Research Update

AUSTRALASIAN Gaming Council

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# Responsible Gambling and Casinos

## Who undertook the study?

This study was commissioned by Gambling Research Australia (GRA) and undertaken by research staff from The South Australian Centre for Economic Studies (SACES), the University of Adelaide and ORC International.

## Overview

The research aims to explore the relationship between Australian casinos and local gamblers,[1] the casino market, product offer and regulatory environment as well as to investigate the effect of both casino promotions and responsible gambling programs/initiatives.

While the study was national, the scope of the research was limited to focus on casinos in New South Wales, Victoria and South Australia.

## Methodology

The methodology used included literature reviews, statistical analysis, focus group interviews with casino patrons and interviews with casino management, regulators, industry stakeholders and researchers in the gambling studies field.

## Part A

### The Australian Casino Industry – Market Size and Revenues

The researchers consider that Australia's 13 casinos are now in a fifth wave of evolution. The years since 2008 have been characterised by contractions in consumer spending, growing international competition (particularly from Asia) and the influence of sophisticated technologies (which have brought further competition in the form of online gambling, wagering and betting).

The response of Australian casinos to the changing marketplace has been to shift from the provision of traditional gaming facilities to tourist centric, integrated entertainment destinations/resorts.

Capturing a share of the tourism market and tourism growth is a key focus of Australia's internationally oriented casinos - but casinos are also in competition with hotels/clubs in the EGM market. Casino revenues are influenced by local economic conditions, consumer confidence, wage growth and household incomes and spending.

The report provides a number of statistics to situate the casino industry in the broader gambling environment. **(Appendix A)**

### Legislative and Regulatory Arrangements

As part of a broader outline of casino specific licensing and probity arrangements the researchers note that casino VIP rooms and high stakes gambling, casino based tourism and junket activity (as well as domestic cases involving fraudulent activity and money laundering) highlight the importance of ongoing probity and integrity checks conducted by an independent regulatory body.

The report stresses the importance of casino data analyses of the source of funding for high expenditure players – both to verify the capability of the individuals concerned to sustain large losses and to negate the possibility of criminal behaviour.

The research subsequently discusses gambling and crime – expressing the view that a key motivator of fraudulent behaviour is gambling addiction – including EGM addiction.

While acknowledging the high volume of patronage at large casinos, and evidence that casino operators have managed activities related to criminal activity with vigilance and within the regulatory structure, the researchers suggest that regulators need to accurately analyse and more appropriately respond to crime statistics.

This section of the report then summarises recent regulatory reviews of major operators. The report advises that, in general, such reviews have recommended casinos take action to:

1. improve problem gambler detection and interventions;
2. improve data analysis as a key trigger for interventions;
3. improve information to players; and
4. better identify excluded persons.

## Part B

### Australian Casino Gamblers

Information was taken from recent prevalence studies in NSW, SA and Tasmania to investigate the nature of casino gambling and the demography of casino gamblers.

While providing information on each focus jurisdiction separately, the overall conclusions included that casino-based table games are played annually by less than 10% of the population. (A range of 6-8% of the population generally attends casinos, 8% reporting

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that they play monthly or more with less than 1% reporting weekly play or more).

EGMs were found to be less likely to be played in casinos as compared to hotels/clubs and EGM players at casinos were found to be more likely to be older and female when compared with those who choose to play table games.

Casino table games were found to be more likely to attract younger males (a demographic who were also found to be more highly educated and with higher incomes).

The analysis found that those who report gambling at casinos are more likely than all gamblers to be located in higher risk segments (i.e. casino gamblers are three times more likely to be problem gamblers or those at moderate risk).

The authors point out however that those who gamble at casinos tend to gamble on a broad range of gambling forms, and that there is evidence to suggest that those who gamble on a wider range of activities are more susceptible to the development of gambling problems.

In this vein the authors note that any association between problem gambling and casino game playing is likely to be confounded by demographics – i.e.: those who are younger and male are more likely than all gamblers to report patronage of a casino and, by virtue of their more committed gambling status, more likely also to report problems associated with gambling.

Other gamblers – those who the researchers deemed "less serious gamblers" also indicated visiting casinos for a variety of reasons that included meals, entertainment and general socialisation.

## Responsible Gambling and Casinos

A great deal of information is provided about the responsible gambling/host respons bility measures put in place by casinos throughout Australia and the authors report that casinos are potentially better resourced than smaller venues (through economies of scale) to implement comprehensive responsible gambling programs.

The authors conclude however that while the programs in place may be extensive, there is little evidence available to indicate their efficacy.

The literature regarding self-exclusion is briefly examined, with some discussion of breach and recidivism as practical implementation difficulties. However the authors also note that while those self-excluding can circumvent arrangements, the process of self-exclusion does, of itself, appear to be therapeutically useful and a motivator for change in gambling behaviour.

Efforts towards the identification of problem gamblers and staff training on behavioural indicia of potential problem gambling are discussed and the means by which various casinos operationalise these activities are listed.

In subsequent discussion the researchers posit that the most effective training procedures appear to be those which are carefully documented in manuals, accredited and audited periodically. (They suggest the rigor of the Host Respons bility system at the Auckland casino, oversighted by the NZ Gambling Commission provides a good example).

Smart, or player tracking, systems are also discussed in this context. Acknowledging that a number of the systems available are proprietary in nature the researchers do not attempt a fulsome analysis but conclude that such systems have important implications for responsible gambling and harm minimisation efforts in future.

The researchers go on to discuss the Codes of Conduct in place throughout Australia and the major points of difference in the harm minimisation measures applicable to casinos and hotels/clubs.

They conclude that the diversified gambling offerings of casinos - including unrestricted EGM play, 24/7 opening hours, linked and large jackpots, other incentives and the large number of visitations all contribute to a generally higher average revenue per EGM - but do not, of themselves, confirm any relationship between venue size and gambling harm.

Rather, it is noted that most research points to the importance of accessibility as a significant factor in problem gambling.

## Regional Impacts of Casinos

Findings from literature reviews in this section of the report conclude that although the introduction of a casino can displace revenue from other forms of gambling and encourage more people to gamble, such operations do not appear to lead to a sustained increase in problem gambling or related harm.

A holistic approach was taken in considering the overall economic impact of casinos with both benefits and costs considered.

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The report advises that in 2013/14 the casino industry directly generated AU$3.6 billion (0.23%) of Australian GDP with direct employment of 19,657 FTE positions (0.20% of FTEs employed) resulting in consumption and production flow-on impacts of between 34,700 to 49,600 employment positions (lower-bound/upper bound estimates) and additional economic output of between AU$5.6 billion and $8.3 billion.

In 2013/14 VIP Program Play was estimated to have contributed AU$1.2 billion in casino gaming revenues with annual average growth of 12.4% since 2009. Capital expenditure was $552 million in the same (2013/14) period.

The report does discuss the taxation contribution of casinos (AU$580 million in the 2011/12) period but cautions that while taxation figures do not capture total contribution (through exclusion of other direct and indirect taxes) taxation revenues do not represent a benefit from an economic perspective - being rather a transfer from taxpayers to government.

Consumer utility was also considered. The authors note that, while there is a tendency to dismiss the benefits of recreational gambling in some reviews, a consumer surplus on casino gaming would equate to $478–777 million dollars in 2013/14 dollars.[2]

The authors note that the social costs of casino gambling (according to the Productivity Commission's (PC's) 1999 review) were significantly lower compared to the estimated social costs attributed to EGMs and wagering. (This finding is said to reflect the relatively low access bility of casinos and that table games also have a slower rate of play and reduced ease of use).

The authors advise however that the PC's estimates of cost remain conservative (largely as costs to those in the moderate risk category and the intergenerational transmission of harm were not included in the 1999 analysis). No updated figure is provided for social costs in this analysis.

The review then moves to a discussion of tourism – which is identified as a significant revenue source for Australian casinos.

The researchers stipulate that casinos in Australia are not homogenous – and that casinos that are successful in targeting the tourist market are more likely to increase local benefits than those that rely predominantly on the expenditure of the local population.

They also note that international competition is intense and point out that this competition brings the potential for illegal activity and probity risks.

SACES estimate that in the 2011/12 period some 77% of casino revenue derived from domestic patrons, 19% from VIP international commission based patrons and high rollers and 4% from international tourists/patrons.

SACES also estimate net expenditure of approximately $767-783 million in 2012/13 derived from the International VIP market - a sum that represents a net increase in export revenues from the tourism sector.

However the report notes that public filings of revenue data and company annual reports place the figure attributable to VIP Program Play and international visitors at Australian casinos at AU$1.4billion in 2014 (a significantly higher figure).

While the authors do not attempt to reconcile the differences between the estimates cited, they conclude that this revenue source does contribute to a positive net economic impact.

## Casino Patrons – Their Perspective

This section of the report presents detailed findings of qualitative interviews with casino patrons. Results reported are based on patron perceptions and observations across an array of topics.

Some of the findings of interest (with regard to responsible gambling) include that:

- Participants felt that inducements (ranging from free/low price meals and drinks, cinema tickets, accommodation, parking and cash/vouchers) influenced their gambling behaviour, making them more likely to spend money. However, there was consensus across the groups that the level of inducements offered had decreased markedly in recent times.
- While some participants felt that casino gambling had become less affordable over time others pointed out that the amount spent at a casino complex was not necessarily any more than an alternative night out, and that gambling had the added advantage of the opportunity to win money back.
- When asked about the impacts of advertising most participants felt that it had relatively little effect on their own, or others', behaviour.
- Participants could provide no single definition of responsible gambling and displayed relatively low awareness of any responsible gambling measures (apart from signage and self-exclusion). Some participants described 'responsible gambling' as "too vague" a concept or that responsible gambling messaging and measures were

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tokenistic, not as hard-hitting as messages used for alcohol and tobacco and/or in conflict with the business motivations of the industry.

- Self-exclusion was the most commonly reported responsible gambling initiative of which respondents were aware. However there was a degree of cynicism about how effective this measure could be.
- The researchers found only a vague awareness of Player Activity Statements - noting that those who did receive them generally paid very little attention to them.
- Participants noted that personal limit setting (largely for expenditure) was relatively common – with both soft and hard limits employed. Adherence to limit setting (especially on unplanned visits or when gambling in conjunction with drinking alcohol) was perceived by focus group participants as harder to self-enforce.
- The predominant view amongst those interviewed was that the responsibility for responsible gambling lay with the individual – there was a resistance to the idea of government preventative measures.
- Participants believed that it was not appropriate for staff to intervene if they suspected that a patron had a gambling problem, and felt that it is hard to identify whether a person has a problem, without knowing their financial situation.

Further findings in this section of the report dealt with how focus group participants viewed particular properties and staff, perceptions of VIP gaming and a range of other matters.

### Part C

### External Environment and Competitiveness

The review states that the Asia-Pacific region is the centre of global investment in new casino and resort developments with Macau and Singapore the most prominent competition to the Australian casino industry.

Australian casinos are currently estimated to attract 5-6% of the international VIP player market with Crown Melbourne the leading casino in this field.

Australia generally offers lower VIP tax rates than other jurisdictions but the researchers warn that casinos will need to continue to examine non-gambling initiatives to remain competitive in an environment where new and planned developments are increasingly less 'gaming-centric'.

The report also states that the availability and growth of online gaming and wagering (including social gaming) is l kely only to accelerate and that some casino operators are now also investing in this market.

### Casinos – Their Own Perspective

Interviews with casino staff led the researchers to conclude that the three major properties studied had similar responsible gambling practices, harm minimisation measures and reporting requirements in place.

In general, the researchers note that casinos have in place exclusion and intervention strategies as well as surveillance technology platforms that support their responsible gambling initiatives. They also adhere to codes of conduct/practice and junket and commission based play is both highly regulated and compliant with Federal legislation.

A critical observation made with regard to responsible gambling programs however was that the casino industry, as a whole, have not made public the reporting of outcomes and that the efficacy of the consumer protection initiatives in place is largely unknown.

### Part D

### Perspectives on Responsible Gambling

The authors acknowledge debate regarding the meaning of the term 'responsible gambling' and suggest that the public health model is more likely to consider individual responsibility in tandem with the responsibility of the industry, its product and marketing as important regulatory targets. In contrast, they feel that the 'Reno Model' tends to stress informed choice - with lesser emphasis on the environmental and social factors that influence gambling behaviours.

The authors express a view that gambling participation and resultant behaviour occur in a relational context and that individual responsibility and corporate social responsibility should be equally matched and studied.

The researchers subsequently comment on a number of policy measures including:

***Information and awareness campaigns*** – casinos are active in this area but there is no direct evidence of their efficacy as a primary prevention tool for problem gambling;

***Responsible Gambling Information Centres*** – research suggests patron awareness of such measures and these centres act as a visible presence (to both staff and customers) for assistance and referral;

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***Restricting the number of gambling venues*** – evidence that access increases gambling and problem gambling may support an argument for single or destination venues (few in number) that would reduce EGMs in local communities and potentially offer greater opportunity for effective regulation and player surveillance;

***Restricting more harmful types of gambling*** – the two most significant products in this genre are EGMs and continuous table games (including automated forms). The researchers caution that these modes of gambling are potentially available 24/7 in casinos and could give rise to greater incidence of problem gambling;

***Limiting gambling venue hours of operation*** - in contrast to hotels/clubs casinos often offer 24/7 availability suggesting the need for automated monitoring systems to supplement the more subjective observations of staff;

***Modifying EGM parameters*** – unrestricted EGM play (which requires player card use) could provide information to suggest more proactive interventions or a mandatory shut down at a default length;

***Prohibition on youth gambling*** – is vigorously policed with swift action and reporting from all casinos;

***Self-exclusion*** – steps are taken to enforce and report detection rates. Regulators have encouraged casinos to use player data analysis as an aid in detecting at risk/problem gamblers and this could provide a platform to proactively approach patrons with the offer of assistance including self-exclusion;

***Pre-commitment*** – is offered on a voluntary take-up basis and acts as a source of feedback to moderate gambling behaviour;

***Loyalty cards*** – are currently more used for inducements to attend and gamble but provide a casino with the capacity to analyse data to inform protective behaviours;

***Staff training, risk monitoring and intervention*** – Extensive training is provided to staff and supervisors to recognise and respond to problem gambling indicators. However there is little research evidence regarding the frequency and effectiveness of interventions. Subjective observations are capable of being supported by objective indicators and jurisdictions such as New Zealand have mandated analysis of card data to alert the casino to problematic behaviours;

***Restricting access to money, use of tobacco and alcohol*** – problem gamblers generally endorse restricting access to cash as a useful measure, casinos have strong RSA policies and smoking is generally prohibited but remains permitted in private gaming areas; and

***Restricting advertising*** – while there are restrictions on advertising and advertising remains mostly general when directed towards the public, private advertising sent to loyalty members is essentially an inducement to attend/participate in activities/gamble.

## Terms of Reference -Summary of Findings

***How is the market changing and how are casinos adapting?***

The global casino industry will continue its fundamental shift eastwards with the increasing liberalisation of gambling in Asia and further competition if Japan should open its market to casinos.

Tourism growth is a key focus of the Australian industry and there will be even stronger competition in the VIP/high roller market segment.

Investment in resort complexes is a clear diversification strategy - and those casinos who have not responded to market changes in this manner have performed badly (being much more dependent on the domestic market than others).

Growth rates and expenditure in all casinos – with the exception of Melbourne and Sydney – have been relatively subdued for some time and are generally lower than growth rates for EGM revenues from hotels/clubs.

***How do products and their presentation at casinos affect local gamblers and are their profiles different from those whose primary venue is a hotel/club?***

The research found that the experience of visiting a casino is the principal promotional theme and that there is one distinctive player group attracted to casino play – namely those who wish to play table games – with little evidence that those who play EGMs at a casino have any demographic differences to those who play at hotels/clubs.

***What are the responsible gambling measures being taken by casinos and their impact on local gamblers***

After outlining the responsible gambling measures in place the authors identify the introduction of smoking bans, the removal of ATMs from venues or gaming areas, withdrawal limits on available ATMs and proh bitions on note acceptors as key consumer protection measures (evidenced by breaks in trends in gambling revenue).

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The authors note the similarities between casinos and clubs/hotels across a number of harm minimisation areas and the wider range of conditions imposed on casinos in terms of the physical environment of the gaming area and the training and responsibilities of staff - but also point out the "greater freedoms" allowed casinos in respect of the payment of winnings, size of bets and prices and fewer restrictions on the service of alcohol and smoking (VIP areas).

The authors stress the inter-connection of alcohol with gambling as a "critical issue" and note that as casinos are open 24/7 and often seen as the place to go when lock out laws at other venues are in operation, that there is a strong onus on Respons ble Service of Alcohol.[3]

Subsequent to a brief discussion of loyalty programs the authors note the ability of casinos to implement sophisticated technology-based systems with the capacity to analyse player data. They suggest that default time limits, alert messages or other system outputs should be set so as to be consistent with responsible gambling behaviour.

They add that regulators should maintain an active interest in monitoring the capabilities and interventions that technology based systems enable.

***Do casinos target local ethnic groups via promotions/advertising?***

While the gambling opportunities available at casinos appeal to a wide range of ethnically diverse communities (and while many properties have cultural themes designed to appeal to these groups) the researchers found no evidence of advertising or specific promotions directed towards gambling participation and any ethnic group.

***What is the marketing and type of promotions that casinos undertake and how do they affect local gamblers?***

While most casino advertising is restricted and general in nature the authors identify that high spenders are in receipt of more promotions and advertising.

The researchers see a vexed issue for casinos in striking a balance between encouraging high yielding customers and due diligence efforts to reduce risk to both casino and consumer.

Their opinion is that more attention to data analysis would assist casinos to make an informed, common sense assessment in many cases.

***What proportion of customers are local and what is the risk profile of local customers?***

The researchers advise that several casinos reported no involvement in the VIP/International market segment and were thus considered 100% local casinos whereas those in Me bourne, Sydney, the Gold Coast and Perth are active with respect to the international market.

The authors revisit the finding that, in general, regular casino gamblers are more l kely than the general population to be those experiencing problems or at moderate risk.

However they also reiterate that casino gamblers are also likely to be more involved/at risk gamblers in general and that casinos do attract more committed gamblers.

While making the point that casinos offer continuous forms of gambling that are more l kely to lead to impulse gambling and harm – and that there is exposure to risk for local players in membership upgrades and the ability to play unrestricted EGMs - the authors also reflect that casinos have quite good host responsibility measures in place and that risk level has not been shown to be related to venue size.

Further, they acknowledge that many casino patrons attend as part of social activity with friends – which is a risk moderating factor.

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[1] Local gamblers were defined for the purposes of the study as "casino patrons who are not from overseas or interstate".
[2] This estimate was based on the figures first calculated by the Productivity Commission in 1999.
[3] It should be noted that the researchers did not examine casino RSA policies as part of this review.

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## Appendix A - Statistics

- Visitors to casinos in 2013/14 totaled 55.2 million persons (80% from the same city/state 13% from interstate and 7% international).
- In the 2011/12 period real gambling expenditure amounted to $20.5 billion of which the casino sector accounted for $4.1bn (20%), the hotel/club EGM sector accounted for $10.91bn (53.2%) and racing and sports betting $3.22bn (15.7%).
- The share of total gambling expenditure held by casinos in their jurisdiction ranges from 7.5% in the ACT up to 28% for both Crown Melbourne and the two Tasmanian casinos combined.
- Sources of casino gaming revenue are (approximately) 42% table games, 40% EGMs and 18% VIP Program Play.
- On average, the ratio of EGMs to table games in Australian casinos is 8.6 EGMs to 1 table game (the exceptions being Tasmania and the NT where ratios are >20:1).
- Casinos are in competition with hotels/clubs in the EGM gaming sector for the domestic gambling dollar. In 2011/12 Australian casinos held 6.6% of all EGMs while hotels/clubs held 93.4%.
- Average annual revenue per EGM in casinos is $128,612 compared with $59,402 in clubs/hotels while the average annual revenue per table game at casinos is $900,000.
- EGMs in casinos account for 13.3% of all revenue from machines in all jurisdictions (excluding revenue from VIP patrons).
- In 2011/12 Australians spent an average of 0.45% of Household Disposable Income (HDI) at casinos and 0.97% on EGMs in hotels/clubs.
- Apart from casinos in Me bourne and Sydney (who have experienced the strongest year on year growth rates owing to their greater exposure to international VIPs) the expenditure growth rates for EGMs in hotels/clubs exceeds that of their local casino. (The authors note that several casinos are almost 100% dependent on their local domestic market and their revenue growth rates have reflected this).
- The effective tax rate on all gambling is 26.8%. On casino gambling it is 14.2%, on EGMs 29.3% and on racing 12.2%.
- The share of real government revenues from casinos in their jurisdiction ranges from 3.8% in the ACT to 28.2% in Tasmania. (Comparatively, the share of real government gambling revenue from EGMs is approximately two thirds of gambling revenue).

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