Research, 2005d, p.3

Victoria’s total level of real gambling expenditure in 2003/04 was $4.251 billion, second only to New South Wales ($6,567 billion). Together, the two states accounted for more than a quarter of total real gambling expenditure in Australia (CFGR, 2005d, p.2). Electronic gaming machines are the most popular gambling activity reaching a peak of 58.72 percent of total gambling expenditure in 2001/02. Pokies have since experienced a small decline in market share.

Casino gambling is the second most popular gambling activity in Victoria, achieving its peak of 23.22 percent of total gambling expenditure in 1997/98, four years after the opening of the Crown Casino. With the exception of 2001/02, casino gambling expenditure has continued to increase as a proportion of the total gambling market. Racing and wagering has seen the largest decline in expenditure over the past decade steadily decreasing from its peak of 27.13 percent in 1993/94, prior to the opening of the Crown Casino. This is a result of the popularity of pokies and casino gambling.
The most significant development to have occurred in WA in the past three decades was the opening of the Burswood Casino in 1985/86. Little has changed since. The introduction of casino gambling, however, has resulted in significant growth of the gambling industry.

Table 3.2- Western Australia’s Gambling Industry 1977/78 to 2002/03

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Expenditure ($ million)</th>
<th>Real Expenditure (2002/03 $m)</th>
<th>Expenditure Per Adult ($ Per Adult)</th>
<th>Real Expenditure Per Adult (2002/03 $ per adult)</th>
<th>Share of Household Disposable Income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977/78</td>
<td>50</td>
<td>177</td>
<td>62</td>
<td>218</td>
<td>0.94</td>
</tr>
<tr>
<td>1982/83</td>
<td>92</td>
<td>208</td>
<td>98</td>
<td>222</td>
<td>0.93</td>
</tr>
<tr>
<td>1987/88</td>
<td>242</td>
<td>385</td>
<td>224</td>
<td>357</td>
<td>1.48</td>
</tr>
<tr>
<td>1992/93</td>
<td>514</td>
<td>662</td>
<td>547</td>
<td>2.15</td>
<td></td>
</tr>
<tr>
<td>1997/98</td>
<td>699</td>
<td>810</td>
<td>605</td>
<td>2.19</td>
<td></td>
</tr>
<tr>
<td>2002/03</td>
<td>670</td>
<td>670</td>
<td>460</td>
<td>1.60</td>
<td></td>
</tr>
</tbody>
</table>

Note: Real expenditure refers to expenditure inflated at 2002-03 levels using the Consumer Price Index.

Source: Victorian Department of Justice, 2005a, p.29

Western Australia experienced its highest growth in total expenditure during the late 1980s and early 1990s, unlike Victoria and the rest of the country. This was a direct result of the opening of the Burswood Casino which accounted for an average growth in expenditure of nearly 21 percent per year between 1982/83-1987/88 and 16 percent per year up to 1992/93 (VDOJ, 2005a, p.29).

Total gambling expenditure had risen by $150 million by 1987/88, two years after the opening of Burswood, indicating its impact on gambling expenditure. By 1997/98 total gambling expenditure reached a peak of $699 million, remaining similarly high today.

Dissimilar to the rest of Australia, total expenditure per adult has actually decreased in WA during the past decade from $547 in 1992/93 to $460 in 2002/03. Accordingly this has occurred alongside a drop in the share of household disposable income spent on gambling during this period. This is important in relation to the occurrence of problem gambling with Western Australians spending the least on gambling in the country (CFGR, 2005c, p.1). As a consequence of the link between expenditure per capita and problem gambling this helps to explain why WA has the lowest incidence of problem gambling in Australia. Nevertheless, the Western Australian gambling industry experienced an increase of $493 million in gambling expenditure between 1977/78 and 2002/03. Despite the fact that total gambling expenditure has increased by more than 13 times over the past 25 years, this increase has not had a significant impact on the prevalence of problem gambling.
The establishment of a casino industry in Western Australia has had a considerable impact. Between 1993/94 and 2003/04 total expenditure on different types of gambling as a proportion of total gambling expenditure has undergone several changes.

Figure 3.4: Expenditure on Different Forms of Gambling as Proportion of Total Gambling Expenditure in Western Australia 1993/94 to 2003/04

Note: Lotteries included lotto, pools, instant scratch-its and lotteries. Gaming Machines refer to electronic gaming machines in clubs and hotels. Casino Gaming refers to table games, gaming machines and keno systems in the casino. 'Other' include keno, interactive and minor gaming.

Source: Centre for Gambling Research, 2005c, p.3

Western Australia's total level of real gambling expenditure in 2003/04 was $730.4 million, considerably less than Victoria's total of $4.251 billion even accounting for the large discrepancy in population. The most notable change has occurred in the casino gaming sector which is the most popular gambling activity in WA reaching a peak of 57.39 percent of total gambling expenditure in 1994/95. Casino gambling has since seen a steady decline in market share with substantial drops in 2002/03 and 1996/97.

Lotteries are the second most popular form of gambling in Western Australia, reaching a peak of 31.43 percent of total gambling expenditure in 2002/03. Racing and wagering also remains popular in WA, unlike Victoria, reaching a peak of 27.13 percent of total expenditure in 2002/03.
This is the largest share of the gambling market held by racing in the country, exemplifying Western Australia’s distinctive gambling environment.

Dominance of Electronic Gaming Machines on Australian Gambling
The extent to which pokies have dominated the various gambling markets is highlighted by Figure 3.5.

**Figure 3.5: Gaming Machine Expenditure as a Proportion of Total Gambling Expenditure by States 1993/94 to 2003/04**

Tasmania has recorded the highest growth in expenditure on pokies, as a proportion of gambling expenditure, experiencing a tenfold increase to 44.33 percent between 1993/94 and 2003/04. New South Wales, despite having the highest peak in the country of 84.2 percent, has seen the largest decline in pokies expenditure down 12.84 percent. Victoria also experienced a decrease of 7.91 percent. In the year 2003/04 all states and territories except for the ACT experienced a decline in expenditure. The ACT had the highest concentration of gaming machines with 75.47 percent, whilst the Northern Territory had the lowest at 16.83 percent. Due to the absence of pokies outside the casino Western Australians spend significantly more on other gambling activities, such as racing and lotteries, affecting the prevalence of problem gambling in the state.
In 2003/04 total gambling expenditure in Australia was $16.210 billion, an increase of 5.6 percent from the previous year. Total gambling expenditure in Western Australia was $730.394 million which is considerably less than Victoria's total of $4.251 billion. Differences in expenditure can be explained by examining the dominant gambling modes in the respective jurisdictions.

In Victoria and Australia as a whole, electronic gaming machines dominate the gambling market accounting for the highest proportion of expenditure. In Victoria, pokies account for 53.89 percent ($2.291 billion) of total gambling expenditure, just below the national average of 58.9 percent ($9.547 billion). In Western Australia casino gambling is the most popular form of gambling consisting of 39.31 percent ($287.100 million) of total gambling expenditure. This contrasts with Victoria's expenditure on casino gaming which is much lower at 22.61 percent, above the national total of 16.6 percent ($2.690 billion).

Western Australians, meanwhile, are the highest purchasers of lotteries products across all states comprising 30.48 percent of total gambling expenditure ($222.65 million) compared with 8.88 percent ($377.53 million) in Victoria and 9.9 percent of the national average. This is not a surprise as it has been claimed that Western Australians are the second highest purchasers of
lotteries products per capita in the world. In regards to racing, Western Australians also spend more than any other state or territory accounting for 26.6 percent of total expenditure ($194.280 million). This is significantly more than Victoria’s 13.55 percent ($575.855 million) or 12.5 percent ($2,026.25) nationally. Western Australians spend more on these two forms of gambling as a direct result of the absence of pokies.

Sports betting and ‘other’ forms of gambling account for the lowest expenditure, accounting for less than four percent of the Western Australian gambling market, just over one percent in Victoria and three percent nationally. The WA gambling environment differs substantially from Victoria and the rest of Australia and this is due to variations in accessibility to pokies. This is a key determining factor on the prevalence of problem gambling in the respective states.

The Impact of Accessibility of Electronic Gaming Machines
Electronic gaming machines are not only the most dominant form of gambling, they are also the most accessible. Accessibility varies considerably, however, and there is a large discrepancy between the numbers of gaming machines per state/territory. New South Wales has the most gaming machines in Australia with 102,958 followed by Queensland with 39,531 (VDOJ, 2005a, p.37). The varying extent to which they have spread throughout Victoria and Western Australia is exemplified by Table 3.3.

Table 3.3: Estimated Number of Gaming Machines in Victoria and Western Australia by Venue Type 2001/2002 and Estimated Number of Machines Per Adult

<table>
<thead>
<tr>
<th>Location</th>
<th>In Clubs</th>
<th>In Hotels</th>
<th>In Casino</th>
<th>Total Machines</th>
<th>Adult Population (Millions)</th>
<th>Machines Per 1000 Adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victoria</td>
<td>13,671</td>
<td>13,729</td>
<td>2,500</td>
<td>29,900</td>
<td>3,714</td>
<td>8.1</td>
</tr>
<tr>
<td>Western Australia</td>
<td>0</td>
<td>0</td>
<td>1,318</td>
<td>1,318</td>
<td>1,442</td>
<td>0.9</td>
</tr>
<tr>
<td>Total</td>
<td>117,207</td>
<td>70,467</td>
<td>11,169</td>
<td>198,843</td>
<td>14,860</td>
<td>13.4</td>
</tr>
</tbody>
</table>

Source: Victorian Department of Justice, 2005a, pp.37-38

Over 27,260 gaming machines are situated throughout Victorian clubs and hotels and there are now more pubs, clubs and taverns with pokies than there are without (Packham, 2006). Including the 2,500 machines at the Crown Casino there are around 29,900 electronic gaming machines available to the Victorian public. Western Australia has the lowest number of gaming machines available to the public.

---

3 Norway is considered to spend the most (Laurie, 2004).
with only 1,318 all situated at the Burswood Casino. Accessibility to gaming machines is, consequently much lower in WA. There is also a significant dissimilarity in the frequency of machines per adult between the two states. The ratio is much higher in Victoria with an average of 8.1 machines per 1,000 adults as opposed to less than one per adult in Western Australia, the lowest rate of access to pokies in Australia.

Victoria not only has more pokies in its casino (2,500 to 1,442), accessibility is also higher due to the widespread geographic distribution of pokies in hotels and clubs throughout the state. Since gaming machines are restricted to the casino only gamblers in WA have to travel a far greater distance in order to play the pokies, ultimately affecting gambling behaviour. Given the size of Western Australia and the dispersed population in the state, the potential outreach of the Burswood Casino is restricted to a more limited local population than any other casino in Australia (VDOJ, 2005a, p.45). Those in rural WA have no direct access to gaming machines.

The Western Australian gambling environment is more suited for ‘destination gambling’ than for more spontaneous ‘convenience gambling’ available elsewhere such as in Victoria (VDOJ, 2005a, p.36). This is a key distinction that has significant bearing on problem gambling. Those visiting the Burswood casino usually go for the sole purpose of gambling. American studies have shown that the relative proximity of a casino can double the prevalence of problem gambling (Abbott and Volberg, 1999, p.115).

The presence of pokies in suburban pubs and clubs mean, however, that gambling is conveniently available not far from wherever gamblers go. The Western Australian gambling environment, unlike the Victorian, is more likely to act as a disincentive to gamble, at least in regards to gaming machines. This is evident by comparing the two states’ per capita expenditure rates. The main distinguishing factor between Victoria and Western Australia is the $624 per adult spent on pokies in the former. This expenditure on pokies alone almost accounts for the entire difference in expenditure per capita between the two states.
Table 3.5: Average Expenditure Per Adult By Form of Gambling Victoria and Western Australia 2002/03

<table>
<thead>
<tr>
<th>Gambling Activity</th>
<th>Victoria</th>
<th>Western Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Racing</td>
<td>$147.6</td>
<td>$124.9</td>
</tr>
<tr>
<td>Sports Betting</td>
<td>$6.9</td>
<td>$1.9</td>
</tr>
<tr>
<td>Lotteries</td>
<td>$97.7</td>
<td>$144.1</td>
</tr>
<tr>
<td>Gaming Machines</td>
<td>$624.5</td>
<td>n/a</td>
</tr>
<tr>
<td>Casino Gaming</td>
<td>$254.6</td>
<td>$173.8</td>
</tr>
<tr>
<td>Keno</td>
<td>$1.6</td>
<td>n/a</td>
</tr>
<tr>
<td>Football Pools</td>
<td>$0.3</td>
<td>$0.5</td>
</tr>
<tr>
<td>Interactive Gambling</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Minor Gambling</td>
<td>unavailable</td>
<td>$15.0</td>
</tr>
<tr>
<td>Total</td>
<td>$1,133.25</td>
<td>$460.20</td>
</tr>
</tbody>
</table>

Note: n/a - not applicable
- 'Gaming Machines' refers to machines located outside of the casino
- Keno is not permitted in Western Australia.
- Interactive gambling is not permitted in Australia

Source: Victorian Department of Justice, 2005a, p.41.

In Victoria gaming machine gambling did account for a higher level of total expenditure per capita; however, it did not necessarily decrease expenditure on other forms of gambling. Expenditure on all forms of gambling, except lotteries, were all higher than that in Western Australia. Further, pokies expenditure actually decreased in Victoria during 2002/03 whilst increasing on nearly all other gambling types. Despite this, the ten year trend of expenditure in Victoria\(^4\) indicates that the largest increases in expenditure have been on pokies, and the other forms of gambling have suffered significant decreases. This expenditure on gaming machines has had a considerable impact on the prevalence of problem gambling in Victoria.

The immense popularity of lotteries products in Western Australia is the other key distinguishing factor between the two states. Expenditure on this gambling activity is considerably higher with an average of $144 per adult compared with only $98 in Victoria. Increased expenditure on other gambling activities such as lotteries and wagering prove that there is demand for gambling in WA despite the restrictions on pokies. The important distinction is that lotteries and wagering are only weakly associated with gambling problems. Participation on those gambling activities thus does not severely affect the prevalence of problem gambling.

\(^4\) Refer to Figure 3.3: Expenditure on Different Forms of Gambling as Proportion of Total Gambling Expenditure in Victoria 1993/94 to 2003/04.
Despite the enormous difference in the availability of different gambling forms in Victoria, especially pokies, in 1999 the overall gambling participation rates by adults in Western Australia was slightly higher than in Victoria (84 percent versus 81 percent). This higher participation rate reflects the considerable popularity of lotteries and instant scratch tickets in Western Australia (VDOJ, 2005a, p.39). That higher participation on these modes does not equate with more problem gamblers further underlines the strong linkage between electronic gaming machines and problem gambling. Western Australia may have had more people involved with gambling in one way or another; however, it remains the state with the lowest incidence of problem gambling. Lotteries and wagering pose far less of a risk than playing electronic gaming machines.

For problem gambling to be reduced, the number of accessible gaming machines in Victoria and throughout Australia must be dramatically reduced, especially in private clubs and hotels. Private interests should not rely on, or benefit from, gambling and if venues cannot survive solely on the basis of their main purpose, hospitality, they should cease to operate. This has always been the case for clubs and hotels in Western Australia and should be the same elsewhere. The only venues where pokies should exist are in non-profit clubs where they exist purely for social and recreational purposes. Reducing accessibility to gaming machines is the most effective means of reducing problem gambling and is an essential measure for governments to implement.

Conclusion
The emergence of different gambling policies in Victoria and Western Australia has had a profound impact on the nature of problem gambling in the two states. Evidence suggests that problem gambling is considerably more acute in Victoria due to differences in accessibility to gaming machines.

The most significant impact of the differences between the Victorian and Western Australian gambling environments has been on expenditure levels. Victorians spend far more on gambling even when accounting for the large population discrepancy. The most evident difference is the rates of expenditure per capita, with Western Australia the only state to experience a decrease in 2003/04. It is evident that the restriction of gaming machines to the Burswood Casino has had an enormous impact on gambling expenditure in the state. This is an important factor, as states with a high expenditure on electronic gaming machines tend to have a higher incidence of problem gambling.
As the gambling activity most associated with problem gambling, the dominance of electronic gaming machines on Australian gambling, except in Western Australia, is important to note. Further, in the absence of pokies Western Australians spend considerably more on casino gambling, lotteries and wagering activities that are all less associated with problem gambling. These differences help explain why problem gambling is more prevalent in Victoria, than in Western Australia.

The most important distinguishing factor between the states is that gaming machines are far more accessible in Victoria. Not only is there a large difference in the number of machines per state, accessibility is also much higher geographically due to their presence in hotels and clubs. In contrast, the restriction on gaming machines to the casino has meant that WA has the lowest accessibility to gaming machines in Australia. This has had a considerable impact on expenditure per capita with Western Australians spending the most on lotteries products in Australia. This is significant as lotteries is one of the gambling activities least associated with problem gambling.

Considering the strong linkage between the accessibility of gaming machines and the prevalence of problem gambling, the difference in the two gambling environments is a pivotal point. Due to the variation in accessibility of gaming machines, it is evident that problem gambling is likely to be much more serious in Victoria than in Western Australia. What has prompted the states to develop two vastly different gambling policies, however, is unknown and requires in depth analysis.
Chapter Four: Federalism and Vertical Fiscal Imbalance

Introduction
Differences in gambling policy have affected the prevalence of problem gambling in various states. What is less clear, however, is why there is such a contrast in governmental approaches to gambling. Accessibility alone does not explain this difference. A range of political and economic factors have influenced gambling policy.

Australian gambling policy has traditionally been the responsibility of the states with little direct involvement by the Commonwealth. This is similar to gambling regulation in Canada and the United States. The fact that the states are solely in charge of gambling policy has meant that many decisions have been motivated primarily by state self interest and not what is best for the nation as a whole. The impact of vertical fiscal imbalance is one potential factor that may explain the emergence of different gambling environments in Australia.

Gambling policies have primarily been influenced by a range of economic factors. Following the Commonwealth’s decision to dramatically cut state funding during the 1980s and the onset of recession in the early 1990s, the states were forced to seek alternative revenue sources. Gambling quickly became the preferred option for Australian governments. Governments have always seen gambling as a potential revenue source. However, it is only recently that gambling has been used for direct economic purposes. The states, to varying extents, have become increasingly dependent on gambling revenue. Victoria is the state most dependent on gambling revenue, 14.8 percent of government revenue, whilst Western Australia is the least dependent state, 2.7 percent (VDTF, 2006, pp.131, 148, WADTF, 2006, pp.231-234).

Western Australia’s income from mining and other royalties is the main difference between the two states’ revenue sources. Since there is no economic need for a dependence on gambling, there is no need for further liberalisation of gambling. These factors help to explain why different gambling policies have developed in Victoria and Western Australia.
The Effect of Federalism on Gambling Policy

The politics of federalism has had a significant impact on the development of different gambling policies in the country making it harder for the Commonwealth to intervene, on some issues, without being accused of coercion. Historically the Commonwealth government has left state governments with the responsibility of handling troublesome social issues such as gambling and has subsequently not sought real jurisdiction on the gambling policies pursued by the states (Costello and Millar, 2000, p.152).

This is an important point in evaluating the overall development of gambling in Australia. Since 1949, the conservative Liberal Party have been in power for a combined total of 41 years. Costello and Millar (2000, p.152) argue that had the federal government been responsible for gambling policy during this time the development of gambling may have been significantly different. They assert that had Liberal Prime Minister Sir Robert Menzies (1949-1966) been responsible for determining whether pokies should be introduced in New South Wales, ‘the conservative, Protestant patrician’ would almost certainly have said no. Despite its dominance at the federal level, the Coalition was unable to influence the gambling policies pursued by the states.

With the exception of Liberal Premier Sir Henry Bolte’s decision to introduce the first TAB in Victoria in 1960, a large majority of the key decisions relating to gambling were made by Labor state governments (Costello and Millar, 2000, p.154). For instance it was the Ted Theodore Labor government in Queensland which approved the Golden Casket lottery in 1916. The John Cahill Labor government was the first to introduce pokies in New South Wales clubs and pubs in 1956 and it was the Eric Reece Labor government in Tasmania which established the first casino in 1973. Most importantly it was the Joan Kirner Labor government which introduced pokies and casino gambling into Victoria in 1990. Labor state governments have been intrinsically linked with the development of gambling in Australia. The fact that it has been the states which have solely been in charge of the development of gambling policy in Australia is an historic peculiarity.

It is not, however, an isolated case amongst the international community. Gambling policies in other federations, such as Canada and the United States, are also the responsibility of individual states and provinces. Canadian provinces have had direct control over the extent of gambling within their jurisdictions for over 21 years (Pacific Business and Law Institute, 1996). For the
most part, American states have also been left to their own resources in the development of
gambling policy (Frey, 1998, p.138). Unlike Australia, however, they did not always have a free
reign over the development of gambling. As asserted by Selby (cited in Costello and Millar, 2000,
p.80) some attempts at further liberalisation of gambling, albeit mostly before the 1960s, were
ultimately blocked by the federal government. Notwithstanding, these state centric approaches
contrast significantly with unitary nations, such as the United Kingdom and Ireland, in which
gambling is controlled by national governments.

Gambling policy in those countries is subsequently dictated by the national interest. By contrast
Australia’s state approach has been characterised by ad hoc decisions by state governments
driven entirely by self interests and appeasing the demands of the gambling industry (Costello
and Millar, 2000, p.153). It is true that the Commonwealth has in part encouraged the states to
rely on gambling revenue by reducing revenue streams to the states. Federalism has also been
eroding in recent times. Due to a lack of a national approach state gambling environments have
become very fragmented.

**Influence of Economic Factors on Taxation Policies**
State governments have had complete control over the direction of gambling policies; however,
they have ultimately been interlinked with the fiscal policies and the strength of the national
economy. Economic pressures on the national economy have had a profound impact on
Australia’s gambling industries. When the Hawke-Keating Labor Party won government in 1983
it became evident that there would be no repeat of the economically high spending, high inflation
years of the previous Whitlam government (1972-75) and that times were going to become tough
for the states. As asserted by Pusey (1991, p.3), Canberra during the early 1980s was ‘swept by a
locust strike of economic rationalism’. As the government deregulated financial markets and
privatised government assets, state governments around Australia became increasingly nervous.
This apprehension proved to be justified as the Hawke government ultimately chose to
dramatically cut state funding in order to turn an $8 billion deficit into a surplus (Costello and

As the states rely on Commonwealth funds for around half of their total revenue, these cutbacks
had a severe effect on the states. Thirty years ago the federal government had returned 34 percent
of taxation revenue to the states. By 1988 this had decreased to 24 percent and by 1999 21
percent, creating a significant shortfall in state revenue (Western Australian Government, 1998,
The states’ financial problems, however, were not just the result of actions by the Commonwealth. During the 1970s and confident of continuing financial support by the federal government, the states gradually eroded their own tax bases through considerable concessions and exemptions to business, and by abolishing estate and gift duties (Smith, 1999, p.4). The states, therefore, had to respond to the heavy cutbacks by the Hawke government by raising revenue from alternative sources and they chose gambling (Matthews and Grewal, 1997, p.750).

Pressure on the states to maximise revenue from gambling was further exacerbated during the mid-1980s with a 27 percent decrease in the value of revenue grants allocated by the Commonwealth (Smith, 1999, p.5). Economic conditions only worsened with interest rates reaching 18 percent by 1989 and by mid-1990 Australia was in the midst of the second worst recession since the Great Depression (Costello and Millar, 2000, p.164). The recession ‘we had to have’ hit all state economies considerably hard and it was at this point that the states became increasingly desperate and tax revenue from gambling became far too attractive for them to ignore. In 1997 the states were also forced to abandon their significant franchise fees taxes on petroleum, alcohol and tobacco further increasing the financial pressures on the states. As gambling taxes are a relatively simple option (to the extent that gambling is voluntary) for governments to ‘fill the funding gap’ it was only natural for the states to rely on gambling in this way (Western Australian Government, 1998, p.41).

Vertical fiscal imbalance has had a considerable impact on the liberalisation of gambling policies and there is a direct need for the federal government to return more money to the states. The Commonwealth raises considerably more money than is required for its expenditure needs, whilst, the states can raise only a proportion of their needs. The current federal grants system actually encourages the states to become reliant on gambling by returning more money to those states with a higher reliance on gambling taxes. This effectively penalises states, such as Western Australia, that are less reliant on gambling revenue. By returning more money to state treasuries there is less of a need for a reliance on gambling for government operating revenue. This is one area in which the federal government can play a key role in relation to reducing the prevalence of problem gambling.

Taxation factors have been one of the most influential in prompting governments to favour increased liberalisation of gambling in Australia. A commonly accepted theory has been that governments have liberalised gambling policies solely to ‘milk it for revenue’ (Costello and
Millar, 2000, p.151). Governments have long developed a financial interest in further liberalisation of gambling, recognising that some forms of gambling were a potential source for significant taxation revenue (Smith, 1991, p.1). At the same time, however, they have also recognised the social costs that accompany it. Governments ultimately face an inherent contradiction; they take money from gambling whilst at the same time act as a social guardian. Further, they have to both permit and discourage gambling (VDOJ, 2005a, p.2).

It is this conceptual framework that underlies the current gambling debate. The extent to which governments should seek increased revenue for public programs at the expense of a perceived notion of social well being remains highly contentious. Governments have struggled to come to grips with the nature of gambling as a wicked problem. Traditionally, the approach by governments in Australia to gambling has been to follow the British maxim of 'tolerate...but don’t promote' (Costello and Millar, 2000, p.151). In the past two decades and motivated by the advent of commercialism, this approach has been completely disregarded. This trend is also evident in the United States where, by 1996, over $350 million per year was spent on the promotion and advertising of lotteries (Hernandez, 1996, p.A15). With an ever expanding revenue base the majority of Australian states have overwhelmingly opted for receiving increased revenue from gambling.

For most of the twentieth century, state governments attempted to restrict gambling through legalised competition (Haig, 1985, pp.40-41). As a result, historically, gambling revenues have accounted for only a very small percentage of overall state taxes. The focus on revenue during the last three decades marks a fundamental shift in attitudes by state governments (Smith, 1999, pp.3-4). Government moves to actively promote gambling has allowed the gambling industry to boom more than ever before. Competition between states for gambling revenue has also become a primary force for the spread of gambling and, consequently, there has been greater uniformity in the gambling policies pursued by state governments (Smith, 1999, p.5).
TABLE 4.1: State Governments Share of Australian Taxation

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1958/59</td>
<td>17</td>
</tr>
<tr>
<td>1975/76</td>
<td>21</td>
</tr>
<tr>
<td>1981/82</td>
<td>19</td>
</tr>
<tr>
<td>1985/86</td>
<td>20</td>
</tr>
<tr>
<td>1989/90</td>
<td>21</td>
</tr>
<tr>
<td>1996/97</td>
<td>24</td>
</tr>
</tbody>
</table>

State and local taxes have increased dramatically in recent years consisting of 24 percent of total taxation in 1996/1997 compared with only 17 percent in 1958/59. Although state government taxes have risen slightly during the past decades gambling taxes are still far less important than other state taxes such as payroll taxes, financial transaction taxes or business franchise fees. Regardless, gambling remains an attractive source of further government revenue as highlighted by Table 4.2.

TABLE 4.2: Gambling Revenue as a Percentage of State Taxation

<table>
<thead>
<tr>
<th></th>
<th>NSW</th>
<th>VIC</th>
<th>QLD</th>
<th>SA</th>
<th>WA</th>
<th>TAS</th>
<th>AUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975/76</td>
<td>12.8</td>
<td>9.4</td>
<td>6.7</td>
<td>5.1</td>
<td>6.4</td>
<td>6.0</td>
<td>9.8</td>
</tr>
<tr>
<td>1985/86</td>
<td>11.6</td>
<td>9.1</td>
<td>10.1</td>
<td>7.6</td>
<td>5.8</td>
<td>9.6</td>
<td>7.9</td>
</tr>
<tr>
<td>1995/96</td>
<td>11.0</td>
<td>12.6</td>
<td>13.1</td>
<td>11.5</td>
<td>7.4</td>
<td>8.8</td>
<td>11.4</td>
</tr>
<tr>
<td>1996/97</td>
<td>10.2</td>
<td>13.0</td>
<td>12.8</td>
<td>13.0</td>
<td>6.4</td>
<td>9.8</td>
<td>11.2</td>
</tr>
<tr>
<td>1997/98</td>
<td>10.4</td>
<td>15.2</td>
<td>12.5</td>
<td>13.8</td>
<td>5.7</td>
<td>10.3</td>
<td>11.7</td>
</tr>
</tbody>
</table>

As we can see from Table 4.2 state government revenue from gambling has increased to a national average of 11.7 percent of total tax revenue raised. Victoria has the highest dependence on gambling revenue at over 15 percent of total state revenue whilst Western Australia had the lowest at 5.7 percent. This is another principal reason behind the comparison of these two states’ approaches to gambling. In both the United States and Canada there is also a varying reliance on gambling revenues by individual states. In the American state of Nevada, for example, casino revenues account for almost half of the state’s total taxation revenue (Dunstan, 1997, p.109).

In this financial year it is estimated that the Victorian government will receive over $1 billion from gaming machines alone (Healey, 2006). Gambling taxation is estimated to increase by over $75.4 million from 2005/06 budget figures (Victorian Department of Treasury and Finance, 2006, p.134). This is considerably more than Western Australia. As highlighted by Table 4.3 there is a
considerable difference in the composition of government revenue sources in the respective states.

Table 4.3: General Government Operating Revenue: Victoria and Western Australia 2006/07 Budget Estimate

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Victoria ($m)</th>
<th>% Total Revenue</th>
<th>Western Australia ($m)</th>
<th>% Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Taxes</td>
<td>$3 418.1</td>
<td>10.53%</td>
<td>$1 428</td>
<td>8.65%</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$3 412.7</td>
<td>10.51%</td>
<td>$2 417</td>
<td>14.63%</td>
</tr>
<tr>
<td>Gambling Taxes</td>
<td>$1 556.3</td>
<td>4.79%</td>
<td>$141</td>
<td>0.85%</td>
</tr>
<tr>
<td>Motor Vehicle Taxes</td>
<td>$1 339.1</td>
<td>4.12%</td>
<td>$757</td>
<td>4.58%</td>
</tr>
<tr>
<td>Insurance Taxes</td>
<td>$1 104.1</td>
<td>3.40%</td>
<td>$339</td>
<td>2.05%</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>$140.4</td>
<td>0.43%</td>
<td>Not Applicable</td>
<td>n/a</td>
</tr>
<tr>
<td>Taxation</td>
<td>$10 971.0</td>
<td>33.81%</td>
<td>$5 082</td>
<td>30.78%</td>
</tr>
<tr>
<td>Current/Capital Grants</td>
<td>$15 077.9</td>
<td>46.47%</td>
<td>$7 565</td>
<td>45.82%</td>
</tr>
<tr>
<td>Sale of Goods and Services</td>
<td>$2 552.4</td>
<td>7.86%</td>
<td>$1 046</td>
<td>6.33%</td>
</tr>
<tr>
<td>Revenue from Public Corporations</td>
<td>$958.1</td>
<td>2.95%</td>
<td>$750</td>
<td>4.54%</td>
</tr>
<tr>
<td>Fines and Regulatory Fees</td>
<td>$832.4</td>
<td>2.56%</td>
<td>$149</td>
<td>0.90%</td>
</tr>
<tr>
<td>Total Interest Income</td>
<td>$293.1</td>
<td>0.90%</td>
<td>$151</td>
<td>0.91%</td>
</tr>
<tr>
<td>Royalty Income</td>
<td>$63.1</td>
<td>0.19%</td>
<td>$1 504</td>
<td>9.10%</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>$1 694.1</td>
<td>5.22%</td>
<td>$262</td>
<td>1.58%</td>
</tr>
<tr>
<td>Total Government Revenue</td>
<td>$32 442.1</td>
<td>n/a</td>
<td>$16 510</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Note: Columns may not add due to rounding.

Sources: Victorian data; Victorian Department of Treasury and Finance, 2006, pp.131, 148, Western Australian data; from Western Australian Department of Treasury and Finance, 2006, pp.231-234.

The total general government operating revenue in Victoria ($32 442 million) is noticeably more than that of Western Australia ($16 510 million). Considering the enormous disparity in population this is not unexpected. The key difference is the composition of the respective taxation bases. As highlighted by 2006/2007 budget estimates, Victoria collects far more from gambling, 14.8 percent of total taxation ($1 556.3 million), than Western Australia, 2.7 percent ($141 million). Consequently, Western Australia raises its taxation revenue from alternative sources. For instance, property taxes are the largest source of taxation revenue in Western Australia, accounting for 47.56 percent of total taxation. In contrast Victorian property taxes account for only 31.1 percent. Motor vehicle taxation is also higher consisting of 14.89 percent as opposed to 12.20 percent in Victoria.
The most significant difference in sources of revenue between the two states is in regards to royalties. In Western Australia it is the third largest revenue source and it is estimated that it will add $1,504 million to the state economy in 2006/07. This is an increase of $663 million from 2004/05. Although there has also been an increase in royalties in Victoria, it is a lot less contributing only $63.1 million. As a proportion of overall government revenue Western Australia, 9.1 percent, is more reliant on royalties than Victoria, 0.19 percent. This is a significant point and is perhaps one of the most pivotal reasons why WA has not succumbed to the lure of gaming machines.

The economic benefits of gambling have been the main policy instrument used in relation to the development of gambling policy. Whenever state governments are questioned for their reliance on taxation revenue, the common response is to note that such revenue pays for many government and community programs ("Tabcorp Defends", 2006). This reaction is certainly not new and using gambling revenue for special community projects and government programs has long been a well tested method of legitimising new forms and an expansion of gambling. It is worth noting that gambling helped fund the iconic Sydney Opera House and revenue from lotteries continue to fund public hospitals in Queensland. In Western Australia alone, LotteryWest contributed over $150 million to various government and community programs as well as sporting bodies and hospitals in 2004 (VDOJ, 2005, p.3). The fact that some government programs, such as health and welfare, are ultimately dependent on funds from gambling is a problem as it further exacerbates state government reliance on gambling revenues (Costello and Millar, 2000, p.178). The presence of vested interests with competing definitions of the wicked problem and how to resolve it only make practical solutions even more elusive (Colebatch, 2006, p.125).

As long as the Victorian government remains heavily reliant on gambling revenue, it is less likely to impose effective measures to reduce the severity of problem gambling. This does not mean that it should dramatically increase other state taxes to cover the inevitable budget shortfall. The government has to also develop alternative means of attracting government revenue. Once this reliance on gambling is reduced accessibility to gambling can then be reduced without causing significant economic problems for the state. Revenue has had a significant impact on the gambling policies pursued and there is a need for alternative revenue sources. These economic factors exemplify the extent to which external drivers can shape public policy (Bridgman and Davis, 2000, p.37).
Conclusion
A number of different gambling regimes have emerged throughout Australia and this is the result of several key factors including federalism, economic and taxation factors. Their overall impact on gambling, however, varies.

One aspect of federalism has played a crucial role in the emergence of different gambling environments. That the states were able to dictate their own gambling policies without any interference by the Commonwealth is very significant. With no national approach the states were able to use gambling policies to suit their own purposes and circumstances. This is especially notable when considering the dominance of the Coalition federally, and the dominance of Labor at the state level. Ultimately, the result of this has meant that Australian gambling policies became extremely fragmented, paving the way for vastly different gambling environments to emerge.

Economic factors have also been integral in the development of gambling in Australia and this has resulted from decisions by governments at both the federal and state level. There is little doubt that cuts in state funding and Commonwealth grants, as well as erosion of state tax bases and the 1990s recession all had a severe impact upon state economies. The most important result from this has been the increasing reliance, albeit varying, on gambling revenue. The fact that Victoria is the state most dependent on gambling revenue and Western Australia the least goes a long way in explaining the differences between the two gambling environments. Attracting significant revenues from non-gambling sources, mostly mining royalties, has meant that there is little economic need for an increased reliance on gambling in Western Australia and, as such, there is little need for further expansion of gambling.

With access to pokies remaining restricted in Western Australia, the prevalence of problem gambling remains extremely low. This is the most important factor in regards to the composition of the two gambling environments. Current restrictions on the accessibility of gaming machines are justified and should remain unchanged. Considering the probable implications of further increasing access to gaming machines, thereby increasing the number of problem gamblers, it would be detrimental for any government to approve such a move. Other states should aspire to the Western Australian gambling environment, not the other way around. Together these factors have all influenced gambling as a public policy and ultimately explain the differences in the prevalence of problem gambling in Victoria and Western Australia.
Differences in the accessibility of electronic gaming machines are the main distinguishing features between the two states having an enormous impact upon the Victorian and Western Australians gambling environments. As a consequence, this disparity in accessibility has had a profound influence on the prevalence of problem gambling in the respective states. Economic factors have played in an integral role in the development of gambling policy and a large variation in reliance on gambling for revenue is the most significant factor explaining the emergence of two vastly different gambling environments, as well as different frequencies of problem gambling.

Governmental attitudes towards gambling have changed significantly over time from reluctantly tolerating its existence to actively encouraging its growth. For much of Australia’s history, authorities tolerated some gambling activities, such as horse racing, whilst attempting to prohibit others, for example two-up. This approach reflected the influence of anti-gambling on official policy, however, their impact diminished substantially after WWII. In response to souring economic conditions, previous gambling policies were abandoned, and the opening of casinos was the first example of gambling being used for revenue purposes. The liberalisation of gambling policies then culminated in the spread of electronic gaming machines. Together, these two new gambling forms revolutionised gambling. Contrasting views towards electronic gaming machines by Victoria and Western Australia has led to the emergence of two vastly different gambling environments.

Problem gambling is a serious issue with over 300,000 adults experiencing gambling problems. Despite their small proportion, 2.1 percent of adults, problem gamblers account for $3.5 billion of national gambling expenditure. This is almost one-third of the gambling market. The spread of electronic gaming machines is directly responsible for the higher prominence of problem gambling during the past decade. This is because pokies are most strongly associated with problem gambling, whilst lotteries is the least associated. Electronic gaming machines are the favourite gambling activity amongst problem gamblers. This is one example of the causal relationship between problem gambling and pokies.

Accessibility is one of the most significant factors behind the prevalence of problem gambling. Electronic gaming machines and lotteries are two most accessible forms of gambling, however, their association with problem gambling varies significantly. This is due to the nature of their use.
Pokies are considered to be a continuous gambling activity, whilst lotteries products are a non-continuous gambling activity. It is a lot easier to lose more money, in less time, on gaming machines than on lotteries, explaining why pokies are more associated with problem gambling. There is also a strong linkage between gambling expenditure and the prevalence of problem gambling. States with a higher expenditure on pokies have a higher number of problem gamblers. These factors have a strong bearing on the nature of problem gambling in Victoria and Western Australia.

The presence of electronic gaming machines in Victorian pubs and clubs, and their restriction to the Burswood Casino in Western Australia, is the pivotal difference between the two gambling environments. This has had a significant influence on the prevalence of problem gambling in the two states for several reasons. First, accessibility to gaming machines is much higher in Victoria with over 29,900 gaming machines compared with 1,318 in Western Australia. Accessibility is also considerably higher due to the widespread geographic distribution of pokies in hotels and clubs, as opposed to the single venue in WA. Due to its higher accessibility, problem gambling is more prevalent in Victoria.

Differences in accessibility have also had a significant impact on expenditure with Victoria spending $15,365 million in 2002/03 as opposed to $670m in Western Australia. Victorians also spend considerably more per capita, $1,133m compared with $460m. These differences are directly related to gaming machines which are the most dominant gambling activity in all states except one. Due to the restriction of pokies, casino gambling and lotteries are the dominant gambling activities in Western Australia. This has ultimately affected expenditure rates and the incidence of problem gambling with states with a higher expenditure on pokies having a higher number of problem gamblers. The severity of problem gambling varies considerably between Victoria and Western Australia.

State responsibility for developing gambling policies has led to the creation of separate and fragmented gambling environments. Policies have been adapted over time as a result of changing circumstances and this has caused state gambling environments to become extremely fragmented. The main impetus behind a change in government policy has been souring economic conditions with state governments increasingly using gambling as a means of raising government revenue. Victoria is most dependent on gambling revenue, which accounts for almost 15 percent of state taxation, whereas, Western Australia is least reliant with 2.7 percent. The $1.504 billion received
from mining and other royalties is the main reason why Western Australia has not liberalised access to gaming machines, as there is a comparatively limited economic need to do so. As long as accessibility to gaming machines remain restricted, Western Australia will continue to have the lowest prevalence of problem gambling in Australia.

It is important that governments understand the correlation between differences in accessibility of electronic gaming machines and the prevalence of problem gambling. Western Australia’s low incidence of problem gambling is directly related to the restrictions placed on gaming machines in the state. Wicked problems, such as gambling are not going to disappear and with further liberalisation and increased expenditure on electronic gaming machines, the number of problem gamblers is likely to become much more acute. It is vital that Australian governments implement widespread changes to their gambling policies in order to ameliorate the effects of problem gambling on the community.
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