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ACT GAMBLING AND RACING COMMISSION

POLICY PAPER

Impact Assessment of Applications for Small-Scale Relocation Amendments under the *Gaming Machine Act 2004*

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1. Introduction

The *Gaming Machine Act 2004* (the Act) allows an application to be made to the ACT Gambling and Racing Commission (the Commission) to change the number of machines under a current gaming machine licence in a number of ways. From 1 January 2013, amendments to the Act provide for the relocation of machines from one venue to another where the licensee is the same body corporate for all relevant licences.

Multi-venue club groups may apply to the Commission to relocate gaming machines either as a 'large-scale relocation amendment' under section 26C of the Act or under a 'small-scale relocation amendment' under section 26B of the Act. As the titles suggest, a large-scale relocation is designed to cater for the movement of large numbers of machines where there are no limits on the actual number of machines that can be moved but such movement is subject to the legislative criteria including a Social Impact Assessment and 'needs' analysis. A small-scale relocation allows movement of up to 10 machines or 10% of the existing number of machines at the receiving venue, whichever is the lesser, without a social impact necessarily being required.

Clearly the legislation provides for the significant movement of machines with appropriate justification from social impact and needs perspectives as well as small adjustments of machine numbers without the requirement for a detailed social impact assessment.

Importantly, however, small-scale relocations under section 26B of the Act may need to be accompanied by a social impact assessment if the Commission is concerned that there may be a significant social impact if the licences are amended as proposed. In such a case the Commission may require either a Social Impact Statement (SIS) or Social Impact Assessment (SIA).

In other words, in assessing an application to amend a licence for a small-scale relocation of machines, the Commission may determine that either no impact assessment, an SIS or an SIA must be completed. An SIS is a shortened form of an SIA and maybe required where the Commission is concerned that a proposal may entail some risk but not enough to necessitate a full impact assessment.

The Commission has developed a set of risk factors that seek to guide the Commission's consideration of small-scale relocation applications. This Policy Paper aims to assist applicants to understand the Commission's processes in considering whether a significant social impact is likely if licences are amended under a small-scale relocation. These risk factors are considered by the Commission, based on available research and its regulatory experience, to provide an indication of the likely social impact of increasing the number of gaming machines into a local community area.

In making its assessment of what it considers to be a significant level of social impact in relation to a proposed small-scale relocation, the Commission takes 'significant social impact' to mean a social impact that is notable, more than ordinary or of consequence.

In making this judgement the Commission must consider the relevant material available to it on the social impact of the particular application while ensuring that any unnecessary regulatory burden is not imposed by its decisions.

The need for an SIS or SIA under section 26B of the Act will be based on the Commission's assessed potential risks of the social impact and whether a more detailed assessment is required to determine whether the heightened risks are mitigated by other factors and are outweighed by the potential benefits.

This Policy Paper outlines these risk factors and the importance or weighting that has been given to each factor along with a description of the basis that the Commission has used in coming to these decisions.

In addition to the risk factors identified in this Policy Paper, the Commission will consider other relevant factors on a case-by-case basis in making its decision under the Act on a particular application when it is received.

2. [Background](#)

2.1 Relevant Legislation Background

In December 1999 the *Gambling and Racing Control Act 1999* (the Control Act) established the Commission and prescribed how the Commission was to perform its functions. Under section 7 of the Control Act, the Commission was tasked, in a way that best promotes the public interest, to:

- (a) promote consumer protection;
- (b) minimise the possibility of criminal or unethical activity; and
- (c) reduce the risks and costs, to the community and to the individuals concerned, of problem gambling.

Gaming Machine Act 2004

The *Gaming Machine Act 2004* (the Act) is the primary legislative mechanism for governing the operation of electronic gaming machines (EGMs) in the ACT. It includes provisions on the day-to-day operation of gaming machines, licence conditions, reporting and administrative requirements and harm minimisation measures.

Specifically, the Act recognises that increasing gaming machine density in a local community area has a social and economic impact on that area. In some cases an SIA is mandatory (see for example sections 13, 22, etc of the Act).

In relation to small-scale relocation applications under section 26B of the Act, the Commission may decide that an SIS or SIA is required if, in the Commission's view, there is likely to be a significant social impact of the proposal. The detailed legislative requirements for completing an SIS or SIA are outlined under sections 9 to 12D of the *Gaming Machine Regulation 2004*.

The Commission has separately prepared guidelines to assist Applicants in the preparation of these documents.

2.2 Inter-jurisdictional comparison

The proposed approach outlined in this Policy Paper is also used to varying degrees in other Australian jurisdictions. Some of these requirements are as follows:

- In New South Wales the class of Local Impact Assessment (LIA) required is determined based on a venue's gaming machine expenditure, gaming machine density and Socio-Economic Indexes for Areas (SEIFA) scores. Applicants must submit a completed LIA with their application before their proposal is assessed.
- Victoria requires socio-economic information to be included with an application to increase the number of gaming machines at a venue. Responsible authorities such as municipal councils may then make a submission regarding the economic and social impact the proposal would have on the local community. Regional caps on gaming machine numbers have been implemented in high concentration gaming machine areas and vulnerable communities. SEIFA scores are used as guidance to these social risks in the relevant areas.
- Queensland requires a Community Impact Statement for new venue applications, applications for an increase of 10 or more machines for hotels and 20 or more machines for clubs, or as determined by the Chief Executive.
- In the Northern Territory a Community Impact Analysis is required for the addition of five or more machines or as determined by the Chief Executive.
- In South Australia the Commissioner may require an applicant, upon receipt of an application to vary their licence, to complete a Social Effect Inquiry if the nature of the proposal may significantly alter the social effect on the local community and, in particular, the likely effect on problem gambling within the local community.
- WA does not permit gaming machines to operate outside of the Casino and as a result there is no such requirement for a social impacts tests. The casino operator must carry out an impact assessment where it wishes to expand its facilities.
- In Tasmania the Government must commission an independent review of the social and economic impacts of gambling in Tasmania every three years.

The Commission has considered the approach taken by each jurisdiction when determining the risk factors outlined in this Policy Paper.

3. Overriding Principles

In the context of an increase in the numbers of EGMs at a venue or in a local community area, studies show that it is the population close to the venue receiving additional machines that may be most at risk of harm. Key risk factors include:

- the density of EGMs per capita in the local area;
- the level of disadvantage in the venue's local area and the net expenditure on EGMs; and
- the implementation of harm minimisation measures.

3.1 The accessibility of electronic gaming machine gambling

Research has consistently found that an increase in gambling opportunities, particularly EGMs, correlates with an increase in problem gambling¹. A meta analysis² of 34 Australian and New Zealand prevalence studies examined the relationship between EGM density and problem gambling and found that each additional EGM was associated with an increase in the rate of problem gambling³. A study conducted in Tuggeranong in 2004 found that gamblers who lived within 3.54km of their regular club spent over 3 times more than those who travelled further to

¹ Young, M., Marklamb, F., & Doranc, B. 2012. 'Too Close to Home? The Relationship Between Residential Distance to Venue and Gambling Outcomes' *International Gambling Studies*, vol. 12(2) p.258

Abbott, M (2006). Do EGMs and Problem Gambling go Together Like a Horse and Carriage? *Gambling Research*, vol. 18 pp.7-38

Productivity Commission. (1999). *Australia's Gambling Industries* (Report No. 10)

South Australian Centre for Economic Studies. (2005). *Community Impacts of Electronic Gaming Machines Gambling (Part A)*

² Meta analysis is a statistical technique where multiple research projects are analysed to find common results or trends.

³ Storer, J., Abbott, M., & Stubbs, J. (2009). Access or Adaptation? A meta-analysis of surveys of problem gambling prevalence in Australia and New-Zealand with Respect to Concentration of Electronic Gaming Machines. *International Gambling Studies*, vol. 9(3) p.241

their club⁴. An American study found that “the availability of an attractive gambling opportunity can lead to gambling pathology in some people who would not otherwise develop it”⁵.

The geographical distribution of venues and the number of machines available in a local area can affect the level of gambling harm experienced by the community. In assessing the potential impact of transferring gaming machines from one venue to another, it is appropriate for the Commission to consider information about the potential for increased risk that additional gaming machines may present to the local community.

The figures below⁶ illustrate the relationship between the geographical distribution of venues and accessibility. Figure A shows a low number of venues evenly distributed across the area, figure B shows a high number of venues concentrated in a small area. The figures show that an area with evenly distributed venues is likely to have a higher level of gambling accessibility.

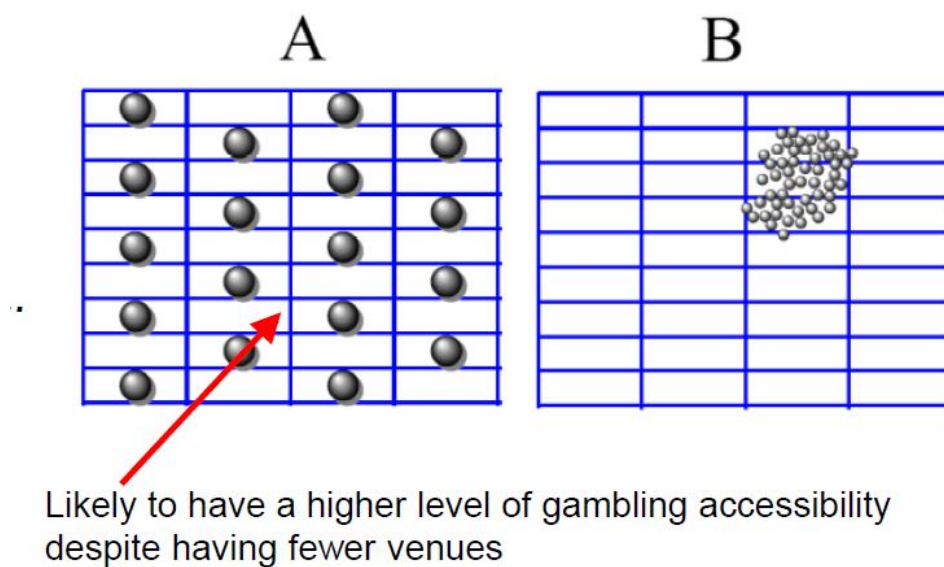


FIGURE 1: RELATIONSHIP BETWEEN THE GEOGRAPHICAL DISTRIBUTION OF VENUES AND ACCESSIBILITY

⁴ Marshall, D., McMillen, J., Niemeyer, S. & Doran, B. (2004). Gaming Machine Accessibility and Use in Suburban Canberra: A Detailed Analysis of the Tuggeranong Valley. *Centre for Gambling Research Australian National University*.

⁵ Welte, J., Wieczorek, W., Barnes, G., Tidwell, M., & Hoffman J. (2004). The Relationship of Ecological and Geographic Factors to Gambling Behaviour and Pathology. *Journal of Gambling Studies* vol. 20 p. 421

⁶ Dr Bruce Doran (ANU) & Dr Martin Young (SCU): Investigating the Catchment of a Remote Area Gambling Venue: A Case-Study of the Alice Springs Casino, Northern Territory

<http://caepr.anu.edu.au/sites/default/files/Seminars/presentations/Doran%20Young%20Gambling.pdf>

3.2 The vulnerability/risk profile of a venue's local area

Some venues draw patrons from across the region and others have small localised catchments. While many people travel various distances to attend their club, research conducted in the ACT in 2004 in relation to EGM players found that the closer a person lives to their local club, the higher their annual expenditure on EGMs⁷. The research also found that people living within 3.54km of their local EGM venue had more frequent EGM sessions (32 per annum) than those living further away (22 per annum)⁸. This is in line with a study conducted in Victoria that found Victorians typically travel only 2.5km to gamble⁹.

The *Gaming Machine Regulation 2004* defines the local catchment area as the “community within 3km of the relevant premises”.

A small-scale machine transfer would move existing machines from one venue to another. An increase in the number of gaming machines in the destination area could result in a net increase in harm. Analysis conducted in the Productivity Commission's 1999 report showed that at a jurisdictional level a higher density of EGMs per capita was associated with higher expenditure and a higher prevalence of problem gambling¹⁰. Since the Productivity Commission's report, studies conducted in Victoria and South Australia have found net expenditure levels to be strongly correlated with EGM densities¹¹.

In the ACT more money is spent on EGMs that are located in the lower socio-economic suburbs than in any other area. The table below shows that in 2011-12 there was \$51,370.66 spent per machine in the suburbs with the lowest decile of SEIFA scores. The SEIFA scores are based on

⁷ Marshall, D., McMillen, J., Niemeyer, S. & Doran, B. (2004). *Gaming Machine Accessibility and Use in Suburban Canberra: A Detailed Analysis of the Tuggeranong Valley*. Centre for Gambling Research Australian National University. p.11

⁸ Marshall, D., McMillen, J., Niemeyer, S. & Doran, B. (2004). *Gaming Machine Accessibility and Use in Suburban Canberra: A Detailed Analysis of the Tuggeranong Valley*. Centre for Gambling Research Australian National University. p.12

⁹ KPMG. 1999. *Longitudinal Community Impact Study*. Victorian Casino and Gaming Authority, Melbourne.

¹⁰ Productivity Commission. 1999. *Australia's Gambling Industries*. ACT, Productivity Commission, Canberra.

¹¹ Delfabbro, P. 2008. *Evaluating the Effectiveness of a Limited Reduction in Electronic Gaming Machine Availability on Perceived Gambling Behaviour and Objective Expenditure*. International Gambling Studies. Vol8:2 151-165

2006 Census Data¹². The table includes expenditure data from the corresponding 2006-7 financial year for comparison.

SEIFA State Decile 2006 (ACT)	EXPENDITURE PER EGM 2011-12	EXPENDITURE PER EGM 2006-7
(most disadvantaged) 1	\$51,370.66	\$44,048.41
2	\$32,711.85	\$35,952.38
3	\$33,538.92	\$36,986.10
4	\$35,861.83	\$37,828.44
5	\$35,016.22	\$32,938.56
6	\$39,124.11	\$38,924.78
7	\$39,854.04	\$43,160.45
8	\$37,226.84	\$33,525.44
9	\$12,299.77	\$12,449.07
(most advantaged) 10	\$31,530.39	\$14,238.61

FIGURE 2: SOCIO-ECONOMIC INDEXES FOR AREAS DECILE RANKING IN ACT COMPARISON WITH EXPENDITURE PER EGM OVER TIME

4. Impact Assessment Triggers

This paper identifies risk factors that indicate which small-scale relocation applications are more likely to result in a significant social impact by the proposed increase in machines. As such it identifies those circumstances where the risks are sufficient that an SIS or an SIA should be conducted in order to inform the Commission in making its decision.

This section of the Policy Paper describes the identified risk factors and outlines the importance or weighting that is allocated to each risk.

The total aggregate risk score calculated for each application will indicate whether the Commission, subject to consideration of other relevant factors, will require an SIS or SIA to be provided.

¹² 2033.0.55.001 - *Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA)*, Australia, (2006), www.abs.gov.au/ausstats/abs@.nsf/mf/2033.0.55.001

4.1 Vulnerability of the Local Community to Problem Gambling

The local community area is defined in the Act and means the community within 3 kilometres of the venue that is as the recipient of the machines. This risk factor seeks to consider the characteristics of that community that may relate to gambling vulnerability.

The Australian Bureau of Statistics (ABS) uses information from its Census of Population and Housing to produce SEIFA scores. SEIFA scores are measures which summarise a range of socio-economic variables associated with disadvantage. SEIFA provide a measure of *relative* disadvantage at an *area level*.

SEIFA data is available for different geographical areas. SEIFA indexes for suburbs are considered the most appropriate area for assessing vulnerability of the local community in the ACT. The ABS assigns each SEIFA area a score, a rank and a decile on either a national or state comparison basis. The state decile for a suburb is the appropriate measure for comparisons between suburbs within the ACT.

SEIFA data consists of four indexes with each measuring a different aspect of relative disadvantage. The Index of Relative Socio-Economic Advantage/Disadvantage (IRSAD) correlates strongly with both the Index of Relative Socio-Economic Disadvantage and the Index of Education and Occupation. All three indexes include variables that indicate communities more vulnerable to problem gambling, however the IRSAD provides greater differentiation between deciles and is therefore the index that will be used when comparing the vulnerability of suburbs in the ACT.

It is likely that the area within 3km of a venue will encompass a number of suburbs. The characteristics of residents in each of those suburbs are relevant and will be considered at the application stage.

ASSUMPTIONS:

- Resident population only is used and does not distinguish worker populations.
- SEIFA moderates advantage and disadvantage across the suburb. Identifying the SEIFA score for all suburbs within the local community area is appropriate for the risk factor.

The SEIFA ranges relative advantage and disadvantage in a scale of 1 to 10, with 1 being the most disadvantaged and 10 being an area of most advantage.

Risk Factor: A venue looking to acquire machines where its local community area has a lower SEIFA ranking is considered a higher risk.

4.2 Implementation of Harm Minimisation Measures by Venue

The ACT's mandatory *Gambling and Racing Control (Code of Practice) Regulation 2002* (the Code) provides a minimum set of standards that licensees must meet in providing gambling services.

The Government recognises in implementing the Code that some people experience problems with gambling and includes measures to minimise the harm associated with excessive gambling. These measures include staff training requirements, self-exclusion programs and the provision of consumer information.

The Commission conducts audits of each licensee's compliance with the Code as well as an assessment of how well a venue is implementing the Code's harm minimisation measures. Venues efforts are ranked at three levels – 'basic', 'developed' or 'advanced' which is known as a venue's better practice rating at that point in time.

A venue that implements harm minimisation measures at a basic level is compliant with the Code, but is not demonstrating better practices. Because better practice harm minimisation aims to reduce the harms resulting from gambling, it is appropriate for the Commission to consider a recipient venue's better practice rating. A basic implementation of harm minimisation may expose the venue's local community to a greater level of harm through the effects of problem gambling than a venue that implements better practice methods.

Risk Factor - A venue with a basic audit outcome that is looking to acquire additional machines is identified as a greater risk than a venue utilising better practices with an advanced rating.

ASSUMPTIONS:

- The policy considers the harm minimisation strategies of the receiving venue only and does not consider any others in the local area.
- The position does not consider an overall 'group' score for club groups.
- If a score is currently basic, a venue can improve its score over time.

4.3 Number of Electronic Gaming Machines in the Local Community and District Area

The density of machines in an area and those being introduced to a local community area over a period of time is of interest in terms of potential impacts from that change.

(i) Previous EGM transfers

The increase in machines at a venue may affect gambling vulnerability. Also of relevance, the Act identifies that large-scale relocation applications, for greater than 10 machines, automatically triggers a Social Impact Assessment.

Risk Factor: Where machines are proposed to be moved to a venue where a previous transfer of machines has occurred in the last 24 months, this is identified as an increased risk.

(ii) Per capita EGM increase in local community area and district

This measure looks at the increase of machines per 1,000 head of adult population in the local community area and district of the proposed recipient venue since 1 January 2013. The District is a broader geographic area of the ACT and is relevant to consider in terms of EGM density.

Districts in the ACT are described as:

- Gungahlin-Hall
- Belconnen
- North Canberra
- Western Creek-Stromlo
- Woden Valley
- Tuggeranong
- South Canberra

Risk Factor: Where machines are proposed to be moved to a venue whose local community area or district has already seen an increase in machines per capita since 1 January 2013, this is identified as an increased risk.

4.4 Expenditure on Electronic Gaming Machines

(i) Venue expenditure

It is possible to compare the amount spent per electronic gaming machine at the recipient venue with the amount spent at the source venue. This is a calculation of gross gaming machine revenue divided by the total number of machines at both the recipient and source venues. Relocation of electronic gaming machines from a venue with low expenditure per gaming machine to a venue with higher expenditure per gaming machine may increase total gaming expenditure in the ACT. This may present an increased risk of significant social impact. Similarly the relocation of electronic gaming machines from a venue with high expenditure per gaming machine to a venue with lower expenditure per gaming machine would present a decreased risk of significant social impact.

Risk Factor: Where machines are proposed to be moved to a venue with a higher expenditure per machine than the source venue the risk is increased.

(ii) Local community area expenditure

A calculation of expenditure on electronic gaming machines per capita allows a comparison of average expenditure by individuals in certain locations along with comparisons to the ACT average. In this instance, the risk factor seeks to identify the amount spent by the resident population in the local community area of the venue proposed to receive additional machines. This value can then be compared to the average for the ACT to identify whether the local residents spend more or less than the average across the Territory.

The ACT average can be identified showing the total amount spent by residents on gaming machines, divided by the number of machines at a venue. The expenditure, or gross gaming revenue, is divided by the local community area population for each venue. The per capita expenditure by venue is identified as being higher or lower than the average for the ACT, within a 10% range. This scale will identify venues that have a higher or lower spend per machine than the ACT average.

Risk Factor: Where machines are proposed to be moved to a venue with expenditure per capita in the local community area above the ACT average the risk is increased.

5. Assessment Process

As outlined above, the Commission will take into account a number of risk factors in considering applications for small scale machine relocation. Each indicator is weighted to reflect its relevance to possible harm in the community. For example, vulnerable populations within 3km of a venue have a significant weighting while the district expenditure per capita is a less significant indicator with a lower weighting.

The score on each risk factor will be modified by the allocated weighting to produce an adjusted or weighted score. When these scores are added together the total weighted or aggregate risk score will reflect the level of risk across the indicators. Higher aggregate risk scores will be associated with transfers that are likely to pose a higher risk to the community.

A transfer that is assessed as having a low aggregate risk score will generally not require an SIS or SIA to be completed. A moderate aggregate risk score will generally require an SIS and a high aggregate risk score will generally require an SIA, which includes community consultation.

A low aggregate risk score is considered to be up to and including 46, a moderate aggregate risk score to be between 47 and 54 inclusive. A score of 55 or above is considered a high aggregate risk score.

The Risk Factor Measures table (Attachment 1) provides a list of the risk factors and the associated weighting of each risk.

6. Conclusion

While each application to relocate electronic gaming machines will be considered on its merits, the Commission's statutory obligations under section 7 of the Control Act require that consumer protection and the risks and costs of problem gambling be analysed when assessing each application. The Commission considers the impact assessment as part of its decision making process and will balance the socio-economic benefits of the proposal (such as increased community contributions, Government revenue and employment opportunities) with the potential negative impacts on the community (such as increased risk to vulnerable population demographics, impact on local businesses and gaming machine venues).

If the risks of a proposed relocation are considered significant by the Commission then the level of risk will determine whether an SIS or SIA will be required. The inclusion of an SIS or SIA will assist the Commission make an informed decision on the proposed relocation of the machines to the relevant venue.

This is a guide to the Commission's policy. The Commission will review the operation of the assessment process over time and will update as appropriate. In addition the Commission will also consider additional relevant information in determining the outcome of an application.

A review of this Policy Paper will occur within 12 months of its commencement.

7. Contact Details

If you have any questions regarding this Policy Paper, please contact the Commission on:

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ATTACHMENT 1 – RISK FACTOR MEASURES

Number	Indicator	Measure	Calculation	Score	Example	Weighting ¹³
1	Vulnerability within the venue's local community area	SEIFA Advantage-Disadvantage 2006. The SEIFA decile score for all relevant suburbs in the local community area will be taken into account.	Relevant suburbs are scored on an exponentially increasing scale where a SEIFA score indicating high levels of disadvantage is given a higher risk indication score.	The Commission has determined a total score for the local community area for each venue.	High risk 90/100 Low Risk 10/100	35%
2	The venue's implementation of harm minimisation measures	The Commission assesses venues on the implementation of harm minimisation measures in the Code of Practice. The rating is either basic, developed or advanced.	Venues that are approaching best practice implementation of harm minimisation measures will attract a lower risk indicator score.	Basic Developed Advanced	100 50 0	20%
3	Previous machine transfers to the venue	The number of machines transferred to the venue in the last 24 months.	Each machine transferred in the last 24 months will attract points on the risk indication score.	Per machine transferred in the previous 24 months.	2	10%
4	Per capita electronic gaming machine increase	The increase in the number of electronic gaming machines per	Current per capita electronic gaming machines in the local community area minus the	Per 0.1 additional electronic gaming machines per 1,000	5	10%

¹³ The Commission has allocated a weighting to each of the factors. The weighting allocated corresponds to a point value of 100. These are based on a comparative risk of harm with certain risk factors considered to pose a greater potential level of harm. Those indicators carry a greater proportion of the overall score.

	in the venues local community area	capita in the local community since 1/1/2013. ¹⁴	number of electronic gaming machines per capita in local community area at 1/1/2013.	adults in the venue's local area.		
5	Per capita electronic gaming machine increase in the venue's district. ¹⁵	The increase in the number of electronic gaming machines per capita in the venue's district since 1/1/2013.	Current per capita electronic gaming machines in the venue's district minus per capita electronic gaming machines in the venue's district area at 1/1/2013.	Per 0.1 additional EGMs per 1,000 adults in the venue's district.	5	10%
6	Expenditure on electronic gaming machines in the venue.	The expenditure per machine at the recipient venue compared to the source venue.	The annual gross gaming machine revenue divided by the number of machines at the venue.	1.33 points for each 1% of additional expenditure at the recipient venue.	1	10%
7	Expenditure on electronic gaming machines per capita in the venues local community area.	The expenditure on electronic gaming machines at the venue per adult in the venue's local area.	The annual gross gaming machine revenue divided by the number of adults in a 3km radius.	1 point for each 1% above the ACT average.	1	5%

¹⁴ This date coincides with the introduction of the amendments to *Gaming Machine Act 2004*.

¹⁵ The ACT is divided into a number of districts as referred to in section 4.3.