



NICK XENOPHON
Independent Senator for South Australia
AUSTRALIAN SENATE



Our ref: PUB – N/HW

Mr Brendan Smyth MLA
Chair
Standing Committee on Public Accounts
Legislative Assembly for the ACT
GPO Box 1020
CANBERRA ACT 2601

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Dear Mr Smyth

**RE: Submission to inquiry into elements impacting on the future of the
ACT clubs sector**

I welcome the opportunity to make a submission to the above inquiry. As an Independent Senator for South Australia and a former Member of the South Australian Legislative Council, I have long campaigned for poker machine reform at both a state and national level. As such, I will confine my remarks to points (v) and (viii), which relate to problem gambling and poker machines and gambling technologies respectively.

Over many years, I have heard countless heartbreaking stories of addiction, of financial ruin, of mental illness and suicide. Poker machines provide very little in the way of benefits, except to those who operate them and the state and territory governments who collect the revenue, but they do cause immeasurable harm.

I strongly support the introduction of harm minimisation measures for poker machines as recommended by the Productivity Commission, including \$1 maximum bets with maximum \$120 hourly losses, compared to some \$1,200 an hour now, and/or mandatory pre-commitment, where gamblers are required to set their maximum spend well in advance.

There are two main arguments usually put forward in favour of poker machines: firstly, that they are a form of entertainment; and secondly, that they support other club activities in the community.

In response to the first argument, it has been estimated that gamblers can lose approximately \$1,200 an hour on poker machines if played at a high intensity¹. No other form of everyday entertainment has a similar cost.

Secondly, the harm caused by poker machines to communities far outweighs any potential benefit, even those put forward by sporting clubs. I will expand on this point below.

At the outset, I refer the committee to the Productivity Commission inquiries of 1999 and 2010, which provide excellent snapshots of gambling activity in Australia. The 2010 report in particular examines the issue of poker machines and their addictive qualities, and attempts to quantify the impact these machines have on problem gambling.

According to this report, Australians spent around \$10.5 billion on EGMs in clubs and hotels in 2008-09, out of a total gambling expenditure of \$19 billion². Further, gamblers are spending more per capita on poker machines³, and greater levels of poker machine gamblers are more likely to be problem gamblers⁴. Problem gamblers also account for approximately 40 per cent (although by some measures it could be as high as 60 per cent) of all poker machine expenditure⁵.

Such were the concerns raised in this report that the Productivity Commission recommended introducing maximum \$1 bets per spin, as well as limiting note acceptors to \$20 maximum⁶. Further, the Commission also recommended introducing full pre-commitment systems for all poker machine venues as harm minimisation measures⁷.

Pre-commitment measures formed the basis for the Gillard Government's poker machine harm minimisation legislation, which has since fallen by the wayside with the change in government. The need for a national approach on these important issues, however, still remains.

Further, I would also refer the committee to research undertaken in 2012 by UnitingCare and Monash University into the community contribution made by sporting clubs. This research thoroughly debunks the argument put forward by sporting clubs that any poker machine losses are offset by the benefits clubs provide to communities. For example, in the ACT the community benefit claims amounted to only approximately 6.6 per cent of poker machine expenditure.⁸

¹ Productivity Commission, 'Inquiry Report: Gambling', 23 June 2010, p. 24

² Ibid, p. 2.1

³ Ibid, p. 2.21

⁴ Ibid, p. 47

⁵ Ibid, p. 47

⁶ Ibid, p. 56

⁷ Ibid, pp. 53-55

⁸ Livingstone C. Kipsaina C. Rintoul A. 'Assessment of poker machine expenditure and community benefit claims in selected Commonwealth Electoral Divisions.' UnitingCare Australia, Canberra, 2012, p. 7

This research also provides interesting data on poker machine numbers and expenditure per capita across Commonwealth Electoral Divisions in the ACT, New South Wales, Victoria and Queensland.

The paper concludes:

Since poker machine losses are very large (and because in some jurisdictions it is difficult to determine exactly how large they are) the amounts expended on community benefit purposes appear to be large themselves. But as a proportion of losses, such claims are miniscule. Poker machines thus provide an extremely inefficient and high cost method for funding community sporting and charitable activities.⁹

In my view, this research provides vitally important information to be considered in the context of this inquiry. I have attached a copy for the committee's ease of reference.

I also refer the committee to the Productivity Commission's 2010 research report on the contribution of the not-for-profit sector, with particular reference to Chapter 8.4 on clubs and mutuality. This chapter raises some concerns about the use of gambling revenue and tax concessions by clubs, particularly as they seek to expand their traditional business model and enter into the areas of child care and retail.

It is important to note, however, that the UnitingCare/Monash University report discussed above negates some of the 'benefits' that Clubs Australia put forward in the Commission's report.

Finally, I also direct the committee to research conducted in 2005 by the South Australian Centre for Economic Studies and quoted in their 2008 paper on the social and economic impact of gambling in Tasmania, which found:

National research shows that EGMs costs jobs. Only about 3.2 jobs are generated per \$1 million of gambling income compared with 6.5 jobs per \$1 million of income in retail and 20.2 jobs per \$1 million of income from food and meals (SACES 2005).¹⁰

I also suggest that a useful comparison can be drawn between the activities and sporting participating rates in Western Australia, where poker machines are only available in the casino, as distinct from New South Wales, Victoria and the ACT.

In short, a significant body of research has been developed regarding the impact of poker machines and problem gambling. There is nothing to show that poker machines operated by clubs benefit anyone but the clubs themselves, while causing significant harm to local communities.

⁹ Ibid, p. 8

¹⁰ South Australian Centre for Economic Studies, 'Social and Economic Impact Study into Gambling in Tasmania', 2008, p. 82

I strongly encourage the committee to consider, first and foremost, the impact on communities, families and individuals of poker machines in clubs. It is vital that the clubs sector be supported in moving away from this business model.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Nick Xenophon', written over a horizontal line.

NICK XENOPHON

BIS / 2015



**Assessment of poker machine expenditure
and community benefit claims
in selected Commonwealth Electoral Divisions**

April 2012

Contact

Lin Hatfield Dodds
National Director
UnitingCare Australia

lin@nat.unitingcare.org.au
0408 402 222

Authors

Charles Livingstone,
Chebiwot Kipsaina,
Angela Rintoul

School of Public Health & Preventive Medicine
Monash University

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UnitingCare Australia, Canberra.



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Acknowledgements

This paper reports on a project funded by UnitingCare Australia. The aim of the project was to 'improve the information that citizens and services have on poker machine expenditure in local communities (defined as federal electorates) and the extent and nature of community contributions.' The project was also intended to inform and contribute to community debate and discussion around the issue of poker machine gambling and its effective regulation.

The project was undertaken by Charles Livingstone, Chebiwot Kipsaina and Angela Rintoul of the School of Public Health and Preventive Medicine at Monash University.

The authors wish to thank Ms Claire Barbato and Ms Judith Tokley of UnitingCare Australia for their interest in and support for this project. However, any errors or omissions are of course the responsibility of the authors.

Executive Summary

Description of the research

This project aimed to 'improve the information that citizens and services have on poker machine expenditure in local communities (defined as federal electorates) and the extent and nature of community contributions.'

This research collected and analysed data at the Commonwealth Electoral Division (CED) level to calculate the total poker machine losses within 41 CEDs, the amount spent per poker machine and per adult within the CED, the median individual income, the value of claimed community benefits within the CED, and the proportion of median individual income spent on poker machines within each CED.

Key findings

We found that as a proportion of median individual income (the whole population, not just poker machine users), poker machine expenditure varies significantly. In Blaxland (NSW) losses equal 8.2% of median individual income – which is proportionately more than 16 times greater than the expenditure in Kooyong (Vic), where poker machine losses equal 0.5% of median individual income.

Our analysis of the 41 CEDs included in this research indicates; consistent with other studies, that poker machine losses tend to be higher in communities with lower incomes. At the CED level, those communities with lower incomes also tend to have higher numbers of poker machines, a factor that is also associated with higher average losses. These associations are statistically significant.

Because only a minority of the adult population actually use poker machines (between a fifth and third of adults, according to the Productivity Commission) we also used estimates of actual poker machine usage rates, to calculate estimates of the level of losses per user (see Table 4). We refer to these as 'user losses'. Of the 41 CEDs we examined, we found more than half have user losses at levels greater than 10% of median individual income. These calculations indicate that poker machine users in Blaxland (NSW) expended more than \$7,000 p.a., or more than a third of median individual income, on poker machines in 2011. In five other CEDs we examined, user losses were also estimated to exceed 20% of median individual income. These were: Maribyrnong (Vic), Banks (NSW), Bruce (Vic), Richmond (NSW), and Hotham (Vic).

We found that the actual level of community support provided by poker machine operators, and documented by their official reports to regulators, is miniscule in comparison to the amount of money lost by poker machine users within local communities. For example, in one CED (Blaxland, NSW) where losses amount to more than \$177 million p.a., the value of claimed community benefits was 1.4% (\$2.5 million), a little more than the NSW average of 1.3%.

Conclusions

Previous research has shown that the impacts of poker machine losses are felt at every level, by individuals, their families, in lower spending in other local businesses and by other fundraising organisations. This research verifies that these impacts are concentrated in those communities least able to absorb them. The community benefits claimed by poker machine operators do not offset these impacts to any serious degree, if at all.

The amounts expended on community benefit purposes appear to be large only if they are reported without reference to the total losses on poker machines in that location. Poker machines thus provide an extremely inefficient and high cost method for funding community sporting and charitable activities.

Poker machines clearly extract significant financial resources from already disadvantaged communities. Disadvantage is itself a predictor of extent of poker machine losses, along with the number of poker machines in a local community. This is relatively well known. However, at the level of selected CEDs, we now know the actual value of these impacts, both at the CED level but more importantly amongst the constituents who comprise the people immediately affected by those impacts.

The lack of ready availability of data in NSW and to a lesser extent Queensland impedes ready understanding of important issues surrounding policy formation and reform.

Background

Project origins and responsibilities

This project was funded by UnitingCare Australia and undertaken by Charles Livingstone, Chebiwot Kipsaina and Angela Rintoul of the School of Public Health and Preventive Medicine at Monash University.

Objectives

This project aimed to 'improve the information that citizens and services have on poker machine expenditure in local communities (defined as federal electorates) and the extent and nature of community contributions.' The project was also intended to inform and contribute to community debate and discussion around the issue of poker machine gambling and its effective regulation.

Method

We obtained relevant data for four jurisdictions (NSW, Victoria, Queensland and the ACT) in relation to 41 selected federal electorates (also known as Commonwealth Electoral Divisions, or CEDs) for the year 2010-2011. These data related to poker machine expenditure, poker machine numbers, claims of community benefit, population including adult (18+) population, and median individual income, for the year 2010-2011. The source for these data was in each case the relevant gambling regulatory authority in each jurisdiction, either via the website of the authority or by direct contact with the authority and subsequent communication. We assembled data for 13 CEDs in NSW, 14 in Victoria, 12 in Queensland and the 2 ACT CEDs.

In order to ensure comparability of data between jurisdictions, we adjusted some data. We adjusted ACT data to utilise a measure of poker machine expenditure termed 'Gross Gaming Machine Revenue' because this is the way all other jurisdictions report on this amount. We adjusted Victorian community benefit data to exclude the claims made by clubs for their venue operating expenses including venue capital investment, and for maintenance and staffing costs because these costs are not generally allowable in other jurisdictions.

We note that the lack of ready availability of these data in some jurisdictions (notably NSW and to a lesser extent Queensland) impedes ready understanding of important issues surrounding policy formation and reform. Data issues for each jurisdiction are set out in Table 1.

Data are generally provided at the level of local government area in Australian jurisdictions, and where this was the case (NSW and Queensland) we utilised concordance tables published by the Australian Parliamentary Library to collapse LGA level data into CEDs. In the ACT and Victoria data are published at venue level allowing precise calculation at the CED level. We also obtained census data from the Australian Bureau of Statistics for population and median income. Income data were adjusted by movements in Average Weekly Earnings to account for inflation between 2006 and 2011.

We then utilised the data at the CED level to calculate the total poker machine losses within each CED, the amount spent per poker machine and per adult within the CED, the median individual income and the value of claimed community benefits within the CED, and the proportion of median individual income spent on poker machines within each CED. These data are presented in detail in Table 3.

Summary of Results

Across the four jurisdictions, total poker machine losses vary considerably, both in absolute terms and on a per capita basis. In NSW, poker machine users lost almost \$5 billion in 2010-11, amounting to \$1,003 per adult. In Queensland, poker machine losses were a little less than \$1.9 billion, or \$637 per adult. (see Table 2).

The amounts claimed as community benefit contributions were generally a very small proportion of the amounts expended by poker machine users. In NSW, community benefit claims amounted to \$63.5 million, representing 1.3% of poker machine losses. In the ACT, community benefit claims amounted to \$11.8 million, or 6.6% of poker machine expenditure. In Victoria and Queensland, the proportions were 2.4% and 2.3% respectively.

However, poker machine losses vary considerably between the CEDs we examined, and range from \$177.5 million p.a. in the CED of Blaxland (NSW) to less than \$20 million p.a. in the CED of Kooyong (Vic).

As a proportion of median individual income, poker machine expenditure also varies significantly. In Blaxland (NSW) losses equal 8.2% of median individual income – proportionately more than 16 times greater than the expenditure in Kooyong (Vic), where poker machine losses equal 0.5% of median individual income (see table 3).

Our analysis of the 41 CEDs for this study indicates that, consistent with other studies, the interaction between the number of poker machines in the community and the level of disadvantage (in this case, assessed by median weekly income) predicts a significant proportion of the likely poker machine losses within a community. At the CED level, i) a larger number of poker machines is associated with higher average losses; and ii) a lower level of median individual income is associated with higher average losses.

Levels of claimed community benefit provided by poker machine operators also vary widely. In Blaxland (NSW) poker machine operators claimed community benefits of \$2.5 million, or 1.4% of player losses. The highest level of community benefit claimed amongst the CEDs we examined was Gellibrand (Vic) where claims of \$7.6 million amounted to 8.3% of poker machine losses in that electorate. However, most claims in CEDs examined represented a small proportion of poker machine losses, and were aligned with state average claims for community benefit.

We also used estimates of actual poker machine usage rates (i.e., the proportion of the adult population who use poker machines, which range from a fifth to a third of adults) to calculate estimates of the level of losses per user (see Table 4). These calculations indicate that poker machine users in Blaxland (NSW) expended more than \$7,000 p.a., or more than a third of median individual income, on poker machines in 2011. In five other CEDs we examined, user losses were also estimated to exceed 20% of median individual income. These were: Maribyrnong (Vic), Banks (NSW), Bruce (Vic), Richmond (NSW), and Hotham (Vic).

Summary of Poker Machine Community Benefits

One of the justifications for current regimes of poker machine regulation is that poker machine venues provide significant levels of support to community activities, including sporting and charitable purposes. This has also been used by poker machine clubs as a defence against increased focus on harm minimisation policies such as reduced maximum bets ('\$1 bet limits') or pre-commitment systems, on the basis that these would reduce available revenue.

However, the analysis we have undertaken indicates that the actual level of community support provided by poker machine operators, and documented by their official reports to regulators, is miniscule in comparison to the amount of money lost by poker machine users within local communities. In one CED (Blaxland, NSW) where losses amount to more than \$177 million p.a., the value of claimed community benefits was 1.4% (\$2.5 million), a little more than the NSW average of 1.3% yet this CED sustained the highest losses amongst those CEDs we analysed, both in dollar terms and as a proportion of poker machine users' median income.

Across the CEDs we examined, the community benefits claimed by poker machine operators under schemes administered by state and territory regulators are a very small, and in most cases almost insignificant proportion of the amount of money lost by poker machine users. The impacts of poker machine losses are felt at every level, from individuals through to communities, and this study again demonstrates that these impacts are concentrated in those communities least able to absorb them. The community benefits claimed by poker machine operators do not offset these impacts to any serious degree, if at all.

It is difficult to avoid the conclusion that poker machine community benefit claims are principally intended as a device to legitimate poker machine operations. There is no doubt that poker machines cause considerable harm. Claims of community benefits are arguably a smokescreen to both enlist the support of those who benefit from them (local sporting clubs and charities, for example) and deflect attention from the harm caused by poker machines.

Since poker machine losses are very large (and because in some jurisdictions it is difficult to determine exactly how large they are) the amounts expended on community benefit purposes appear to be large themselves. But as a proportion of losses, such claims are miniscule. Poker machines thus provide an extremely inefficient and high cost method for funding community sporting and charitable activities.

Summary of Poker Machine Expenditure at CED Level

Poker machine losses in the CEDs we examined vary widely but as other studies have shown are likely to be higher in disadvantaged areas. In the most disadvantaged areas amongst the CEDs we examined, poker machine losses are high both in absolute terms and as a proportion of median individual income. This is exacerbated when the proportion of adults who actually use poker machines is considered, with a number of CEDs exhibiting poker machine user expenditure in excess of 20% of median individual income.

Average user losses of more than \$7,000 p.a. (which is our calculation for Blaxland) are likely to have significant impacts on family and community wellbeing. Of the 41 CEDs we examined, more than half have user losses at levels greater than 10% of median individual income. This is likely to impose considerable stress on affected families and to greatly diminish the resilience and overall wellbeing of those directly affected and their broader community.

It is also important to consider the effect of poker machine losses on broader economic activity within local areas. It is not within scope of this project to analyse the local economic effects of poker machine gambling but it is inconceivable that poker machine losses on the scale identified amongst CEDs we examined (averaging \$85 million per CED p.a., and as high as \$177 million p.a.) do not have serious effects on alternative consumption expenditure, particularly at the local level, and particularly amongst the least well resourced communities.

Poker machines clearly extract significant financial resources from already disadvantaged communities. Disadvantage is itself a predictor of extent of poker machine losses, along with the number of poker machines in a local community. This is relatively well known. However, at the level of selected CEDs, we now know the actual value of these impacts, both at the CED level but more importantly amongst the constituents who comprise the people immediately affected by those impacts.

Summary of Statistical Analysis

We undertook some analysis of the data presented in Table 3. This is set out more fully in the Appendix.

The greatest variation in losses per adult and median weekly individual income was found amongst the 14 CEDs examined in Vic, with the least observed variation for these two parameters in the ACT. The 13 CEDs examined in NSW also demonstrated relatively large variations in these parameters. The 12 CEDs analysed in Qld displayed comparatively little variation. Across the 41 CEDs analysed, median weekly income ranged from \$396 to \$920. Average poker machine losses per adult ranged from \$194 p.a. in Kooyong to \$1,693 p.a. in Blaxland.

The key issues identified from this analysis are that across the CEDs we analysed, there is a negative (-0.4399) correlation between median individual income and losses per adult for CEDs, indicating that as median individual income increases, losses per adult decline. There is also a correlation between the number of poker machines within a CED and losses per adult (0.5557), indicating that as the number of poker machines within the CED increases, so do losses per adult.

Adjusting for the number of poker machines, there is good evidence of an association between poker machine losses and weekly income ($p = 0.002$, 95% Confidence Interval -1.9- -0.5). Forty six percent (46%) of this association is attributable to the interaction between poker machine losses, weekly income and poker machine numbers, with 27% of it being explained by the number of poker machines within a CED.

FULL REPORT

Objectives

The project's aim was to 'improve the information that citizens and services have on poker machines expenditure in local communities (defined as federal electorates) and the extent and nature of community contributions.' The project was also intended to inform and contribute to community debate and discussion around the issue of poker machine gambling and its effective regulation.

The project therefore sought to obtain data describing poker machine expenditure (or user losses) at a local area level, as well as data describing the claims of community benefit made by poker machine operators (generally as venues) at the equivalent local area level. The use of federal electorates (or Commonwealth Electoral Divisions – CEDs) as the unit of analysis was requested by the project sponsor (UnitingCare Australia) in order to support the second aspect of the project's aim – i.e., to inform and contribute to community debate.

Method

Availability of relevant data

Data pertaining to the operation of poker machines in suburban or regional areas are publicly available in various forms in Australian jurisdictions. In Australia, the regulation of gambling is at present predominantly a matter for state or territory jurisdictions, and each such jurisdiction has adopted a distinct regulatory system for this purpose. Consistent with the aim of the project, we sought to obtain data describing selected variables for selected Commonwealth Electoral Divisions, in this paper referred to as 'CEDs', located in New South Wales (NSW), Victoria (Vic), Queensland (Qld) and the Australian Capital Territory (ACT). UnitingCare Australia identified 13 CEDs in NSW, 14 in Vic, and 12 in Qld, as well as the two CEDs located in the ACT. These 41 CEDs were identified as priority areas of interest for the purposes of the project, consistent with the project's aim. A total of 150 CEDs return members to the House of Representatives, which is the house of government in the Parliament of Australia, with 48 of these located in NSW, 37 in Vic, 30 in Qld and 2 in the ACT (AEC 2012a). We sought the following data for each of the 41 CEDs in our sample:

1. Net poker machine expenditure (i.e., the amount lost by those using poker machines located within specific CEDs over a specified period of time) and the number of poker machines within selected areas;
2. The amount officially claimed by poker machine operators to have been allocated to community purposes in the same period;
3. The median individual and household income within specific CEDs; and
4. The adult and total population of specific CEDs;

The project brief originally proposed that we also capture data relating to the expenditure within CEDs on other gambling forms. However, this was not feasible within the resources available for this project. No publically available data source provides such data at less than a jurisdiction-wide level, and it is not feasible to model these large-scale data at a local level.

Poker machine expenditure data are provided at various levels of disaggregation by jurisdictional gambling regulators for each of the four jurisdictions we examined. We summarise the poker machine related data issues for each jurisdiction in table 1 (below). The best regime of data disclosure currently operating amongst the four jurisdictions we examined is Victoria, where all relevant data are freely available and are published regularly on the internet. The ACT publishes an annual report

incorporating all relevant data, which is freely available on the internet. In NSW, data are available on payment of a substantial fee, thus excluding members of the public from ready access. In Queensland poker machine expenditure and related data are published regularly on the internet, but data on community benefit expenditure are not available at any level other than a statewide total, on the basis that assembling such a data set would be too time consuming (as the present researchers were advised by the decision maker in response to an application to obtain such data)(Posner 2012). In our opinion, public availability of all such data can provide a basis for public confidence in gambling policy and regulation. The absence of such data means public debate is ill-informed and undermines the public's capacity to contribute to the debate, particularly at the local level where the effects of gambling are most keenly felt.

Table 1: Availability of relevant poker machine data within four Australian jurisdictions

Jurisdiction	Poker machine expenditure data	Community benefit claim data
NSW	Available on payment of a fee for data at LGA area level. Some LGAs are aggregated to disguise actual expenditure within areas where there are relatively few venues.	Available on payment of a fee for data at LGA level. Some LGAs are aggregated to disguise actual claims within areas where there are relatively few venues.
Vic	Data for each poker machine venue are published on the internet on a monthly basis, and are provided to researchers in an aggregated table on request.	Individual claims by relevant venues (clubs) are published on an annual basis on the internet.
Qld	Data are published at various levels of aggregation, including LGA (the smallest level is statistical local area or SLA). In some cases these are aggregated to disguise actual expenditure within areas where there are relatively few venues.	Data are not published at other than a jurisdiction wide level. We sought to obtain data at disaggregated level via a 'Right to Information' application but were refused access.
ACT	Data for each poker machine venue are published on an annualised basis.	Data for each poker machine venue are published on an annualised basis.

We obtained data for items 3 and 4 (median income and population, as noted above) from the Australian Bureau of Statistics Basic Community Profile series. These data are derived from the 2006 census (ABS 2012a).

Aggregation of data into CEDs

In the case of Victoria, we were able to identify the location of each poker machine venue using Geographic Information System (GIS) techniques and thus locate them precisely within current CED boundaries, as defined by the geographic information available for each CED from the Australian Electoral Commission (VCGLR 2012a, VCGLR 2012b, AEC 2012b). Poker machine expenditure and claims of community benefit are thus actual amounts and highly reliable.

We note that Victorian regulations provide for poker machine venues to claim operating costs as a community benefit. Although some such costs are allowed in other jurisdictions, in Victoria they include costs of staff wages, capital investment (other than for sporting infrastructure, etc) and utility and related costs. Such claims constitute the bulk of community benefit claims for Victorian clubs and in this project, in order to enhance the comparability of data between jurisdictions, we have utilised only claims relating to sporting, educational charitable or volunteer costs. Costs incorporated in this analysis therefore include the provision of sporting facilities for members (including, for example, the operating costs of an AFL football ground or a major race course, as well

as costs for bowling green upkeep) but do not include the costs of staff wages for venue staff, or the capital, operating or associated costs of operating the venue.

In the case of the ACT, we were able to identify the locations of each poker machine venue and locate it within the two CEDs in the ACT using the information provided by the AEC at the relevant profile of the CED. Poker machine expenditure and claims of community benefit are thus actual amounts and highly reliable. We note that ACT regulators utilise a measure of poker machine expenditure they describe as 'Net Gaming Machine Revenue' in order to assess the proportion of such expenditure constituted by community benefit claims. 'Net Gaming Machine Revenue' discounts 'Gross Gaming Machine Revenue' (i.e., the full value of user losses) by an amount for operating expenses, and for tax revenue paid to the ACT government. This is not consistent with other states and territories, all of which report only the actual amount of user losses, which in the ACT is termed 'Gross Gaming Machine Revenue'. For the purposes of this project we have therefore used what in the ACT is termed Gross Gaming Machine Revenue as the measure of poker machine expenditure (or user losses)(ACTGRC 2011).

In the case of NSW we identified the expenditure and community benefit claims pertaining to each LGA (this being the form in which we obtained the data) and aggregated these into CEDs using the relevant concordance table published by the APL (2011). This permits data for LGAs to be converted into an estimate of the equivalent data for CEDs. In some cases LGA data were aggregated in the tables provided to us to disguise small area totals. In such cases we divided the amounts in question by the number of LGAs aggregated, in order to derive an estimate of the relevant data value. In almost all such cases the value of the data were modest compared to CED and certainly statewide totals. The data we obtained via these methods are the best publicly available for estimating the poker machine expenditure and community claims at the CED level. There is little clarity in relation to the categories of expenditure for claims of community benefit in NSW, and in any event no such detailed categorisation of expenditure categories was provided to us. Accordingly, we have reported data as they appear in the tables provided to us. We note that the cost of purchasing these data was \$950.00 (NSWOLGR 2012a, NSWOLGR 2012b, NSWOLGR 2012c).

In the case of Qld we identified the expenditure pertaining to each LGA, this being the form in which we obtained the data. Although Qld data are published at statistical local area, or SLA, level, a significant number of SLAs are aggregated to disguise actual area level data. We therefore used LGA data (QOLGR 2012a, QOLGR 2012b, QOLGR 2012c), aggregated into CEDs using the relevant concordance table published by the APL (2011). This permits data for LGAs to be converted into an estimate of the equivalent data for CEDs. These data are the best publicly available for estimating the poker machine expenditure and community claims at the CED level. In the absence of any disaggregated data, we could not estimate the quantum of community benefit claims at either the LGA or CED level. These data exist in the form of individual returns filed by clubs operating 51 or more poker machines, but our request for data was rejected on the basis that assembling the data in the form we sought (i.e., disaggregated to LGA or other local area) would be too time consuming and the cost to government excessive (Posner 2012).

Calculation of CED level averages, etc

Data on poker machine expenditure at the CED level were then utilised to calculate the average expenditure per poker machine per annum within each CED, as well as the average expenditure per adult per annum. We compared the second of these averages to median individual income to determine the proportion of median individual income represented by average poker machine losses within each CED. We calculated this by

applying a factor of 52.143 to median individual weekly income to derive an annualised estimate of median individual income.

We also compared data on community benefit claims at the CED level to expenditure data in order to calculate the proportion of poker machine expenditure represented by the value of claimed community benefits. These data were also used to calculate the annual value of such claims on a per adult basis.

The number of poker machines per 1,000 adults (a generally reported measure of relative poker machine density) was also calculated for each CED.

We also present aggregate data for each state and the ACT, derived from statewide aggregate data. These data are provided for information and comparison.

Results

Statewide aggregate data relating to poker machines are presented in Table 2. Data we have assembled, estimated and calculated for the purposes of this project at CED level are presented in Table 3.

Table 2: Statewide-level data pertaining to poker machines, 2010-11

State	Total EGMs	Total user losses	Adult pop	Med indiv. income (\$ pw)(adj.)	User losses per adult (\$pa)
NSW	94,530	\$4,994,520,857	4,979,999	\$569	\$1,003
VIC	26,778	\$2,651,368,385	3,780,057	\$563	\$701
QLD	42,162	\$1,868,356,725	2,931,394	\$587	\$637
ACT	5,024	\$179,572,982	248,559	\$891	\$722
	EGMs per 1,000 adults	User losses as % of med indiv. income	Claimed benefits	Claimed benefits per adult	Claimed benefits as % of losses
NSW	19.0	3.4%	\$63,535,852	\$12.76	1.3%
VIC	7.1	2.4%	\$62,839,279	\$16.62	2.4%
QLD	14.4	2.1%	\$42,369,308	\$14.45	2.3%
ACT	20.2	1.6%	\$11,762,819	\$47.32	6.6%

Sources: NSWOLGR 2012a, 2012b, 2012c; QOLGR 2012a, 2012b, 2012c; VCGLR 2012a, 2012b; ACTGRC 2011; ABS 2012a, 2012b.

Table 2 sets out basic information at a statewide level allowing the calculation of a number of measures of poker machine gambling intensity and the average value of claimed community benefits and user losses across the jurisdiction. For example, it is possible to assess the proportion of poker machine user losses attributable to claimed community benefits (which ranges from 1.3% of user losses in NSW to 6.6% in the ACT) and to assess the proportion of median individual income attributable to poker machine user losses (which ranges from 1.9% in the ACT to 4.2% in NSW). Similarly, the average value of user losses per adult in each jurisdiction is shown. These range from \$1,003 p.a. in NSW to \$637 p.a. in Qld. Median individual income is also shown. These data are extracted from the 2006 census but adjusted for movements in income using the ABS average weekly earnings (total earnings series) between August 2006 and August 2011. Similar adjustments were made to median individual income data shown in Table 3 (below).

We also obtained measures of the poker machine utilisation rate compiled by the Productivity Commission (PC) in 2010. A minority of the population utilise poker machines. The PC reported that state based surveys had estimated the actual rate of utilisation of poker machines at varying levels in each state and territory, as follows (PC 2010: 2.22): NSW: 24% (2008-09); Vic 21% (2008); Qld 31% (2008-09); ACT 38% (1999).

Applying these utilisation rates to local populations, we have estimated the number of actual poker machine users and their average annual expenditure at CED level. These estimates are set out at Table 4.

Table 3: CED-level data pertaining to poker machines, 2010-11

STATE	CED	EGM losses pa	EGMs	\$/EGM pa	Adult Pop	Median ind. inc pw (inflated by AWE)	EGM losses per adult p.a.	EGM losses per adult as % of median ind. income	EGMs/ 1000 adults	Community Benefit Claims	CB claims as % of losses
NSW	Blaxland	\$177,524,550	2,239	\$79,293	104,828	\$396	\$1,693	8.2%	21.4	\$2,524,608	1.4%
NSW	Banks	\$161,762,868	2,072	\$78,052	98,063	\$539	\$1,650	5.9%	21.1	\$1,567,774	1.0%
VIC	Maribyrnong	\$137,463,899	1,115	\$123,286	97,709	\$501	\$1,407	5.4%	11.4	\$6,549,556	4.8%
VIC	Bruce	\$135,616,491	1,107	\$122,508	102,092	\$501	\$1,328	5.1%	10.8	\$3,683,331	2.7%
NSW	Richmond	\$114,360,943	2,905	\$39,366	96,570	\$461	\$1,184	4.9%	30.1	\$1,836,403	1.6%
NSW	Parramatta	\$152,688,778	1,952	\$78,242	110,333	\$611	\$1,384	4.3%	17.7	\$1,717,163	1.1%
VIC	Hotham	\$118,619,741	982	\$120,794	100,207	\$528	\$1,184	4.3%	9.8	\$1,999,382	1.7%
NSW	Chifley	\$113,008,982	1,532	\$73,747	106,776	\$522	\$1,058	3.9%	14.4	\$1,279,086	1.1%
VIC	Corio	\$91,779,064	1,087	\$84,433	95,696	\$486	\$959	3.8%	11.4	\$2,064,190	2.2%
NSW	Lindsay	\$122,885,264	2,098	\$58,575	98,736	\$632	\$1,245	3.8%	21.2	\$2,678,680	2.2%
NSW	Eden-Monaro	\$103,426,978	2,759	\$37,482	96,268	\$549	\$1,074	3.8%	28.7	\$1,794,504	1.7%
NSW	Lyne	\$72,600,876	1,945	\$37,327	89,477	\$433	\$811	3.6%	21.7	\$1,130,311	1.6%
NSW	Shortland	\$77,508,887	1,919	\$40,394	94,126	\$469	\$823	3.4%	20.4	\$1,191,873	1.5%
NSW	Werriwa	\$100,094,089	1,521	\$65,794	101,017	\$572	\$991	3.3%	15.1	\$1,323,247	1.3%
NSW	Grayndler	\$126,821,793	2,024	\$62,665	113,773	\$718	\$1,115	3.0%	17.8	\$1,221,253	1.0%
VIC	Gellibrand	\$91,643,676	1,005	\$91,188	108,820	\$553	\$842	2.9%	9.2	\$7,586,099	8.3%
VIC	Holt	\$94,721,082	709	\$133,598	113,880	\$577	\$832	2.8%	6.2	\$1,040,409	1.1%
NSW	New England	\$64,007,643	1,917	\$33,398	97,219	\$463	\$658	2.7%	19.7	\$466,447	0.7%
QLD	Capricornia	\$77,484,440	1,867	\$41,500	102,828	\$565	\$754	2.6%	18.2		
NSW	Kingsford Smith	\$109,434,740	1,804	\$60,670	123,403	\$670	\$887	2.5%	14.6	\$2,836,216	2.6%

STATE	CED	EGM losses pa	EGMs	\$/EGM pa	Adult Pop	Median ind. inc pw (inflated by AWE)	EGM losses per adult p.a.	EGM losses per adult as % of median ind. income	EGMs/ 1000 adults	Community Benefit Claims	CB claims as % of losses
VIC	Lalor	\$89,341,296	723	\$123,570	113,502	\$607	\$787	2.5%	6.4	\$2,967,120	3.3%
VIC	Gorton	\$72,676,008	605	\$120,126	114,434	\$521	\$635	2.3%	5.3	\$1,132,063	1.6%
VIC	Wills	\$69,372,241	765	\$90,683	111,261	\$513	\$624	2.3%	6.9	\$381,700	0.6%
QLD	Rankin	\$69,615,344	1,287	\$54,102	103,860	\$588	\$670	2.2%	12.4		
QLD	Moncrieff	\$77,346,784	1,743	\$44,377	115,647	\$601	\$669	2.1%	15.1		
QLD	Forde	\$59,934,478	1,119	\$53,546	96,559	\$576	\$621	2.1%	11.6		
QLD	Blair	\$53,658,091	1,099	\$48,829	98,094	\$528	\$547	2.0%	11.2		
QLD	Fadden	\$68,104,086	1,535	\$44,377	109,099	\$603	\$624	2.0%	14.1		
QLD	Dickson	\$58,415,197	1,140	\$51,226	92,446	\$662	\$632	1.8%	12.3		
QLD	Petrie	\$53,801,758	1,081	\$49,793	95,756	\$597	\$562	1.8%	11.3		
QLD	Moreton	\$58,610,424	1,261	\$46,480	102,689	\$612	\$571	1.8%	12.3		
QLD	Oxley	\$57,227,302	1,192	\$48,013	102,212	\$607	\$560	1.8%	11.7		
QLD	Lilley	\$57,790,697	1,243	\$46,480	102,481	\$681	\$564	1.6%	12.1		
VIC	Isaacs	\$51,167,003	621	\$82,395	107,551	\$575	\$476	1.6%	5.8	\$987,338	1.9%
ACT	Fraser	\$86,738,002	2,401	\$36,126	123,369	\$860	\$703	1.6%	19.5	\$5,682,040	6.6%
ACT	Canberra	\$92,196,668	2,553	\$36,113	124,871	\$920	\$738	1.5%	20.4	\$6,061,226	6.6%
QLD	Griffith	\$55,331,519	1,190	\$46,480	104,823	\$751	\$528	1.3%	11.4		
VIC	Corangamite	\$34,398,085	517	\$66,534	97,349	\$535	\$353	1.3%	5.3	\$1,304,759	3.8%
VIC	Goldstein	\$34,353,556	449	\$76,511	99,097	\$725	\$347	0.9%	4.5	\$458,440	1.3%
VIC	Higgins	\$36,360,702	398	\$91,359	104,213	\$854	\$349	0.8%	3.8	\$117,622	0.3%
VIC	Kooyong	\$19,047,289	205	\$92,914	98,301	\$790	\$194	0.5%	2.1	\$27,408	0.1%
Totals		\$3,498,941,314	57,686	\$60,655	4,269,435		\$820		13.5		

Sources: NSWOLGR 2012a, 2012b, 2012c; QOLGR 2012a, 2012b, 2012c; VCGLR 2012a, 2012b; ACTGRC 2011; ABS 2012a, 2012b.

Table 4: Estimates of average poker machine user losses, etc 2010-11

STATE	CED	Member of Parliament and Party	User rate (%) (state est.)	Est. users	Est. losses /user	User losses as % of med. Ind. Income
NSW	Blaxland	Jason Clare ALP	24%	25,159	\$7,056	34.2%
VIC	Maribyrnong	Bill Shorten ALP	21%	20,519	\$6,699	25.7%
NSW	Banks	Daryl Melham ALP	24%	23,535	\$6,873	24.5%
VIC	Bruce	Alan Griffin ALP	21%	21,439	\$6,326	24.2%
NSW	Richmond	Justine Elliot ALP	24%	23,177	\$4,934	20.5%
VIC	Hotham	Simon Crean ALP	21%	21,043	\$5,637	20.5%
NSW	Parramatta	Julie Owens ALP	24%	26,480	\$5,766	18.1%
VIC	Corio	Richard Marles ALP	21%	20,096	\$4,567	18.0%
NSW	Chifley	Ed Husic ALP	24%	25,626	\$4,410	16.2%
NSW	Lindsay	David Bradbury ALP	24%	23,697	\$5,186	15.7%
NSW	Eden-Monaro	Mike Kelly ALP	24%	23,104	\$4,477	15.6%
NSW	Lyne	Rob Oakeshott IND	24%	21,474	\$3,381	15.0%
NSW	Shortland	Jill Hall ALP	24%	22,590	\$3,431	14.0%
VIC	Gellibrand	Nicola Roxon ALP	21%	22,852	\$4,010	13.9%
NSW	Werriwa	Laurie Ferguson ALP	24%	24,244	\$4,129	13.8%
VIC	Holt	Anthony Byrne ALP	21%	23,915	\$3,961	13.2%
NSW	Grayndler	Anthony Albanese ALP	24%	27,306	\$4,645	12.4%
VIC	Lalor	Julia Gillard ALP	21%	23,835	\$3,748	11.8%
NSW	New England	Tony Windsor IND	24%	23,333	\$2,743	11.4%
VIC	Gorton	Brendan O'Connor ALP	21%	24,031	\$3,024	11.1%
VIC	Wills	Kelvin Thomson ALP	21%	23,365	\$2,969	11.1%
NSW	Kingsford Smith	Peter Garrett ALP	24%	29,617	\$3,695	10.6%
QLD	Capricornia	Kirsten Livermore ALP	31%	31,877	\$2,431	8.3%
VIC	Isaacs	Mark Dreyfus ALP	21%	22,586	\$2,265	7.6%
QLD	Rankin	Craig Emerson ALP	31%	32,197	\$2,162	7.0%
QLD	Moncrieff	Steve Ciobo LIB	31%	35,851	\$2,157	6.9%
QLD	Forde	Bert Van Manen LIB	31%	29,933	\$2,002	6.7%
QLD	Blair	Shayne Neumann ALP	31%	30,409	\$1,765	6.4%
QLD	Fadden	Stuart Robert LIB	31%	33,821	\$2,014	6.4%
VIC	Corangamite	Darren Cheeseman ALP	21%	20,443	\$1,683	6.0%
QLD	Dickson	Peter Dutton LIB	31%	28,658	\$2,038	5.9%
QLD	Petrie	Yvette D'Ath ALP	31%	29,684	\$1,812	5.8%
QLD	Moreton	Graham Perrett ALP	31%	31,834	\$1,841	5.8%
QLD	Oxley	Bernie Ripoll ALP	31%	31,686	\$1,806	5.7%
QLD	Lilley	Wayne Swan ALP	31%	31,769	\$1,819	5.1%
VIC	Goldstein	Andrew Robb LIB	21%	20,810	\$1,651	4.4%
QLD	Griffith	Kevin Rudd ALP	31%	32,495	\$1,703	4.3%
ACT	Fraser	Andrew Leigh ALP	38%	46,880	\$1,850	4.1%
ACT	Canberra	Gai Brodtnmann ALP	38%	47,451	\$1,943	4.0%
VIC	Higgins	Kelly O'Dwyer LIB	21%	21,885	\$1,661	3.7%
VIC	Kooyong	Josh Frydenberg LIB	21%	20,643	\$923	2.2%

Sources: PC 2010; NSWOLGR 2012a, 2012b; QOLGR 2012a, 2012b; VCGLR 2012a; ACTGRC 2011; ABS 2012a, 2012b

Discussion

Value of claimed community benefits

In each of the jurisdictions assessed, clubs and in some cases other poker machine operators are required to provide an estimate of the value of their contributions to community purposes, including sporting activity, philanthropic and charitable purposes, and scholarships, etc. In NSW and Qld, details of these contributions are not published. In Vic and the ACT, the details of such contributions are published annually. For the purposes of this project, we have assumed that clubs record these accurately and as fully as possible, as required by legislation in all relevant jurisdictions. Community contributions include: the operating costs of sporting facilities including racecourses, football grounds and teams, bowling greens and golf courses; donations to worthwhile causes such as charities, local sports teams, or scholarship funds; contributions to gambling counselling or like services; and in Victoria the operating costs of club facilities and services (NSWOLGR 2012d, VCGLR 2012c, ACTGRC 2011).

Even so broadly defined, however, community benefits constitute a very modest proportion of the value of user losses garnered by poker machine operators. Across the four jurisdictions examined, the average value of such contributions ranged from 6.6% of poker machine expenditure in the ACT to 1.3% in NSW. Although these contributions appear significant in dollar terms (more than \$60 million p.a. in both NSW and Vic) they are only a very small proportion of the amount of money that poker machine users expend.

At the CED level, the value of these contributions as a proportion of poker machine losses is also negligible. In Blaxland (NSW) poker machine losses are the equivalent of 8.2% of median individual income or \$1,693 p.a. Claimed community benefit contributions amount to 1.4% of such losses. The highest proportional contribution claimed was 8.3% in the CED of Gellibrand of Victoria, and both ACT CEDs recorded contribution claims of 6.6%.

Given that one justification for continuing current regimes of poker machine regulation appears to be the need to maintain contributions to community activities (charities and sporting organisations, for example) (Clubs Australia 2012), it is surprising to discover that these contributions are at such modest levels. Across those CEDs for which we were able to obtain such data (excluding Queensland), the average contribution was a little over \$2 million, constituting about 2.3% of losses, or about \$21 per adult per annum. This is not a significant proportion of the amounts lost by poker machine users, and it is at its lowest level in NSW, where poker machine losses are at their highest, both in absolute terms and as a proportion of adult income.

As a mechanism for providing benefits to community, poker machines are demonstrably extremely inefficient, imposing significant costs (PC 2010) and transferring small proportions of the revenue generated from player losses.

Value of poker machine losses as a proportion of earnings

The research aimed to make an assessment of the community 'capacity to pay' for the levels of poker machine expenditure in each CED. We identified median individual income as a useful measure of relative advantage and disadvantage for the purposes of comparing CEDs, given that ABS does not publish SEIFA (Socio Economic Indices for Areas) data for CEDs. We then calculated the annualised value of these medians (which we adjusted for movements in earnings as described in the

methodology section) and compared them to poker machine losses per adult, and subsequently to estimates of the number of adult users within CEDs.

In Blaxland poker machine losses amounted to 8.2% of median income. This is the highest proportional value of poker machine losses amongst the CEDs we assessed. This is not surprising given that Blaxland is characterised by the lowest median individual income amongst the CEDs we examined at \$396 per week. Blaxland also had the highest per capita poker machine losses at \$1,693 p.a.. Other CEDs that had proportional poker machine losses in excess of or near to 5% of median individual income were: Banks, NSW (5.9%), Maribyrnong, Vic (5.4%), Bruce Vic, (5.1%) and Richmond, NSW (4.9%).

At the other extreme, Kooyong (in Victoria) exhibited poker machine losses equivalent to 0.5% of median individual income, again hardly surprising given low levels of such losses (\$194 per adult per annum) and median individual income of \$790 per week.

As a number of other Australian studies have shown (Marshall & Baker 2001a, 2001b, 2002; McMillan & Doran 2006; Livingstone 2001), relatively affluent areas (in this case, at the level of CEDs) generally exhibit low levels of average poker machine losses, and disadvantaged areas exhibit high poker machine losses, both in absolute terms and as a proportion of median individual income.

Poker machine losses amongst users

We also sought to better estimate the proportion of income allocated to poker machine losses amongst those members of the population who actually use poker machines. As noted above the poker machine utilisation rate varies between Australian jurisdictions (PC 2010) and by applying these utilisation rates to each CED we assessed the value, both in absolute and proportional terms, of poker machine losses within those CEDs. These are alarming statistics, demonstrating that amongst that proportion of the population who are likely to be using poker machines, expenditure levels are very high. We estimate that of the CEDs we examined, poker machine losses in six (three each in NSW and Vic) average more than 20% of the median income of those who actually use them. These CEDs are Blaxland (NSW), Maribyrnong (Vic), Banks (NSW), Bruce (Vic), Richmond (NSW) and Hotham (Vic).

In Blaxland, poker machine losses average more than a third of the CED median income for that proportion of the population estimated to use them. The impact of this level of expenditure at multiple levels (family, local economy and community wide) is likely to be extreme, and to be damaging to social and community infrastructure and social capital.

More than half of the CEDs we examined demonstrate average levels of poker machine losses amongst those who use them at more than 10% of median CED individual income. This is of course an average of the user expenditure rate. It is possible that proportionately more people will utilise poker machines in some communities as compared to others. However, it does provide a useful metric for assessing the comparative impact of poker machine gambling on local areas.

Diversion of economic resources

Considerable economic resources are diverted into poker machines and away from other consumption expenditure and savings at local community levels. The amounts concerned are considerable – the average expenditure across the 41 CEDs we

examined was more than \$85 million per annum. In Blaxland, the amount lost on poker machines in 2010-11 was more than \$177 million.

It is inconceivable that these amounts can be diverted from other purposes within CEDs where average incomes are modest without detracting greatly from community well-being. Those communities with the most modest levels of median income are also where the largest level of loss occurs, both absolutely and proportionally. The pattern that emerges from this observation is of the entrenchment of disadvantage and the transfer of resources away from other financial and commercial activities towards poker machine gambling at a significant rate, with a concentration of this process amongst the most disadvantaged communities. It is also likely to be a key factor in the intergenerational transmission of disadvantage in disadvantaged communities. The public health and community welfare implications of this are significant, not simply for current users, but for their family, children, neighbours, employers and the community generally.

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Appendix – Statistical analysis

Summary statistics are shown in Table 5. The ACT is characterised by very little variation between the two CEDs in relation to either median individual income or losses per adult, noting that there are only two CEDs in that jurisdiction. Victoria displays the greatest variation in both individual weekly income and losses per adult. The range of variance in losses per adult at a jurisdiction-wide level is shown in Figure 1.

Table 5: Summary Statistics

	ACT N=2		NSW N=13		Qld N=12		Vic N=14		TOTAL N=41	
	Med Ind Income	Losses /adult	Med Ind Income	Losses /adult	Med Ind Income	Losses /adult	Med Ind Income	Losses /adult	Med Ind Income	Losses /adult
mean	\$722	\$721	\$439	\$1,121	\$498	\$608	\$479	\$737	\$596	\$820
median	\$722	\$721	\$437	\$1,074	\$488	\$596	\$441	\$711	\$576	\$738
stdev	\$35	\$25	\$79	\$312	\$48	\$66	\$94	\$383	\$117	\$352
min	\$697	\$703	\$321	\$658	\$428	\$528	\$394	\$194	\$396	\$194
max	\$746	\$738	\$582	\$1,693	\$609	\$754	\$692	\$1,407	\$920	\$1,693

Figure 1: Range of losses per adult by jurisdiction

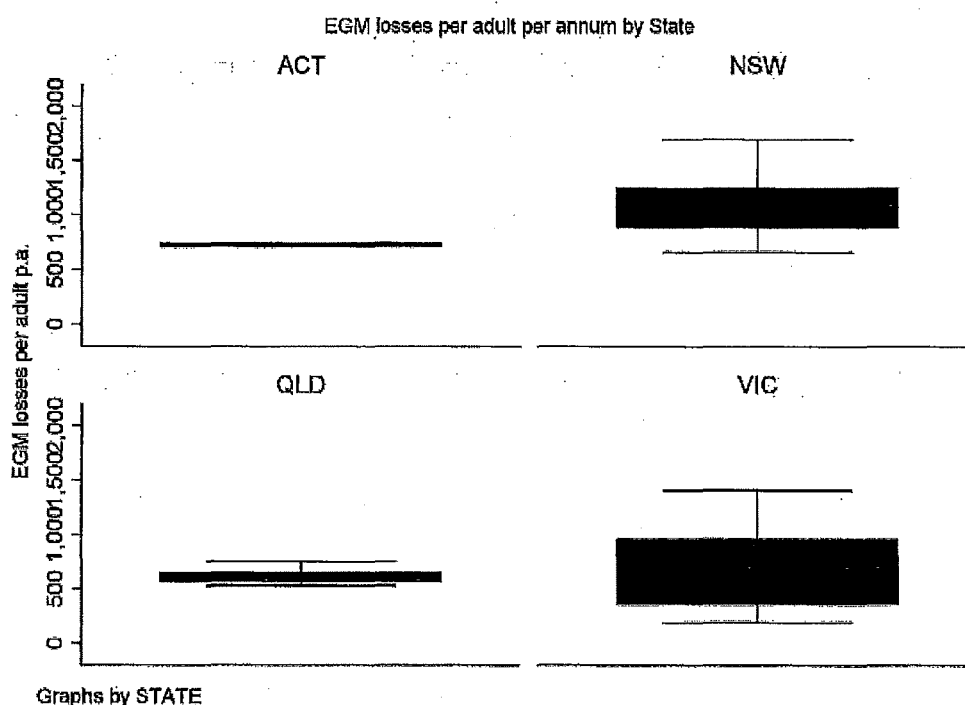


Table 6 displays the distribution of median weekly income divided into quintiles, by jurisdiction. As can be seen in Table 6, the income distribution for CEDs is skewed towards the lower two quintiles in NSW and Victoria, while in Queensland it is

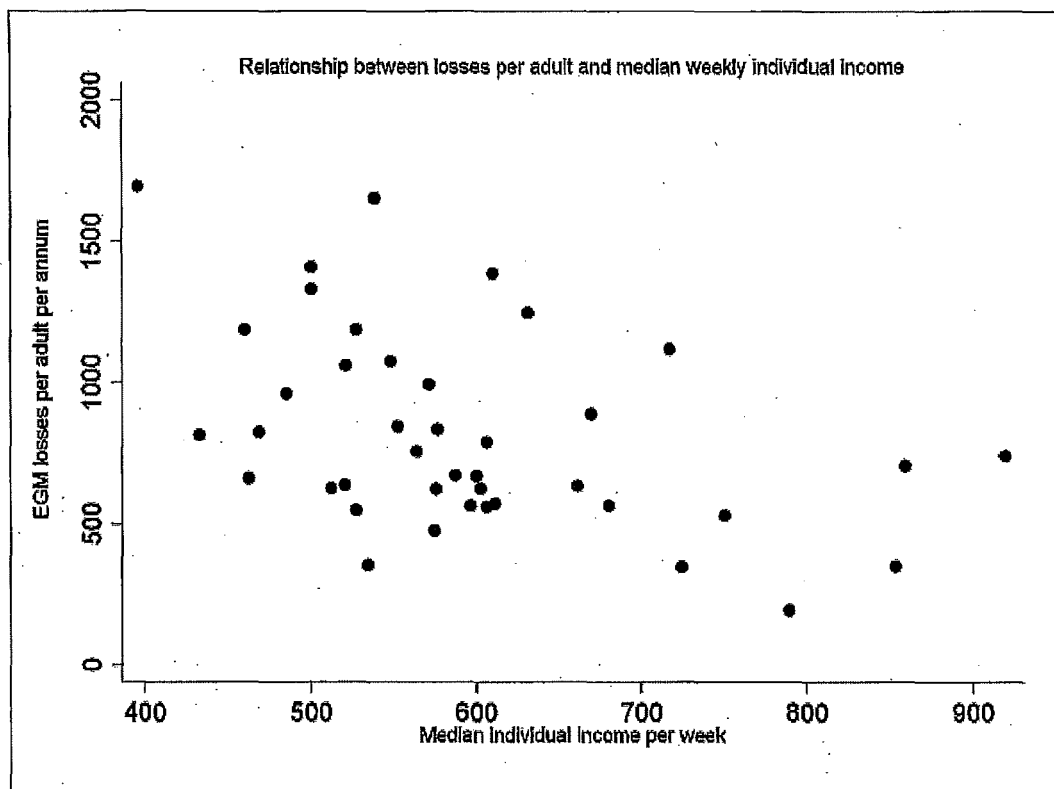
distributed mainly between the 3rd and 4th quintiles. In the ACT median weekly individual income falls into the 5th quintile for both CEDs.

Table 6: Distribution of median weekly income quintiles by CED by jurisdiction

State	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile
ACT					2
NSW	5	3	1	3	1
QLD		1	5	4	2
VIC	4	4	2	1	3

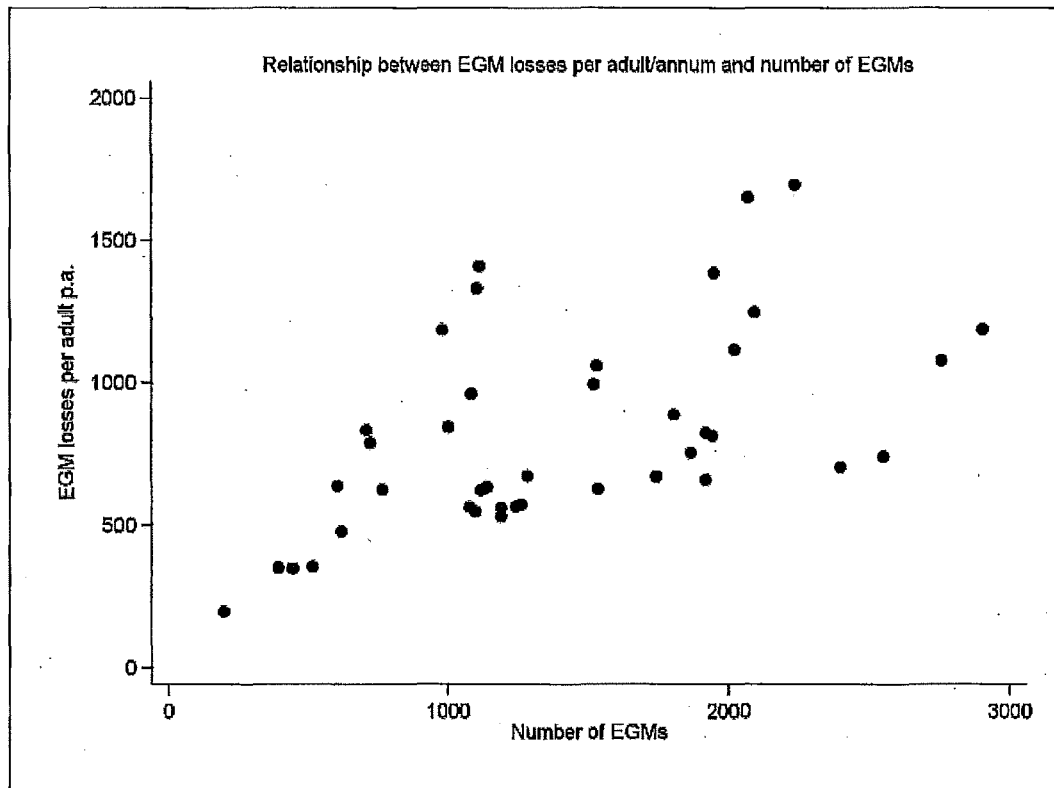
The relationship between losses per adult and median individual income is displayed in Figure 2. The data shows that there is a negative correlation (0.4399) between these two variables, so that as income levels increase, poker machine losses decline.

Figure 2: Losses per adult and median weekly individual income



The relationship between losses per adult and the number of poker machines within CEDs is displayed in Figure 3.

Figure 3: Losses per adult and number of poker machines.



The correlation between these data is 0.5557. This indicates that losses per adult increase as the number of poker machines in a CED increases.

Regression tables, (below) demonstrate the strength of this correlation, and provide evidence that the association is not by chance, but explained by the effects of weekly income and the number of poker machines.

. regress LossesEGM Incomewkly						
Source	SS	df	MS			
Model	959599.263	1	959599.263	Number of obs = 41		
Residual	3999479.22	39	102550.749	F(1, 39) = 9.36		
Total	4959078.49	40	123976.962	Prob > F = 0.0040		
				R-squared = 0.1935		
				Adj R-squared = 0.1728		
				Root MSE = 320.24		
LossesEGM	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Incomewkly	-1.328878	.4344198	-3.06	0.004	-2.207575	-.4501811
_cons	1612.818	263.8619	6.11	0.000	1079.107	2146.529

. regress LossesEGM Incomewkly noegms						
Source	SS	df	MS			
Model	2295507.35	2	1147753.68	Number of obs = 41		
Residual	2663571.13	38	70093.9771	F(2, 38) = 16.37		
Total	4959078.49	40	123976.962	Prob > F = 0.0000		
				R-squared = 0.4629		
				Adj R-squared = 0.4346		
				Root MSE = 264.75		
LossesEGM	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Incomewkly	-1.190373	.3605524	-3.30	0.002	-1.920273	-.4604728
noegms	.2739938	.0627614	4.37	0.000	.1469399	.4010477
_cons	1144.714	243.0738	4.71	0.000	652.6368	1636.791

Adjusting for the number of EGMs, there is evidence to say that there is an association between EGM losses and weekly income ($p = 0.002$, 95% Confidence Interval -1.9 to -0.5). Forty six percent (46%) of this association is attributable to the interaction between EGM losses, weekly income and EGMs, with 27% of it being explained by number of EGMs.

Limitations

It should be noted that the CEDs we utilised for this study constitute neither a random nor representative sample of Australian CEDs. The general applicability of the findings of the statistical analysis may therefore be limited. However, we believe that the findings of the analysis are consistent with those of other studies, and provide useful insight into key characteristics of the CEDs analysed, and the pattern of poker machine utilisation and expenditure in some important Australian jurisdictions.
