

AUSTRALIAN GAMBLING COMPARATIVE HISTORY AND ANALYSIS

Project Report

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Australian Gambling Comparative History and Analysis

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Executive Summary

This comparative history of Australian gambling has identified the many and diverse contextual factors that influence the particular character of Australian gambling; the way it fits into society; its effect on leisure patterns, economic activity and community attitudes; and how it is shaped by government policies.

In contrast to the moralistic and prohibitive regimes in Britain and the United States, Australia has had a relatively liberal approach to gambling since white settlement. Gambling has been identified as an essential feature of Australia's popular culture; it is also a thriving and profitable industry, which makes significant contributions to state government revenues.

The key historical influences on Australian gambling include:

- social values and community attitudes, including religious beliefs, debates over public morality, cultural practices and preferences, class and gender differences;
- economic conditions and trends, including such factors as economic booms and slumps, economic restructuring, revenue needs of government, market competition;
- political structures and processes of the Australian federal system, including Commonwealth-state funding arrangements, core public policy objectives of various state governments, political conflicts and power relations; and
- technological development, including transport, radio and television, telephone and computerisation. Information technology innovation has significantly altered the gambling industry landscape in the 1990s.

Since European settlement there have been four major periods in which Australian gambling has been transformed and redefined:

- the early period of colonisation from 1788-1900;
- a period of selective legalisation from 1900-1940s;
- a period of government endorsement and market growth from the Second World War to the 1970s; and
- a period of commercialisation, competition and market expansion from the 1970s to 1990s.

Each period has been characterised by particular social, economic and political patterns and concerns which have created a climate for change. In turn, these factors have affected the nature of the changes achieved within different forms of gambling.

Despite its popularity and official acceptance, gambling has been the source of conflict and public debate. In Australia, the general thrust of legal and moral arguments has been not so much about whether gambling should be permitted or not (as it was in Britain and the United States) but whether legalisation would induce gambling by social groups which otherwise might not gamble; which forms of gambling should be permitted and which should be restricted; the control of illegal gambling by attempts to remove criminal influence and corruption; and practical issues such as the provision of rational and well-ordered public

access to approved forms of popular gambling.

Different forms of gambling have been legalised at different times, while others have been prohibited. Popular gambling practices, laws and institutions have shown marked differentiation from state to state – in organisational characteristics, the considerations which determine policy and in their long-term capacity to regulate market trends. For example, during the 1930-50s, states adopted different policies on off-course betting, ranging from legalised betting shops to sustained attempts at suppression; lotteries and lotto evolved in an uneven way; and the introduction of casinos brought about a variety of outcomes.

Increased legalisation of Australian gambling during the twentieth century has been the outcome of several interrelated forces:

- demographics and economics have influenced both the level and type of gambling. The age structure and ethnic composition of the population, cultural practices, urbanisation, income, female economic independence, changes in the structure of the economy, and technological developments have affected the extent and form of gambling;
- social values and public opinion have influenced government and industry responses;
- increased institutionalisation and commercialisation have stimulated the growth of popular gambling;
- state governments' fundamental task of maintaining law and order and social harmony has been central to its control over gambling;
- a process of 'policy learning', as state governments have observed the experience of other jurisdictions develop policies to suit their own particular needs and aspirations; and
- fiscal interests of government have played an important role in rationalising and separating legalised gambling from the moral and cultural values which influenced disputes over it.

Gambling was brought to Australia with the new settlers and quickly was established as a popular leisure activity among all social groups. The pronounced British influence of early gambling (card games, two-up, horseracing) was complemented during the nineteenth century by games with Asian and European influences. Since the 1970s commercial forms of gambling such as casinos and gaming machines have been influenced by United States industrial practices.

Many forms of gambling which arose originally from community activities and were subsequently prohibited (e.g. off-course betting, sportsbetting, two-up, casino card games) have been legalised and made accessible to adult Australians on a daily basis.

In terms of its economic impact, contemporary Australian gambling is:

- an increasingly popular form of entertainment and leisure, with per capita expenditures growing steadily. Consumer spending on gambling rose sharply during the 1980-90s with the introduction of casinos and the expansion of gaming machines;
- a vital and diverse industry and a significant source of employment;
- a stable and growing source of government revenue.

Horseracing was the first form of organised gambling in Australia. By the late nineteenth century, horseracing had become a popular form of entertainment with racetracks in every major town. Greyhound and harness racing also attracted enthusiastic supporters but have never been as popular as horseracing.

Betting activity was closely associated with the development of racing, initially with local bookmakers. By the 1890s the totalisator had been introduced to racecourses in several states, increasing both track attendance and interest in betting.

With the development of telephones and radio broadcasting, illegal off-course SP betting proliferated during the 1930-60s, creating problems of corruption and depriving governments of revenue. To counteract illegal betting, state governments progressively introduced off-course Totalisator Agency Boards (TABs). By the 1970s betting was the most popular form of gambling in Australia, generating large gambling-tax revenues for state governments.

The introduction of PubTAB, FootyTAB and satellite telecasting through SKY Channel facilitated further market growth during the 1980s and 1990s. From its inception as a largely community-based leisure activity, racing and betting have become a multimillion dollar industry. However, competition from other forms of gambling, notably casinos and gaming machines, has eroded the market share of racing during the 1990s.

Key features of betting/wagering during the 1990s include:

- privatisation of the main TAB networks;
- rationalisation of racetracks and race meetings;
- innovations in racing products (night racing, SKY Channel telecasts, mystery bets);
- promotion of special events in racing as part of a drive for increased tourism; and
- projected expansion of internet and interactive wagering.

Sportsbetting was illegal until the 1980s, although this did not stop many Australians from betting on cricket, football, boxing and other sports. Since then a limited amount of sportsbetting and FootyTAB has been allowed through TABs and, more recently, licensed bookmakers. Internet sportsbetting was legalised in the Northern Territory in 1996 and subsequently in other states.

The first **lotteries** were established in Sydney in the 1880s as privately run Tattersall's sweepstakes. Prohibition by various governments forced the Tattersall's lotteries to Queensland, then Tasmania and eventually to Victoria. Until the Northern Territory introduced a private lottery in 1996 Tattersall's was the only private lottery in Australia.

Lotteries in other Australian states have been operated by government monopolies. The Golden Casket Art Union was the first state lottery, introduced in 1916 for charitable and community purposes. The success of this lottery became the model for similar government lotteries in other states, establishing a firm nexus between gambling revenues and social welfare programs.

Three factors were crucial to the introduction of state lotteries:

- the strain on government funds by new areas of public welfare expenditure, particularly hospitals and health care;
- a decline in revenues during the economic recession of the 1930s pressured governments, such as NSW in 1931, to turn to lotteries to bolster the shortfall;
- each state sought to protect its own revenue base from intrusion by out-of-state lottery sales.

Privately owned soccer pools, loosely based on the British game, were introduced during the 1970s.

In 1981 Tattersall's established the Australian Lotto Bloc, combining prize pools from Victoria, Tasmania, the ACT, the Northern Territory, South Australia and Western Australia. Tattersall's also was authorised to operate lotto in Queensland. In 1993 an agreement with NSW Lotto resulted in the establishment of a national lotto network.

The historical authority of state governments over lotteries has enabled them to extract relatively high rates of taxation from commercial operators of lotto and pools.

By the 1980s the popularity of lotteries, especially lotto, had grown to the extent that spending on lottery products exceeded expenditure on betting/wagering. However, although spending on lotteries continues to rise, competition from casino gambling and machine gaming during the 1990s has resulted in a loss of market share.

During the 1980-90s all state lotteries were corporatised to encourage a more commercial approach. There has been an expansion in lottery products, the introduction of jackpot prizes and more frequent lottery draws.

In contrast to the liberal approach to betting/wagering and government promotion of lotteries for welfare revenues, Australian gambling laws until the 1970s prohibited most other forms of gaming, including public gaming and those games associated with casinos. However despite attempts by authorities to stamp out some forms of gaming (two-up, ethnic gaming, gaming clubs in Sydney and Melbourne), they thrived.

Traditional **Asian gambling** was brought to Australia in the 1840s by Chinese settlers and spread through the goldfields and then to the major cities. **Aboriginal gambling**, particularly card playing, also has been widespread in Asian communities.

Two-up 'schools' have operated in most cities and towns; by the First World War it was being celebrated as Australia's national game. Two-up was legalised for the first time in 1973 when Australia's first casino opened in Hobart, Tasmania. As well as its inclusion in most Australian casinos, two-up was legalised in 1983 in Kalgoorlie (Western Australia) and in 1984 in Broken Hill (NSW).

Until 1973 one of the most distinctive historical features of Australian gambling policy was the uniform prohibition of **casino gambling**. Casinos were seen as particularly difficult to control and potentially a disruptive force in society.

Within Australia, the impetus for the introduction of casinos to Australia came from a combination of factors:

- public acceptance of expanded legal gambling opportunities which were introduced in the 1960s around a two-fold state interest – to control illegal gambling and to boost government revenues;
- rapid post-war developments in tourism which created new opportunities for commercial investment and market expansion;
- pressures experienced by regional economies during the lingering economic difficulties of the 1970s and 1980s; and
- efforts by state governments to maintain a stable revenue base in the face of changes to federal financial arrangements and increasing administrative responsibilities.

The immediate impetus for the introduction of casinos to Australia was the desire to accelerate regional tourism and economic development. As part of a strategy of state development, this rationale was different from the social and revenue motives underlying the earlier legalisation of lotteries and the TAB.

Australia's casinos have been introduced in three distinct stages, each of which has been linked fundamentally to global economic changes as experienced at a regional level:

- The introduction of casinos in the first phase was closely tied to the period of economic downturn in the 1970s and the attempt by underdeveloped states (Tasmania and the Northern Territory) to revitalise flagging economies. The four casinos introduced to these states were small 'club' style venues reflecting a British-European influence.
- The continued recession prompted several other states to consider casinos as a mechanism for stimulating economic growth. The roots of the second phase of casino expansion lie in the restructuring of regional economies in Queensland, South Australia and Western Australia in the early 1980s. At this time, these states diversified their economies into international tourism and became the hosts for casino operators from Asia and America seeking new investment opportunities. The result was larger American-style casinos aimed at mass tourist markets. In Victoria, NSW and the ACT, however, any proposals were blocked by preoccupation at the political level with the problems of control and crime.
- The third stage of casino development in the 1990s involved the introduction of large casino-leisure complexes in Sydney and Melbourne, and expansion of the number of Australian casinos from eight to fourteen. This stage of development was an extension of the previous phase, characterised by regional struggles for economic growth and fiscal problems. This period also has been distinguished by increasing competition as various states have attempted to maintain their share of the casino market. Competition from gaming machines in every state except Western Australia has compounded these problems.

All Australian casinos are regional monopolies and most are owned and operated by Australian companies. The Adelaide Casino is publicly owned; the Darwin MGM Grand

Hotel Casino is a subsidiary of the Las Vegas MGM Grand.

Casino gambling has proved to be highly popular with Australians, with expenditure increasing steadily during the 1980s and early 1990s. In every state when casinos were introduced, spending on gambling increased sharply. Casino gambling has become a legitimate entertainment enjoyed by many Australians and a feature of Australia's tourism industry.

By the late 1990s Australian casinos have moved to a more expanded and unstable stage of development. Australian casinos appear to have reached market maturity with profit margins well below those of the 1980s. The Christmas Island Casino has closed and is for sale; Reef Casino experienced financial problems in 1997-98; several casinos have withdrawn from the overseas junket market.

Legal **poker machines** were first allowed in NSW registered clubs in 1956 to generate income for improved facilities and amenities for members. Poker machine gambling became extremely popular with NSW residents. Expenditure rapidly exceeded that on any other form of gambling and clubs grew significantly in terms of assets, membership and facilities. The NSW government benefited from the considerable revenues generated from gaming machine taxes.

Club machine gaming was legitimised and boosted by its legislated community role of providing benefits for members and the broader community. The not-for-profit status of NSW clubs was instrumental in excluding the hotel sector from access to gaming machines until 1984. Even then, hotels were restricted to a limited number of certain types of machines.

Despite the prosperity of NSW clubs and the popularity of machine gaming, concern about the social implications of such widespread machine gambling and accusations of corruption and improper conduct discouraged other state governments from legalisation.

The ACT introduced poker machines in 1976, primarily to discourage the growing patronage of nearby NSW clubs by Canberra residents and the subsequent loss of revenue. NSW clubs also developed a sizeable trade from communities close to the Queensland and Victorian borders.

Since the 1980s gaming machine gambling (in clubs/hotels and casinos) has replaced betting/wagering and lotteries/lotto as the most popular form of gambling in Australia. New and faster computerised games, linked jackpots and other innovations have helped to maintain consumer interest.

By the 1990s computerisation also had improved the reliability of gaming machines and auditing procedures. This technological development, fiscal stress and relaxation of social attitudes to gambling, combined to persuade every government except Western Australia to legalise machine gaming in clubs and hotels. Cross-border leakage of gambling revenues also was a major factor for legalisation in Queensland and Victoria.

In Western Australia cashless video-lottery terminals (VLTs) were authorised for clubs and

hotels in 1996.

Each state government has introduced its own distinctive regulatory regime to guide the administration and control of machine gaming, along with social policies to alleviate problems anticipated for this type of gambling. For example, the number of gaming machines permitted in each state/territory and the distribution between clubs and hotels differs markedly between states.

During the 1990s research indicated that machine gambling was responsible for a significant incidence of gambling-related problems. In Victoria and South Australia these social impacts generated organised public protests against government policy and the proliferation of gaming machines. This public concern was reflected in the findings of the Draft Report of the Productivity Commission Inquiry into Australia's Gambling Industries, the first national examination of Australian gambling.

Keno has been introduced into clubs and hotels in every state except Western Australia and South Australia. Community clubs and hotels can now offer a range of gaming options – gaming machines, keno, PubTAB, bingo, raffles and other forms of charitable gambling.

Charitable gambling (raffles, bingo, chocolate wheels, art unions) has been an important feature of Australian society. Although theoretically illegal in some states, forms of charitable gambling (e.g. church-run bingo) have operated openly without penalty. In response to increased competition for discretionary spending, in recent years bingo and other forms of charitable gambling have been run along commercial lines. Even so, they have been steadily losing market share.

There are several **current trends** that are indicative of the changing character of Australia's gambling industries:

- The shift towards gambling as a legitimate commercial activity is reflected in the privatisation of state TABs and the corporatisation of state lotteries.
- Whereas many forms of early Australian gambling were community based, the most rapidly growing forms of contemporary gambling involve large private corporations and transnational games.
- There is a convergence of gaming and wagering, and of the major gambling providers as they diversify into other forms of gambling. For example, Tabcorp's role as both wagering and gaming operator; Jupiter's involvement in casinos, keno and internet sportsbetting.
- State differences and the variable nature of the Australian federal system continue to shape the character and structure of Australian gambling. Although casino gambling and gaming machines have become the dominant forms of gambling in each state where they have been introduced, gambling policies and practices still reveal significant state differences. These interstate differences appear to be due to the availability of legal gambling outlets, different leisure patterns between states and the way each government responds to local concerns and expectations

Gambling is a stable and growing source of state government revenue. The reliance of state and territory governments upon gambling taxation revenue and interstate rivalry for a share of the gambling market have become contributing factors in the overall development and

expansion of gambling.

As a form of leisure and entertainment, gambling has retained its popularity with Australians. However, in recent years the appeal of gambling as leisure and entertainment has been coloured by a growing concern over adverse social impacts, which are perceived to flow from the current configuration of gambling in contemporary Australian society.

Victoria is the only Australian state/territory with a coherent research strategy aimed at identifying these trends and their impacts. The lack of reliable information from all states and territories on the various forms of gambling makes historical comparisons between jurisdictions difficult. To assist an historical and comparative understanding of the next stage of Australian gambling, future research could include layered and integrated analysis of data on social demographics, density and distribution of gambling, and availability of community support services.

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The primary investigators were Jan McMillen and John O’Hara from the AIGR, David Johnson from MIAESR and Alun Jackson from PGRP. Richard Woolley was project co-ordinator and was responsible for the preparation of the manuscript. Research assistance was provided by Beth Webster and Glenys Harding (MIAESR), Jennifer Borrell and Eva Perez (PGRP) and Richard Woolley (AIGR).

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Glossary

Casino tax is the tax on gross gaming revenue from casinos.

Expenditure describes the net amount spent by the player. In simple terms, it is the amount wagered minus the amount won or prizes paid.

Gambling is the lawful placement of a wager or bet on the outcome of a future uncertain event.

Gaming comprises all legal forms of gambling other than wagering — including lotteries, gaming machines, casino table games and keno.

Gaming machines or **electronic gaming machines (EGMs)** come in two main forms: machines where the player can make no strategic decisions after starting the game; and machines where the player may make strategic decisions. An example of the latter is a drawcard machine, where after the game has started the player must decide whether to hold or receive cards.

Junkets are marketing programs operated by casinos, whereby a group of customers is offered complimentary services to induce them to gamble.

Keno is a game where a player wagers that chosen numbers will match any of the 20 numbers randomly selected from a group of 80 numbers via a computer system or a ball-drawn device. It is an electronic form of bingo, and is typically played in clubs, casinos and hotels.

Lotteries come in various forms, including lotto, pools and instant lotteries (or ‘scratchies’). Lotto is played by choosing numbers in anticipation that those numbers will be among the winning numbers selected randomly through various means.

Minor gaming is the collective name given to art unions, raffles, lucky envelopes and the like.

Odds are the average chances of winning. In racing, the odds are also an indication of the return to a gambler.

On-course is a venue where racing is conducted, and is also used to refer to totalisator and bookmaker betting at such a venue.

Parimutuel is a form of wagering where players bet money in pools. The amounts (after all deductions) remaining in the pools are divided among the winners based on the size of the pools and the number of winning tickets.

Payout ratios are the average returns to a player from a given turnover.

The **pools** is a numbers game of chance where the winning numbers are based on the results of UK or Australian soccer matches.

Premium players are players who are required to purchase a minimum amount of casino chips in return for expenses paid.

Real data has the effects of inflation removed.

SP betting or **starting price betting** is an illegal (unlicensed) form of betting provided by bookmakers who often offer credit. As illegal operators, SP bookmakers also avoid paying tax on their earnings.

TAB Totalisator Agency or Administration Board. There is one TAB in each state, which facilitates off-course totalisator betting on racing and sportsbetting.

Totalisator, or the 'tote' as it is often called, is a method or device for facilitating parimutuel betting.

Turnover is the amount of money staked or wagered.

Wagering is a term with a dual contemporary usage. Wagering is often used as another name for betting – to stake something (usually money) on the outcome of a contest or any uncertain event or matter. The second usage of the term is as a category of gambling. Wagering as a category refers to gambling that is not gaming (see above). The principal forms here are racing and sports betting.

Chapter 1: Introduction

Gambling has become an important industry in Australia in recent years, but it has brought with it a high level of controversy and debate. The growing social, economic and political importance of the industry was signalled on 25 August 1998 when the Productivity Commission, an independent Commonwealth agency, which is the Federal Government's principal review and advisory body on microeconomic policy and regulation, was requested by the Treasurer to undertake a national public inquiry into Australia's Gambling Industries.¹ However, to understand the growth of the industry and the shape of the contemporary gambling industry, it is instructive to consider the historical events and themes that have contributed to the specific form of its development.

There are many and diverse contextual factors that influence the particular character of gambling, the way it fits into society, affects community attitudes and shapes government policies:

- Social values and community attitudes can include religious beliefs, debates over public morality, cultural practices and preferences, class and gender differences.
- Economic conditions and trends include such factors as economic booms and slumps, economic restructuring, revenue needs of government, market competition.
- Political structures and processes include core public policy objectives, political conflicts and power relations.
- Technological development, particularly in information technology, alters the gambling industry landscape.

In this report we present a comparative history of gambling, the gambling industry and gambling behaviours. Understanding gambling behaviours and policy development in each state context is enhanced by comparison with other jurisdictions. Because of the complexity of both gambling behaviour and the requisite policy and regulatory implications, an interdisciplinary and collaborative focus is very important. Accordingly this study draws on economic, sociological, legal, political and cultural disciplines.

Terms of Reference

The Terms of Reference for the project as detailed in the project brief were to provide:

A Report which provides a comparative history and analysis of gaming. It is to specifically examine:

- the recent history and current features of:
 - the structure of the gambling in each jurisdiction; and
 - the conduct of gambling in its various forms;
- research which has been conducted on social impacts, including international research

¹ The Productivity Commission, which will conclude and issue its final report on 26 November 1999, issued a Draft Report on 19 July 1999.

- developments relevant to stage two of the project;
- similar and different patterns in gambling behaviours and attitudes across different states;
 - areas where the different stages of maturity of the gaming industry provide opportunity for comparison with the Victorian attitudes; and
 - areas where collaborative initiatives would be advantageous to the on-going Victorian research efforts.

Structure of the report

The structure of the report is as follows. The remainder of this introductory chapter outlines the influences on the development of gambling in Australia. These include the historical origins of the Australian population, the social and cultural changes to the population of Australia since white settlement, demographic and economic developments and technological changes.

Chapter 2 looks at the broad economic trends that may be traced through the history of Australian gambling. It focuses on the expansion of gambling in terms of its economic impact, levels of gambling expenditure and revenues to governments derived from gambling activity. It also introduces themes that organise the analysis of the comparative history sections that follow:

- gambling as entertainment and leisure;
- gambling as an industry and source of employment; and
- gambling as a source of government revenue.

In Chapter 3 attention is focused on the development of the racing industry. Here we include activities associated with thoroughbred racing, harness racing and the racing of greyhounds. Our purview includes the development of the totalisator agency boards (TABs) since these are most closely connected to the development of racing. Also included here is an outline of the development of the automatic totalisator machine, the first major innovation which is representative of another significant theme in the historical analysis of the gambling industry – technological development.

Racing is discussed on a state-by-state basis with consideration of the preconditions for change, key events and processes, industry structure and relationships, socio-cultural implications, etc. The discussion refers to the four significant periods of change outlined below:

- The period from *European settlement to the Second World War* (1788-1940s) is characterised by legalisation, race clubs, bookmakers, sports-betting (bikes, rowing, cock fighting, boxing).
- In the following quarter century described as *post-war gambling* (1945-1970), gambling was accompanied by steadily rising standards of living, post-war reconstruction, SP betting, and the development of the TAB.
- The decades of the 1970s and 1980s were a time of *commercialisation and growth* – with liberalisation of social values, affluence and the growth of the ‘the leisure society’, economic slumps, rural drift, fiscal problems, computerisation, and the start of Sky Channel.

- Finally during the 1990s we have seen *competition and globalisation* with the privatisation of TABs, growth in sportsbetting and the merger of gaming and betting.

A detailed discussion of the development of gaming is provided in Chapters 4-7. Gaming includes four main types: lotteries, lotto, pools; poker machines (electronic gaming machines or EGMs); casinos; and charitable gambling (raffles, bingo, lucky envelopes, trade promotions). The discussion provides a state-by-state analysis including preconditions, key events and processes, industry structure and relationships and socio-cultural implications. As with Chapter 3 we highlight the discussion in the context of the four periods:

- *European settlement to the Second World War* – charitable gaming, lotteries, two-up, Asian gaming;
- *post-war gambling* – instigation of poker machines (NSW);
- *commercialisation and growth* – lotto, EGMs, casinos. Growth of gaming and decline of racing and charitable gambling; and
- *competition and globalisation* – the ‘blending’ of gaming and racing (Tabcorp), public backlash, market instability (casinos). State inquiries and research; federal government (National Competition Policy, Productivity Commission), social responsibility programs and the advent of the internet.

Methodology and data sources

There are three key stages in the method of historical comparative research: the selection of relevant data, the choice of the comparative framework. and the interpretation of what is revealed by the comparison. This method is clearly not value free and the subjective views of the researchers are both unavoidable and intrinsic. The adage that ‘history is written by the winners’ illustrates the subjectivity of this type of analysis. In this situation it is crucial that the sources of data are revealed.

Our analysis draws on a wide variety of sources. We undertook consultations with relevant government bodies in order to understand the differences in the comparative history, behaviours and attitudes, conduct and market maturity of the gaming industry in each jurisdiction; and consulted similar interstate and New Zealand research sources. We also used a wide variety of secondary sources of information.

The secondary sources included:

- Victorian Casino and Gaming Authority (VCGA) reports;
- casino impact studies undertaken by the Australian Institute for Gambling Research (AIGR), particularly Cairns, Brisbane, Christchurch and Auckland;
- other relevant gambling and gaming impact studies, including those published in academic journals and textbooks;
- reviews of models of regulation and their development, including comparisons of regulatory principles and structures in different jurisdictions;
- the annual *Australian Gambling Statistics* compiled by the Tasmanian Gambling Commission, with detailed comparisons of gambling across the states and over time, and other statistical series maintained by the Australian Bureau of Statistics;

- the Productivity Commission's *Australia's Gambling Industries Draft Report 1999*;
- similar reports as noted above, where they exist, for New Zealand;
- a wide variety of popular accounts of gambling including books, articles in newspapers, magazines and industry journals; and
- interviews with a wide variety of key individuals in government, industry and the community.

Definitions and categorisations of gambling types

'Gambling' is not a single uniform category. Australian governments, following British legal tradition, have adopted a legal and administrative distinction between gaming and betting.

Betting (increasingly referred to as 'wagering' in the 1990s) is based on wagers made on events such as horseracing, greyhound racing and football matches – which involve subjective calculations of an uncertain result. Wagering thus often involves skill and knowledge.

Gaming usually refers to games of chance (such as bingo, lotteries, machine gambling and casino games) which are governed by statistical probability so that each wager has a chance of winning based on the number of possible outcomes.

Betting is further distinguished from gaming in that the odds (the ratio between the amount wagered and the return for a win) can vary at the time of the bet, based on judgements that a particular result will occur. In gaming, the long-term probabilities of certain outcomes can be calculated mathematically from a series of trial games, thus allowing the return to players to be fixed in advance.²

This report examines Australian gambling using these two accepted categories (betting/wagering and gaming), but it also identifies the convergence between the two in terms of ownership. For example, some betting operators such as Tabcorp in Victoria have extended their activities into gaming; and gaming operators such as Jupiters Trust in Queensland recently have become involved in betting activities. The report examines each of the principal forms of legal gambling in turn, tracing their history through the critical periods that have shaped the character of Australian gambling.

Since European settlement there have been four major periods in which Australian gambling has been transformed and redefined. In terms of a political-economic interpretation these four broad periods can be viewed as follows:

- the early period of colonisation from 1788-1900;
- a period of selective legalisation from 1900-1940s;
- a period of government endorsement and market growth from the Second World War to the 1970s; and
- a period of commercialisation, competition and market expansion from the 1970s to

² McMillen, J. 1993 'Gambling', in D. Wardley and W. King (eds) *Reef, Range and Red Dust. The Adventure Atlas of Queensland*, Department of Lands, Brisbane, p.129.

1990s.

Each period has been characterised by particular social, economic and political patterns and concerns which have created a climate for change. In turn, these factors have affected the nature of the changes achieved within different forms of gambling.

Many analysts have drawn attention to some of the contested aspects of Australian gambling: the moral and social objections that have been levelled at popular gambling; the defiant determination of many Australians to support certain forms of gambling (two-up, starting price [SP] betting, gaming clubs) despite moral and legal sanctions; the failure of regulatory authorities to control the 'gambling spirit' as people exercise their 'right' to gamble – legally or illegally.³ Gambling has thus been an arena of significant conflicts of culture, status and power.

Conflicts over gambling practices and legislation illustrate the fractured cultural and political dimensions of gambling in Australian society. Increased legalisation of gambling during the twentieth century has been the outcome of several interrelated forces:

- cultural practices;
- social values and public opinion which have influenced government and industry responses;
- increased institutionalisation and commercialisation of popular gambling;
- state governments' fundamental task of maintaining law and order which has consolidated its control over gambling; and
- the fiscal interests of government which have played an important role in rationalising and separating legalised gambling from the moral and cultural values which influenced disputes over it.

Every history, by definition, is an interpretation of events. Which particular 'facts' are included and which are not, the relative importance accorded to each event and the explanation of trends, patterns and outcomes present just one perspective on what has happened and why. Inevitably there will be different viewpoints which tell a different story.

Insofar as it is possible, this report has concentrated on describing events and evaded interpretation and analysis. Within the time and resource constraints of the study and our knowledge of relevant sources, we have cross-checked information to avoid errors, misinformation and omissions. Of course, we accept responsibility for any errors of fact and welcome information that will rectify those errors.

An overview of Australian gambling histories

Analysts have explained the nature and context of Australian gambling in different ways.⁴ From diverse perspectives, several commentaries have provided rich empirical evidence of the prevalence of gambling in Australia. Overall, it has become a relatively orthodox view

³ Holledge, J. 1966 *The Great Australian Gamble*, Horwitz Publications, Sydney.

⁴ This section is drawn largely from McMillen, J. 1993 *Risky Business: The Political Economy of Australian Casino Development*, unpublished PhD thesis, University of Queensland, Chapter 3.

that Australia has had a distinctively liberal and egalitarian gambling culture. Less common has been a focus on the important role that policy and commerce have played in determining the character of Australian gambling.

Since the 1970s both views have provided impetus for the development of studies which have revealed the specific character of Australian gambling and associated policy processes. One purpose of this section is to summarise the contributions of these recent analytical developments, particularly the way Australian gambling is explained within its social and institutional setting. A second purpose is to identify the interconnected dynamics through which society, government and the market have shaped recent changes in Australian gambling.

However, it is necessary to point to the relative shortage of systematic studies of Australian gambling, in contrast to the many and various investigations of gambling in Britain and the United States. The history of Australian gambling has not received the attention it would seem to warrant in a country renowned for the gambling enthusiasm of its population. Unlike Britain, Canada and the United States, where gambling has been subject to strict legal prohibitions and perceived as a potential social problem, Australia has enjoyed a diverse range of legalised gambling since the nineteenth century.⁵ The social and legal acceptability of gambling in Australia means that it has not been seen as great a problem as in many other nations. Even in its more positive conceptualisation as a leisure pursuit, gambling seems to have been overlooked as trivial and unimportant.⁶

Until the Productivity Commission's current inquiry into gambling was initiated in 1998, there has never been a national government inquiry into Australian gambling similar to those conducted in Britain and the United States.⁷ The VCGA's statutory obligation to conduct research under section 109(e) of the *Gaming Machine Control Act 1991* produced its first research report in 1992. Much of the research into Australian gambling has been part of more general social and sports histories, or the histories of specific gambling industries or organisations. All agree that Australian gambling has had a relatively less ambiguous cultural status than that which has been a feature of the British and American experience. Gambling, like sport, has been identified as an essential feature of Australia's popular culture. Indeed, the idea that Australians are a 'nation of gamblers' has become part of this country's folk history.

The characteristic approach to the *analysis* of Australian gambling has been to dwell on the cultural properties of gambling as a popular leisure activity. Yet Australian gambling also has been and continues to be a vital and diverse industry with important social and political-economic dimensions. In general, Australian analysts have taken an optimistic, liberal view of the effects of legalised gambling, assuming that governments play a positive and democratic

⁵ McMillen, J. & Eadington, W.R. 1986 'The evolution of gambling laws in Australia', *New York Journal of International and Comparative Law* 8(1):167-92.

⁶ Other leisure-related issues such as sport and tourism similarly have been of minor theoretical interest within Australian academia until recently.

⁷ Royal Commission on Gambling 1978 *Royal Commission on Gambling: Final Report*, 2 vols. [Rothschild Report], HMSO, London.

Commission of the Review of the National Policy toward Gambling 1976 *Gambling in America: Final Report of the Commission on the Review of the National Policy toward Gambling*, [Morin Commission], US Government Printing Office, Washington DC.

role in managing gambling regulations. More substantive investigations of issues that are traditionally topics of social history – class, ethnicity and gender, for example – have received little attention.⁸ It may be that the prevalence and diversity of different types of gambling in Australia have made it such a familiar part of everyday experience that most historians have not questioned the complex characteristics and social relations that comprise it. It is as though the very visibility and familiarity of popular gambling have rendered it entirely transparent. This non-recognition has implications for the way writers have examined the topic and for the types of questions they have raised. It also has implications for silences to be found in the historical record.

Two major myths pervade discussions of Australian gambling: the assumption that Australian gambling is a reflection of an innate and homogeneous national character; and the assumption that gambling is somehow divorced from political and economic processes. Most of the cultural myths about Australian gambling were first contained in unsystematic, often anecdotal accounts scattered in the popular press and books written by journalists, ex-gamblers and representatives of various churches. Popular interpretations of the prevalence of legal gambling in Australia can be grouped into five broad categories.

Perspective 1

The early accounts of Australian gambling before World War II were dominated by moralistic anti-gambling commentaries written by churchmen and reformed gamblers.⁹ While they often provided valuable insights into the personal triumphs and traumas that have marked the careers of particular gamblers, these contributions have been distinguished by their negative emphasis, self-justification and the denial of any redeeming features of gambling. Church opposition to gambling originated mainly from Protestant churches on religious grounds.

Perspective 2

In the post-World War II period, a different view of Australian gambling history emerged in numerous books written by journalists. Some sought to explain the purported national passion for gambling, others explored links between gambling and colourful figures in Australia's criminal world.¹⁰ In this view, moralists who have condemned gambling as 'a disease of barbarians insufficiently civilised' or as a 'social evil' have themselves been criticised as 'wowsers' who are out of touch with reality.¹¹ While less vocal than in the pre-war period, the anti-gambling moral crusade by sections of the church has continued, with varying intensity and degrees of success. Victorian gambling history is notable for sustained criticism of gambling policies by church representatives. As this report will demonstrate, however, the

⁸ Significantly, a small number of social historians have begun to expose the less attractive aspects of gambling in some communities.

See McCalman, J. 1984 *Struggletown. Public and Private Life in Richmond 1900-1965*, Melbourne University Press, Melbourne;

McConville, C. 1996 'A short history of the Tote', in Michael Cathcart & Kate Darian-Smith (eds), *Place Your Bets: Gambling in Victoria*, The Australian Centre, University of Melbourne, Melbourne, p.3-18.

⁹ Birnie, R. 1860 *Gambling: The Evil Effects of the Thirst for Gold*, The Manufacturer, Collingwood;

Garnsey, D.A. 1939 *Gambling: Its Nature and Effects*, Johnstone and Davie, Goulburn;

Representative Ministers of the Presbyterian Church of Australia 1931 *Gambling: Its History and Growth*, Public Questions Committee, Melbourne.

¹⁰ See for example Buggy, H. 1977 *The Real John Wren*, Widescope, Camberwell;

Charlton, P. 1987 *Two Flies Up a Wall: The Australian Passion for Gambling*, Methuen Haynes, North Ryde.

Holledge, J. *The Great Australian Gamble*.

¹¹ Dunstan, K. 1968 *Wowsers*, Castells, Melbourne.

nature of church criticism has shifted from religious opposition to concerns for social justice and impacts.¹²

Perspective 3

This view distinguishes gambling from other leisure activities in terms of legality and illegality. A growing number of historians have examined the persistence of SP betting despite periodic attempts by state authorities to eradicate it; others have constructed a disturbing account of the close association between illegal gambling operators and people in power and authority in New South Wales during the 1960s. Dickie and the Fitzgerald Inquiry have exposed similar patterns of corruption in Queensland in the 1980s.¹³

Perspective 4

The view of gambling as vice or corruption has been surpassed since the 1970s by a contrasting perception of gambling as a self-actualising, relatively harmless and thoroughly Australian activity. This positive and often nationalistic perspective has been promoted by many popular fiction writers, most notably Frank Hardy, and by films such as *The Sentimental Bloke*, *Gallipoli* and *Phar Lap*.¹⁴ The most informative of these offer lively popular histories of Australian gambling. They give valuable descriptive accounts of the origins of an Australian gambling culture and attempt to portray the meaning of gambling in the lives of ordinary Australians.

¹²Board of the Inquiry into Casinos 1983 *Report of the Board of the Inquiry into Casinos*. [Connor Report], Government Printer, Melbourne;
Casino Development for Canberra: Social Impact Report, [Canberra Report] Australian Government Publishing Service, Canberra;
Council of Churches in NSW 1982 *Submission to Members of the NSW Parliament on the Legalisation of Casinos*, 24 May;
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¹³ Birch, T. 1996 'The system just rolled along: SP bookmaking in the 1950s', in Michael Cathcart & Kate Darian-Smith (eds), *Place Your Bets: Gambling in Victoria*, p.27-40.
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Hickie, D. 1985 *The Prince and the Premier*, Angus and Robertson, Sydney.
McCoy, A.W. 1980 *Drug Traffic: Narcotics and Organised Crime in Australia*, Harper and Row, Sydney.
McCoy, A.W. n.d. 'Sport as modern mythology: SP bookmaking in New South Wales 1920-1979', in R. Cashman and M. McKernan (eds) *Sport, Money, Morality and the Media*, University of New South Wales Press, Sydney, p. 34-67.
¹⁴ Peter Carey's novel, *Oscar and Lucinda* (1988) is a notable exception that addresses the problem of 'compulsive' gambling. A recent concern for gamblers has emerged as Australian health and welfare professionals and social scientists are agitating for government funding for rehabilitation and support programs.

Perspective 5

More recently, public and private gambling operators have contracted authors to write their corporate histories.¹⁵ Thoroughbred racing, too, has attracted detailed attention from racing historians who describe the pattern of events which have shaped the fortunes of this industry.¹⁶

Such interpretations have particular significance for the positive acceptance of a distinctively Australian gambling tradition. Cultural forms such as popular literature and the media exert a powerful political influence by highlighting, and thereby defining, what are assumed to be national cultural characteristics. As analyses of gambling, these accounts are superficial and theoretically questionable; but because of their wide appeal, popular texts on gambling have played a vital role as channels for commonsense understandings of Australian gambling practices and their meanings. Images of the 'gambling Australian', which are installed in such portrayals of gambling, have profound consequences for the organisation of gambling practices, marketing strategies and policy debates. When considered in this light, typical presentations of gambling as an intrinsically Australian, enjoyable and effective communal activity have considerable potency. As will be shown, these perceptions and assumptions about Australian gambling have exerted a profound influence on historical explanations of the gambling phenomenon and on policy deliberations.

Gambling has also been romanticised. This occurred in gambling literature as part of a wider process of describing the national self-image; gambling was seen as an expression of egalitarianism, with chance as the equaliser.¹⁷

From a social-historical perspective, some writers attribute the peculiarly strong Australian gambling tradition to the nation's origins as a colonial outpost of Britain.¹⁸ Since colonisation in 1788, gambling has been a vital component in the social life of Australian communities. Settlement of the new colony in itself was a considerable risk, and in the absence of alternative forms of organised entertainment, gambling practices brought from Britain were

¹⁵ Brawley, S. 1995 *Beating the Odds: Thirty Years of the Totalisator Agency Board of New South Wales*, Focus Publishing, Sydney.

Cohen, K. 1993 *Character and Circumstance: Thirty Years of the Totalisator Administration Board in Queensland 1962-1992*, Boolarong, Brisbane.

Selby, W. 1994 *The Golden Gamble: A History of the Golden Casket Art Union*, The Golden Casket Art Union Office, Brisbane.

Sutton, K. 1992 *Blueprint for the Casino Industry*, Federal Hotels and Wrest Point, n.p.

Wilson, T. & E. Dean. 1996 (2nd edn.) *The Luck of the Draw, The History of the Estate of the Late George Adams and Tattersall's*. Tattersall's, South Yarra.

¹⁶ Brassel, S. 1990. *A Portrait of Racing: Horseracing in Australia and New Zealand Since 1970* Simon and Schuster, Brookvale.

Freeman, H. & A. Lemon 1990 *The History of Australian Thoroughbred Racing*, Classic Reproductions, Melbourne.

Pacini, J. 1988 *A Century Galloped By - The First Hundred Years of the Victorian Racing Club*. Melbourne: Victoria Racing Club.

Pollard, J. 1989 *The Pictorial History of Australian Horse Racing*, Hodder and Stoughton, Sydney.

White, R. 1985 *Courses for Horses: The Story of Victorian and Riverina Racecourses*, Hawthorn, The Five Mile Press.

¹⁷ O'Hara, J. 1981 'The great Australian gambling tradition', in R. Cashman, and M. McKernan (eds) *Sport, Money, Morality and the Media*, Kensington, p.80-1.

¹⁸ Inglis, K. 1974 *The Australian Colonists*. Melbourne University Press, Melbourne.

Inglis, K. 1985 'Gambling and culture in Australia', in G. Caldwell, et al. (eds) *Gambling in Australia*, Croom Helm, Sydney, p. 5-17.

Vamplew, W. 1976 *The Turf: A Social and Economic History of Horse Racing*, London, Allen and Unwin.

Vamplew, W. 1983 'From sport to business: the first seventy-five years of horseracing in South Australia', *Journal of the Historical Society of South Australia* 11:15-33.

popular with the new settlers. This transported predisposition to gambling met little official challenge from authorities and was sustained by social and legal institutions.

Dunstan summarises this view thus:

It is a country of immigrants, a country of young people, a nation of escapists who had gambled to come there in the first place. They had thrown off old restrictions and they looked to Australia to make them rich. Furthermore, there was a strong Irish strain...the Catholic Church did not condemn gambling, and apart from that, most of them possessed the age-old Irish gambling urge.¹⁹

Other writers place less emphasis on the Irish-Catholic tradition and instead find explanations in the emergence of a distinctive national character.

Gambling, profanity and drunkenness tend to flourish in any frontier society where there are few women but, as we have seen, these vices were indulged all the more readily because they were regarded as characteristic of the old colonial hands.²⁰

Social historians such as Russell Ward and Donald Horne and sociologists such as Geoff Caldwell have been influential in promoting the idea that Australians have a distinctive cultural predisposition to gambling.²¹ Gambling, it is often argued, is an expression of the basic egalitarian values of Australian society, enabling 'equality of opportunity' in the search for wealth and excitement. Complementing this view, gambling is seen as reflecting an underlying fatalism derived from the unyielding nature of Australia's harsh environment and its social origins.

Caldwell's pioneering studies of gambling in NSW registered clubs, O'Hara's detailed historical analyses of Australian betting and gaming, and McMillen's analysis of Australian casino developments are the most influential scholarly exceptions to the predominantly narrative accounts of Australian gambling.²² A unifying theme in Caldwell and O'Hara's

¹⁹ Dunstan, K. *Wowsers*, p.206.

²⁰ Ward, R. *The Australian Legend*, p.146.

²¹ Horne, D. 1986 *The Public Culture*, Pluto Press, Sydney.

²² See for example: Caldwell, G. 1985 'Poker machine playing in NSW and ACT clubs', in G. Caldwell, et al. (eds) *Gambling in Australia*. Sydney: Croom Helm, p. 261-8.

Caldwell, G.T. 1972 *Leisure Co-operatives: The Institutionalisation of Gambling and the Growth of Large Leisure Organisations in New South Wales*, Unpublished PhD thesis, Australian National University.

Caldwell, G.T. 1972 'Jackpot: the NSW club', *Current Affairs Bulletin*, September:13-6.

Caldwell, G.T. 1983 Statement to the poker machine inquiry. Appendix to the *Report of the Board of Inquiry into Poker Machines* [Wilcox Report]. Melbourne: Government Printer.

Caldwell, G.T. 1985 'Some historical and sociological characteristics of Australian gambling', In G. Caldwell, et al. (eds) *Gambling in Australia*, Croom Helm, Sydney, p. 18-27.

McMillen, J. *Risky Business*.

McMillen, J. 1994 'The state and gambling - social benefit or milch cow?' in N.Ryan and P.Walsh (eds) *Bridging the Divide*, QCOSS, Brisbane, p. 70-83.

McMillen, J. 1995 'The globalisation of gambling: implications for Australia' in J. O'Connor (ed.) *High Stakes in the Nineties*. Perth. Curtin University, pp. 9-21.

McMillen, J. 1996 'Gambling as an industry', in Michael Cathcart & Kate Darian-Smith (eds). *Place Your Bets*: p.49-70.

McMillen, J. 1996 'Risky ventures: casino regulation in a changing market', in J. McMillen, M.Walker and S.Sturevska (eds.) *Lady Luck in Australia*. NAGS, Sydney University, pp.73-98.

McMillen, J. 1997 'Social priorities in gaming policy, Case studies from two Australian states', in W. Eadington & J.Cornelius (eds.) *Public Policy, The Social Sciences and Gambling*. Institute for the Study of Gambling and Commercial Gaming, University of Nevada, Reno, p.103-126.

work is the emphasis on the supposedly egalitarian character of Australian gambling policies and practices. Caldwell argues that the experience and organisation of gaming in NSW clubs reflect an already established working-class predisposition for gambling, which has existed since colonial times. O'Hara goes further to claim that 'in the field of gaming and betting...a working-class hegemony has existed throughout twentieth century Australia'.²³ The foundation of their interpretations is that gambling is part of a functional network of social activities and institutions which has liberating qualities for the players and useful purposes for society as a whole. In their view, the practices and institutions of the Australian gambling culture reaffirm many of the positive characteristics and values of a perceived Australian national identity – the idea that Australians are essentially sports-loving, irreligious, egalitarian and unsophisticated. These qualities historically have been most clearly reflected in the general enthusiasm for horseracing and poker machines, and the persistence of illegal SP (starting-price) betting and two-up.²⁴ McMillen challenges this view, noting policy failures and the trend to commercialisation and globalisation of gambling since the 1970s.

All three, however, see a strong correlation between a distinctive Australian culture on one hand and popular gambling on the other, identifying the close association with leisure and sport as the main vehicles through which much Australian gambling is done. And all agree that gambling is shaped by the social, economic and political context within which it occurs. Australian gambling has flourished because it is laden with positive meanings and cultural definitions for players, interwoven with key elements of the Australian environment.

But fundamentally it is because governments and industry have responded to the social enthusiasm for gambling with legalisation, attractive venues and an ever-expanding range of gambling options that Australian gambling has grown to become one of the nation's major industries and social activities.

McMillen, J. 1997 'The state of play: policy issues in Australian gambling', in B. Tolchard (ed.) *Towards 2000: The Future of Gambling*, Flinders Press, Adelaide, p.1-9.

McMillen, J. 1998 'Market competition: a sound foundation for gambling policy?' in G. Coman et al. (eds), *Responsible Gambling: A Future Winner*, National Association for Gambling Studies, p.247-258.

McMillen, J. & Lafferty, G. 1991 'The tourism workforce: service or servility?', In P. Carroll, et al. (eds) *Tourism in Australia*. Harcourt Brace Jovanovich, Sydney, p. 82-96.

McMillen, J., and W.R. Eadington 1986 'The evolution of gambling laws in Australia'.

O'Hara, J. 1988 *A Mug's Game: A History of Gaming and Betting in Australia*, New South Wales University Press, Sydney. This is the most rigorous and comprehensive history of Australian gaming and betting up to the 1970s.

O'Hara, J. 1991 'The Jockey Club and the town in colonial Australia', in W.R. Eadington & J.A. Cornelius (eds) *Gambling and Public Policy, International Perspectives*, Institute for the Study of Gambling and Commercial Gaming, University of Nevada, Reno, p.563-570.

O'Hara, J. 1996 'Horseracing and betting in Queensland', in *Gamblers' Paradise* Royal Historical Society of Queensland, p.25-36.

O'Hara, J. 1997 'The impact of legalised off-track betting on Australian country race clubs', in W.R. Eadington & J.Cornelius (eds.) *Public Policy, The Social Sciences and Gambling*. Institute for the Study of Gambling and Commercial Gaming, University of Nevada, p.443-451.

O'Hara, J. 'The great Australian gambling tradition', p.68-85

²³ O'Hara, John *A Mug's Game*, p.241.

²⁴ Analysts have attempted to measure the expenditure on illegal gambling and the associated loss of government revenue. However, a reliable methodology has yet to be developed which will produce data with an acceptable degree of accuracy; most estimates are merely speculations.

Key defining influences in the history of gambling

The importance of social and cultural values

Early development of gambling was primarily influenced by the British and Irish origins of the vast majority of the white immigrant population.²⁵ This population was augmented by waves of migrants throughout the nineteenth century but in particular by migration induced by the gold rush of the 1850s in Victoria. Migration from Anglo-Celtic sources was also pre-eminent in influencing social-cultural development until the period after the Second World War when waves of migrants from northern and eastern Europe, southern Europe, Asia and elsewhere, in turn brought other influences to bear on the society and culture.

Pervading these ethnic influences have been long-term trends in family structure and in the economy. Families have become much smaller and individuals have assumed much greater financial economic independence with the growth in dual income families and the trend for young people to leave home in the late teens to set up independent income units. The major economic influence has been an increase in disposable income over the entire period since European settlement. This trend is associated with the commercialisation of leisure activities, and increases in hours of leisure. An overarching influence, particularly on the development of gambling, has been the development of technology that has aided gambling and also provided alternative leisure activity in competition with gambling.

Historical trends in Britain then, as the host country of Australia's early development, had a fundamental impact on the evolving shape of Australian gambling. Subsequently, in the two centuries since white settlement in 1788, an important but slowly diminishing British influence has continued to shape Australia's political and legal institutions, as well as the popular practices and public debates dealing with gambling. There have been some important areas of Australian gambling that have been very similar in substance to British developments. Until the late nineteenth century, the values of the colonial gentry that directed Australia's initial growth coincided with those of the British ruling classes. Because social and economic development was slow, these values – based principally on defence of property and social privilege – were entrenched in the cultural and legal-political structures of colonial society. Thus the class basis of popular gambling practices and organisation at that time was related to the particular conditions of colonisation and settlement.

Historical records of the early Australian settlements provide a colourful if somewhat partisan portrait of the frequency and popularity of gambling among the convicts transported to Australia. Written primarily from the moral and legal perspective of colonial administrators, early documents reveal that many of the convicts were hardened alcoholics and inveterate gamblers who brought their recreational preferences with them from the cities and prison hulks of Britain.²⁶ These records show that gambling was condemned as a vice of the shiftless and criminal working class, and presented difficulties of social control for early governors.

²⁵ The gambling activity of the existing indigenous or aboriginal population is largely ignored in this study since there is little evidence that it influenced the development of gambling in Australia.

²⁶ Cumes, J.W.C. 1979 *Their Chastity was Not Too Rigid, Leisure Times in Early Australia*, Longman, Cheshire, Reed, Melbourne, p.16.

Mann, D.D. 1811 *The Present Picture of New South Wales 1811*, John Booth, London.

Significantly, there was nothing inherently Australian about the prevalence of gambling among settlers and convicts. ‘Addiction to drink and gambling was not a devil’s flower that suddenly and wantonly blossomed in the vicious new colony. It was a strong characteristic of Georgian England which robustly survived the long voyage to Botany Bay’.²⁷ The traditional gambling preferences of working class convicts and the officers who guarded them, and the class discriminations which were characteristic of English gaming and betting laws, were readily transplanted to many of the new colonies. But O’Hara’s research shows that in the Australian colonies of the late eighteenth and early nineteenth centuries, gaming and betting survived even more clearly than they did in Britain.²⁸

Gaming among prisoners and emancipists was perceived as a social problem by early administrators,²⁹ a view that was strengthened by the middle-class evangelical fervour of free settlers convinced of their social and moral superiority. Their class and religious prejudices and moral outrage at public displays of ‘vice and depravity’ were mirrored in the colony’s fledgling newspapers, for example, when vacant land was used by ‘blackguards of the worst description who indulged in the diabolical and pernicious vice of gambling’.³⁰

Gambling, among the large Irish and smaller Asian populations in particular, was condemned by authorities as anti-social behaviour, a violation of the work ethic needed for economic growth and of moral values which were central to colonial settlement. A powerful anti-gambling alliance of Protestant clergy and middle class moralists united to protect public morality. As O’Hara notes:

The new concept of industrial labour discipline drew a firm distinction between work and leisure. It was concerned with efficiency and productivity in work time and saw recreation or leisure as unproductive idleness and consequently a drain on the national economy. As such, leisure was seen as unpatriotic in a society which was beginning to view industrial progress as the supreme symbol of civilisation and the proof of British superiority...It is clear that [the] main complaint against gaming and betting was their promotion of a spirit of idleness.³¹

The early governors tried to control gambling among the convicts with a range of legal and punitive measures. However, confronted with persistent food shortages, drunkenness and the growing traffic in alcohol by officers of the Crown, administrators were more concerned with stamping out the trade in illicit spirits than with punishing gamblers. Thus widespread gambling became an enduring feature of the colony’s social life.

Politics, public policy and the regulation of gambling

Australian policies based on class privilege and conservative moral principles restricted government legalisation of gambling for almost a century.³² Yet by the end of the nineteenth century, gambling in Australia was a popular recreation covering a multitude of practices, ranging from informal and localised games of chance and card-playing to the rapidly

²⁷ Cumes, J.W.C. *Chastity*, p.16.

²⁸ O’Hara, J. *A Mug’s Game*, p.20.

²⁹ The situation was somewhat different in South Australia, which did not have convicts as early settlers.

³⁰ *Sydney Morning Herald* 2 January 1834.

³¹ O’Hara, J. *A Mug’s Game*, p.5-18.

³² *Ibid*, p.88-169.

expanding practice of betting on sports events such as horseracing and football. The trend to organised sports as popular leisure activities was paralleled by a gradual expansion of legal gambling facilities.³³

By the 1880s, Australia was experiencing accelerated economic and social growth which placed pressure on the values, conventions and structures established over the preceding 100 years. It was during this important phase in Australia's historical development that the core lasting social structures, traditions and relationships peculiar to the process of nascent economic development produced the country's 'social experiments'. Similarly, Australia began to challenge and reshape existing British influences with gambling policy. O'Hara argues that due to the absence of a well-established class or sectional dominance over gambling institutions, early Australian gambling legislation reflected, to an exceptional degree, a response to working-class public demands above middle-class moral objections. While the regulation of existing illegal gambling practices has had priority, to be effective, legalisation has had to be 'in accord with working class values'.³⁴ Throughout the first half of the twentieth century, gambling was construed as an integral part of Australia's popular culture and was thus defended and regulated, rather than resisted by the state.

It is the role of government to classify, define and regulate gambling. Ostensibly this is done to ensure that gambling is 'fair' and equitable. Australian gambling policies have been heavily influenced by interventionist policies, which sought to balance both the moral and economic order. The general thrust of the moral and legal arguments about gambling in Australia was not so much about whether gambling should be permitted or not, as it was in Britain. In Australia, debates concentrated on whether the legalisation of gambling would induce betting by social groups which otherwise might not gamble; which forms of gambling should be permitted and which should be restricted; the control of illegal gambling by attempts to remove criminal influence and corruption; and practical issues such as the provision of rational and well-ordered public access to approved forms of popular gambling.

O'Hara identifies three general patterns that, on the whole, characterised emerging Australian gambling policies until the 1970s: early legalisation and state regulation of on-course betting; subsequent legalisation and state administration of off-course betting through TAB agencies; and (with the exception of privately owned Tattersall's) a state monopoly over the operation of lotteries.

It is significant that the first form of gambling institutionalised in Australia was horseracing. By the 1850s, every capital city in Australia had well-established turf clubs governed principally by men of property and status. These clubs were organised typically along traditional British lines. With the accelerated economic growth of the 1880s, however, the dominance of the rural propertied class and its transplanted cultural standards were challenged by the political, social and cultural changes associated with rapid industrial and urban development. The growing industrialised urban communities provided a catalyst for the expansion and reshaping of racing and betting, confronting the power of the pastoral sector. A new group of commercial and professional interests emerged in the development of gambling policies and laws. Private proprietary racing clubs challenged the pastoralists' exclusiveness and dominance over racing. These private racing clubs established new tracks, organised

³³ Lynch, R. & Veal, A.J. 1996 *Australian Leisure*, Longman, Melbourne.

³⁴ O'Hara, J. *A Mug's Game*, p.241.

more frequent and regular meetings, improved facilities and encouraged betting as a regular leisure activity.

By the 1900s, in O'Hara's view, many aspects of Australian gambling had become the object of political (i.e. governmental, religious and reformist) intervention and regulation to unite the respectable middle and working classes against the gambling extravagances of the rich and the disreputable gambling activities of the (predominantly male) poor. Until the 1970s, twentieth century gambling in Australia was dominated by betting on horseracing and greyhound racing – under a system of government supervision and regulation – and lotteries, administered either by state governments themselves or, in Victoria and Tasmania, by the Tattersall's trust.³⁵ O'Hara has interpreted the close institutional involvement of state government, through legalisation and administration of popular gambling, as meaning that the history of Australian gambling involves the projection onto policy of the class values and cultural beliefs of ordinary working-class Australians. O'Hara has shown that the cultural demands of the working class have been a crucial factor in accounting for the shift from prohibition to regulation. Legalisation and state organisation of gambling (that is, in comparison with Britain, the relative absence of state action supporting the anti-gambling values of the middle class) reflect the successful imposition by the Australian working class of its definition of the situation.

A central policy principle has been control through statute and regulation of gambling-related 'crime' (usually defined as unlicensed gambling operated by private entrepreneurs, cheating by players, or excessive profiteering or tax avoidance by operators). Questions often raised about crimes associated with gambling elsewhere also have dominated policy debates in Australia. Britain, the United States and Australia all have a legacy of illegal gambling which has, at one time or another, posed a serious law-enforcement problem and become a major source of political corruption. Ambiguities and contradictions in gambling laws have further limited the effectiveness of legal controls.³⁶ Problems of enforcement have resulted, and there is ample evidence in Australia of the widespread survival of practices proscribed by statute. Legal gambling (such as the TAB) ironically has expanded partly because of the popularity of illegal gambling.

As in Britain, debates over gambling policy have considered many of the issues associated with the maintenance of public order and social distinctions. For example, the regulation of popular gambling has been one of the many strategies by which Australian governments have sought to reconstruct public morality and social order. Legalisation has involved making a clear distinction between 'moral' and 'rational' forms of gambling. This distinction rested on particular definitions of these notions, constructed in class-based terms of private (i.e. respectable) and public (i.e. disreputable) gambling. Working-class gambling traditions of SP betting and two-up schools have been continually under attack from law enforcement agencies, while off-track betting through the state TAB, lotteries, and NSW club poker

³⁵ Wilson, T. & E. Dean 1996 *The Luck of the Draw: The History of the Estate of the Late George Adams and Tattersall's* (2nd vol), Tattersall's Sweep Consultation, South Yarra. A private lottery, Tattersall's, was established in New South Wales in the late nineteenth century and operated with considerable success until it was prohibited by the state government. Tattersall's then moved its operations to Tasmania and later to Victoria, where it continues to enjoy a state-protected monopoly.

³⁶ Dixon, D. 1990 'Responses to illegal betting in Britain and Australia', in Mark Dickerson (ed.) *200-Up*, p.92-121.

Dixon, D. 1996 'Illegal betting in Britain and Australia: contrasts in control strategies and cultures', in J. McMillen (ed.) *Gambling Cultures*, p.86-100.

McMillen, J. & Eadington, W.R. 'The evolution of gambling laws in Australia'.

machines all have been tolerated, encouraged and even promoted in their particular institutional settings.

While gambling has had a relatively high degree of social acceptance in Australia, periodic movements to formalise or relax laws prohibiting gaming highlight the contradictions and diversity in gambling policies. Historically, Australian gambling laws have been distinguished by selective prohibition of most forms of gaming, including those games traditionally associated with casinos. The absolute and consistent prohibition of public gaming has been one of the most distinctive features of Australian gambling legislation. Prohibitions on gaming often were directly linked in legislation to other street 'crimes' such as vagrancy and prostitution.³⁷ From the nineteenth century, legislation also proscribed popular working-class games (two-up, Yankee grab) and the gambling activities of cultural minorities, especially the Chinese (fan tan, pakapu). In the 1950s and 1960s gaming clubs organised by European ethnic groups were subject to strong campaigns of suppression even though they did not present a threat to the control and revenue functions of governments in the way that SP betting did. In contrast, illegal games which conformed to Anglo-Celtic traditions and values (such as church-run bingo and bridge, and whist and backgammon in the private recreational clubs of the powerful propertied classes) have been widely tolerated by law enforcement agencies.

The institutionalisation of gambling also has reproduced many of the social disadvantages experienced by women. Women are conspicuous by their absence in most analyses of Australian gambling, although this may say more about their place in the politics of gambling than it does about sociology or cultural history. Historically, women have been excluded from the traditional gambling practices of working class males, such as two-up and SP betting. The participation of women in gambling, particularly betting, was a moral concern, even among advocates of the totalisator (tote).³⁸ Many formal restrictions were placed on the involvement of women in gambling-related activities, such as owning and training racehorses and the successful move to exclude them from employment as racecourse totalisator clerks.³⁹ Until the 1970s, women in most states could not become members of racing clubs or act as officials or trainers. Cultural conventions prevented them from other male-dominated activities such as riding as jockeys. Over time, however, racing interests began to see economic advantages to greater participation by women in betting. In the post-war period, the racing industry has encouraged more participation by women: the tote and the TAB were welcomed as more socially acceptable forms which would create a new gambling market; the TAB in particular offered a more socially respectable and accessible alternative to on-course bookmakers. Women became heavily involved in TAB betting both as gamblers and workers.⁴⁰ TAB agencies are strategically located in shopping centres to facilitate female participation; and women provide the bulk of the cheap, semi-skilled labour which operates the TAB system. More recently, the expansion of gaming machines in clubs and hotels, and the legalisation of casinos have attracted increasing numbers of women to gambling.

³⁷ See for example, the Queensland *Vagrancy, Gaming and Other Offences Act 1890*, the *New South Wales Gaming Act 1950* and the *Lotteries, Gambling and Other Offences Act 1906* of Victoria (Yong 1956).

³⁸ Summers, A. 1975 *Damned Whores and God's Police*, Penguin, Melbourne, p.69-77.

McCalman, J. *Struggletown*.

Lotteries and bingo, because of their nexus with welfare and charitable causes, have been seen as more 'respectable' for women.

³⁹ *Lottery and Gaming Act Amendment Bill, South Australia 1920*

⁴⁰ Cohen, K. *Character and Circumstance*.

Within the general trend to liberal gambling legalisation in Australia, important variations and oppositions exist in the forms of gambling which have emerged within and between states, reflecting internal regional and class boundaries. Gambling practices, institutions and laws have shown marked differentiation from state to state – in organisational characteristics, the considerations that can generate shifts in policies, and in their long-term capacity to regulate market trends. Different forms of gambling have been institutionalised at different times, while others have been prohibited. This report seeks to identify differential patterns of development within Australia and to relate these to similar post-war expansions in gambling in other countries.

Rather than being unified, gambling policies in Australia have been marked by considerable contradiction and diversity. Beneath the two general developments noted by O'Hara – the institutionalisation of the tote as the vehicle for state regulation of betting and the emergence of state lotteries as a means of organising gaming to greatest advantage for state revenue – throughout Australia there has been a wide variety of gambling practices legalised at any one time. States have adopted different policies towards off-course betting, ranging from the legalisation of betting shops to sustained attempts at suppression. For example, South Australia and Tasmania legalised off-course bookmaking in the 1930s to counter the spread of illegal SP betting, while betting was permitted only at racecourses in other states (Royal Commission on Betting 1933; Royal Commission on Betting Laws and Practice 1938).⁴¹ Queensland attempted yet another solution and sought instead to eradicate the conditions which encouraged off-course betting, such as the activities of tipsters and the advertising of betting shops and starting-price information. Similarly, lotteries and lotto have evolved in an uneven and varied way, and when legalised, have been government-run in most states although privately owned in Tasmania and Victoria.⁴² The vigorous debates since the 1970s over the introduction of commercial casinos also have brought about a variety of outcomes.

Such differences within the general pattern of growth and commercialisation can only be explained by tracing the specific circumstances of policy change and particular relations between interested groups in the various states. The precise determination of gambling policy at any time requires investigation of each historical moment and emerging contradictions as the basis for structural and cultural change. Federation and the evolution of federal-state relations have meant that many issues in the development of Australian gambling are better understood as part of a history of specific states rather than of the Australian nation.

As gambling has diversified and expanded, policies have been the outcome of a fragmented federal system which places gambling regulation in the hands of a network of segmented and divided structures at state levels. An elaborate structure of boards, commissions, tribunals and committees has been established as ad hoc responses to the complex demands placed on governments. On the frequent occasions when public debate over gambling became a crucial issue in local politics, it was the usual practice for governments to appoint a commission of inquiry to investigate the moral and social acceptability, economic and social implications, and perceived problems of control and regulation of different forms of gambling in that specific situation.⁴³ Much of what shapes contemporary Australian gambling therefore has not

⁴¹ SP betting expanded dramatically in all states in the 1930s with the improvement of telephone services and the radio broadcasting of races.

⁴² An attempt to establish a national lottery in 1980 was unsuccessful when it failed to receive the support of the then Prime Minister, Malcolm Fraser (Peat, Marwick, Mitchell Services:1980).

⁴³ Government inquiries spurred on by debates in the first half of this century included the Royal Commission of Inquiry into

been determined by conventional parliamentary processes but by a multiplicity of semi-autonomous statutory bodies dealing directly with political and commercial groups. Statutory authorities have become the principal policy-making bodies for the development and administration of gambling. Each of these state agencies operates with authority over only limited sections of the total gambling domain. If the claim of a broad national consensus on Australian gambling is to be sustained, it is important to consider the mechanisms and calculations by which such a fragmented policy structure could produce the patterns which historians have observed.

The periodic redefinition of legal and illegal gambling practices in Australia has been the result of an incremental, often pragmatic, process of negotiation between parliamentary representatives, government bureaucracies, commercial interests, religious and other pressure groups. To make sense of both the complexity and uniformity in policy trends it is essential to analyse the pattern of state developments and policies within a broad and changing national and international context.

Demographic trends and economic conditions

Australian gambling has been and is influenced by trends in age, ethnicity, urbanisation, family structure and the availability of disposable income. We have alluded to many of these effects in the discussion above but summary statistics may serve as indicators of the variation in influence over time. In Table 1.1, we report trends in these effects since the turn of the twentieth century. Demographic and economic influences may affect both the level and type of gambling.

Age structure

The age structure associated with economic dependence of individuals within the family structure indicates markets for particular types of gambling. Since Federation the proportion of young people in the total population has fluctuated, latterly falling consistently to reach a low over the whole century of 21.2 per cent of the population in 1997. Over the period there has been a consistent rise in the proportion of old people. These trends suggest that gambling activities that cater for elderly people are likely to be advantaged with respect to those which do not.

Ethnicity and religion

The ethnic structure of the community affects both the extent and form of gambling. Some societies have more positive attitudes to gambling than others; for instance, people from Asian cultures tend to have more positive attitudes towards gambling, and people from Chinese cultures have a stronger affinity for casino games rather than poker machines. By contrast, middle-eastern and Moslem cultures maintain fairly strong prohibitions against gambling of any sort. There are also differences within broad cultures. Among English-

the Totalisator, New South Wales (1912); and the South Australia Royal Commission on Lotteries (1936). This practice has continued in the post-war period: for example, Royal Commission of Enquiry in Respect of Certain Matters Relating to Allegations of Organised Crime in NSW Clubs [*Moffitt Report*] 1974; Committee Appointed to Inquire into and Report upon the Legalising of Gambling Casinos in New South Wales [*Lusher Report*]1977; Board of Inquiry into Casinos [*Connor Report*] 1983; Committee Appointed to Inquire into and Report upon Gaming in Western Australia[*Mossenson Report*] 1984.

speaking peoples, those with Irish-Catholic backgrounds purportedly have a greater interest in gambling and associated leisure activities than, say, peoples of Protestant faith.⁴⁴

Table 1.1 Demographic and economic trends, Australia

	1901	1947	1961	1971	1981	1991	1997
Age structure							
Population aged 0 to 14, %	35.1	25.1	30.2	28.7	25.0	21.9	21.2
Population aged 65 and over, %	4.0	8.0	8.5	8.3	9.8	11.3	12.1
Ethnicity							
Population born in Australia, %	77.3	90.2	83.1	79.8	79.1	77.1	76.7
Population born overseas, %	22.7	9.8	16.9	20.2	20.9	22.9	23.3
Of which born in,							
English speaking countries, %	100	80.8	46.5	47.5	46.2	41.9	39.1
Asia, %	0	3.2	4.4	6.5	12.4	na	19.7
Urbanisation							
Population in urban areas, %	57.8	68.7	81.9	85.6	85.8	85.3	na
Disposable income							
Per capita real GDP, \$	5,836	8,159	11,222	14,718	18,606	21,235	24,108
Female economic independence							
Participation rate, married women aged 25-34, %	0	8.0	17.3	33.0	49.0	61.3	62.5

Sources: ABS, Social Indicators 1992 catalogue 4101; ABS, Social Trends 1994 and 1998, catalogue 4102; Boehm, E.A. 1993.⁴⁵ (na: not available)

Urbanisation

A theme of this report is that whereas early forms of gambling developed around community activity in cities and rural areas, more recent forms are more commercial, individualistic and urban in nature. The community based nature of predominant early forms of gambling such as horseracing, card playing and bingo, is emphasised and shaped by the local social infrastructure. However, the increasing urbanisation of society and the shift in both employment and economic power from blue-collar to white-collar work has tended to undermine old forms of gambling, such as regional racing, and encourage new forms such as urban casinos and the concentration of EGMs in large clubs and hotels. These trends may be seen in the statistic which calculates the proportion of the population living in urban areas. Table 1.1 shows that there was a steady fall in the share of the population living in non-urban areas from Federation until about 1970, with the shares relatively constant thereafter.

Disposable income

While demographic trends are important in shaping both individual and community attitudes disposable income is a predominant influence on household spending. In Table 1.1 we show the growth in Australian per capita GDP since 1901.⁴⁶ The steady growth over the period suggests increasing disposable income and increasing levels of discretionary expenditures with attendant opportunities for increasing expenditure on leisure activity including gambling.

⁴⁴ A study, The Impact of Gaming on Specific Cultural Groups, due for completion in late 1999 is currently being completed by Cultural Partners Australia, Thomas & Associates and the Australian Multicultural Foundation for the VCGA.

⁴⁵ Boehm, E.A. 1993 *Twentieth Century Economic Development in Australia*, Longman Cheshire, Melbourne.

⁴⁶ Although this issue has not been researched adequately, there are early indications that women in rural areas, with relatively low incomes and restricted social networks, are likely to play EGMs in the local club or hotel, at times with adverse consequences (Brown, Sarah & Coventry, Louise 1997 *Queen of Hearts: The Needs of Women with Gambling Problems*, Financial and Consumer Rights Council, Melbourne; Webster, Kim 1997 *Who Wins? Women's Health West*, Footscray).

Female economic independence and family structure

Gender affects gambling primarily on the basis of its form (that is, men and women tend to prefer different types of gambling). As has been implied, early forms of gambling appealed mainly to males; although some women were participants, gambling was predominantly a male activity. This was consistent with most of the economic power within families residing with males, and with the masculine culture associated with gambling-related leisure activities. However an important social phenomenon over the last quarter century has been the increasing economic independence of women. This may be seen in the proportion of married women who work. The change for those aged 25 to 34 from close to zero participation at the turn of the last century to over 60 per cent today is striking.

The change in family structure also has the capacity to influence the nature and extent of gambling. The breakdown of extended families and the increasing incidence of single unit families could affect the extent and form of gambling activity.⁴⁷

Changes in industry structure

Both individual and community attitudes to gambling as a whole and in relation to forms of gambling are influenced by economic status. Income determines the amount that may be wagered and its distribution across types of people affects the form of gambling chosen. While the industry structure of the economy is unlikely to have a direct effect on gambling, it has an indirect influence. For instance, the industry structure provides the revenue base for many forms of taxation, including gambling taxes. Consequently it is useful to review the way in which the structure of the economy has changed, as a backdrop to discussing the growth and development of gambling among the states.

Table 1.2 shows the industry structure of the Australian economy over the last 100 years. The industry structure of the states varies but the trends shown for Australia also hold true for each of the states, though the proportions may differ.

⁴⁷ Ideally we would report changes in real household disposable income per head but unfortunately data are not available over the period required. Nevertheless the trends are likely to be similar for real household disposable income per head and per capita real GDP.

Table 1.2 GDP at factor cost by industry, Australia, 1900-01 to 1997-98, % of GDP

Industry type	Year				
	1900-01	1948-49	1962-63	1979-80	1997-98
	(a)	(a)	(a)	(a)	(b)
Agriculture	19.4	21.3	12.9	6.7	3.4
Mining	10.3	2.5	1.5	4.5	4.8
<i>All primary</i>	29.7	23.8	14.4	11.2	8.2
Manufacturing	12.2	26.2	28.3	19.5	13.2
Construction	6.7	6.0	7.8	8.5	5.7
<i>All secondary</i>	18.9	32.2	36.1	28.0	18.9
Utilities, transport and distribution	22.0	24.5	25.9	25.5	23.6
Finance, property and business	1.9	2.4	3.2	9.4	17.2
Cultural, recreational and personal services	na	na	2.7	3.6	4.3
Other services (c)	27.4	17.1	17.8	22.3	27.8
<i>All tertiary</i>	51.3	44.0	49.6	60.8	72.9
<i>All industries</i> (d)	100	100	100	100	100

Notes: (a) from Boehm, E.A (1993, p8-9); (b) ABS, Australian National Accounts, time series available from PC Ausstats; (c) includes cultural recreational and personal services for years 1900-01 and 1948-9 for which no separate information is available; (d) industry shares may not sum to 100 as a result of rounding.

At the turn of the last century agriculture and mining were dominant contributors to GDP, and while mining declined, agriculture remained important until the middle of the century. However, while mining enjoyed a minor revival in the last fifty years, agriculture continued to decline so that by 1997-8 it contributed only 3.4 per cent of GDP.

For the first sixty years of the century there was a strong development of Australia's manufacturing base and by 1962-3 it peaked at over 28 per cent of the value of GDP. However, the maturation of the economy combined with some loss of protection led to a falling importance of manufacturing and by the end of the period its importance had halved from the peak.

The importance of the service (tertiary) sector fell in the first fifty years but grew steadily from then so that by the end of the century it made up over 70 per cent of the value of GDP. Gambling is a component of the cultural, recreational and personal services industry group shown in the table. Table 1.2 shows that, like the service sector as a whole, the industry sector of cultural, recreational and personal services grew steadily over the last half of the century to make up over 4 per cent of the value of GDP by the end.

Technological developments

Technology has also had a marked influence on gambling. Technological development has influenced gambling by aiding the use of gambling products and by acting as an alternative leisure form.

Technological assistance for gambling

Technological developments over the last 200 years have profoundly affected the extent and

form of gambling. Some of the more important influences have been (more or less) in chronological order:

- Transport – the availability of fast personal and commercial transport with the introduction of railways, roads, and (more recently) airlines. The development of road and rail networks in the late nineteenth century allowed the transportation of racehorses between cities.
- Radio and TV – radio broadcasts in the 1930s brought racing into the home and raised public interest in horseracing and greyhound races. Television broadcasts and the introduction of Sky Channel telecasting to clubs and hotels have introduced racing and sports betting to a wider audience.
- Telephone – the telephone provided a boost for SP betting in the 1940s, and has been a critical factor in the success of the TAB through phone betting. Restrictions on the use of telephones on-course has been one factor in the demise of bookmakers.
- Microchip – microchip technology has enabled the development of electronic gaming machines to replace the old mechanical ‘reel’ poker machines (known in common parlance as ‘pokies’ or ‘one-armed bandits’). This technology allows manufacturers to develop and regularly update new and appealing games. It also allows regulators to establish operating standards and consumer protection requirements for the industry.
- Computers – computerisation has enabled the calculation of odds and the formation of centralised gambling pools. The development and installation of the tote (mechanical totalisator) on Australian racecourses had a dramatic impact on racecourse attendance and betting. In the 1970-80s, computer technology facilitated the rapid expansion and widespread distribution of TAB outlets and the proliferation of on-line lottery outlets in newsagents. Computer technology also allows more reliable and efficient audits of gaming machine turnover, and thus has improved regulation of the industry. The improved capacity for regulation and centralised computer monitoring of remote venues have been major factors in the legalisation and expansion of electronic gaming machines since the 1990s.
- Internet and telecommunications – innovative telecommunications technology has allowed the development of internet gambling which crosses state and national boundaries. Information technology makes gambling a truly global activity, linking home gambling with international operators. The future potential for development of new gambling products using digital television is now being recognised.

Technology as a competitor

As well as complementing gambling products, technology also has acted as a competitor for people’s leisure time. Computer games, the internet and television might be regarded as alternative leisure activities to betting, playing gaming machines, and informal card games.⁴⁸

⁴⁸ For example, a preliminary study of the use of the internet by young people found that they were less interested in gambling than other aspects of the internet; ACOSS 1997 *Young People, Gambling and the Internet*, ACOSS paper no.88, Sydney, ACOSS.

Community attitudes

The data in Table 1.3, particularly when considered in the context of the high rates of participation in gambling in Australia (see Table 2.2), highlight the ambivalence which exists in community attitudes toward gambling. As a form of leisure and entertainment, gambling has retained its popularity; a popularity which this report has shown has its roots in the earliest history of the British penal colonies. However, the appeal of gambling as leisure and entertainment is also coloured by a level of concern about adverse social impacts, which are perceived to flow from the current configuration of gambling in contemporary Australian society.

Table 1.3 Community attitudes towards gambling

	Gambling does more good than harm	Gambling has provided more opportunities for recreational enjoyment		Should numbers of gaming machines be increased, decreased or remain the same?
	%	%		%
Strongly agree	3.8	7.1	A large increase	0.6
Slightly agree	11.3	25.3	A small increase	1.2
Neither agree nor disagree	11.9	11.0	Stay the same	41.0
Slightly disagree	23.8	20.8	A small decrease	17.0
Strongly disagree	47.4	33.8	A large decrease	33.5
Don't know/can't say	1.8	1.9	Don't know/can't say	6.7
Total	100	100		100
Source: Roy Morgan Research <i>Sixth Survey of Community Gambling Patterns and Perceptions</i> , VCGA, Melbourne, cited in Productivity Commission <i>Australia's Gambling Industries</i> .				

The attitudinal survey data shows that overall, the perceived benefits of gambling as a pleasurable activity are being outweighed by the perceived social costs. In this, individual respondents appear to be distinguishing their own experience, which in many cases may be largely felt as a harmless and satisfying consumption of leisure time, from wider implications of individual harm and social problems which they consider to be gambling-related. The contradiction inherent in this survey data – that Australians both enjoy gambling as a leisure activity and perceive gambling to be acceptable to their community but also consider that the costs of gaming are excessive and growing⁴⁹ – is one that has arisen in the recent decades of the rapid expansion of gaming.

⁴⁹ Arthur Anderson 1997 *Summary of Findings 1996-97 Research Program*, VCGA, Melbourne p.5.

Chapter 2: Economic Trends – 1970s to the Present

Introduction

As this report will show, social changes and economic trends during the 1970s made gaming more attractive to private investors. New technology made it easier to manage gaming infrastructure, and predictable returns ensured stable profits for many operators.

The major innovation in the 1970s was the establishment of Australia's first casino; Wrest Point casino in Tasmania (Hobart) opened in 1973, paving the way for the introduction of thirteen more casinos in Australia.

In 1972, Victoria permitted Tattersall's to operate lotto, which rapidly became a popular national form of gambling.

In 1975, NSW introduced privately owned lotto and football pools. By the 1980s, lotto was being administered by the NSW Lotteries Commission and pools had been unable to maintain market share in an increasingly competitive industry.

During the 1980s, new forms of gaming were introduced. Tattersall's began the sale of instant lottery tickets, which were soon copied by the NSW Lottery Office.

By the early 1990s, every state except Western Australia had removed prohibitions on gaming machines in clubs and hotels. However, the rapid growth of machine gaming generated public concerns about an increase in adverse social and economic impacts, including problem gambling and a decline in retail spending.

By this time, Australian gambling had attracted investment by large transnational gaming corporations and national media and telecommunications companies.

The growth of the gambling market was also accompanied by privatisation of formerly government-owned gambling (Tabcorp in Victoria, NSW TAB) and the corporatisation of state lotteries. These changes encouraged increasing competition between states and regions for market share, reflected in more aggressive marketing and promotion of gambling.

Casinos began to show signs of market instability and uncertainty. While some large casinos (Jupiters, Burswood, Star City) continued to generate steady growth in profits, other casinos experienced either a decline in profit growth or severe economic problems. Revenues at Melbourne's Crown Casino in 1998, for example, were seriously affected by a combination of factors including the Asian economic crisis. Reef Casino (Cairns) failed to meet predicted market targets and was forced to withdraw from the overseas market in 1997. By 1999 only six Australian casinos (Jupiters, Treasury [Brisbane], Crown, Star City, Burswood and Lasseters) were participating in the international junket market.

The rapid growth in gaming replaced the previous dominance of betting in gambling expenditures. These expenditure trends show a significant increase in spending on gambling during the last decade. Higher levels of per capita expenditure are associated with the introduction of new forms of gambling, especially casinos and gaming machines and the general state of the economy. There also are marked differences between the states, probably due to average incomes, the prevalence of gambling outlets and alternative leisure activities.

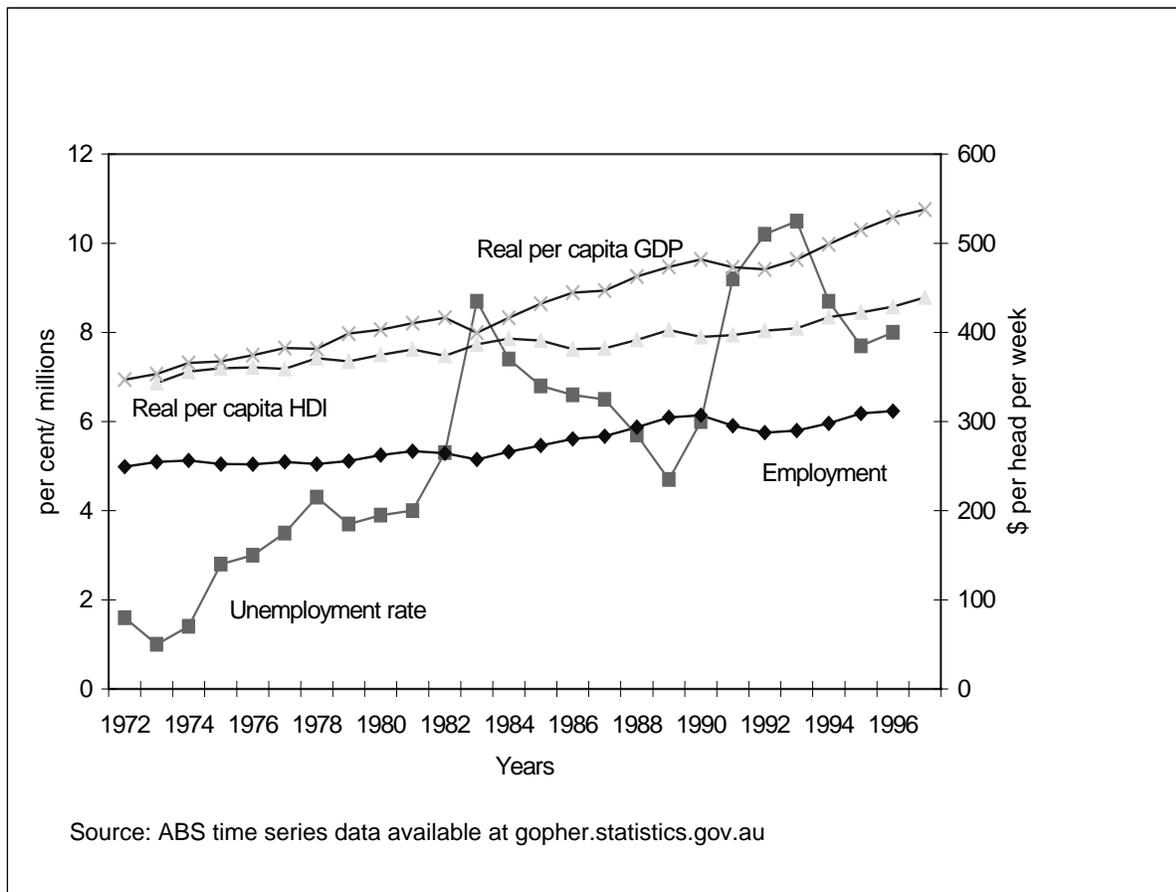
Overall the period from the early 1970s through to the present has been one of rapid and substantial change in the gambling industry. Along with the expanded range of products, which have become steadily more sophisticated in terms of their design and their delivery, has occurred a concomitant increase in the amounts and types of information available on the gambling sector.

Recent economic developments: Macroeconomic trends

National movements

In Figure 2.1 we report trends in major macroeconomic indicators over the last thirty years. Shown in the table are real per capita gross domestic product (GDP), real household disposable income (RHDI), the number of employed and the rate of unemployment among males over the age of 20. The right vertical scale is used to measure the levels of the first two variables and is measured by real (1996-97) dollars per head per week. The left-hand scale is used for the other two variables. For employment, the numbers are interpreted as millions of full-time male workers. For the unemployment rate, the numbers are interpreted as males over 20 with jobs as a percentage of those available for work (i.e. in the labour force). These statistics provide a summary view of the performance of the economy.

Figure 2.1 Macro economic trends, 1972 to 1997



Consider first the measure of output, real GDP per capita. This rose strongly and fairly consistently over the entire period. There were falls in growth (recessions) in the late 1970s, in the early 1980s and in the early 1990s. Since climbing out of recession in the early 1990s the economy has enjoyed strong and consistent growth. Real household disposable income per head measures the amount of aggregate output that is captured by households. Growth here has not been as strong as real per capita GDP indicating that a good part of the gains have yet to flow through to households (they may be in more robust company earnings or they may have accrued to foreigners). Nevertheless the steady increase in real household incomes suggests consistent increases in standards of living.

The performance of employment has also been robust over the period and follows the same broad cycle as that of aggregate output. There were falls in employment in the early 1980s and in the early 1990s. However while real GDP recovered lost ground relatively quickly the growth in employment has been much slower, taking five years to exceed the level of 1990. The employment performance is matched by the more striking trend in unemployment rate. The unemployment rate shown here is for males over 20 but the trends would also hold for younger males and for women. Confirming the evidence from the other indicators there were sharp increases in unemployment in the early 1980s and the early 1990s. The unemployment rate for males over 20 peaked in 1993, 18 months after the bottom of the cycle measured by aggregate output. By 1997 unemployment for males over 20 had fallen from over 10 per cent of the labour force to under 8 per cent.

Distribution of income

Not shown in the figure are trends in the distribution of wellbeing. Again it is hard to obtain consistent measurements over the whole period but summary indexes of distribution for a range of definitions of income for Australian households for the years 1981-82, 1988-89 and 1993-94 are available. In Table 2.1 the Gini index is used to compare the distribution of income.

Table 2.1 Summary measures of inequality (Gini), Australian households, three definitions of equivalised income, 1981-82, 1988-89 and 1993-94 (a)

Year	Private income	Gross income	Disposable income
1981-2	0.489	0.366	0.308
1988-9	0.484	0.346	0.290
1993-4	0.517	0.352	0.296

Source: Johnson et al. (1998:9)⁵⁰

Note: (a) equivalised income is income adjusted for household size and composition

Values for the Gini index range from 1, where there is maximum inequality; to zero, where all incomes are equal. Income for Australian households has been equivalised to take account of the varying household sizes. The three income definitions are *private income*, which includes only incomes received by households from market related sources (wages and salaries, rents, profits from business, interest from bank accounts and so on); *gross income*, which is private income plus transfer payments received from government (pensions and benefits, family allowances, student payments); and *disposable income*, which is gross income less personal income tax. Thus the two main ways in which government brings about redistribution – by transfer payments and by levying income tax – can be seen in the falling levels of inequality as the measure shifts from private income to gross income to disposable income.

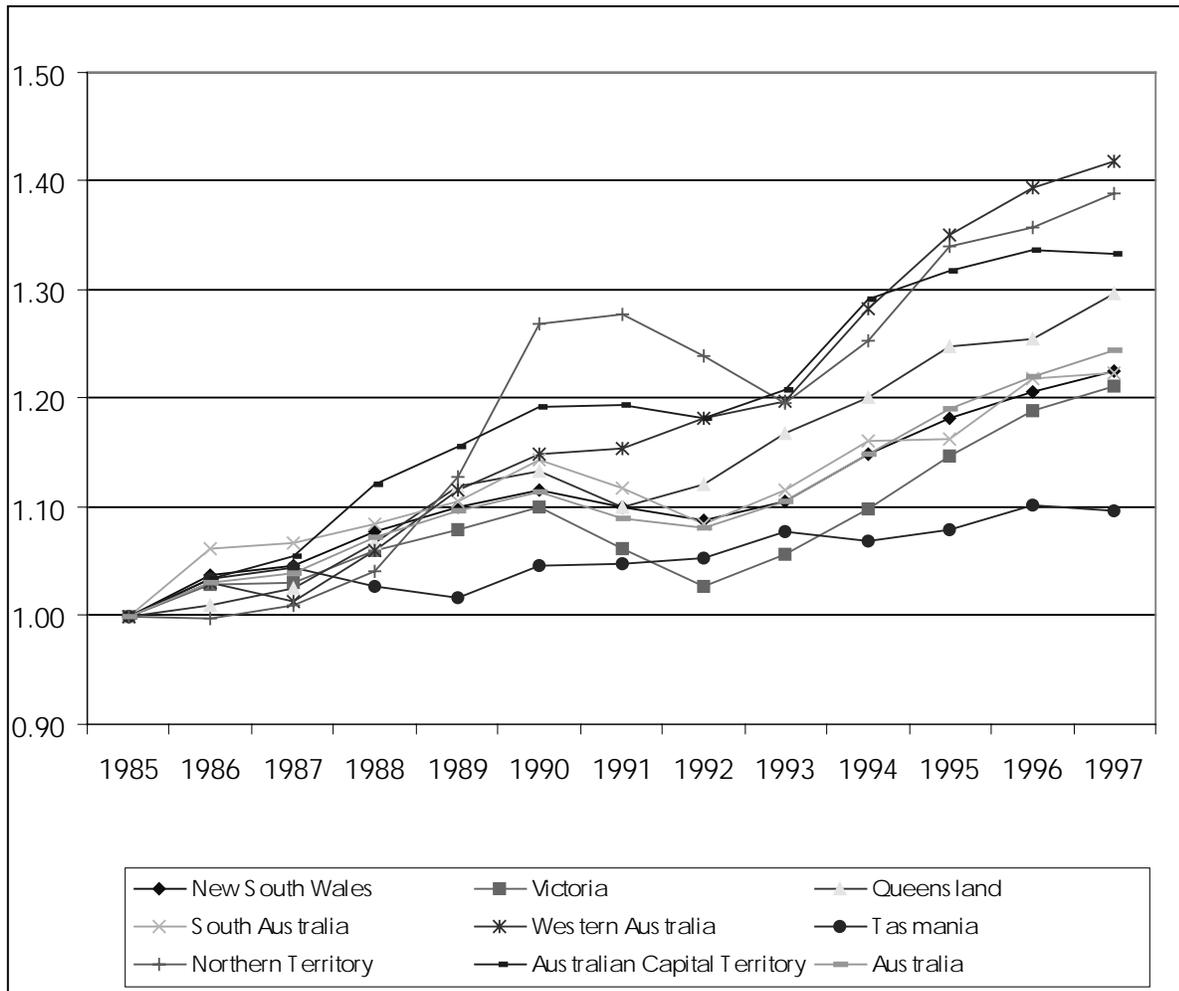
Table 2.1 shows that while returns from the market became more unequal over the period (the value of the Gini index for private income went up), this was mitigated by government activity. Increased payments from government reduced inequality (the value of the Gini index for gross income fell) and increases in payments of personal income tax also caused disposable incomes to be more equal in 1993-94 than they were in 1981-82.

State trends

Unfortunately there is limited data on the performance of the states over the thirty-year period and available state data exists only since 1985. This does, however, cover the period of rapid change in the form and average level of gambling. Figure 2.2 shows the movements in average per capita state product between 1985 to 1997. The dollar values have been normalised so that the value for the year 1985 is 1. The figure indicates that the average fortune of all states and territories has increased over the time but some states and territories have done much better than others. In particular Western Australia, the Northern Territory and the Australian Capital Territory have grown most, while Tasmania has done less well. Victoria has grown steadily over the period, apart from a downturn between 1990 and 1992.

Figure 2.2 Real state and territory product, 1985 to 1997

⁵⁰ Johnson, D.T., Manning, I. & Hellwig, O. 1998 “Trends in the distribution of income in Australia”, *Australian Journal of Labour Economics*, Vol 2 No. 1 March:1-27.



Source: ABS time series data available at gopher.statistics.gov.au

Interpretation of economic data

How are these statistics interpreted? The most compelling conclusion that might be drawn is that there has been general, consistent and strong increases in living standards over the period. However, in a period of general plenty, some groups have been left behind. This is indicated by the high and persistent levels of unemployment and the widening dispersion in the distribution of private income. The government has mitigated most of the disparity through provision of pensions, benefits and allowances.

From the point of view of gambling, several possibly conflicting hypotheses could be constructed. An increase in disposable income would suggest increased capability of individuals to gamble. On the other hand, increasing relative impoverishment may cause individuals to seek escapes and lead to increases in gambling.

Economic themes

Three main economic themes emerge in relation to the recent economic development of gambling in Australia, particularly in the last forty years. These three trends are:

- gambling as a source of entertainment and leisure;

- gambling as an industry and source of employment; and
- gambling as a source of state revenue.

Recent economic developments: Gambling as entertainment and leisure

A number of issues emerged as gambling became increasingly important as a form of entertainment:

- burgeoning of various types of gambling (product development);
- growth, relative to the general growth in the service sector, in general and entertainment in particular; and
- changes in forms of entertainment – a trend to greater commercialisation.

Participation in gambling

The Productivity Commission National Gambling Survey confirmed the high levels of participation in gambling activities that are found in the extensive *Survey of Community Gambling Participation and Perceptions* series, conducted by the VCGA in Victoria (see Table 2.2).

Table 2.2 Participation and frequency of gambling by Australians

Form of gambling	Total participation %	Frequency (%)			
		<i>Less than once a month</i>	<i>1 to 3 times a month</i>	<i>1 to 3 times a week</i>	<i>More than 3 times a week</i>
EGMs	39	62	25	12	2
- <i>played at a club</i>	28	63	24	12	1
- <i>played at a hotel/pub</i>	16	65	25	10	0
- <i>played at a casino</i>	16	87	11	2	0
Racing	25	71	14	13	3
Lotto or other lottery game	60	25	24	45	6
Instant scratch tickets	47	51	34	14	1
Keno	16	72	20	7	1
Casino table games	10	83	15	2	0
Bingo	5	49	22	27	2
Sports betting	6	54	24	23	0
Played and internet casino game	0.4	63	13	21	3
Private gambling	5	66	23	9	2
Any gambling activity	82	27	25	35	12

Source: Productivity Commission 1999 *Australia's Gambling Industries*, Commonwealth of Australia, Canberra.

According to the Report of the Productivity Commission Inquiry into Gambling, intangible factors are the key to understanding what motivates such high levels of gambling activity in Australian society. Such intangible benefits derived from gambling activities include enjoyment from being in a safe and comfortable social venue, social interaction, the thrill or risk of the game and the dream of winning.⁵¹ Many of these benefits can be understood as

⁵¹ Productivity Commission 1999 *Australia's Gambling Industries*, Commonwealth of Australia, Canberra, p.xxiv.

being motivated predominantly by an overall ‘buying time,’⁵² an approach to leisure or entertainment in which a certain amount of money is invested in exchange for a certain period of relaxing and/or stimulating (usually social) activity.

Table 2.3 Gamblers’ motivations

Motivation	All gamblers % of respondents	Regular EGM/casino gamblers % of respondents
Dream of winning	59	66
Social reasons	38	65
For charity	27	26
Beating the odds	9	14
Favourite activity	10	19
Atmosphere/excitement	13	19
Belief	12	16
Boredom/pass the time	9	13

Source: Roy Morgan Research 1999 *Sixth Survey of Community Gambling Patterns and Perceptions*, VCGA Melbourne, cited in Productivity Commission *Australia’s Gambling Industries*, p.xxiv.

However, gambling as an entertainment or leisure activity also contains another dimension, motivated most obviously by the ‘dream of winning’ – or what the Productivity Commission terms ‘buying the hope of a win’ (see Table 2.3).⁵³ This translates as that component of the investment in gambling activity which is primarily to do with what follows the ‘buzz’ derived from the act of betting – the thrill of a win, or a financial return on the initial outlay. It is this distinction which needs to be kept in mind when considering survey data regarding community perceptions about gambling. This is because this attitudinal data consistently reflects a negative response to questions regarding the overall level of good provided by gambling (see Table 1.3).

Total expenditure on gambling

Expenditure on different forms of gambling provides a basic economic measure of gambling as entertainment. Turnover data also may provide an indication of the entertainment value of gambling, but is less reliable for comparative purposes.

Figure 2.3 shows the average real expenditure per year by Australians on racing and gambling over the period since the early 1970s. The values are all in 1996-97 prices. Whereas in 1972-73 the average Australian spent about \$150 per year on each of racing and gambling, by 1997-98 the amount spent on racing had declined to a little over \$100 per year whereas the amount spent on gaming had risen to close to \$600 per year. The increase in expenditure on gaming was steady for the period from the early 1970s to the late 1980s but has been dramatic in the last ten years.

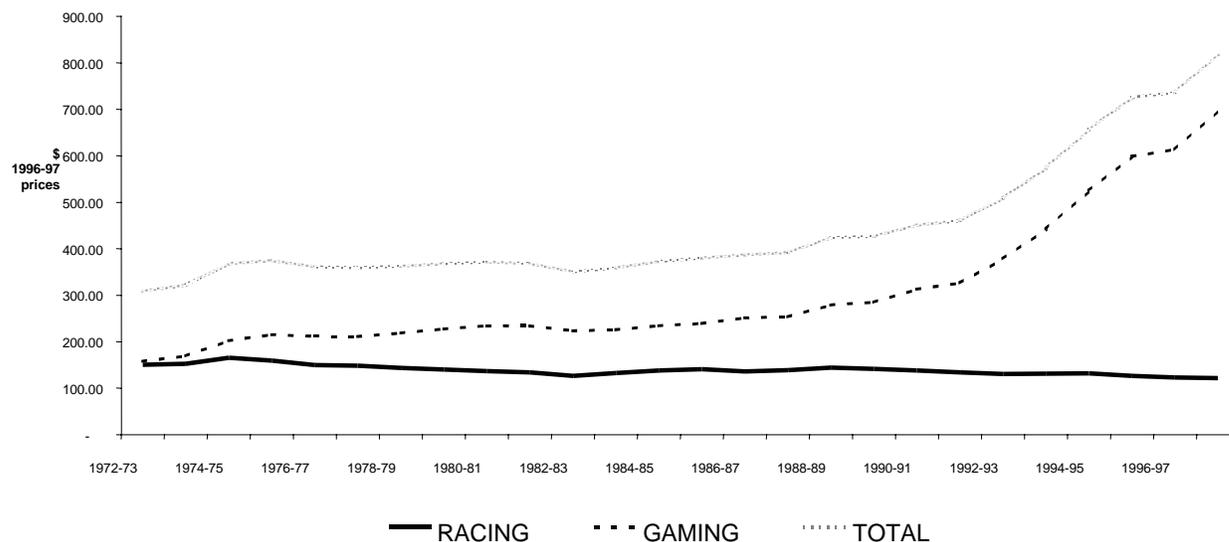
The reasons for this dramatic increase are likely to be largely matters of changing taste and greater opportunity with the relaxation of many pre-existing prohibitions on types of gambling activity. The increased spending power arising from higher living standards shown

⁵² Ibid

⁵³ Productivity Commission 1999 *Australia’s Gambling Industries*, Commonwealth of Australia, Canberra, p.xxiv.

in Table 2.1 has been steady both over the last 30 years and indeed since the turn of the century. Disposable income per head measured in 1996-97 dollars rose fourfold over the course of the century and rose by about 60 per cent since the early 70s.

Figure 2.3
Real per capita gambling expenditure, Australia, 1972-73 to 1997-98

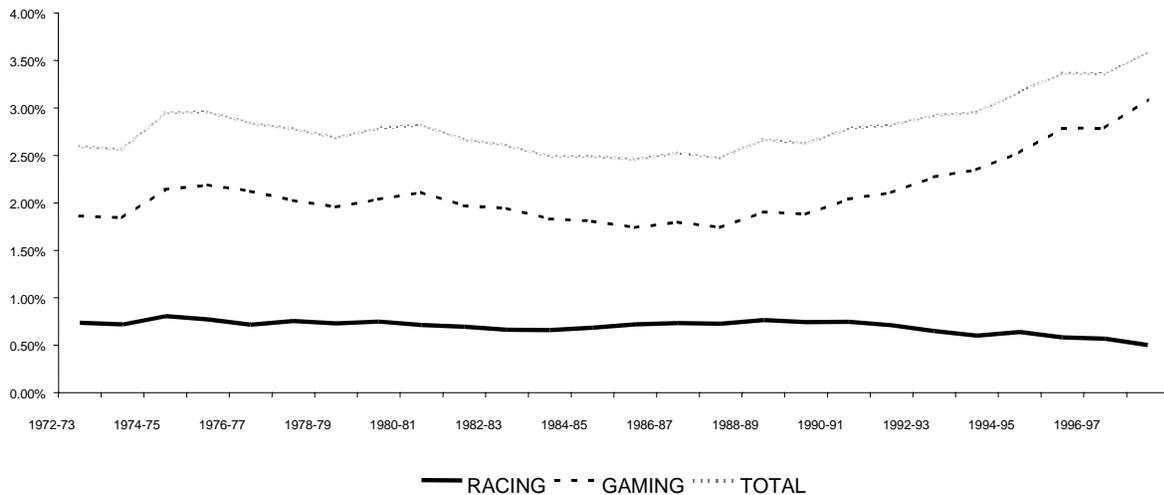


Source: Tasmanian Gaming Commission 1999.

Figures 2.4 to 2.11 show annual average per capita gambling expenditure (‘the net amount lost, or, in other words, the amount wagered less the amount won, by people who gamble’) on racing and gaming in each of the states over the period from around 1972-73 to 1997-98 expressed as a percentage of household disposable income.⁵⁴

⁵⁴ Tasmanian Gaming Commission, 1998, p.3. Note that there is little variation in household disposable income between the states so no information is lost by expenditure on gambling relative to household disposable income.

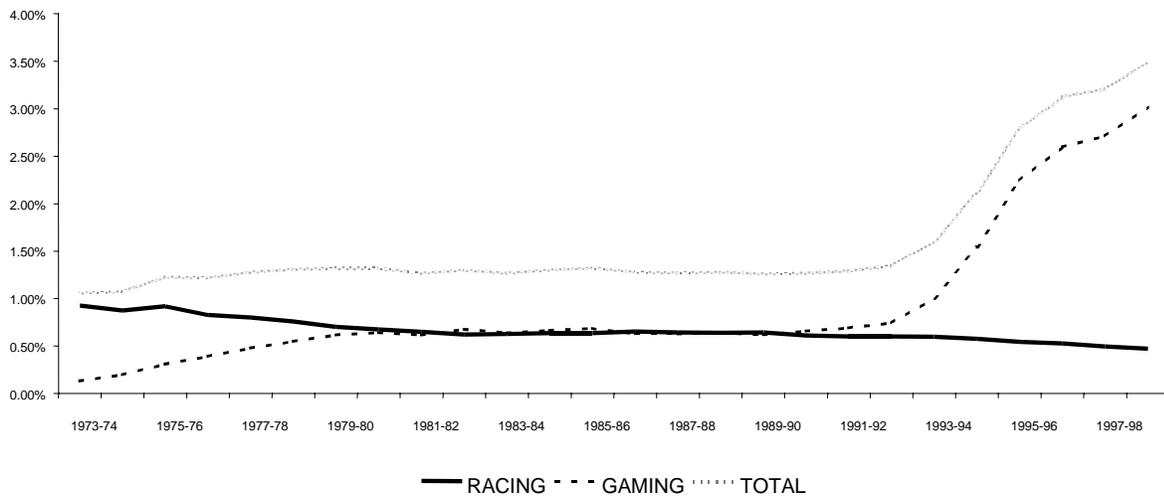
Figure 2.4
Annual gambling expenditure as a percentage of household disposable income, NSW,
1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

In Figure 2.4, NSW shows a relatively modest increase in total expenditure over the whole period from about 2.5% of household disposable income (HDI) to 3.59% of HDI. This is the highest of all states. All growth is from increased expenditure on gaming. Expenditure on racing declined somewhat over the period, from about 0.7% to 0.5%.

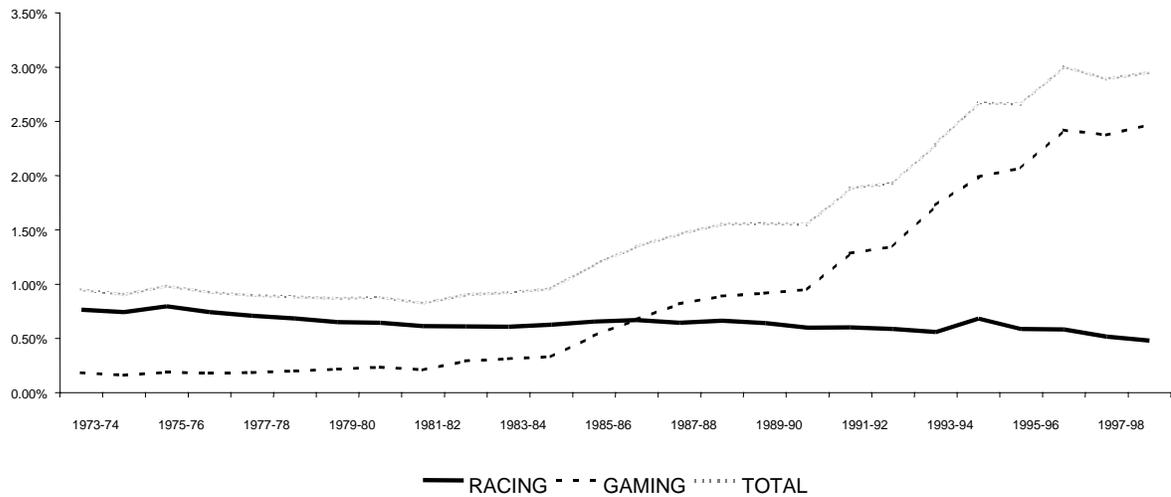
Figure 2.5
Annual gambling expenditure as a percentage of household disposable income, Victoria,
1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

Victoria (Figure 2.5) shows very modest growth in total expenditure between 1972-73 and the early 1990s (about 1.3% of HDI) then a very sharp growth to 3.49% by 1997-98. There has been a slow steady decline in racing expenditure from just under 1% to 0.6% of HDI. Gaming expenditure grew from almost nothing to about 0.5% in the late 1970s. This level held steady until the early 1990s and then increased dramatically with the introduction of both casino gambling and EGMs.

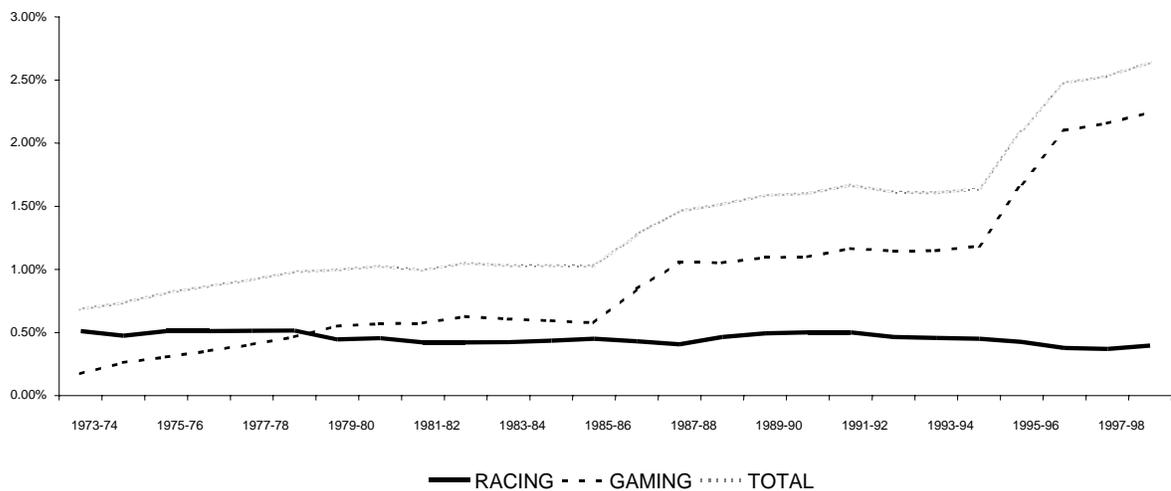
Figure 2.6
Annual gambling expenditure as a percentage of household disposable income, Queensland,
1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

In Figure 2.6, Queensland exhibits a similar pattern to Victoria except that growth in gaming occurred over a longer period. Racing declined from about 0.8% to 0.6%; gaming remained under 0.5% until the mid-1980s then rose steadily to about 2.4% of HDI.

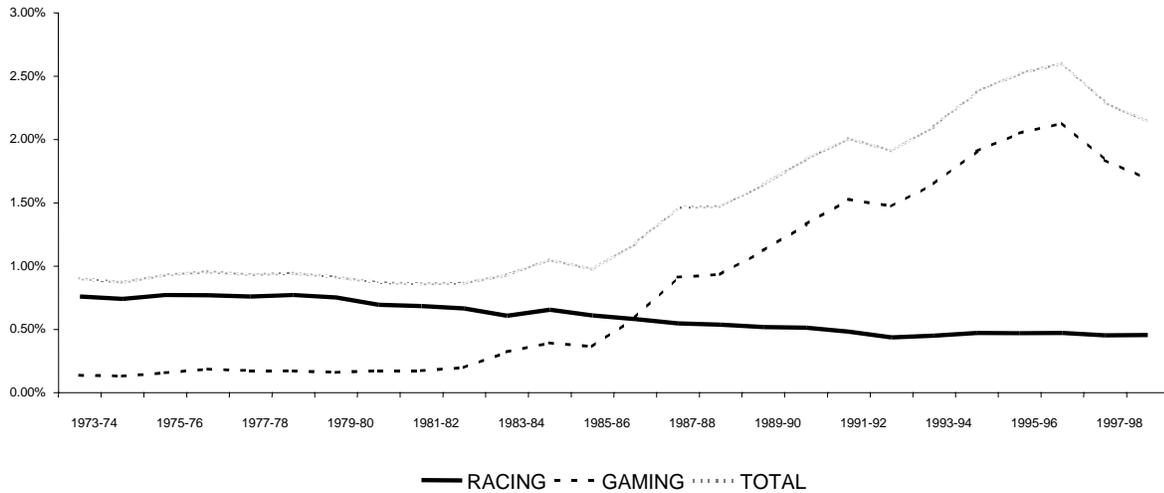
Figure 2.7
Annual gambling expenditure as a percentage of household disposable income, South Australia,
1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

Figure 2.7 for South Australia indicates growth in expenditure occurred in two bursts in the mid-1980s and the mid-1990s. Expenditure in 1997-98 was lower than in three eastern mainland states at about 2.5% of HDI. Racing experienced a slow steady decline from 0.5% to 0.4%. Gaming grew from close to nothing to around 0.5% of HDI in the mid-1980s, then doubled as a percentage of HDI and stayed at this level until the mid 1990s when it doubled again to around 2.2%. As in Queensland and Victoria, the growth in gaming expenditure coincides with the introduction of EGMs in clubs and hotels.

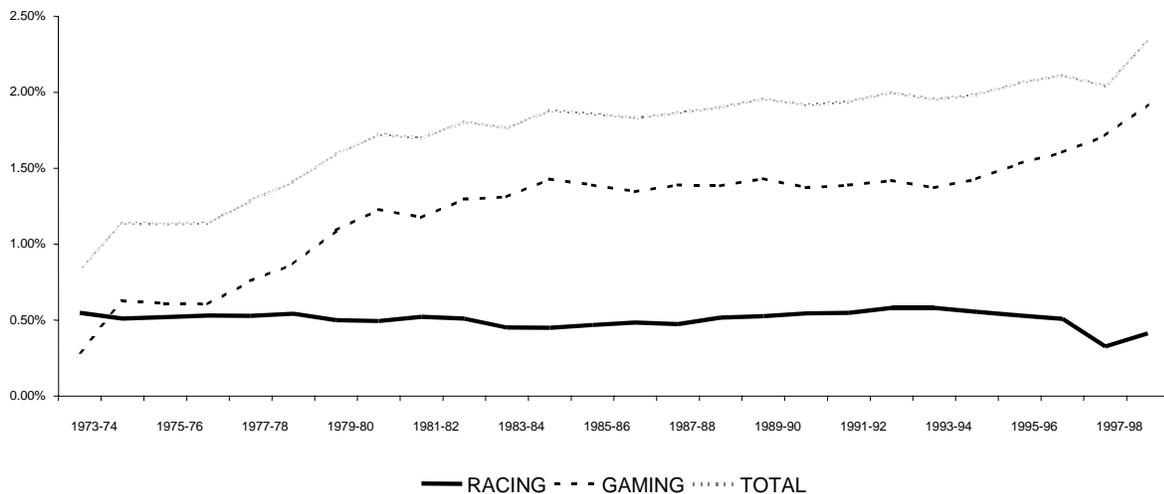
Figure 2.8
Annual gambling expenditure as a percentage of household disposable income, Western Australia,
1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

In Western Australia (Figure 2.8), gambling expenditure was virtually constant in the period to the mid-1980s, then grew strongly until 1995-96 and fell from 1996-97. Total gambling expenditure was under 1% in 1972-73 and about 2.2% in 1997-98. Expenditure on racing fell over the whole period, from about 0.7% in 1972-73 to 0.5% in 1997-98. Gaming remained virtually constant until the mid-1980s, then rose strongly to about 2.2% of HDI before falling in the last year to around 1.7%. It is significant that Western Australia does not have EGMs in clubs and hotels.

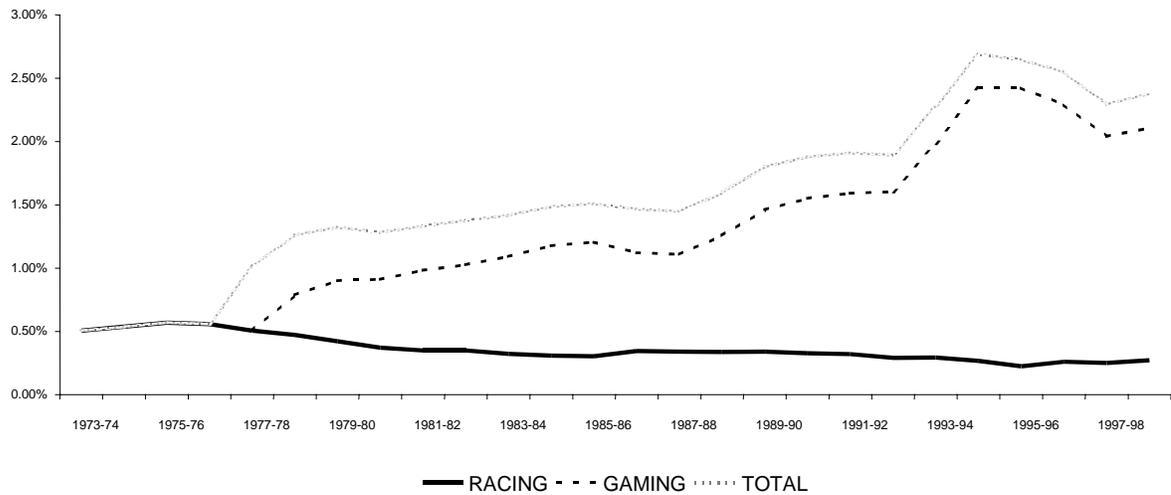
Figure 2.9
Annual gambling expenditure as a percentage of household disposable income, Tasmania,
1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

Figure 2.9 for Tasmania shows the lowest level of gambling expenditures of all states and territories at 2.3% of HDI. Like Western Australia, it also has relatively weak growth in household expenditure. Most of the growth occurred in the late 1970s and in the last few years. Expenditure on racing was fairly constant.

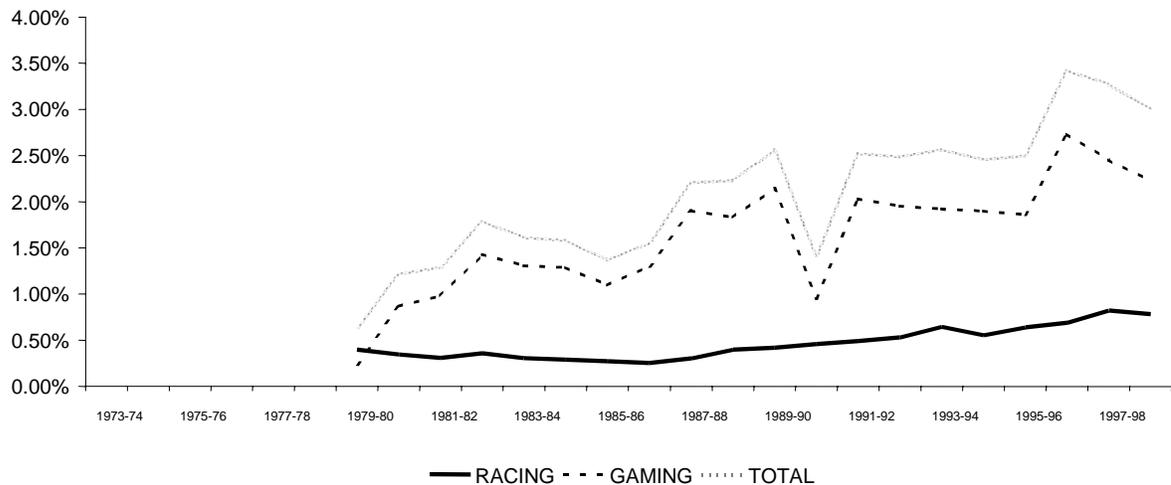
Figure 2.10
Annual gambling expenditure as a percentage of household disposable income, ACT,
1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

The Australian Capital Territory (Figure 2.10) shows sharp growth in the late 1970s and in the early 1990s, with steady growth in the intervening period. Racing declined from about 0.5% to 0.2% of HDI. Gaming growth rose sharply in the early 1990s but has also experienced a sharp decline in the last three years.

Figure 2.11
Annual gambling expenditure as a percentage of household disposable income, NT,
1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

Note: data for earlier years are not available.

In Figure 2.11, the Northern Territory pattern of total expenditure shows much greater variation than the states and ACT. Total gambling expenditure rose from 0.7% of HDI in the late 1970s to over 3% in 1997-98. Expenditure on racing increased over the period from 0.5% to 0.8%. Gaming increased from nothing to about 2.6% of HDI, reflecting the introduction of the NT lottery, two casinos and EGMs.

Factors associated with the rise of gambling

A regression analysis was undertaken to determine what factors were associated with the level of real per capita expenditure on gambling across the states from 1972-73 to 1997-98. Pooled times series across the eight states and territories were used. The explanatory variables included a measure of economic activity in each state (the Westpac-Melbourne Institute Coincident indicator of economic activity), dummy variables to indicate the year in which EGMs, casinos and new lotteries were introduced (up to two new lotteries only), state/territory dummy variables and a trend.

Results are summarised in Table 2.4. The introduction of new forms of gambling had a large and significant effect on per capita levels of gambling. In particular, the introduction of casinos in each state increased per capita gambling by \$119 per annum (in 1997-98 values). The introduction of EGMs raised expenditure on average by \$63. The first new lottery to be introduced raised expenditure by \$40 but the second one had no significant effect.

Per capita gambling expenditure is also strongly related to the level of economic activity. Aside from these effects, there is also a large and significant level of gambling associated with the state of activity. NSW has by far the largest level of per capita expenditure followed by the ACT. South Australia, Queensland and Tasmania have the lowest levels. These interstate differences may be due to different leisure patterns between states, the preponderance of gambling outlets and the ability of each state to attract out-of-state tourists who chose to gamble.

Table 2.4 Dependent variable: Real per capita expenditure on gambling (1997-98 prices) (a)

	Coefficients	t- statistic
(Constant)	-172	-4.641
EGMs	63	4.114
Casino	119	9.105
First new lottery	40	2.705
Second new lottery	-1	-.093
Time	5	4.084
NSW	250	11.320
Victoria	27	1.695
Queensland	-11	-.749
South Australia	-16	-1.106
Tasmania	-8	-.555
ACT	176	7.916
NT	91	4.270
Westpac-Melbourne Institute Coincident Indicator	1.424	4.482

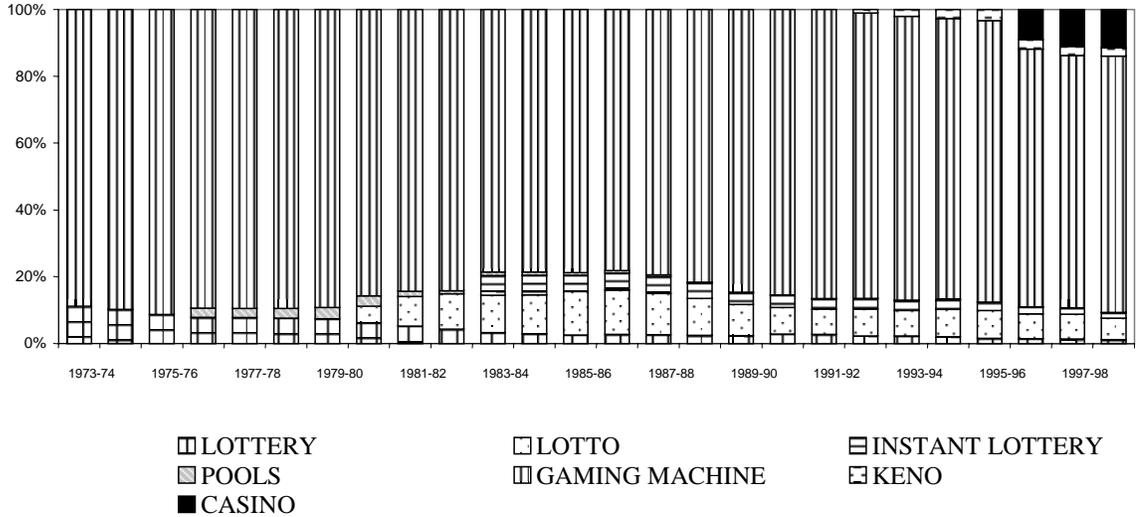
$Adj R^2 = 0.89$, $n = 189$, $DW = 0.75$

Note: (a) t-statistics of greater than 2 indicate significance.

Structure of gaming over time

Figures 2.12 to 2.19 show expenditure on the main forms of gaming in each of the states over the period from 1972-73 to 1997-98.

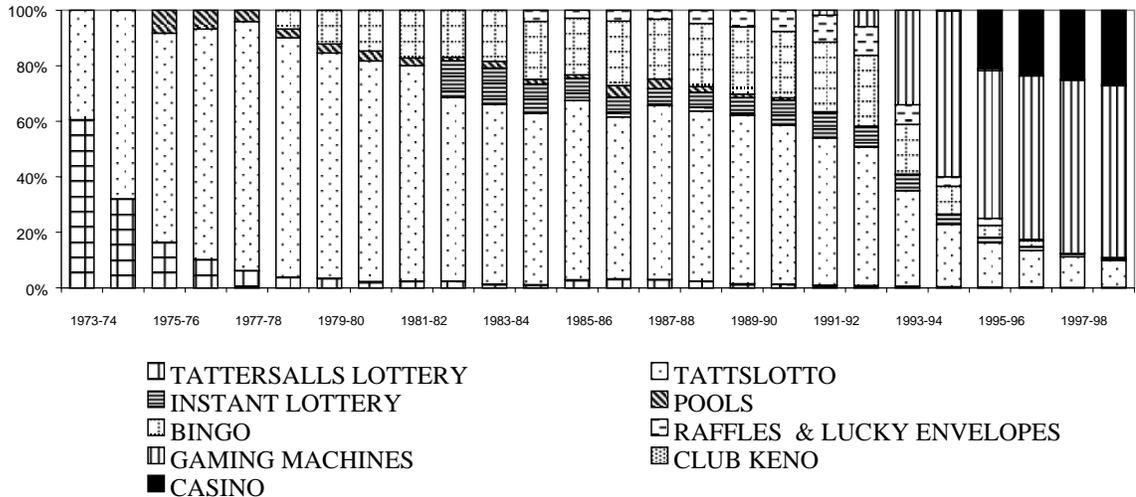
Figure 2.12
Percentage distribution of real per capita gaming expenditure, NSW, 1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

In Figure 2.12, NSW has been dominated by EGMs over the whole of the period examined – achieving 80%-90% of total expenditure. Various forms of lottery made up as much as 20% of gaming expenditure in the mid-1980s, otherwise around 10%. This indicates that lotteries were of some importance earlier but have been replaced by lotto and instant lottery. Casino gambling has been significant in the last two years, up to 10%.

Figure 2.13
Percentage distribution of real per capita gaming expenditure, Victoria, 1972-73 to 1997-98

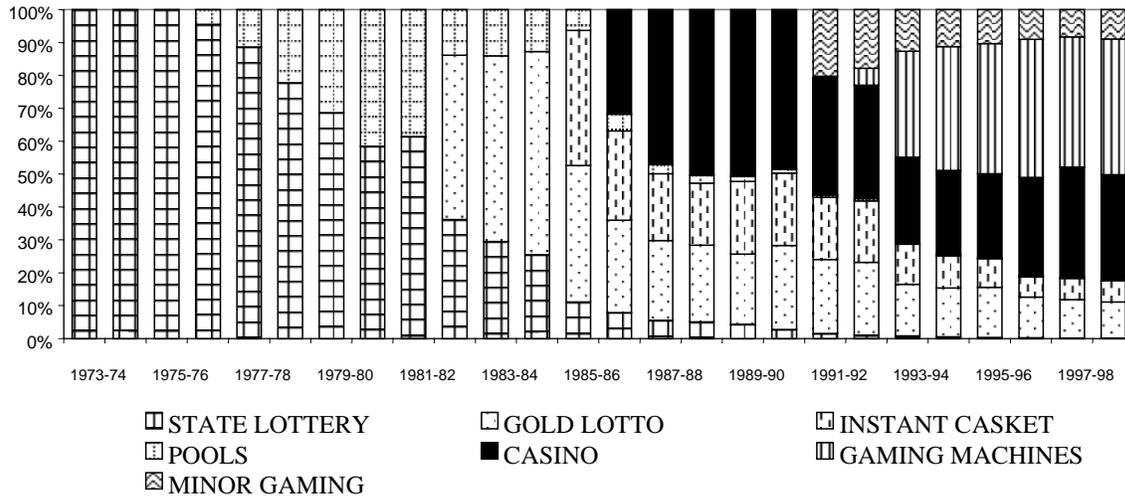


Source: Tasmanian Gaming Commission 1999.

Victoria (Figure 2.13) has been dominated by lotteries for most of the period since the 1970s but now they are of decreasing significance. Bingo was a significant form of expenditure for much of the middle of the period (to 20%), but also has shown a marked decrease in recent

years.⁵⁵ EGMs have been the dominant form of gambling expenditure since their introduction in 1992. Expenditure on casino gambling also is significant (to 20%).

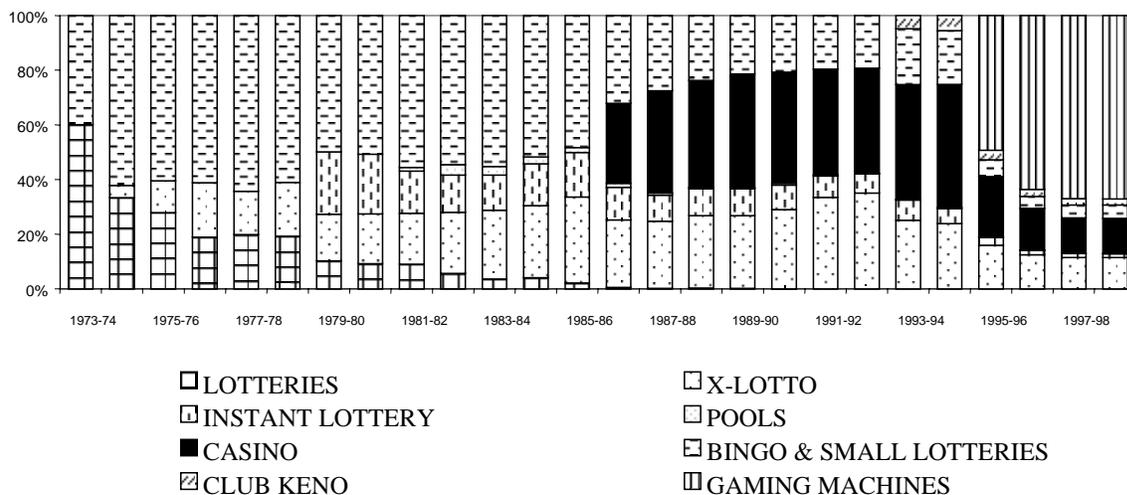
Figure 2.14
Percentage distribution of real per capita gaming expenditure, Queensland, 1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

Figure 2.14 shows that Queensland also was dominated by lotteries until the late 1980s. In last few years casino gambling and EGMs have taken over as the most significant forms of gaming.

Figure 2.15
Percentage distribution of real per capita gaming expenditure, South Australia, 1972-73 to 1997-98

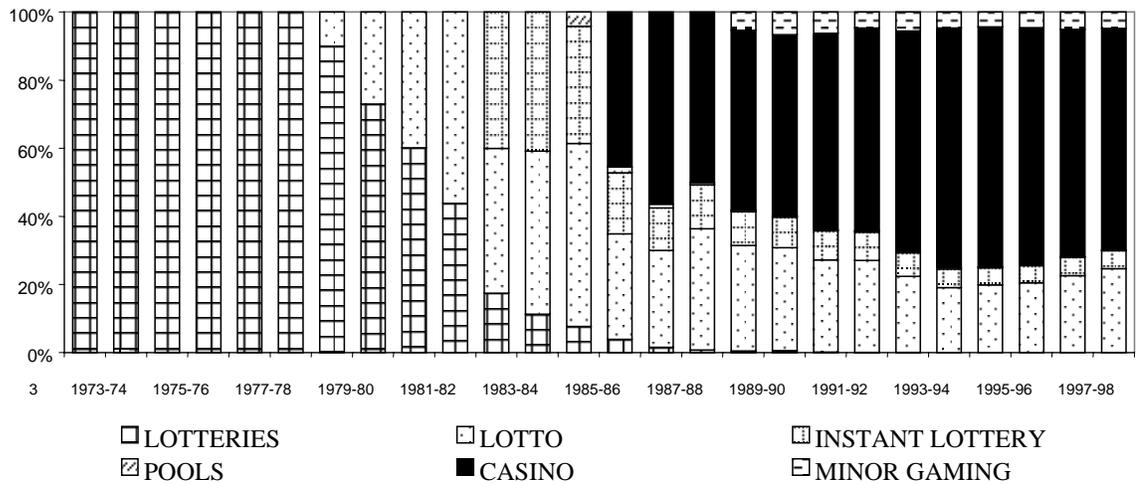


Source: Tasmanian Gaming Commission 1999.

In South Australia (Figure 2.15), lottery products dominated expenditure over most of the period. Casino expenditure was important from its introduction in the mid-1980s but appears to have declined since 1994. EGMs have become the most significant form of gambling capturing over 60% of expenditure since being introduced.

⁵⁵ One reason for the decrease in bingo expenditure figures shown in the Australian Gambling Statistics is that, due to administrative changes, bingo statistics for Victoria can no longer be collected.

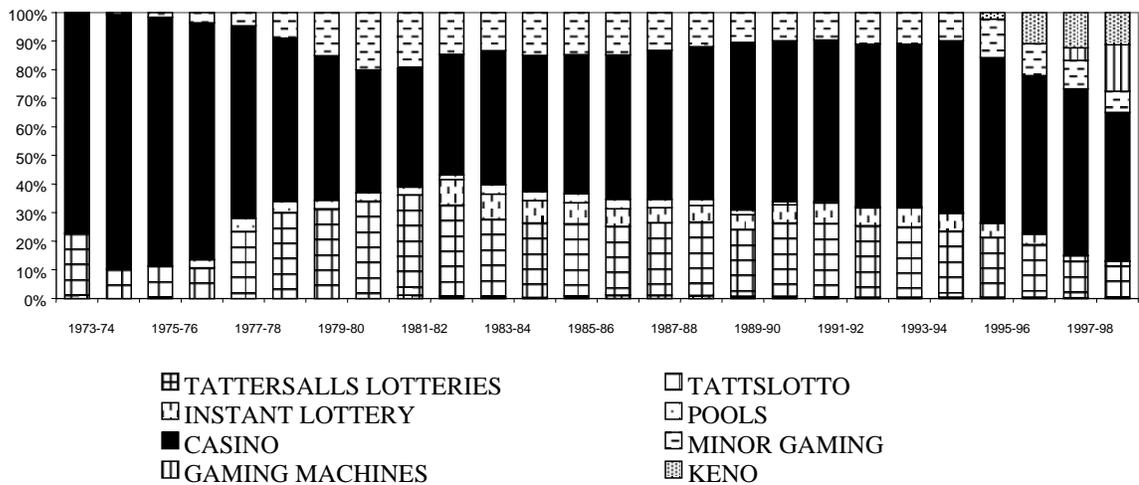
Figure 2.16
 Percentage distribution of real per capita gaming expenditure, Western Australia, 1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

Figure 2.16 shows that in Western Australia lottery products account for almost all gaming until the mid 1980s and the introduction of the casino. There are no EGMs in WA, yet the state has achieved close to average overall gambling expenditure. Casino expenditure accounted for nearly half the total expenditure in the year of their introduction in mid-1980s, rising to about 70% in 1997-98.

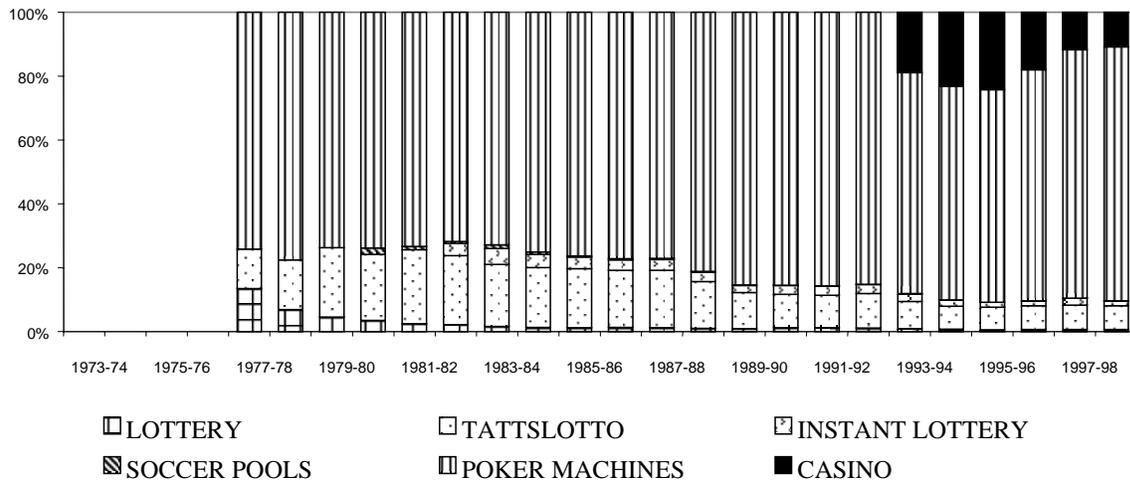
Figure 2.17
 Percentage distribution of real per capita gaming expenditure, Tasmania, 1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

Expenditure on casino gambling has been dominant in Tasmania since the 1970s (Figure 2.17). Lottery products and minor gaming were important during the 1980s.

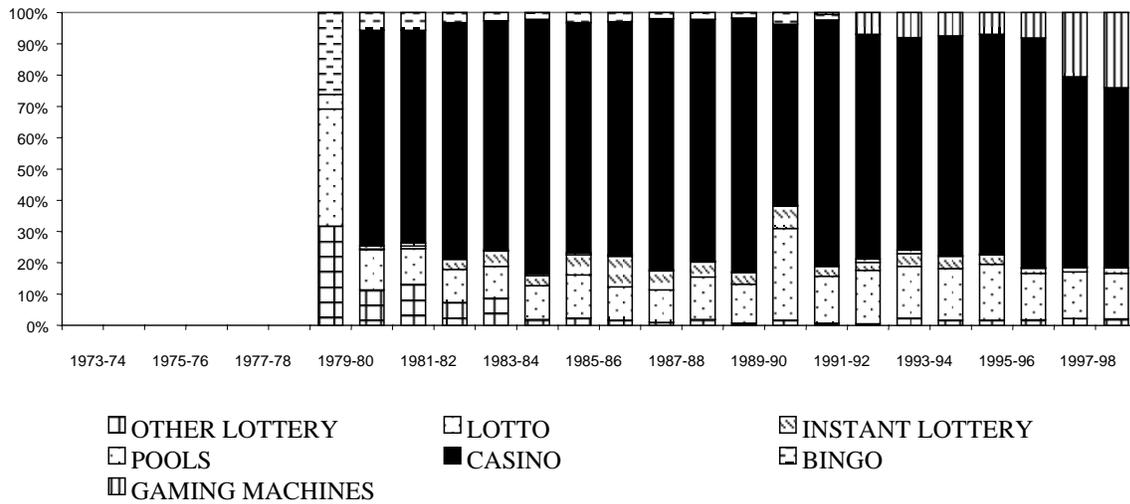
Figure 2.18
Percentage distribution of real per capita gaming expenditure, ACT, 1976-77 to 1997-98



Source: Tasmanian Gaming Commission 1999.

In the ACT (Figure 2.18), EGMs were the most important form of gaming over the entire period. Lottery products achieved up to 25% of the market at their peak in the early 1980s but had declined to less than 20% in 1997-98.

Figure 2.19
Percentage distribution of real per capital gaming expenditure, NT, 1978-79 to 1997-98



Source: Tasmanian Gaming Commission 1999.

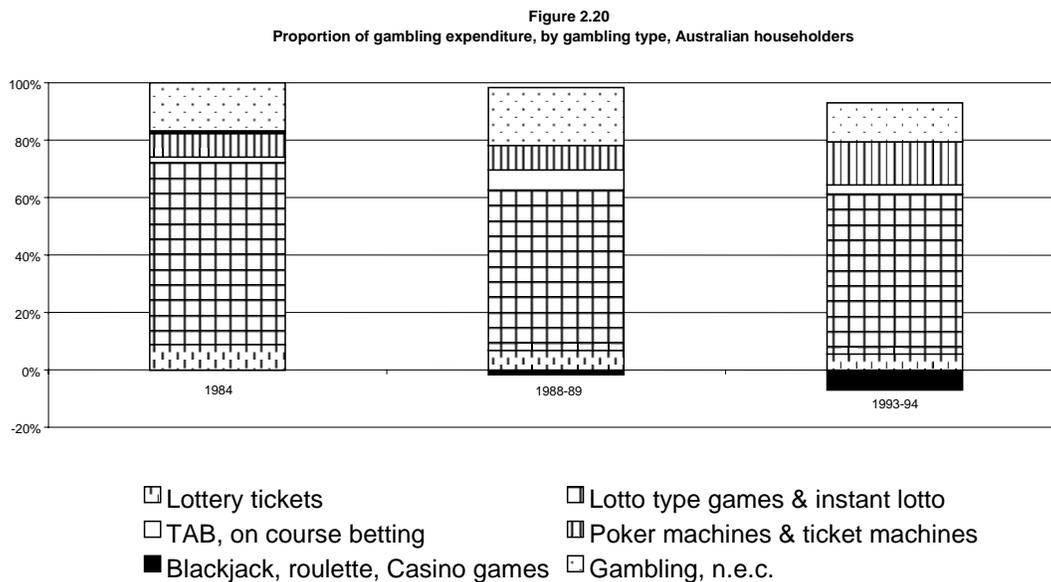
Figure 2.19 for the Northern Territory shows that from its inception in 1979-80 until 1997-98, the two casinos have dominated gaming expenditures. EGMs have had a minor role from the early 1990s but were over 20% in 1997-98.

Summary of gambling expenditures for all states:

- EGMs have dominated in NSW for the whole period under review;
- in most other states, various forms of lottery were the most important form of gambling expenditure until the early 1990s;
- EGMs have taken over as the most important form in every state where they have been introduced during the 1990s; and
- casinos have become the second most important source of gaming entertainment expenditure in the 1990s.

Self reported household expenditures

The data above are constructed from administration and revenue records. However households also report their spending on different forms of gambling in the Household Expenditure Survey conducted by the Australian Bureau of Statistics every four years or so. It must be noted that the validity and reliability of these data are questionable. When these self-reported figures are aggregated with the appropriate weights to arrive at a national estimate of spending it is found that spending on gambling is underestimated by 100 per cent. Nevertheless in Figure 2.20 we show the shares of spending on various forms of gambling in the three surveys we have unit records for, 1984, 1988-89 and 1993-94, for Australia as a whole.



Source: ABS Household Expenditure Unit Record Files.

The most significant observation is that households reported that they had net wins from expenditure at the casino in 1993-94 and to a lesser extent in 1988-89. For Australia as a whole, the figure confirms the trends previously noted: that whereas lottery type games have been predominant in the past, EGMs and casino games have emerged as the fastest growing form of gambling expenditure since the 1980s.

Other data from the household expenditure surveys suggest that the proportion of households participating in gambling has remained fairly constant.

Recent economic developments: Gambling as an industry

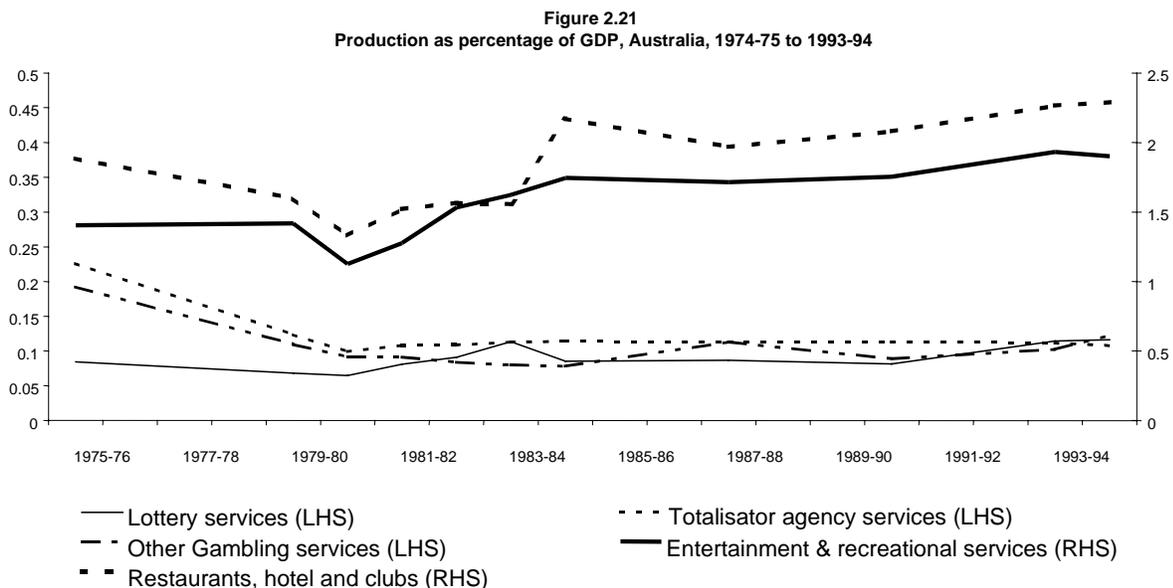
Key issues which indicate the changing nature of gambling as an industry include:

- growth in importance of gambling as an industry measured by expenditure or employment;
- regional and local aspects of industry growth – concentration of venues in low-income communities;
- change in public/private ownership, loss of community-based nature; and
- concentration of ownership.

Gambling traditionally has been defined and measured in national accounts as a component of two industries: the entertainment and recreational services industry; and the restaurants, hotels and clubs industry. In the next two sections we consider growth in output and employment for these industries and for components of these industries.

Output

Figures 2.21 and 2.22 show the importance of these two industries and the three components of the entertainment and recreational services industry which largely relate to gaming. These are lottery services, totalisator agency services and other gambling services. In each graph, the scale for the two industries is shown on the right side, while the scale for the three components of the entertainment and recreational services industry is shown on the left side. Figure 2.21 shows that over the period 1975-76 to 1993-94, restaurants, hotels and clubs have grown as a share of GDP after an initial sharp fall. Entertainment and recreational services have grown steadily over the period as a share of GDP.

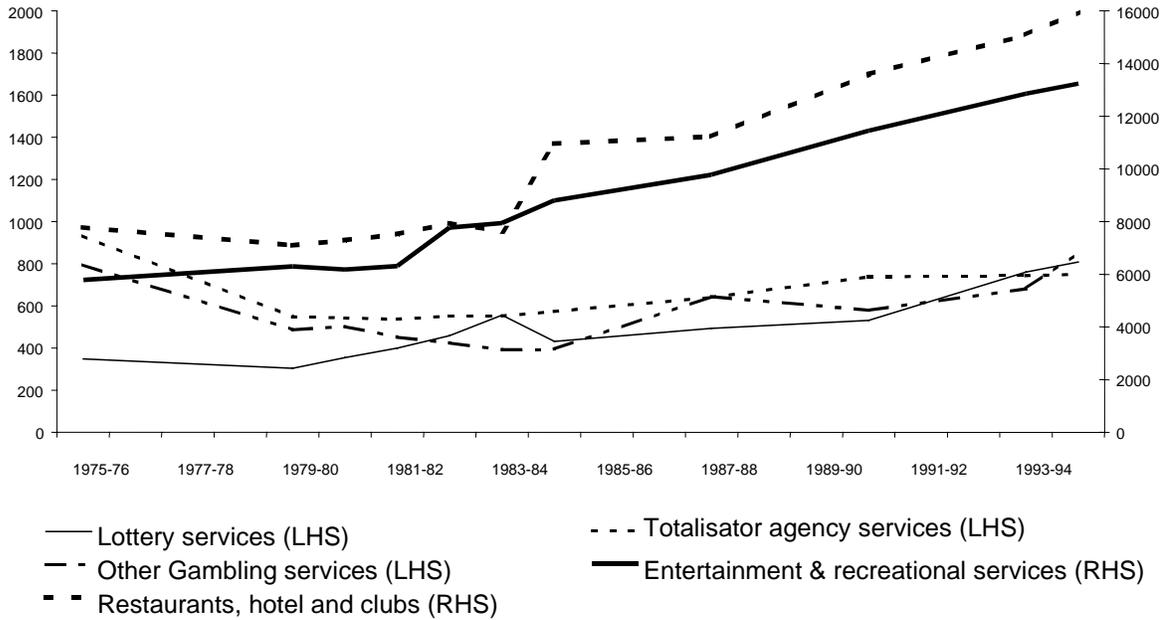


Source: ABS Catalogue No. 5215.0.

Figure 2.22 shows changes in real production for the two industries and the three components of entertainment and recreation. Both industries showed strong positive growth in output over the period. After an apparent sharp fall in the first few years totalisator agency services and other gambling grew steadily from the early 1980s to mid-1990s. Lottery services remained

constant until the early 1980s, then grew slowly.

Figure 2.22
Production (1989-90 prices), Australia, 1974-75 to 1993-94

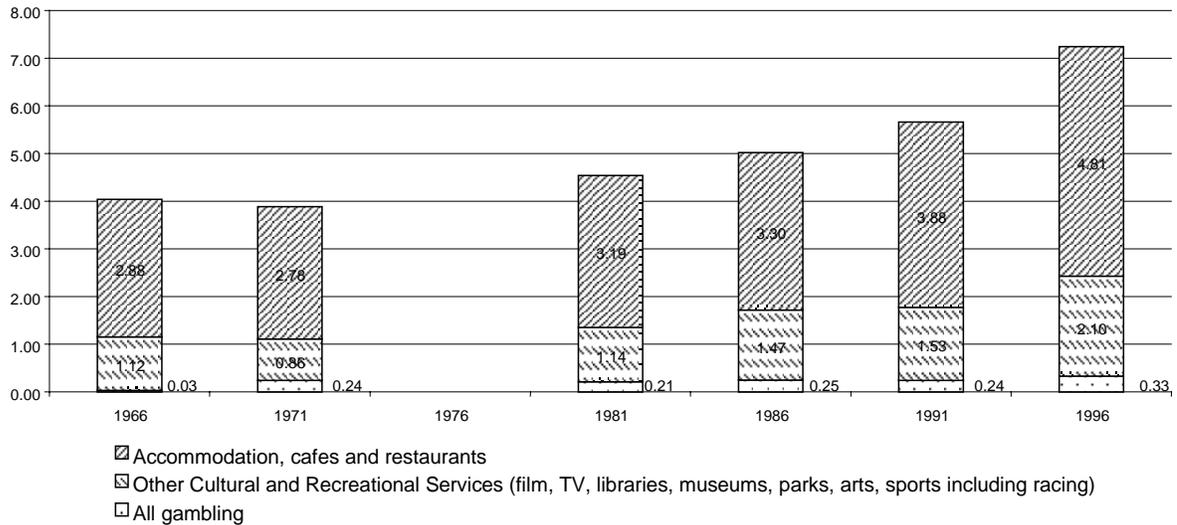


Source: ABS Catalogue No. 5215.0.

Employment

Employment in gambling-related industries is shown in Figure 2.23. In 1966 the three industries shown – accommodation, cafes and restaurants; other cultural and recreational services; and gambling – made up 4% of total employment. This rose to 7.24% with all components growing strongly. Strongest growth in gambling occurred in the period from 1991 to 1996 when gambling related employment grew by 38%.

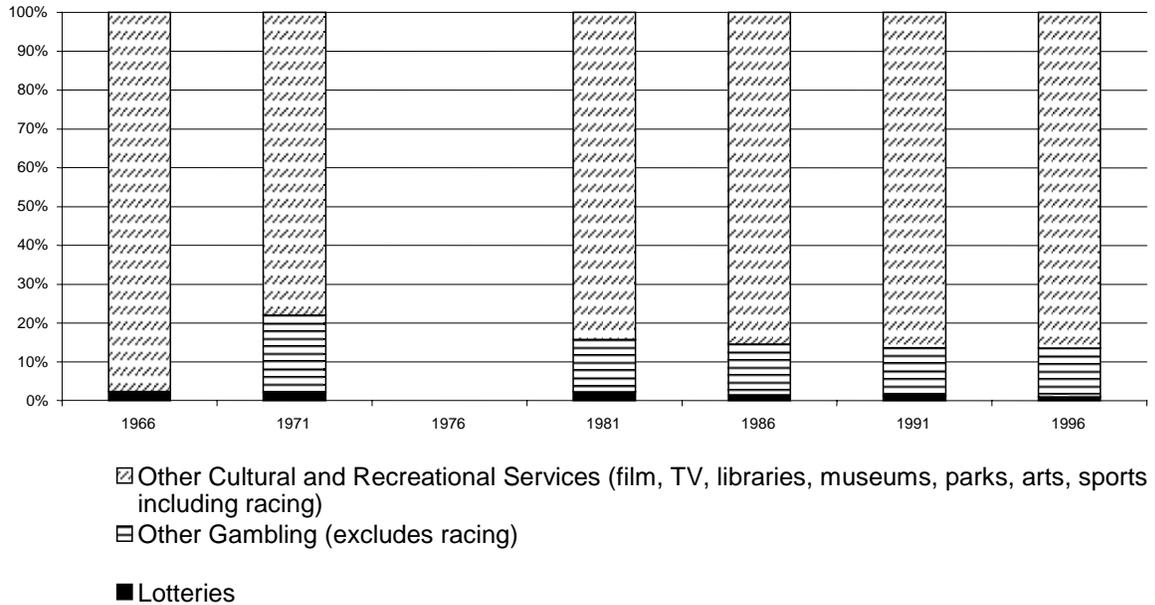
Figure 2.23
Cultural and recreation services employment as a percentage of all employment, Australia, 1966 to 1996



Source: ABS Census of Population and Housing, 1966-1996. Insufficient data were at hand for 1976

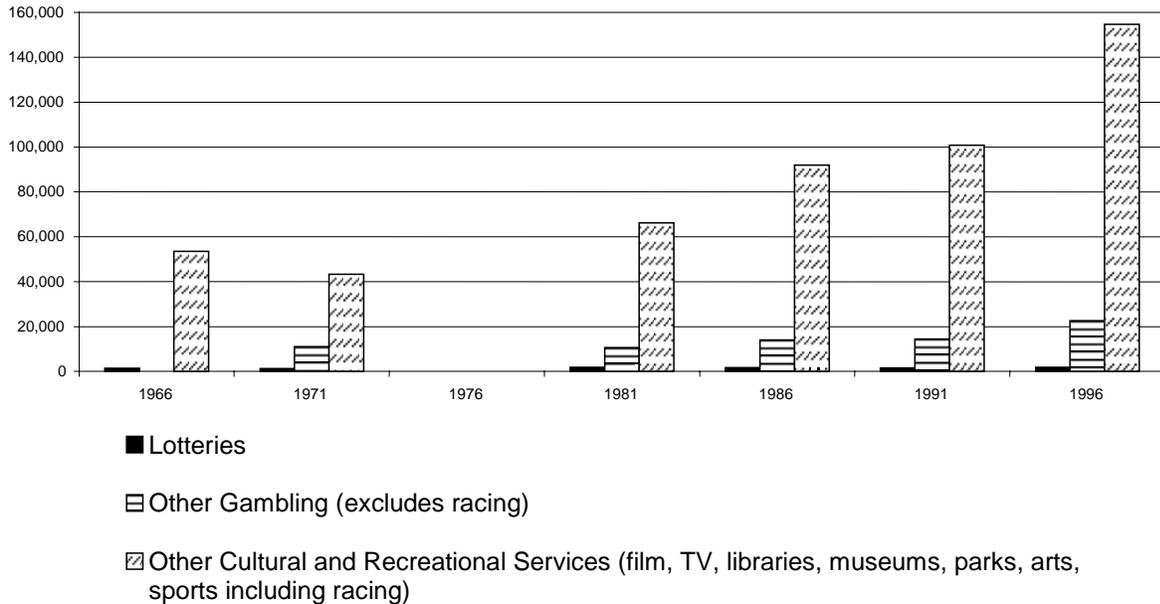
The composition of the cultural and recreational services sector is shown in Figure 2.24. Gambling made up about 12% of the sector in 1996. Numbers of employees are provided in Figure 2.25.

Figure 2.24
Composition of employment in cultural and recreation services, Australia, 1966 to 1996



Source: ABS Census of Population and Housing, 1966-1996. Insufficient data were at hand for 1976

Figure 2.25
Employment by recreation and cultural services industry, Australia, 1966 to 1996
(persons)



Source: ABS Census of Population and Housing, 1966-1996. Insufficient data were at hand for 1976

Gambling and state taxation

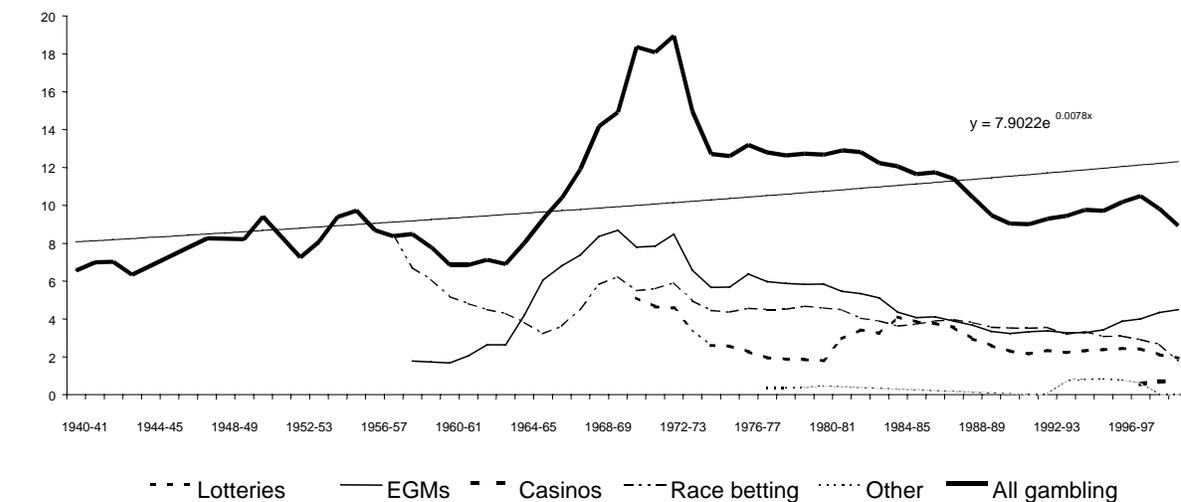
Issues which measure the significance of gambling as a source of revenue are:

- the importance of gambling to government revenues (as a percentage of taxes raised and revenue spent); and
- the importance by level of jurisdiction (state vs local vs federal).

Gambling tax as a share of all state/territory raised revenue

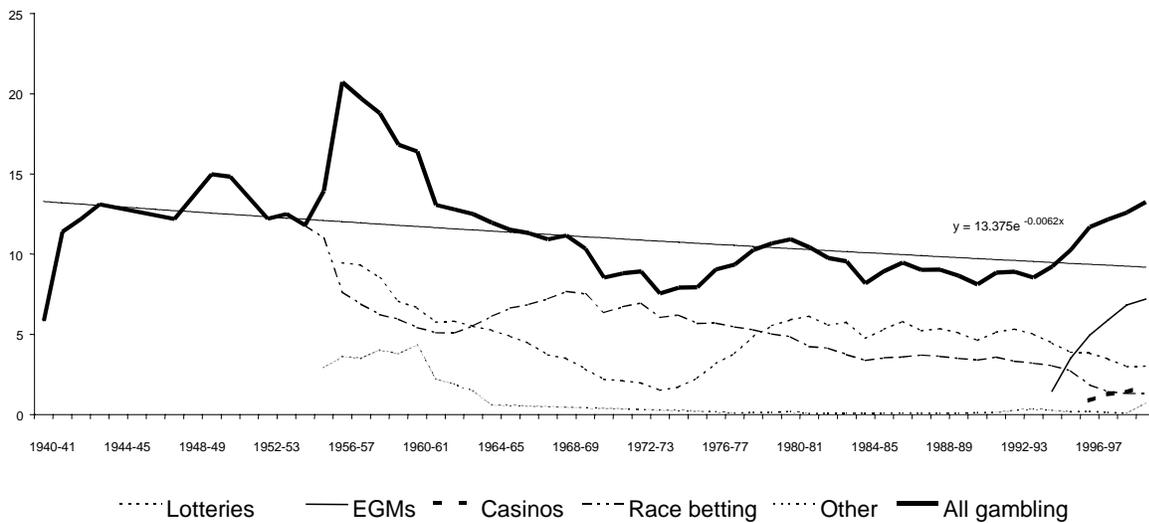
Figure 2.26 shows gambling taxes as a proportion of NSW state government revenues from 1938 to the present. There appear to be three periods where distinct patterns can be identified; from 1938 to 1961-62 when tax revenues were fairly constant; from 1962-63 to 1972-73 when revenues increased dramatically then fell back almost as quickly; and the period from 1974-75 until the present when there has been a steady decline in gambling as a proportion of total government revenues. At the start of the period, tax revenue made up around 6% of total revenues; by the early 1970s it had risen to almost 20% before returning to around 8% in 1997-98.

Figure 2.26
Gambling taxation as a percentage of state government taxation, NSW, 1938-39 to 1997-98



Source: ABS Catalogue No. 5506.0.

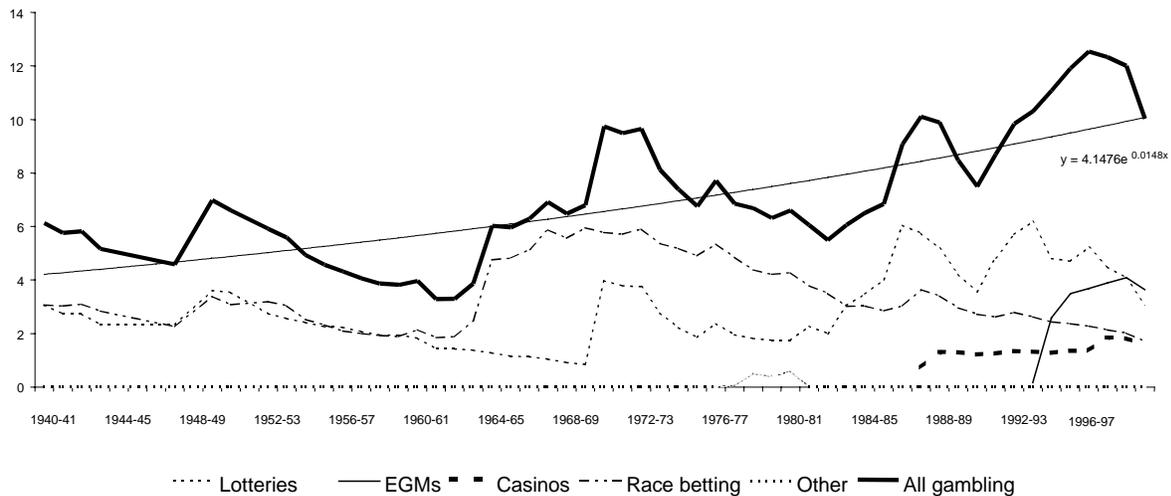
Figure 2.27
Gambling taxation as a percentage of state government taxation, Victoria, 1938-39 to 1997-98



Source: ABS Catalogue No. 5506.0.

Figure 2.27 shows the trend in revenues from gambling taxes for Victoria. Gambling revenues have been an important source of revenue for the state since the early 1940s, ranging from around 15% in the 1940s, rising to a peak of 20% in the mid-1950s, then steadily falling back to around 10% in the late 1980s. Since 1991-92 the importance of gambling taxes to state revenues has once again increased to around 15%. Almost all of this latter increase has been the result of growth in taxes from EGMs.

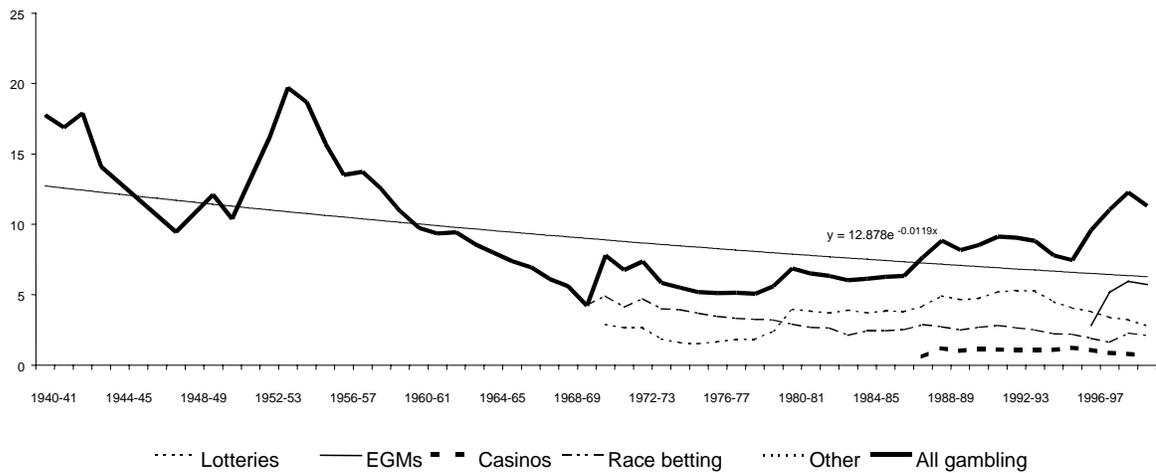
Figure 2.28
Gambling taxation as a percentage of state government taxation, Queensland, 1938-39 to 1997-98



Source: ABS Catalogue No. 5506.0.

Tax revenues in Queensland from gambling have been erratic but the trend is upwards, from around 6% of total state tax revenues in 1938-39 to about 12% in 1997-98 (Figure 2.28). The major reason for the most recent increase is the sharp growth in revenue from EGMs since 1991-92.

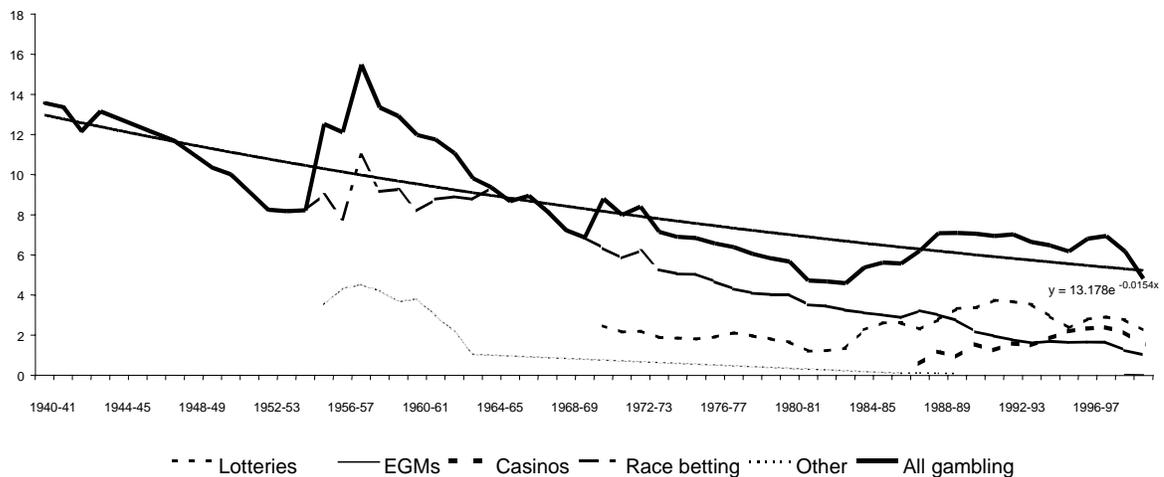
Figure 2.29
 Gambling taxation as a percentage of state government taxation, South Australia,
 1938-39 to 1997-98



Source: ABS Catalogue No. 5506.0.

In South Australia the trend in gambling taxes as a proportion of total state revenues was downward for the period 1938 to 1968 but has been upward since then, with a sharp increase following the introduction of EGMs in 1994-95 (Figure 2.29).

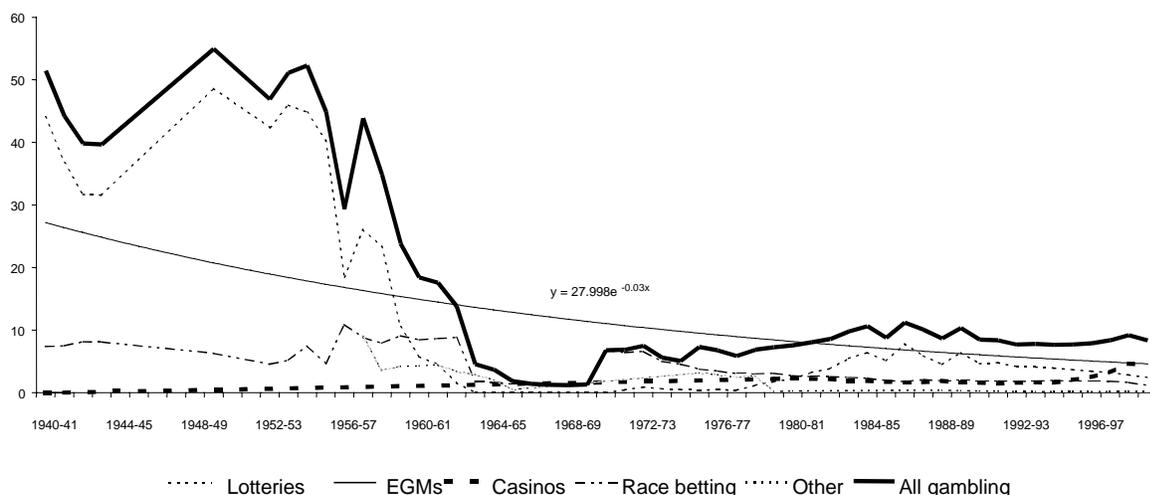
Figure 2.30
 Gambling taxation as a percentage of state government taxation, Western Australia,
 1938-39 to 1997-98



Source: ABS Catalogue No. 5506.0.

Figure 2.30 shows the trend in revenues from gambling taxes for Western Australia. Gambling revenues have been an important source of revenue for the state since the early 1940s, ranging from around 13%, rising to a peak of 16% in the mid 1940s but falling back to around 5% in the early 1980s. Over the last few years their importance has once again increased to around 8%. Almost all of this latter increase has been the result of growth in lotteries and casino taxes.

Figure 2.31
 Gambling taxation as a percentage of state government taxation, Tasmania, 1938-39 to 1997-98



Source: ABS Catalogue No. 5506.0.

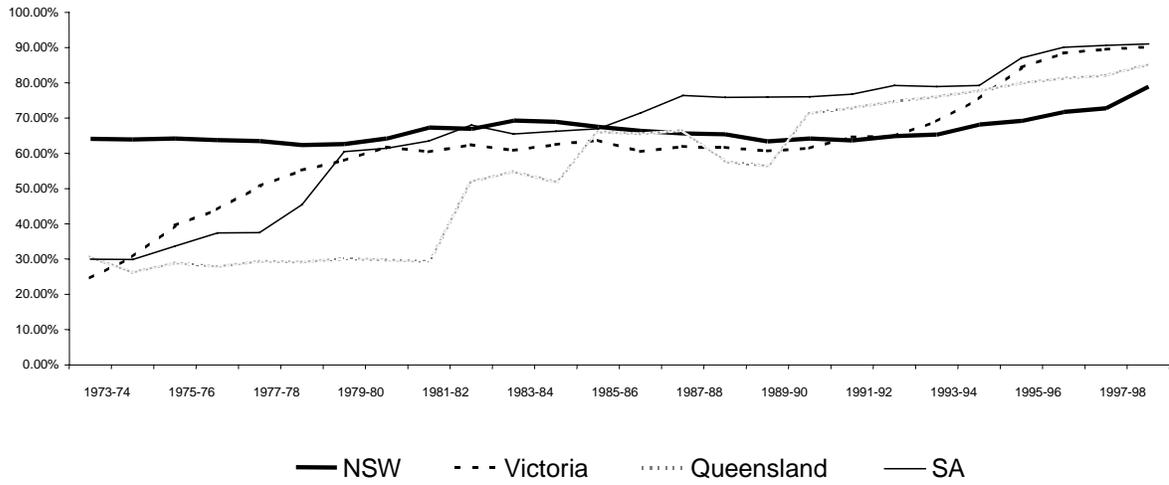
In Tasmania, after providing close to half the state's tax revenue in the period from the late 1930s to the mid 1950s, a decline in lottery revenues led to gambling taxes contributing only a small proportion of government earnings in the early 1960s (Figure 2.31). Since then, tax revenue has increased and now contributes nearly 10% of Tasmanian government revenue. This has been achieved primarily through the introduction of casinos and EGMs.

Comparison of gaming between states

Figures 2.32, 2.33 and 2.34 allow comparison of the contribution of gaming to all gambling revenue in all states and territories. It must be noted that these patterns are influenced by the extent to which the different forms of gambling have been made available and by the widely variable tax rates which apply in the various jurisdictions.⁵⁶ Figure 2.34 also shows the trend line for gambling taxes as a percentage of all taxation raised by states and territories. For example, the number of EGMs that operate will affect the taxes earned by government. While NSW has over 93,000 gaming machines, the Northern Territory has less than 600 EGMs outside the two casinos; Western Australia has no gaming machines in clubs and hotels.

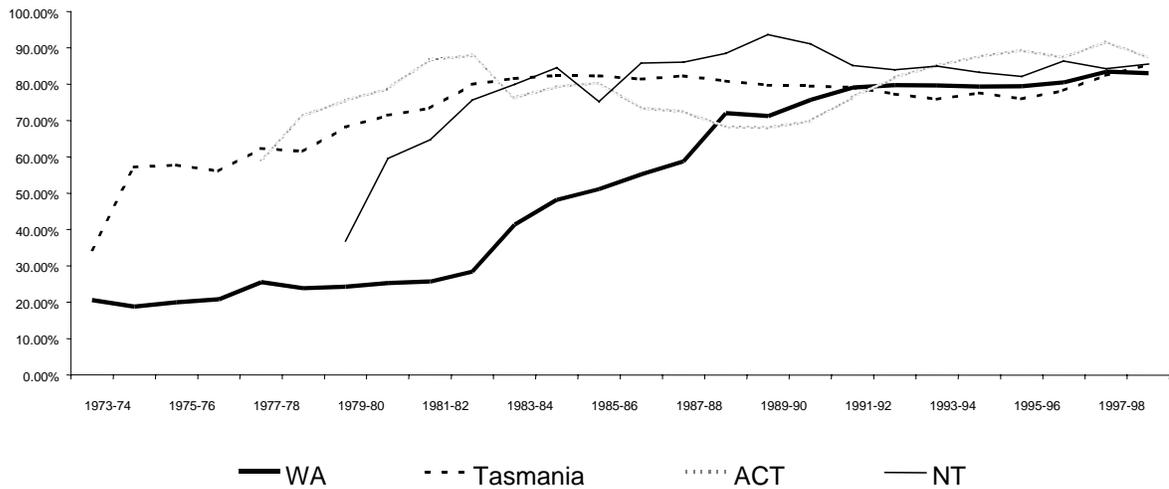
⁵⁶ Smith, Julie 1998 *Gambling Taxation in Australia*. Canberra, Australian Tax Research Foundation.

Figure 2.32
 Percentage of gambling revenue from gaming, NSW, Victoria, Queensland, South Australia,
 1972-73 to 1997-98



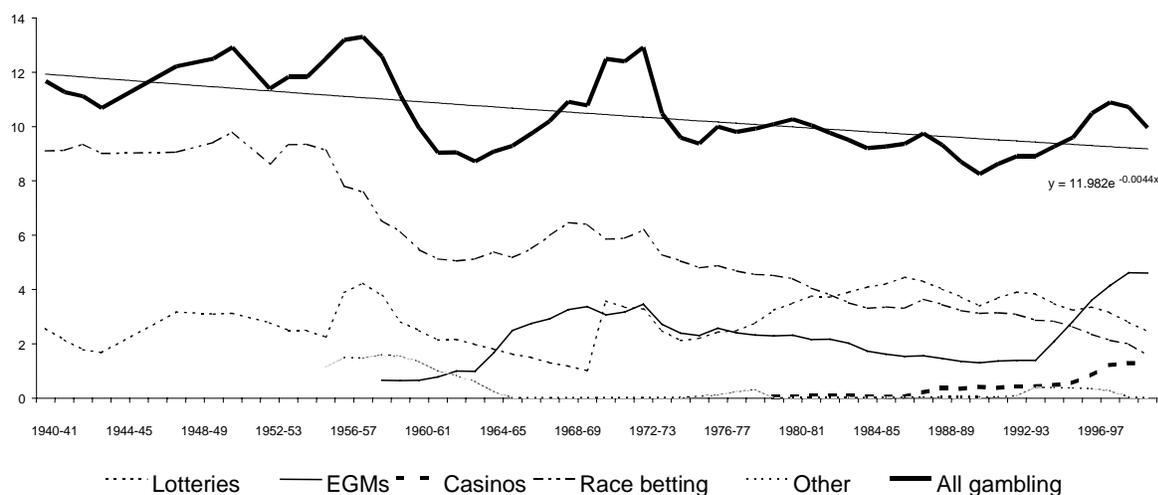
Source: Tasmanian Gaming Commission 1999.

Figure 2.33
 Percentage of gambling revenue from gaming, Western Australia, Tasmania, ACT, NT, 1972-73 to 1997-98



Source: Tasmanian Gaming Commission 1999.

Figure 2.34
Gambling taxation as a percentage of government taxation, all states and territories, 1938-39 to 1997-98



Source: ABS Catalogue No. 5506.0.

Summary

Gambling in Australia has become a large and expanding industry, incorporating a wide diversity of activities ranging from charitable gambling to internet and online interactive gaming. Expenditure on gaming, especially EGMs and casino gambling, has increased at a much faster rate than other forms of gambling during the 1990s. The introduction of EGMs to clubs and hotels in every state except Western Australia and an increase in the total number of casinos from eight in 1990 to fourteen by 1996 made these forms of gambling accessible to the majority of Australians on a daily basis. Racing, formerly the most popular form of gambling until the 1960s, has struggled to maintain its market share.

Associated with the proliferation of legalised gambling has been a shift towards investment and operation by large private corporations. Commercial casinos in particular have attracted international gambling operators and, to a lesser extent, participation by tourists and ‘highroller’ gamblers. The move towards gambling as a legitimate private sector activity is reflected in the privatisation of state-owned gambling operations such as TABs and the corporatisation of state lotteries.

Gambling is a popular and growing leisure activity with Australians, who spent over \$11 billion on gambling in 1997-98. This equates to about 3 per cent of household disposable income; each Australian adult spent (lost) \$819 on various gambling products.⁵⁷ As a general trend, New South Wales’ residents spend the most, with residents in Victoria and the Northern Territory also spending relatively large amounts on gambling.

A number of differences are apparent between gambling products and across states/territories. Since the 1980s the gaming sector has attracted the highest level of expenditure, with gaming machines the most popular form of gambling. Casino gambling also is popular, particularly

⁵⁷ It must be noted that the Tasmanian Gambling Commission statistics for per capita expenditure also include spending by overseas and interstate tourists.

with residents in the Northern Territory and Western Australia. Western Australians also spend the most on lottery products, reflecting the absence of gaming machines outside casinos. Northern Territory residents have the highest level of spending on racing. Although racing expenditure continues to grow in most states, it has not kept pace with the various forms of gaming.

The gambling industry provide an increasing range of services and products across Australia, either as their principal activity (casinos, TABs, lotteries/lotto) or as a supplementary source of income to other activities (clubs, hotels). The industry also employs large numbers of people, both directly and indirectly. Employment has grown commensurately with rising expenditure, representing 17 per cent of total cultural and recreational employment in 1997-98.

In addition to the popularity of gambling as a leisure activity and its growth as an industry, gambling taxation provides a significant and growing proportion of revenue collected by state and territory governments. Revenue from gambling taxes has almost doubled in the last ten years and now provides approximately 12 per cent of state generated tax revenue. The increase is primarily due to the expansion of gaming machines and casino licences. In 1997-98, state and territory governments collected over \$3.8 billion in gambling taxes. Together New South Wales and Victoria generate almost 70 per cent of the total gambling taxation revenue, with gaming machines the largest source of revenue. State differences in the share of own state generated taxation revenue derived from gambling is due to the variability in the availability of gambling products and thus the varying level of expenditure between jurisdictions.

Chapter 3: Racing and Betting

Introduction

Overview of the chapter

This chapter deals with the establishment and development of the racing and betting industries. Following the introductory section, which outlines the different racing codes, the racing clubs and the role of government, the chapter is divided into four main subsections. These are:

- the development of state racing and betting industries;
- the history of the development of betting, from bookmakers to the ‘tote’ to the TABs;
- the establishment and development of the TABs as the principal providers of betting products; and
- a concluding section which summarises the preceding themes and looks at the expansion and development of wagering products.

Each subsection deals with the history of the racing industry and the history of betting practices and products simultaneously. This is considered most appropriate for a mode of gambling that emerged from its inception as a largely community-based activity to its contemporary standing as a multimillion dollar industry.

Racing: How it all began

Horse and dog racing are two of the oldest sports in the world, and were popular sources of betting in Britain during the eighteenth century. Horses and greyhounds were introduced to eastern Australia with European settlement in 1788. Captain Arthur Phillip arrived with one stallion, three mares and three foals, purchased at the Cape of Good Hope where the First Fleet stopped for supplies en route to Sydney Cove. Also on board were several greyhounds, which the early settlers brought to the colony to hunt native animals for meat.

Since the time of the first organised race meeting at Hyde Park in 1810, racing has undergone significant and continuing change. The original associations with sport, recreation and social gambling have remained and still prevail in many ways. However, racing is now also regarded as an industry because of its important contribution to the national economy and state government revenues.⁵⁸ The industry is reputed to be Australia’s third largest, providing employment directly and indirectly for 250,000 people in diverse areas such as primary production, transportation, tourism, entertainment as well as gambling.

⁵⁸ ACIL Economics and Policy P/L 1992 *The Contribution of the Racing Industry to the Economy of Australia*, ACIL Australia, Canberra.

Three main codes of racing form the racing industry:

- thoroughbred horseracing;
- standardbred or harness horseracing, (also known as trotting); and
- greyhound racing.

In 1997-98 the gambling expenditure on Australian racing was \$1.683 billion. Of this amount, \$1.437 billion was spent on the TAB; \$83.34 million with on-course bookmakers; \$142.51 million with the on-course tote; \$0.15 million with off-course bookmakers; and \$20.26 million on sportsbetting (racing).⁵⁹ Betting on racing made a significant contribution to state and territory taxation revenues. Australian state and territory governments received \$574.84 million in revenue from gambling on racing: \$491.78 million from betting on racing with the TAB; \$17.86 million from betting on racing with bookmakers; \$62.05 million from betting on racing on the on-course tote; and \$3.14 million from sportsbetting (racing).⁶⁰

Thoroughbred horseracing

Thoroughbred racing (for gallopers) is the largest and oldest of the three racing codes. The first official horserace in Australia was held at Hyde Park, Sydney, at a race meeting held by the officers of Governor Macquarie's 73rd Regiment (see Table 3.1). Horseracing proved to be both a popular sporting and betting event with early settlers and a focus for social gatherings. Racing spread rapidly as colonists settled up and down the east coast and became so popular that it required formal organisation and control. In 1842 the Australian Jockey Club (AJC) was established in Sydney. A network of Principal Clubs developed by 1900 and a set of Australian Rules of Racing was accepted in 1912. Early race meetings were primitive and informal:

Courses were unfenced. Horses ran to landmarks or around flags and posts. They sometimes lost their way and ran off course. Pedestrians and spectators on horseback got in the way and stray dogs were a notorious hazard. Advertisements around the course warned that 'All dogs found on the course during the days of racing will be shot'.⁶¹

For a nation with a population of approximately 18 million people, Australia has developed an unusually large thoroughbred industry. In the 1996-97 season, 459 thoroughbred clubs conducted 22,935 race meetings on 401 racecourses throughout the country. Horses competed for prizemoney totalling \$256 million. There were 32,541 registered thoroughbred horses in training in 1996-97, handled by 8,131 trainers and ridden by 1,786 jockeys and apprentices. Up to 100,000 Australians are estimated to be involved in thoroughbred racehorse ownership.⁶²

⁵⁹ Tasmanian Gaming Commission [TGC], *Australian Gambling Statistics 1972/73 to 1997/98*, Table A.

⁶⁰ Ibid, Table 115.

⁶¹ Queensland Government 1995 *The Industry of Racing*, Prepared by the Curriculum Division of the Racing Industry Training Infrastructure Project, p.11.

⁶² Australian Racing Board, <http://www.australian-racing.net.au/admin.htm>.

Table 3.1 The introduction of thoroughbred horseracing

Period	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
1788 to 1900	1838: First race meeting Melbourne. 1830s: race clubs est. in major towns. Betting with bookmakers popular. 1857: VJC formed. 1861: First Melbourne. Cup is run. 1893: John Wren's Collingwood tote est.	1810: first official race meeting in Hyde Park Sydney. 1825-32: first formal race club (Sydney Turf Club). Betting with bookmakers popular. 1842: AJC established.	1842: first race meeting in Brisbane. 1848: race meeting on Darling Downs. 1863: formation of Queensland Turf Club (QTC). Betting with bookmakers. 1879: tote introduced.	1838: First race meeting in Adelaide. Betting with bookmakers. 1850-73: four attempts to form SA Jockey Club (SAJC). 1879: tote introduced.	1833: first race meeting near Fremantle. 1848: first meeting at Ascot. 1852: WA Turf Club (WATC) formed. Betting with bookmakers. 1882: tote introduced. 1887: Perth Cup.	1814: organised races began in New Town. 1871: Tas. Turf Club (TTC) formed. 1874: Tas. Racing Club (TRC) formed in Hobart. 1880 introduction of the totalisator.	N/a	N/a
1900 to 1940s * Comm. Govt. restricts racing to Saturday and Sunday only during WWI 1917-18.	1906: legislation restricts betting to licensed on-course bookmakers. 1912: Aust. Rules of racing accepted by Principal Clubs. 1928: tax on betting introduced. 1930-40s: SP bookies flourish as telephone and radio broadcasting widespread. Private tracks prohibited	1912: Australian Rules of racing accepted by Principal Clubs. 1917: tote introduced by AJC. 1917: tax on betting introduced. 1930-40s: SP bookies flourish. 1930-50s: private racetracks prohibited.	1910: John Wren purchases Albion Park racecourse. 1912: Australian Rules of racing accepted by Principal Clubs. 1917: tote introduced by QTC. 1923: betting tax introduced. 1930: private racetracks prohibited. SP bookies flourish.	1912: Australian Rules of racing accepted by Principal Clubs. 1921: tote introduced by SAJC. 1933-34: betting tax introduced and licensed bookmakers legalised. 1936: tote prohibition continued 1930-40s: SP bookies flourish. Private racetracks prohibited.	1915: tote permitted on unregistered country courses controlled by John Wren and associates. 1916: tote approved by WA Trotting Association. 1912: Australian Rules of racing accepted by Principal Clubs. 1916: prohibition of unregistered racing.	1902-05: betting reforms, racing tax introduced on tote. 1912: Australian Rules of racing accepted by Principal Clubs. 1932: off-course betting shops legalised. 1933: on-course bookmakers reintroduced. SP bookies flourish.	Bush racing. Betting with unlicensed bookmakers.	Bush racing. Betting with unlicensed bookmakers.
1940s to 1970s	1942-45: wartime restrictions on race meetings. 1940-60s: rapid growth of private SP betting, aided by telephone and radio broadcasting. 1950s: proprietary racing removed. 1960: TAB off-course betting legalised. 1967: automated real time betting established by TAB.	1942-45: wartime restrictions on race meetings. 1940-60s: rapid growth of private SP betting, aided by telephone and radio broadcasting. 1950s: proprietary racing removed. 1957: Golden Slipper introduced. 1964: TAB off-course betting established. 1965: PhoneTAB introduced.	1942-45: wartime restrictions on race meetings. 1940-60s: rapid growth of private SP betting, aided by telephone and radio broadcasting. 1950s: proprietary racing removed. 1970s: Racing Develop. Fund established to promote the racing industry.	1942-43: wartime closure of all racecourses. 1940-60s: rapid growth of private SP betting, aided by telephone and radio broadcasting. 1967: TAB off-course betting introduced.	1942-45: wartime restrictions on race meetings. 1940-60s: rapid growth of private SP betting, aided by telephone and radio broadcasting. 1950s: proprietary racing removed. 1965: TAB off-course betting introduced, boost to racing industry.	1942-45: wartime restrictions on race meetings. 1940-60s: rapid growth of private SP betting, aided by telephone and radio broadcasting. 1950s: proprietary racing removed. 1974: introduction of off-course TAB betting. 1978: off-course betting shops removed.	1964: ACT-TAB off-course betting introduced linked to Victorian and NSW TAB systems. 1970s: introduction of telephone TAB betting. Introduction of feature races by ACT Racing Club.	1942-45: wartime restrictions on race meetings. 1960s: Darwin Turf Club and Alice Springs Turf Club established. 1978: off-course licensed bookmakers introduced. Feature races established in Alice Springs and Darwin.

Period	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
1980s to 1990s	1980s: telecasts of race meetings. 1985: TAB agencies established in hotels (PubTAB). 1980s: Country race clubs rationalised. Track attendance declines. 1985: sportsbetting legalised with TAB. 1994: Privatisation of TAB (Tabcorp). Racing industry deregulated (VicRacing established). 1994: Super Vobis incentive scheme commences. 1998: night racing introduced to Moonee Valley. 1998: Tabcorp makes takeover offer for Star City Casino (NSW).	1980s: telecasts of race meetings. 1983: PubTAB and TAB in clubs. Track attendance declined. 1980s: Country race clubs rationalised. Formation of TRB. Satellite broadcasts via Sky Channel. Racecourse facilities improved. SportsTAB introduced. 1998: Privatisation of TAB (TAB Ltd). TAB Ltd authorised to monitor EGMs in NSW clubs and hotels.	1980s: telecasts of race meetings. Track attendance declined. Country race clubs rationalised. 1991: Queensland Principal Club (QPC) established as central authority. 1999: Privatisation of TAB announced.	1980s: telecasts of race meetings. 1980s: Track attendance declined. Country race clubs rationalised. Racecourse facilities improved.	1980s: telecasts of race meetings. Track attendance declined. 1990s: expansion of Sky Channel coverage of WA racing in eastern states. Racecourse facilities improved.	1980s: formation of Tasmanian Racing Board (TRB) to represent all racing. 1980s: telecasts of race meetings. Track attendance declined. 1983: first independent appeals tribunal established. Racecourse facilities improved.	1980s: telecasts of race meetings. Track attendance declined. Racecourse facilities improved.	1985: TAB off-course betting introduced via NSW TAB system. Track attendance declined. 1990s: Country race clubs rationalised. Racecourse facilities improved. Review of racing and TAB in process.

Harness racing

The history of harness racing appears to date back to the USA in the 1700s, and was brought to Australia with the thousands of Americans attracted by the discovery of gold in Victoria during the nineteenth century. Many of the Americans who went to the Victorian diggings stayed on to settle in the new country. This American influence was a major factor in Melbourne's pioneering role in Australian harness racing.

In 1859 one of these Americans, John Peck, and several of his friends organised a special race meeting for those horses that favoured the trotting or pacing gait. The program was called the 'American Trotting Races' and permission was granted for the event to be held at Flemington Racecourse on 21 January 1860. The feature event was called the 'Harness Race', which carried a considerable prize of 100 sovereigns.

In 1881 the first official all-trotting track was opened at Elsternwick Park, Melbourne (see Table 3.2). By 1882, harness racing events were being contested on a regular basis in Melbourne. During the 1880s the term 'standardbred' became the uniform term to describe horses bred specifically for harness racing. The term derives from the practice of testing potential racers by requiring them to complete a mile within a standard time. Early this century, trotting races were held for horses dragging carts or drays. Later, during the 1920s, specially designed light sulkies were developed and introduced to harness racing. Eventually,

harness racing was to grow into a major industry in its own right, with around 130 official harness racing tracks operating today.

Table 3.2 The introduction of harness racing to Australian states and territories⁶³

Period	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
1788 to 1900	1850s: harness racing introduced by American goldminers. 1860: first official race meeting at Flemington. 1870s: Victorian Trotting Club formed; proprietary racecourse est. at Elsternwick. 1880s: success of gallops and the tote give impetus to harness racing.	1885: Driving Park Club established for trotting at Moore Park.	1888: trotting club established at Eagle Farm racecourse.	1880: trotting club established at Victoria Park racecourse.	Not known	Not known	N/A	N/A
1900 to 1940s Wartime closure of courses 1916-18. Harness racing did not recover for a decade	1910: John Wren's Victorian trotting Association asserts control. 1916-18: wartime closure of racecourses. 1920s: light sulkies introduced.	1902: NSW Trotting Club formed to control harness racing. 1916-18: wartime closure of racecourses.	1916-18: wartime closure of racecourses.	1916-18: wartime closure of racecourses.	1910: harness racing introduced to Perth. 1916-18: wartime closure of racecourses. 1929: night racing introduced at Gloucester Park.	1910: trotting clubs established Launceston and Hobart. 1916-18: wartime closure of racecourses. 1920s: harness racing popular alternative to gallops.	Not known	Not known
1940s to 1970s	1947: night racing introduced. 1950s: proprietary racing removed. 1970s: TAB & television broadcasts increase popularity. 1976: Moonee Valley track opened.	1949: night racing introduced. 1950s: proprietary racing removed. 1970s: TAB & television broadcasts increase popularity.	1950s: proprietary racing removed. 1970s: night racing introduced to Albion Park; TAB and TV broadcasts increased popularity.	1950s: proprietary racing removed. 1970s: TAB and TV broadcasts increased popularity. 1974: Globe Derby track opened.	1950s: proprietary racing removed. 1970s: TAB and TV broadcasts increased popularity.	1950s: proprietary racing removed. 1970s: TAB and TV broadcasts increased popularity.	Not known	Not known
1980s to 1990s	1980s: Track attendance declined. Facilities upgraded.	1980s: Track attendance declined. Facilities upgraded by Harness Racing NSW.	1980s: Track attendance declined. Facilities upgraded.	1980s: Track attendance declined. Facilities upgraded.	1980s: Track attendance declined. Facilities upgraded.	1980s: Track attendance declined. Facilities upgraded.	Not known	Not known

⁶³ Note: This table, and Table 3.3, do not recapitulate the historical betting arrangements from Table 3.1, as changes were largely uniform across the racing codes.

Greyhound racing

Greyhounds, an ancient breed of dog depicted in Egyptian tombs as far back as 3,000 BC, were valued by British society as a symbol of class and breeding. Henry VIII encouraged young noblemen to breed and train greyhounds as part of their education. Captain Cook and Sir Joseph Banks brought the first greyhounds to Australian shores in 1770 when they landed at Botany Bay.

In the first years of settlement when the struggle for survival was intense, colonists used greyhounds to hunt native animals for food. When the colony began to produce its own supplies and the necessity to use greyhounds as hunters diminished, the early settlers began to race the dogs as a means of sport and entertainment. However, these activities lacked formal organisation until the National Coursing Association of NSW was formed in 1891. Mechanical lures were introduced to Australia in 1927, eighteen years after being developed in the USA. From its early beginnings as a provider of meat to a popular provider of entertainment and leisure, the greyhound industry has developed into a regulated multimillion dollar sport.

Table 3.3 The introduction of greyhound racing to Australian states and territories

Period	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
1788 to 1900	1860-70s: dog 'coursing' became an object of betting. Limited popularity.	1788: Greyhounds arrive with early settlers. 1860-70s: dog 'coursing' became an object of betting. Limited popularity.	1860-70s: dog 'coursing' became an object of betting. Limited popularity.	1868: greyhound coursing club established at Naracoorte. Limited popularity.	N/a	1880s: greyhound coursing club	N/a	N/a
1900 to 1940s	1905: John Wren developed a monopoly on harness and pony racing. 1929: proprietary racing and pony racing banned.	1927: mechanical hare. Proprietary club at Lillee Bridge (Harold Park); events become more popular. 1930s: legislation facilitates growth.	1936: betting on dog races legalised.	Not known	Not known	Not known	Not known	Not known
1940s to 1970s	1950s: legislation facilitates growth. Greyhound Control Board, bookmakers and tote introduced. 1960s: TAB promotes growth.	1950s: Greyhound Control Board (later Greyhound Racing Authority). 1960s: TAB promotes growth. 1970s: night racing introduced.	1960s: TAB promotes growth. 1971: GRA established.	1967: first mechanical hare legalised. TAB promotes growth.	Not known	Not known	Not known	Not known
1980s to 1990s	1980s: night racing introduced.	1998: twilight meetings (Wentworth Park) increase track attendance and betting.	1980s: night racing introduced.	Not known	Not known	1980s: night racing introduced	Not known	Not known

Racing clubs

Racing in Australia is conducted on a non-proprietary basis; that is, there are no shareholders and no private financial interests in the clubs that manage racing. Until the 1930s, however, a number of privately owned racetracks operated successfully in various states. Between the 1930s and 1950s, as a result of political pressure from non-proprietary racing interests, state governments legislated to disallow privately owned racetracks. All Australian racing clubs are now managed by committees; elected by and from their membership.

Principal Clubs are the controlling bodies for racing in the various Australian states and territories. These clubs established their prominence in organising and regulating racing in the nineteenth century and their authority was recognised by governments. The rules of the

Principal Clubs were modelled on the Jockey Club in England and were accepted by other racing clubs in the region.

With improved roads and transport eventuating by the early 1900s, the movement of racehorses between states became more frequent, highlighting the differences between Principal Club rules. To address this problem, the Principal Clubs met in 1912 and framed the Australian Rules of Racing. The Australian Rules are binding on all racing clubs and licensed individuals in the racing industry. To accommodate local circumstances in each state, a Principal Club may adopt Local Rules as long as they are consistent with the Australian Rules, which remain paramount. There are currently seven Principal Clubs:

- the New South Wales Thoroughbred Racing Board;
- the Victoria Racing Club;
- the Queensland Principal Club;
- the South Australian Thoroughbred Racing Authority;
- the Western Australia Turf Club;
- the Tasmanian Thoroughbred Racing Council; and
- the Darwin Turf Club.

Delegates from the Principal Clubs meet biannually for the Australian Conference of Principal Racing Clubs. The Conference, in addition to its role in making the Australian Rules of Racing, is the main forum for determining industry policy. The Australian Racing Secretariat, operating from the AJC in Sydney, was established in 1990 to facilitate the work of the Conference.

The role of governments and the regulation of racing and betting

Public sector involvement in racing is the domain of state and territory governments. The influence of federal legislation on the industry is minimal, restricted by the Australian Constitution to national matters such as quarantine regulations and income tax provisions that affect people working in the industry. Racing clubs pay no federal income tax. Under mutuality arrangements for non-profit organisations, the liability for income tax was removed in the post-war period.

The various state and territory governments have an acute interest in the well-being of the racing industry, both because of the tax revenues raised from racing activities and betting, and because of its significance as a major employer. Although the overall administration and monitoring of racing is the responsibility of the clubs, legislation enacted by the various state and territory governments covers matters such as:

- control of bookmaker and totalisator (on-course and off-course) betting;
- licensing of racecourses and the number of days on which racing can be conducted;
- administration of racecourse development funds; and
- the establishment of independent appeals tribunals.

Independent appeals tribunals, first established in Tasmania in 1983, now operate in all states and the Northern Territory. Previously, the Principal Clubs heard appeals.

Table 3.4 Regulation of Australian racing

Code	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
Racing	<p>Dept of State Development; Sport & Recreation Victoria: licenses Tabcorp Holdings Ltd, which controls wagering.</p> <p>Office of Racing: policy, legislation; regulation.</p> <p>Victorian Racing Club (VRC): Principal Club, controls racing.</p> <p>Racing Clubs: administer racecourses and meetings.</p> <p>Tabcorp Holdings Ltd: operates off-course betting.</p>	<p>Minister for Gaming & Racing: licenses TAB, controls wagering.</p> <p>Dept of Gaming and Racing (DGR): policy and legislation; regulation; taxes.</p> <p>Th'bred Racing Board (TRB): Central industry authority.</p> <p>Australian Jockey Club (AJC): Principal Club.</p> <p>Racing Clubs: administer racecourses, meetings.</p> <p>Bookmaker Revision Committee: licenses & regulates bookmakers.</p> <p>TAB Ltd: operates off-course betting.</p>	<p>Minister for Tourism, Sport & Racing (DTSR): control of racing and TAB.</p> <p>DTSR Racing Division: policy and legislation; regulation; taxes.</p> <p>Qld Principal Club (QPC): central industry authority.</p> <p>TAB Qld Ltd: operates off-course betting.</p>	<p>Treasurer: controls gaming and wagering.</p> <p>Dept of Treasury & Finance: policy and legislation; regulation; taxes.</p> <p>SA Thoroughbred Racing Authority: Principal Club for racing industry.</p> <p>Clubs: administer racecourses and meetings.</p> <p>TAB: operates off-course betting.</p>	<p>Minister for Racing & Gaming: control of all gaming and wagering.</p> <p>Office of Racing, Gaming & Liquor (ORGL): Betting Control Board: central industry authority; licenses and regulates bookmakers.</p> <p>WA Turf Club: Principal Club.</p> <p>Racing Clubs: administer racecourses & meetings.</p> <p>TAB: operates off-course betting.</p>	<p>Treasurer: control of all gaming and wagering.</p> <p>Dept of Treasury & Finance: policy and legislation; regulation; taxes.</p> <p>Tasmanian Thoroughbred Racing Council: Principal Club for racing industry.</p> <p>Clubs: administer racecourses and meetings.</p> <p>Tasmanian Racing Authority (TRA): central industry authority; licenses and regulates bookmakers.</p> <p>TAB: operates off-course betting.</p>	<p>Chief Minister: Chief Minister's Dept: policy, legislation; regulation.</p> <p>Revenue Office: licenses bookmakers, tracks & sportsbetting collects taxes.</p> <p>Clubs: administer racecourses and meetings.</p> <p>ACT-TAB: operates off-course betting.</p>	<p>Minister for Racing & Gaming: licensing.</p> <p>Racing, Gaming & Licensing Dept: policy & legislation.</p> <p>Racing & Gaming Authority (R&GA): regulation and control.</p> <p>Racing Control Comm.: regulates racing, bookmaking, TAB.</p> <p>Darwin Turf Club: Principal Club.</p> <p>Clubs: administration of racecourses and meetings.</p>
Greyhound racing	<p>As for racing apart from:</p> <p>Greyhound Racing Control Board: A statutory authority reporting to the Minister for Sport, which controls greyhound racing.</p>	<p>As for racing apart from:</p> <p>Greyhound Racing Authority (GRA NSW): A statutory authority which controls greyhound racing, and reports to the Minister</p>	<p>As for racing apart from:</p> <p>Greyhound Racing Authority A statutory authority which controls greyhound racing with the DTSR Racing Division.</p>	<p>As for racing apart from:</p> <p>Greyhound Racing Authority A statutory authority which controls greyhound racing.</p>	<p>As for racing apart from:</p> <p>Greyhound Racing Authority A statutory authority which controls greyhound racing.</p>	<p>As for racing apart from:</p> <p>Greyhound Racing Authority A statutory authority which controls greyhound racing.</p>	na	As for racing.

Code	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
Harness racing	As for racing apart from: Harness Racing Victoria: a statutory authority reporting to the Minister for Sport, which controls harness racing and is the principal club.	As for racing apart from: Harness Racing Authority of New South Wales: a statutory authority reporting to the Minister for Racing & Gaming, which controls harness racing. NSW Harness Racing Club is the principal club.	As for racing apart from: Qld Harness Racing Board: a statutory authority reporting to the Minister for Tourism, Sport & Racing, which controls harness racing. Albion Park Harness Racing Club is the principal club.	As for racing apart from: SA Harness Racing Board: a statutory authority which controls harness racing. SA Harness Racing Club is the principal club.	As for racing apart from: WA Trotting Association: a statutory authority with control of harness racing, is the principal club.	As for racing apart from: Tasmanian Harness Racing Board: a statutory authority which controls harness racing. Tasmanian Pacing Club and Launceston Pacing Club are the principal clubs.	na	As for racing.

The development of state racing and betting industries

Racing in its basic form is a simple community-based pastime, based in sporting challenges and leisure enjoyment. The propensity to race also involves the opportunity to bet on the outcome and racing quickly presents itself as a community activity, which, if well organised, offers the seductive opportunity for both pleasure and profit. It is this basic premise that racing and betting emerge from community practices together. For this reason it is difficult to draw a distinction between racing and betting in Australia, a premise which underpins the approach to the various state and territory histories of racing and betting which follow.

New South Wales racing and betting

Australian horseracing formally began in NSW in 1810. Although match races had been held on the roads around Sydney Cove and on the properties of the larger landowners, and despite the probable existence of a racecourse near Hawkesbury before that date, October 1810 was the date of the first formal and officially sanctioned race meeting, held on a course at Hyde Park over two days in October. That event had all the trappings of an English race meeting of the era. It was part of a week of celebrations, which included formal dinners and balls and the race meeting attracted all of the colonial elite as well as the other end of the social scale.

The meeting was organised by the military officers of Governor Macquarie's 73rd Regiment who formed a panel of stewards to run the meeting and sought subscribers to the race fund, which provided the prizemoney to the successful owners. This became the pattern for the regular annual Sydney race meeting over the next few years until the departure of the 73rd Regiment in 1814.

The annual Sydney race meeting was revived in 1819 and within a few years it was copied in most of the main settlements in NSW including Parramatta, Penrith and Patrick's Plains. By the mid-1830s race meetings were also held annually at Bathurst, Wollongong, Liverpool and

Yass. A decade later there were thirty-two race meetings in NSW and by 1850 this had increased to around forty.

Within a few years of its establishment the AJC began to dominate NSW horseracing and to provide the model organising structure for horseracing in centres outside Sydney. Its move to a new enclosed racecourse at Randwick in 1860 and the building of a large grandstand gave NSW racing a substantial and permanent home. From that venue the AJC has continued to control NSW racing, although many of the regulations, particularly those enabling it to control the licensed personnel involved in racing, were not formulated fully until the period from 1880 to about 1912.

In 1810 there were only about 1,000 horses in NSW but this grew to more than 12,000 in 1830 and more than 130,000 by 1850.⁶⁴ As horse numbers in the colony grew, the number of races for thoroughbreds on each program also grew to three or even four, although multiple heats remained the norm for feature races. From the 1830s the supporting events sometimes included a hurdle or a steeplechase event.

Horseracing gradually expanded into each new settlement as a means of providing both the colonial squatters and the townsmen with a day of civilised sport. Towns with pretensions to permanence established Jockey Clubs to conduct race meetings under AJC rules, and circuits of race meetings gradually developed in the more established country areas.⁶⁵ By 1883 a total of 192 country race clubs were registered with the AJC.⁶⁶

In 1889 the AJC began a system of licensing jockeys and trainers, which subsequently enabled it to punish licensed personnel who participated in meetings not conducted under AJC rules. This effectively led to a separation of racing into two camps. The first consisted of the thoroughbred group, which included the clubs racing at Randwick, Hawkesbury, Warwick Farm, Moorefield and the proprietary thoroughbred clubs racing under AJC rules at Canterbury and Rosehill. The other camp included the pony clubs, which raced at Victoria Park, Rosebery Park, Kensington and Ascot. By 1905 Sydney had nine horseracing clubs which raced on 63 days and four pony clubs which raced on 232 days, an average of 5.7 race days per week.⁶⁷

From the 1880s horseracing became involved in public debates over gambling, which included the introduction of the totalisator and proposals to abolish off-course betting shops and gaming houses. It was in this context, and that of competition from the proprietary clubs, that the AJC set about getting its own house in order through licensing personnel and instituting stricter control over jockeys, bookmakers, apprentice trainers and even stable employees. It also regulated the minimum prizemoney levels to be offered by clubs racing under AJC rules, increased the power of the stipendiary steward and even demanded that all 'approved' race meetings had at least one race of not less than ten furlongs on each race day

⁶⁴ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, Classic Reproductions, Melbourne, p.71

⁶⁵ O'Hara, John 1991 'The Jockey Club and the Town in Colonial Australia', in W.A. Eadington & J.A. Cornelius (eds) *Gambling and Public Policy: International Perspectives*, Institute for the Study of Gambling and Commercial Gaming, University of Nevada, Reno.

⁶⁶ O'Hara, J. *A Mug's Game*, p.106.

⁶⁷ O'Hara, J. *A Mug's Game*, p.139, 176.

program.⁶⁸

The public debates over gambling reached a climax in 1906. The result was the NSW Gaming and Betting Act which, in addition to imposing restrictions on gaming, prohibited off-course betting and reduced the number of race meetings permitted in the Sydney and Newcastle areas. It also required the licensing of racecourses to enable government supervision of horseracing.⁶⁹

Sydney thoroughbred racing remained stable with 63 race days per year, but pony racing was reduced from 232 days to 72 race days per year and race clubs outside Sydney were limited to 6 meetings per year. This situation remained until the outbreak of the First World War when some sections of society argued that horseracing was an unnecessary distraction from the war effort. Their opponents claimed that racing was needed to constantly improve the breed of horses which were essential for both transport and warfare. In 1917 Commonwealth government regulations restricted thoroughbred race meetings to Saturdays and prohibited pony racing for the duration of the war.⁷⁰

After the war, practices quickly reverted to those of the pre-war period and pony racing reappeared. Ten metropolitan and five nearby provincial racetracks provided Sydney and district racing followers with between 209 and 240 race days per year. In general, the main Sydney thoroughbred race meetings were held on Saturdays and public holidays; the four metropolitan pony tracks (at Ascot, Kensington, Rosebery and Victoria Park) raced on Wednesdays; and the five provincial tracks (Menangle, Gosford, Kembla, Richmond and Wyong) developed a calendar of race meetings for Tuesdays and Thursdays. Despite this apparent boom in race meetings the pony clubs were in marginal decline during this period. The four metropolitan clubs raced on 72 days per annum throughout most of the 1920s but by 1938 this number had declined to 48. The pony clubs were also hit hard by the outbreak of the Second World War.

In the post-Second World War era the main changes in horseracing resulted from changes in technology, particularly technology involving the off-course Totalisator Agency Board and the television broadcasting of race meetings via satellite. In the 1960s and 1970s changes were slow and related mainly to a gradual growth in prizemoney and minor changes to the scheduling of particular races. The latter particularly concerned a growth in the number and value of races for two-year-old horses, culminating in the emergence of the Golden Slipper as one of the most valuable races on the annual program after 1957. This in turn led to an increasing emphasis by breeders on the production of speedy young horses. As a consequence, New Zealand-bred horses began to dominate the breeding of horses for staying races throughout Australasia.

The off-course totalisator, introduced to NSW in December 1964, increased revenue available to both government and the industry. While most of the money returned to industry was used to increase prizemoney, a significant sum was devoted to a Racecourse Development Fund from 1971. Over its first twenty years this amount grew from \$250,000 to over \$25 million, and it was used to upgrade the courses, their facilities and amenities. Through this scheme

⁶⁸ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.403-41

⁶⁹ O'Hara, J. *A Mug's Game*, p.142.

⁷⁰ *Ibid*, p.158.

most of the NSW country race clubs were able to build comfortable grandstands equipped with the latest technology and facilities for racegoers.⁷¹

Radio broadcasting of racing had begun soon after the medium was introduced in the early 1930s and it had a chequered history, at times being welcomed by the racing officials and at other times being banned as a promoter of illegal off-course betting. By the time the TAB was introduced, it had become a long-established and accepted part of horseracing and was seen as essential to promoting the sport. Television occasionally flirted with racing coverage but by the 1980s, apart from broadcasts of Melbourne Cup Day it seldom broadcast more than about four races each Saturday. By the late 1980s a number of rival pay-TV stations were providing telecasts of race meetings. Eventually SKY Channel won the rights to broadcast NSW race meetings.⁷²

In this decade (1990s) the increasingly close association between SKY and the NSW TAB has influenced the structure of racing in both metropolitan and country NSW. The TAB's improving technology has enabled it to cover more race meetings and SKY has required racing on more than four days per week to maintain its viability. These pressures have contributed to the introduction and recent expansion of Sunday racing in Sydney, which has met with some protest from jockeys and some trainers, and proposals to introduce night racing on the Canterbury racecourse.

In country centres the demands of SKY and the TAB have been more dramatic. These providers identified a need for more racing to be held on Mondays and Fridays and developed a mechanism for increasing revenue returns to country race clubs that raced on those days. The fundamental result has been that the country race clubs that have switched their race meetings to Mondays and Fridays have improved their financial situation, permitting greater prizemoney levels and better facilities for patrons. However, except for some holiday resort towns, this has meant that they are no longer catering for the recreational/leisure interests of their local population on Saturdays, and in many areas the crowds at these weekday meetings are almost non-existent. On the other hand, clubs which have chosen not to race on Mondays and/or Fridays face likely extinction, as their prizemoney levels are no longer able to attract competitive fields for their races. As a consequence, there have been calls for the rationalisation of country racing.⁷³

Throughout its history, horseracing in NSW has survived a number of crises including depressions, two world wars and public debates over its legitimacy. In recent decades its financial situation has continued to improve in most respects, although the increase in the availability and variety of gaming has significantly reduced its share of NSW gambling activity.

Structurally, horseracing has also changed significantly. To a casual observer, a Saturday race meeting at Randwick in the 1990s remains essentially similar to such a meeting in the 1890s, apart from the improved facilities available. It is obvious, however, that the crowds at race meetings have declined dramatically, as most NSW horse gamblers now prefer to place their bets off-course in the TAB agencies, the pubs or the clubs, and combine their gambling with

⁷¹ Brawley, S. *Beating the Odds*.

⁷² *Ibid*, p.205.

⁷³ O'Hara, J. 'The Impact of Legalised Off-track Betting on Australian Country Race Clubs'.

other regular chores or recreational pursuits. Even those who wish to watch the races often prefer to watch the broadcasts on screen at the TAB outlets where they are more likely to see the race clearly than they would watching the horses live on the course.

In 1999 the increased availability of SKY Channel as part of the basic services to all pay-TV subscribers will lessen the need for punters to attend the course. The imminent arrival of interactive television technology will lessen the need to even visit a TAB outlet to place bets. In the new millennium, it is likely that even fewer people will attend the racecourse and TAB outlets will begin to decline in number as horseracing followers participate in their sport more and more from their own lounge rooms.

Victorian racing and betting

Early racing in Victoria followed the same pattern as the new settlements in NSW, with most races being held on rural properties and in the townships almost as soon as settlement began. The first permanent settlement in what was to become Victoria developed in 1834, and by the 1840s both Melbourne and Geelong were thriving settlements in a pastoral region. Melbourne's first annual race meeting was held in March 1838 at Batman's Hill. The main race was run in heats and was supported by the usual novelty events. The races in these early years were organised after a public meeting elected the officials and prominent citizens were invited to subscribe to the 'race fund' for the prizemoney. At its second running in 1839 the Melbourne races consisted of a two-day program with the main races being a Town Plate over roughly two miles and a hurdle race over a similar distance.⁷⁴

By the time racing began in Victoria, formal racing clubs were common in NSW so it was not surprising that the Port Phillip Turf Club was established in 1842 to run the Annual Races. But it was short-lived and control reverted to annually elected committees until the Victoria Turf Club (VTC) emerged in 1852. This was soon followed by the Victoria Jockey Club, which competed with the VTC until both disbanded in 1864 and the Victoria Racing Club (VRC) was formed. This body has been the senior race club in Victoria since that time.⁷⁵

During the 1840s, racing spread to other settlements in the Port Phillip district including Mount Emu in the Western Districts, Geelong, Warrnambool and Seymour. In some cases the initial race meetings were organised by the local publican keen to find a means of promoting his sales through attracting a crowd for a day's sport.⁷⁶ These meetings resembled typical NSW country meetings, but in the 1850s, with the discovery of gold, Victorian racing was transformed.

Nevertheless Melbourne and Victorian racing generally was beginning to challenge that of NSW for crowd support and the quality of racing. By the late 1850s prizemoney levels in Melbourne had exceeded those on offer in Sydney. This was emphasised by the introduction in 1859 of an Australian Champion Sweepstake race, with prizemoney of at least 500 pounds to the owner, and by the establishment of the Melbourne Cup, which was run for the first time in 1861 and very quickly established itself as the main handicap race on the Australian racing calendar.

⁷⁴ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.123.

⁷⁵ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.127.

⁷⁶ *Ibid*, p.134-38.

Buoyed by the Melbourne Cup and supported by the wealth of the gold diggings, Melbourne racing and Victorian country racing continued to progress in the 1860s and 1870s. As in NSW during this period, racing began to change from a leisure pursuit to an industry with racing club officials, trainers, jockeys and stablehands employed in full-time occupations, and the subsidiary pastoral industry of racehorse breeding emerged as a potential source of substantial profit.⁷⁷

This was also the period when the betting entrepreneur arrived, partly due to the success of the Melbourne Cup. This more than any other race was responsible for the success of the sweepstakes run by publicans and other entrepreneurs in all states. George Adams in NSW, with his Tattersall's organisation, was the most prominent of these men but J.J. Miller in Melbourne was no less important. The spirit of entrepreneurship engendered by these men and others of their ilk, along with the expansion of racecourses in Victoria, led, as it had done in NSW, to the establishment of proprietary racing.⁷⁸

Proprietary racing began in Melbourne in 1869 at Croxton Park at Northcote but the venture was not successful and was abandoned in 1873. The following year W.S. Cox opened his first proprietary course at Kensington. Other ventures soon followed at Brighton and Elsternwick and in 1883 W.S. Cox moved his operation to a new and larger course at Moonee Valley. By 1885 Melbourne racegoers had a total of 42 days on which they could attend race meetings. The success of Moonee Valley and Elsternwick led to a proliferation of proprietary racing ventures from the mid-1880s. Over the next decade at least fifteen new commercial ventures were opened on courses such as Brighton, Sherwood Park, Oakleigh Park, Mordialloc, Mentone and Epsom as well as at provincial tracks such as Dandenong, Melton, Wyndham and Cranbourne.⁷⁹

This explosion of racing exacerbated the problems of control of the sport by the VRC. Many of the new proprietary ventures chose not to accept the VRC rules and so were 'unregistered' meetings. By 1889, the number of registered meetings alone in Melbourne reached 140.⁸⁰

As happened in NSW the expansion of proprietary racing and the simultaneous emergence of other racing entrepreneurs, such as the on-course bookmaker and the off-course sweepstakes operator, led to public debate about the appropriateness of gambling and the sport of racing. In Melbourne the debate was more vociferous than in Sydney. Two men emerged as the main protagonists in the debate – John Wren and the Rev. W.H. Hudkins.

John Wren, who opened an off-course betting totalisator after winning £180 on Carbine in the 1890 Melbourne Cup, was later the centre of very public disputes with the VRC. Wren became the figurehead of the pro-gambling lobby while the Rev. W.H. Judkins represented the anti-gambling lobby, sometimes lampooned as wowsers.⁸¹

After a dispute with the VRC and the VATC in 1905, Wren opened his own racecourse at Richmond to conduct pony races three times per week, which he soon expanded by opening

⁷⁷ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.296-8, 304-5.

⁷⁸ O'Hara, J. *A Mug's Game*, p.99.

⁷⁹ O'Hara, J. *A Mug's Game*, p.329-80.

⁸⁰ *Ibid*, p.380.

⁸¹ Dunstan, K. *Wowsers*.

new tracks at Fitzroy and Ascot; but these ventures were soon restricted. Judkins and his followers persuaded the Victorian legislature to take action and the subsequent 1906 Lotteries Gaming and Betting Act reduced Wren's allocation of race days to a total of forty-eight. It also imposed restrictions on betting, which was to be permitted only on racecourses with licensed bookmakers, who would lose their licence if they took bets from minors (under 21 years) or from women. Racecourses were also subjected to licensing.

Throughout the twentieth century racing in Melbourne, particularly during the Spring carnival, has remained the epitome of horseracing in Australia, and the Melbourne Cup Carnival has retained the status of one of the nation's leading sporting events. Melbourne Cup Day, for most of the century, has held the status of perhaps the closest thing Australia has to a truly National Day. Broadcasting of races and the growth of the racing media contributed to this image and the uncertainty of a two-mile handicap race with a large field of runners gave the Melbourne Cup an aura of egalitarianism which the Australian public has found attractive.

Nevertheless the record crowds attracted to race meetings in the late 1940s have gradually dwindled – as was the case in NSW – for much the same reasons, namely competition from other sports and particularly from the arrival of the off-course totalisators in 1961 and the subsequent development of off-course betting including telephone betting and television broadcasts into TAB offices and hotels. Country racing in Victoria has borne the brunt of much of this decline with at least thirty-four racecourses closing their operations in the period between 1960 and 1983.⁸² In the 1990s this trend continues with the privatised Tabcorp pressing for a reduction in unprofitable race meetings (regardless of whether they serve a need for community recreation).

On a more positive note rural Victoria, particularly those regions heavily devoted to thoroughbred breeding, has benefited from the introduction of the Super Vobis scheme, an incentive scheme which rewards owners, breeders and trainers who successfully race Victorian-bred racehorses. In its first four years of operation from 1994, the scheme distributed more than \$12 million in bonuses and a further \$10 million was earmarked for distribution in 1998-99. It is claimed that this scheme is responsible for increasing the number of horses racing in Victoria while thoroughbred numbers in other states have been in decline since 1991.⁸³

In 1998 NSW racing interests supported the privatisation of the TAB as a mechanism for providing the funds needed to support the introduction of a similar incentive scheme for that state. Melbourne racing's other major innovation of the 1990s has been the successful introduction of night racing at Moonee Valley in January 1998. From the perspective of NSW racing enthusiasts, Victorian racing in terms of its prizemoney levels, attendances and profitability is in a healthier state than its NSW rival as the twentieth century draws to a close. The Melbourne spring racing carnival remains Australia's premier racing carnival, particularly with the re-emergence in the 1990s of the W.S. Cox Plate at Moonee Valley as the nation's premier weight-for-age race, complementing the Caulfield and Melbourne Cups, the two top handicap races.

⁸² White, R. *Courses for Horses*, p.19.

⁸³ Victorian Racing Committee, *Annual Report 1997, Annual Report 1998*, Melbourne.

South Australian racing and betting

South Australia's first race meeting was held in 1838 less than two years after the colony's initial settlement. The meeting's success led to the formation of the Turf Club of South Australia to conduct the meetings of 1839 and 1840. Following a decade in which the annual races were organised by elected officials a number of attempts were made, between 1850 and the early 1870s, to form a permanent racing body, eventually succeeding on the fourth attempt to found the South Australian Jockey Club (SAJC) in 1873.⁸⁴

The first two racing carnivals were two-day events and the 1840 carnival was expanded to three days, but over the following few years the depressed economy of the colony resulted in a decline in interest in the race carnival, normally held on the first two days of the year. In the late 1840s population growth, the development of new settlements outside Adelaide and an expansion of horse breeding provided the basis for a stronger racing industry.

In the 1840s Adelaide racing was held on a temporary racecourse in the Eastern Parklands made available for the New Year carnival each year, but by the early 1850s more permanent courses had been established in Adelaide's outer suburbs and nearby rural settlements. Gawler, Tungkillo, Kapunda, Burra, Glenelg and Brighton had all conducted race meetings by 1851. Most of these were organised by publicans keen to promote sales of their products. However, just when it seemed that South Australian racing was booming, the discovery of gold in Victoria led to a dramatic drop in South Australia's population and a consequent collapse of racing. Even the main Adelaide meeting in 1852 was moved from January to late December with limited success.⁸⁵

Noting the lessons of the previous decade the new club was determined to race on an enclosed racecourse over which it had full control. It subsequently negotiated a long-term lease for the old Glenelg course which the club proceeded to redevelop into a showpiece. Meanwhile it continued to hold races on the old Parklands course until its new Morphettville track opened in September 1875.⁸⁶

With the opening of the new track Adelaide racing entered another period of boom. The Morphettville track proved to be a successful venue for the SAJC and the Adelaide Cup meeting in May began to attract top class horses from interstate, due to the club's ability to offer competitive prizemoney. Racing also continued on the old Parklands course on New Year's Day. The boom created momentum with the introduction of the totalisator on Adelaide racecourses from October 1879.

South Australia was the first state to permit the use of the 'tote'. Victoria and New South Wales were quick to outlaw the machine, on the grounds that it encouraged gambling by making it easier for people to bet. In South Australia the legislators initially took the view that the tote would improve things by destroying the bookmaker and removing the possibility of betting on credit. Although the machine failed to achieve either of these ends, it was a most successful innovation which provided a financial stimulus to South Australian racing.⁸⁷

⁸⁴ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.141-3.

⁸⁵ *Ibid*, p.147-51.

⁸⁶ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.318-21.

⁸⁷ O'Hara, J. *A Mug's Game*, p.97.

As betting turnover on the tote increased, the race clubs were able to increase prizemoney as much as fourfold within a few years, and they competed to hold more race meetings to increase their totalisator returns even further. In the 1881-82 season Morphettville hosted six race meetings and the proprietary Adelaide Race Club (ARC), racing on the Old Course, held twelve meetings. However the very success of the tote ultimately spelt disaster for South Australian racing. It seemed that every time racing in that state began to boom something happened to destroy it.⁸⁸

The State legislators, having discovered that the tote had failed both to reduce the volume of betting and to remove bookmakers from the racecourses, passed an 1883 Act which banned both the tote and the bookmakers from South Australian racetracks. Although this Act did not destroy the state's racing completely, it did have a dramatic effect. Without the prospect of gambling the crowds deserted the racetracks. With no totalisator revenue and diminishing gate money from admission charges the existing clubs could not afford to offer enough prizemoney to attract horses of quality. Both the SAJC and the ARC were dissolved and the Adelaide Cup was moved to Melbourne where it was run by the VRC. The Morphettville racecourse was sold to a group that was considering its use for greyhound racing. Only the annual Easter steeplechase meeting at Oakbank remained relatively untouched.⁸⁹

The State legislators had a change of heart. This was due in part to a change in the Parliament's composition but even more so to evidence of the disastrous impact on South Australia's horse-breeding industry in particular and the wider economy in general, and resulted in the tote's reintroduction in 1888. The SAJC was quickly revived and resumed a lease on Morphettville. A restructured ARC also resumed racing on the Old Course and South Australian racing moved on from where it had been in 1884. Of course, as usual, the new boom was almost immediately weakened by another crisis – in this case the depression of the 1890s.⁹⁰ However, while this financial crisis did weaken the speed at which racing was able to resume its previous position, it did not prevent a gradual restoration, which included the establishment of a Port Adelaide Racing Club in 1890 and the opening of its new course at Cheltenham in 1895. Nevertheless, the total number of registered race days in South Australia dropped from 124 in 1892-93 to 58 in 1896-97, due in part to the SAJC controlling the registration of racecourses through its role as the South Australian Principal Club.⁹¹

Perhaps because of the experience of the 1880s, betting reform debates after the turn of the century lacked the urgency which they had in NSW and Victoria, despite the strength of the Protestant middle class in South Australia. Like their colleagues in the other states, South Australian legislators passed a series of Acts between 1902 and 1907 which increased police powers and aimed to stop off-course betting, but they were less concerned with attempting to restrict horseracing.⁹² The legislation which reintroduced the tote had already achieved that.

Early in the twentieth century Adelaide's four race clubs, operating from Morphettville, Victoria Park (the Old Parklands course) and Cheltenham, were allowed to use the tote on only about 25 days per year in total and the bookmakers remained prohibited completely until 1934. Due to these restrictions on the tote and upon bookmakers, South Australia did not

⁸⁸ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.323-25.

⁸⁹ O'Hara, J. *A Mug's Game*, 97.

⁹⁰ *Ibid*, p.97-8.

⁹¹ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.321-2.

⁹² O'Hara, J. *A Mug's Game*, 148-9.

witness the same expansion of proprietary race clubs in the decades following 1880 as the other states, although the revenue generated by the tote for those clubs which did race ensured healthy prize pools, encouraging the revival of a substantial South Australian breeding industry.

Progress was again checked by crises in the form of the First World War and periods of serious drought but resumed in the early 1920s, aided by the increased availability of the tote on the racecourses in an attempt to force the illegal bookmakers out of business. By 1921-22 South Australia had a total of 59 clubs holding 114 race meetings. Although this suggests considerably less access to racing than was the case in other states, the profitability of the meetings remained high with totalisator returns reaching double the immediate pre-war levels, permitting increased prizemoney and course improvements.

Apart from Adelaide, racing in the period between the wars was conducted at venues which included Port Augusta, Quorn, Peterborough, Mt Gambier, Martindale, Oakbank, Kapunda, Gawler and Eudunda. Most of these clubs raced only once each year, and apart from the Easter steeplechase meeting at Oakbank, none of the country clubs threatened the status of their city counterparts.

As had been the pattern in South Australia the boom of the early 1920s was followed by another sharp decline. The introduction of radio broadcasts of interstate races encouraged the punters to stay away from the courses and bet with the illegal SP bookmakers, who had not been eradicated by the State's legislation. The racetracks were hurt further by the onset of the 1930s depression, which reduced tote turnover even further. These twin pressures resulted in the closure of some of the country courses.

A Royal Commission in 1933 concluded that illegal bookmaking would never be suppressed effectively. It recommended the lifting of the prohibition against bookmakers on-course, where they could be registered, licensed and controlled, and the introduction of a network of totalisators off-course to provide a legal competition for the illegal SPs. The parliament accepted one recommendation but not the other. It decided to license bookmakers both on- and off-course from 1934. The experiment lasted only four years until the state government decided to close the off-course betting shops on race days in an attempt to persuade the punters to return to the course.⁹³

In 1967 South Australia finally established the off-course totalisator network which had been recommended by the 1933 Royal Commission, after the viability of such an operation had been demonstrated by the other states. In subsequent decades the South Australian story has not differed significantly from the other states. The expansion of the TAB, its computerisation and the expansion of race meetings, particularly after the introduction of SKY Channel, has ensured that despite the continuation of State control over racing, South Australia, like each other state, has been absorbed into a national network of racing, which has seen the industry re-structured and race meetings scheduled according to the turnover demands of the SA TAB and the programming requirements of SKY Channel.

In the current decade South Australian racing is again booming with high prizemoney, well-

⁹³ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.448-52.

supported feature races, successful breeding studs and training operations which have achieved significant interstate success, but if previous patterns are repeated some problems are due to surface. Perhaps the seeds of the next round of problems have been planted by the current success where some country courses such as Mount Gambier reap the benefits of regular racing covered by SKY and the SA TAB but other country courses without such coverage can no longer compete. Like other states, South Australian racing is suffering a decline in attendances compared with the early post-war period, as punters again discover that they need not attend the racecourse to bet on or watch the races in comfort. Also, as has been the case in other states, racing's share of the disposable income devoted to gambling has declined as the gaming industry, led by the Adelaide Casino, has become more aggressive in the market place.

Queensland racing and betting

As in all Australian colonial settlements, horseracing provided settlers at Moreton Bay with their earliest avenue for leisure and recreation. 'There is evidence of private match races in the streets of Moreton Bay settlement in the 1830s – although properly organised race meetings had to await the opening up of Brisbane Town to free settlement from 1842'.⁹⁴ They did not wait long; the first Queensland race meeting was at Cooper's Plains in 1843. Annual race meetings subsequently were held until 1848, with the exception of 1845. But there were only five more meetings between 1848 and 1861, a marked contrast to the growing popularity and regularity of horseracing in other parts of Australia at the time.

Horseracing in other Australian settlements thrived because of cooperation between the pastoralists, who provided the horses, jockeys and prizemoney, and the townspeople who provided the organisational and physical infrastructure and the crowds of racegoers. In Queensland, however, relations between town (Brisbane) and country (Darling Downs squatters) were strained and these two groups struggled for authority over racing. In 1848 disaffected Downs squatters held an alternative race meeting at Drayton near Toowoomba. In 1849 the Drayton races again were held in direct competition with the New Farm races organised by Brisbane interests. The feud between the districts meant that there were insufficient horses or patrons for effective racing. A compromise was found in 1850 with a race meeting at Ipswich, midway between Brisbane and Toowoomba, and the establishment of the North Australian Jockey Club. Despite the formation of the Queensland Turf Club in 1863, the opening of Eagle Farm racecourse in 1865 and the first running of the Brisbane Cup in 1866, Ipswich held its position as the head of Queensland racing until 1878 when Brisbane achieved larger prizemoney and attendances. The Ipswich district also suffered badly from the economic recession that hit southern Queensland in the late 1870s and from the transfer of the main railway terminus to Brisbane. The last race meeting of the North Australian Jockey Club was held at Ipswich in 1881. Racing was revived at Bundamba racecourse near Ipswich in 1886, but posed no challenge to the then thriving Brisbane clubs.

The Queensland Turf Club (QTC) became the central authority for regional clubs with the Brisbane Amateur Turf Club (BATC) as the major metropolitan club. The QTC held its first meeting in 1865 at what is today known as Eagle Farm racecourse. However, the QTC was not able to establish the same level of authority over Queensland racing as its Sydney and

⁹⁴ O'Hara, John 1996 'Horseracing and Betting in Queensland', in J. McMillen, J. O'Hara, Wendy Selby & Kay Cohen, *Gamblers' Paradise*, Royal Historical Society of Queensland, Brisbane, p.25-36.

Melbourne counterparts. Resistance to QTC control by race clubs in northern and central Queensland coincided with calls by separationists to divide Queensland into a number of colonies. Consequently, Queensland developed a highly decentralised system of registered principal and provincial clubs and unregistered country clubs, which did not occur in other Australian states.

The introduction of the mechanical totalisator (tote) to racecourses in the 1870s increased the volume of betting and enabled race clubs and governments (through taxation of the tote's profits) to turn the public's enthusiasm for betting to their advantage. Unlike other colonies, where the tote was a matter of considerable controversy and opposition, the 'Queensland Attorney General ruled that it did not contravene any legislation, so it was immediately adopted by the main race clubs'.⁹⁵ The tote was first used at Ipswich in 1879 and by the QTC the following year. As in most other states, the system of licensed on-course bookmakers and totalisators prevailed in Queensland until the introduction of the TAB in the 1960s.

The public debates over gambling around the turn of the century were less bitter in Queensland than they were in NSW and Victoria. Queensland legislators did attempt to remove off-course betting from the streets with a Suppression of Gambling Act of 1895 and the adoption of a criminal code in 1899. However, the later settlement and slower development of Brisbane and the greater decentralisation of the northern state, along with its greater emphasis on rural industries meant that Queensland, and Brisbane in particular, lacked the strong middle-class Protestant voice which was apparent in the southern states by the end of the nineteenth century.⁹⁶

A second boom in Brisbane racing began in 1910 when John Wren moved into Queensland racing through the purchase of Albion Park racecourse. He soon added the Deagon course at Sandgate and the Bandamba course at Ipswich to his portfolio. All three of these courses ran registered thoroughbred races under QTC rules. By the outbreak of the First World War there was also a proliferation of unregistered racing with more than twenty courses in or around Brisbane conducting pony racing.⁹⁷ Wren extended his operations to embrace some of these, including Kedron Park and Woolloongabba. By the early 1920s Wren and his close associates controlled every Brisbane racecourse except Eagle Farm.

As the extent of Wren's control of Brisbane racing became more public, criticism of him and of proprietary racing grew. However, before the Queensland legislators were persuaded to move against proprietary racing Wren began a 'rationalisation' by which a newly formed Brisbane Amateur Turf Club (BATC) purchased Albion Park and Deagon racecourses in 1923 and leased the new Doomben course which did not begin racing until 1933. Similarly, a new Kedron Park Amateur Racing Club purchased the Kedron Park course, but in this and in the other cases the contracts signed by the new clubs ensured that Wren and his associates continued to receive large profits from the courses for many years to follow.⁹⁸

In 1923 Queensland followed the more populous states by restricting betting to racecourses but the state legislators took no further action until 1930 when they abolished all proprietary

⁹⁵ O'Hara, J. 'Horseracing and Betting in Queensland', p.31

⁹⁶ O'Hara, *A Mug's Game*, p.184-9.

⁹⁷ *Ibid*, p.418.

⁹⁸ *Ibid*, p.420-1.

and unregistered racing and placed control of racing jointly in the hands of the QTC and the Northern Queensland Racing Association. This was a response to a 1929 Royal Commission, which followed controversies involving the Kedron Park course. By 1933 Brisbane horseracing was restricted to Eagle Farm, Albion Park and the newly opened BATC course at Doomben. The Bundamba course at Ipswich was reopened in 1931 under the control of the Ipswich Amateur Turf Club and the BATC also reopened the Deagon course in 1938 to race four times a year, providing Brisbane and district racegoers with racing – spread between five racecourses – on Saturdays, Wednesdays and public holidays.

Although Brisbane races suffered some decline during the depression of the 1930s the restructuring of that decade did enable thoroughbred racing to establish itself as both a regular provider of racing to its Brisbane patrons and an integral part of the Australian racing calendar. In the late nineteenth century the QTC had conducted meetings in spring, autumn and winter and two of its main races, the Brisbane Cup and the Queensland Derby, had been run since the late 1860s. However, these meetings had seldom attracted interest from trainers, jockeys, owners and other racing followers from the southern states.

This changed in the 1930s after the Doomben track began to conduct the Doomben Newmarket (later the Doomben 10,000) and the Doomben Cup during the winter. The new Doomben carnival complementing the QTC's winter carnival at Eagle Farm provided a major attraction. As prizemoney grew gradually after the Depression, the prospect of a series of valuable races in the sunny climate of Brisbane during winter proved most attractive to southern racing interests. The newfound visitors to Brisbane also provided significant financial stimulus to the Brisbane economy, despite the occasional disasters when the carnival was ruined by excessive rain and flooding. Brisbane racing was also disrupted marginally by the restrictions imposed during the Second World War but in the 1950s and 1960s it gradually consolidated its position as the premier venue for winter racing.

Nevertheless, the population of Brisbane and the comparative decentralisation of the state ensured that Brisbane racing remained a poor relation of Melbourne and Sydney. The TAB, from the mid-1960s, was unable to generate the same levels of revenue to promote racing, and on-course revenues from admission charges and betting taxes paled by comparison with those generated in the larger cities. Population growth in Brisbane, and the booming growth of the Gold Coast in the 1970s and 1980s, helped to close the gap a little but by the early 1980s it was clear that Queensland racing needed additional stimulation.

This was provided by Australia's first state Minister for Racing, Russ Hinze, a keen punter and horse breeder who instituted a series of policy changes which included the establishment of a Racing Development Fund and a breeding incentive program which pre-dated Victoria's Super Vobis scheme. Under Hinze's administration racecourse facilities were upgraded, prizemoney was increased and Queensland race meetings were televised. The Queensland TAB was computerised and expanded its operations through a telephone betting service and the establishment of agencies in hotels and clubs throughout the state.

In the 1990s racing reforms have continued under the Goss and Borbidge governments. A 1991 amendment to the *Racing and Betting Act 1964* established the Queensland Principal Club, which replaced the QTC as the central authority for thoroughbred racing. Four clubs (QTC, Central Queensland Racing Association, North Queensland Racing Association and

the Rockhampton Jockey Club) lost their status as Principal Clubs. Membership of the new Queensland Principal Club (QPC) consists of nominees from racing associations, government, jockeys, trainers, bookmakers and Queensland blood-horse breeders. After the QPC's first application in 1992 to join the Australian Conference of Principal Clubs was rejected, it was admitted to the Conference in 1995 thus giving Queensland clubs national representation again.

Racecourse attendances increased after these reforms, particularly at metropolitan tracks, but have again declined in the face of competition from other forms of gambling and changes in leisure patterns.

Tasmanian racing and betting

Tasmania's racing story shares much with the stories of the other states. However, the relative isolation of the island state, its smaller population and the concentration of that population within the two main settlements of Hobart and Launceston for most of its first century of development, meant that the pressures on racing were different and the solutions to racing's problems often varied.

Van Dieman's Land was first settled by the Europeans in 1803, although in its earliest years it was little more than a military outpost and penal settlement. Nevertheless, by 1814 Hobart had hosted its first race meeting at New Town and Launceston followed with races at Elphin Road a few years later. The island colony's first attempt to establish a permanent race club took place in 1826 when the Tasmanian Turf Club (TTC) was established with a view to providing annual race meetings at the town of Ross, halfway between Hobart and Launceston. This experiment lasted only two years, by which time it was apparent that one club could not serve both ends of the island.⁹⁹

In the 1890s more racing was available to the Tasmanian punters. The TTC raced three times each year at Mowbray and the Tasmanian Racing Club (TRC) four times at Elwick. Meetings were also held at Brighton, Sorell and Longford and some pony race meetings were held at New Town, Elphin Road and Mowbray. As happened in the other colonies pony racing was denounced and the overall increase in racing led some prominent citizens to question its bona fides. However, when a legal decision in 1898 ruled that pony clubs should not have access to the totalisator, that form of proprietary racing quickly disappeared, removing one of the main targets for public attacks on gambling. Bookmakers had already been banned from the racecourses (and off-course) from 1897. As a consequence, the range of anti-gambling Acts instituted between 1902 and 1905 were relatively mild and uncontroversial.¹⁰⁰

During the First World War and into the 1920s Tasmanian thoroughbred racing faced determined competition from the growth of harness racing, which took hold much more strongly than pony racing had been able to do. A consequent drop in tote turnover on the racetracks led to calls for the reintroduction of bookmakers, an issue that was debated prominently throughout the 1920s. The expansion of illegal bookmaking off-course, due to the introduction of radio broadcasts, added further to this debate in the early 1930s. Eventually in 1933 bookmakers were allowed back on to Tasmanian racecourses. The 1932

⁹⁹ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.99-100.

¹⁰⁰ O'Hara, J. *A Mug's Game*, p.148.

legislation also licensed off-course betting shops but did not permit them to operate on race days within a defined distance from the racecourse.

Revenue from the bookmakers' licences and turnover taxes on betting enabled Tasmanian racing to emerge from the 1930s depression in a state no worse than when it entered the decade. Nevertheless, even at its best Tasmanian racing could not compete with the mainland product. During the Second World War and into the post-war period, Tasmanian racing barely kept its head above water. The problem of a relatively small population, which had plagued Tasmania since the exodus to the Victorian goldrush in the 1850s, meant that Tasmanian racing was denied the economies of scale available to racing in the more populous states.

Tasmania also suffered from two peculiar circumstances in the 1960s and 1970s. In the early sixties the other states began to find additional revenue through the off-course TAB. This revenue enabled them to build their prizemoney and to develop their racecourses. In Tasmania, because of the existing off-course betting shops (from 1932) the TAB's introduction was delayed. It did not appear until 1974 and even then the statewide network was built slowly. The off-course bookmakers did not finally disappear until 1978.¹⁰¹

The second factor was the Wrest Point Casino, which opened as Australia's first legal casino in Hobart in 1973. Its immediate impact was to reduce the betting turnover on Tasmanian racing as many Tasmanians and their visitors preferred to try their luck, with their discretionary dollars, on the novelty of casino gambling.

By the late 1970s and early 1980s, Tasmanian racing had settled into a regular pattern of racing meetings on alternate Saturdays at Hobart and Launceston. On the 'off' Saturday a trotting meeting was held to coincide with the thoroughbred race meeting at the other end of the state. These meetings were supplemented by annual cup days at the other main towns with some of the towns, such as Devonport and Deloraine, also conducting occasional mid-week race meetings.

The advent of SKY Channel has resulted in Tasmanian racing being added to the national coverage, but neither NSW nor Queensland TABs cover Tasmanian racing except for the main Hobart and Launceston Cups – so Tasmanian racing has not quite reached the national stage.

In the 1990s the TTC and the TRC remain the main race clubs. However, their status was reduced in the 1980s with the introduction of the Tasmanian Racing Board, through which the two clubs joined with representatives from harness racing and greyhound racing codes, under a ministerially appointed Chair, to govern all codes of racing in the state. Because of its small population and its physical isolation from the other states, it remains unlikely that Tasmania's relative position within Australian racing will change significantly in the new millennium. However, Tasmanian racing does stand to benefit, more than other states, from the prospect of SKY broadcasts direct to homes and the introduction of interactive betting. These changes offer Tasmanian racing the prospect of access to the full Australian betting market and increased income from betting in the northern states.

¹⁰¹ O'Hara, J. *A Mug's Game*, p.194-5.

Western Australian racing and betting

As with many other aspects of life in Western Australia, racing began late and developed more slowly in the small, isolated community but eventually entered the Australian mainstream in the late twentieth century.

The Western Australian settlement began in 1829 and its first organised race meeting was held in 1833 near Fremantle. This event was for ponies as there were insufficient thoroughbreds in the colony at that stage, but by 1836 a 'race meeting' at Guildford nominated one of its five events as being restricted to thoroughbred horses. It managed to attract two entries.

In 1838 a Western Australian Stud Club was established to maintain a thoroughbred register for the colony, although it had little work to do in its early years. Even by 1843, when three race meetings were held in Perth, the Town Plate was won by a 'half-breed'. Nevertheless, by the late 1840s Western Australia had begun to follow the standard pattern set by the eastern colonies.¹⁰²

Ascot racecourse held its first race meeting in 1848 and the Western Australian Turf Club (WATC) was formed in 1852. In the following year the Queen's Plate was established as the colony's main race, a position it retained until the late 1870s, and by 1855 there were eleven horses available to contest the two-day race meeting. Races had also begun at York and Bunbury.

Perth racing began to improve in the 1880s due in part to a near doubling of the population during the decade and also to the introduction of the totalisator on-course from 1882. The opening of a railway line from the city to Ascot racecourse in 1886 also helped boost attendance growth. By then the efforts of the breeders had begun to pay dividends through an increase in thoroughbred numbers to a level where the racing was more exciting and less predictable. The WATC was able to begin making improvements to the course and facilities which, in turn, attracted more patrons and increased the club's revenue. A Perth Cup was introduced in 1887 with a prize of £250, but it was the gold discoveries of the 1890s which provided the real impetus for Western Australian racing.

The boom was greatest in the new gold towns, particularly Coolgardie and Kalgoorlie which formed race clubs in 1896, and Boulder which followed next in 1897, but Perth also benefited through the influx of people and wealth. The annual Perth racing carnival attracted record crowds and record totalisator turnovers in the late 1890s. Although bookmakers were abolished in 1895 the legislation was simply ignored. On the goldfields it was completely unenforceable, so in 1899 the Parliament reversed its earlier decision to ban them.¹⁰³

The reappearance of bookmakers and the influx of both men and money also led to a proliferation of private racecourses throughout Western Australia, including tracks at Canning (1893) and Helena Vale (1897). These were followed in the next decade by a growth of unregistered proprietary meetings in Perth at Burswood, Kensington Park and Bicton.

¹⁰² Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.73-92.

¹⁰³ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.372-5.

There was sufficient money available in Perth to make these proprietary racecourses and proprietary clubs profitable, but the 'real money' was to be found in the goldfields racing. In 1901 the Kalgoorlie Club offered a prize of over £1000 for its Cup race and the Coolgardie and Boulder clubs clamoured to compete with this new standard. Pony racing on the goldfields soon followed and by 1915 the unregistered clubs had even won the right to use the totalisator on their courses.¹⁰⁴

Although Western Australian racing has remained isolated through most of the post-Second World War period from that of the eastern states, it has followed the same basic pattern. The off-course TAB was introduced in the mid-1960s and followed a similar pattern of growth and development. The improved revenue it provided offered a stimulus to prizemoney and the opportunity to refurbish the state's racecourses. A booming state economy in the late 1960s and 1970s encouraged WA racing to enter the national racing calendar through increased prizemoney at its summer carnival.

In the 1990s SKY Channel broadcasts and the expansion of TAB coverage in the eastern states has provided Western Australia with another opportunity to become part of the national racing scene, with races from Ascot and Belmont becoming a regular feature of the coverage in the eastern states. Turnover on these events remains small in comparison with other states, but Western Australian racing is again gradually becoming part of the mainstream. Like Tasmania, Western Australia stands to benefit further from SKY broadcasts into households and the prospect of interactive betting from the home.

Racing and betting in the Australian Capital Territory and the Northern Territory

Racing in the territories, like racing elsewhere, has existed virtually from the time each region was settled by Europeans. However, ACT or Northern Territory racing as a separate form of the organised sport is a relatively new phenomenon. Until the later years of the twentieth century, the territories were not responsible for their own administration so they made no laws of their own. They existed as, in effect, adjuncts of NSW and South Australia but were subject to administration through a public service department.

Although the creation of the ACT was foreshadowed at the beginning of the twentieth century, it was virtually non-existent until the late 1920s; and until the post-Second World War period, Canberra was nothing more than a small country town. Racing was conducted at the nearby country town of Queanbeyan which, as Canberra grew, became one of the more important racing centres of country NSW. However, its operations and its history were part of the NSW story. Canberra simply provided a nearby population base.

It was not until the arrival of the TAB that Canberra or ACT racing began to develop in its own right. From its establishment in 1964 the ACT TAB was quite aggressive in its marketing, attempting to attract custom from Victoria and particularly NSW, aware that the population base of the ACT was insufficient to guarantee adequate or reliable betting pools.

Throughout their first two decades the various state (and territory) TABs experimented with different betting options in an attempt to win custom. In this respect the ACT TAB was often

¹⁰⁴ Ibid, p.435.

willing to experiment more than its neighbours. In particular the ACT TAB was responsible for introducing telephone betting in the 1970s.

The activities of the TAB assisted in the growth and development of Canberra's own racecourse on the northern outskirts of the city in 1962, and gradually expanded its racing program under the control of the ACT Racing Club Inc. By the 1980s the Black Opal Stakes (for 2-year olds) had become an important event on the racing calendar and a major lead-up race to Sydney's Golden Slipper. Similarly the Canberra Cup grew, in the same era, from a minor country cup race to an event which attracted leading aspirants for the main spring staying races.

In the 1990s these events, and Canberra racing generally, have maintained their position despite some loss of revenue due to the introduction of Canberra's Casino in 1992. Nevertheless, ACT racing is a relatively new phenomenon and its history is not sufficiently different from that of the main NSW country regions to warrant further analysis here.

The story of Darwin and other parts of the Northern Territory is not dissimilar. Northern Territory racing has been typified as bush racing with meetings, initially held on various stations, which attracted large crowds to a picnic-type carnival on very rough and dusty bush tracks. These were social occasions as much as racing events and the organisation was often in the hands of ad hoc committees rather than formal race clubs.

The Darwin Turf Club races regularly on its Fannie Bay course, but the racing still resembles NSW or Victorian country carnivals rather than metropolitan race meetings. At Alice Springs the racing is no stronger. As happened elsewhere, racing suffered as a consequence of the introduction of the casino (in 1978), but in the Northern Territory's case the impact was limited because of the lack of an off-course TAB network, which did not arrive until 1985.

Apart from the annual cup meeting, which is still viewed by the rest of Australia racing as something of an oddity or a novelty, Darwin racing has not entered the Australian mainstream. SKY and the southern states' TABs have shown little interest in Territory racing so, despite the growth of Darwin in recent decades, its racing continues to rank well below that of the other capital cities and below many of the interstate country towns. It is unlikely that this will change substantially in the foreseeable future.

New Zealand racing and betting

It is not surprising that nineteenth century racing in New Zealand closely resembled its counterparts in the Australian colonies for, until the Australian Federation in 1901, New Zealand was generally perceived as one of the Australian colonies. The earliest settlements were mission stations founded from Sydney, and New Zealand was not treated as a separate British colony until 1840. It is probable that the earliest race meetings were those held in Wellington and Auckland in 1841 and 1842 respectively.¹⁰⁵

Nelson, in the South Island, quickly emerged as another major racing centre in the late 1840s and early 1850s. Within only a few years of its settlement it became an important centre for

¹⁰⁵ Freedman, H. & Lemon, A. *The History of Australian Thoroughbred Racing*, p.169-171.

thoroughbred breeding, and allowed the South Island to become pre-eminent in New Zealand racing. Racing at Christchurch began in 1851 and in 1854 the Canterbury Jockey Club was established. Its 1855 Canterbury Cup prize of £50 was not comparable to those of Sydney or Melbourne at that time but it was comparable with prizes in the smaller Australian settlements.¹⁰⁶ The third South Island racing centre, Dunedin, did not develop until the gold rush of the 1860s. From that time it gradually joined Christchurch and supplanted Nelson as a major racing town.

On the North Island racing was established more slowly in the 1840s and 1850s. Although racing here was as popular as elsewhere, the sport in Auckland was plagued by the lack of a stable, permanent race club and the sport's failure to find a permanent venue for the race meetings. Eventually the Auckland Jockey Club emerged in 1852 and the Ellerslie course was leased by it in 1857.

Wellington took even longer. A permanent course was eventually found at Hutt Park in 1857, which was used until 1906 when Trentham replaced it. It was only after many attempts that a Wellington Race Club was finally established on a permanent basis in 1879.

In size NZ compared more with South Australia than with NSW or Victoria and, with settlement decentralised across the two islands and into at least three main settlements on each, it is perhaps surprising that NZ racing was able to compete with that of the Australian colonies. But it has done more than compete. In some respects NZ racing has dominated Australian racing and in other respects it has shown the Australian colonies the way forward.

New Zealand's principal area of dominance has been in the breeding industry. The combination of climate, soils and grasses gave New Zealand breeders an advantage in the production of quality thoroughbreds – even though most of their early stock was imported from the Australian colonies. By the late nineteenth century NZ-bred horses were usually prominent in the various Australian champion races and the main cup races.

In the twentieth century, as Australian breeders were seduced by the faster returns and exploding prizemoney available to sprinters and younger horses generally, in New Zealand more traditional breeding goals continued. The supreme achievements for NZ breeders remained the derbies and main cup and weight-for-age staying races at the Australian Racing Carnivals and the New Zealand summer race meetings. In the 1990s Australian-bred horses have become a rarity in the list of Melbourne Cup fields, which have been dominated by New Zealand-bred horses.

In other respects New Zealand's racing's history is very similar to that of the Australian states. The totalisator, pony racing in the late nineteenth century, subsequent public debate over gambling, a series of reforms, the eventual institution of an off-course TAB, and the development of TV broadcasting of races all mirrored the Australian scene. However, it should be noted that the automatic totalisator was a New Zealand invention and its introduction to NZ racecourses in 1880, accompanied by the (not always successful) abolition of on-course bookmakers was relatively less controversial. Throughout the twentieth century New Zealand racecourses have remained free from bookmakers, ensuring that, despite the

¹⁰⁶ Ibid, p.172-4.

smaller population, revenue from the tote has been adequate to support reasonable prizemoney and facilities.

As in Australia, prohibition legislation against off-course bookmakers was never particularly successful in the first half of the twentieth century, but the gradual expansion and growth of an off-course tote network from 1948 has eventually had the desired effect.

Harness racing

For most of its history, harness racing in Australia has been known as trotting – or in rhyming slang known more popularly as the ‘Red Hots’. ‘Harness racing’ is more appropriate because it embraces the two distinct forms of pacing and trotting, terms which refer to two distinct gaits or leg actions adopted by the standard-bred horses racing in harness. In the sport’s early decades in Australia, horses did not always pull a sulky. Rather, the rules of racing permitted the alternative of horses being ridden by their ‘drivers’. What was important was that they raced in a trotting or a pacing gait rather than a galloping one as adopted in thoroughbred and pony racing.

The standard-bred trotting or pacing horses developed from road horses used for pulling light carts or carriages, and were seen frequently contesting match races (or informal ‘drag races’) on the roads of the various Australian colonies within a few years of their initial settlement. The earliest sports carnivals also usually included trotting races on programs but no organised race meetings for harness horses developed until the 1860s.¹⁰⁷

The first Australian race meeting exclusively for trotters was held at Flemington racecourse in 1860. The meeting was largely a novelty as there were too few trotters to sustain regular race meetings. Over the next two decades a small band of enthusiastic breeders, including Childe Harold who was to become a major influence on the sport in Australia, imported a number of mares and stallions. As the horse numbers grew the Victorian Trotting Club was formed and established a racecourse at Elsternwick, but even then trotting race meetings needed one or more thoroughbred races to develop a worthwhile program of racing.

The real boost to harness racing came in the 1880s with the growth of proprietary racing in most states and legalisation of the on-course totalisator in most colonies. In this context the Sydney Driving Park Club was established in 1885 to race at Moore Park and other clubs were established in Adelaide (Victoria Park) in 1880, Brisbane (Eagle Farm) in 1888 and soon after in most major settlements.

Harness racing’s history in the 1880s and 1890s is not clear because of the establishment and failure of numerous ventures. Entrepreneurs saw it as an opportunity to print money, but as more and more competitors entered the field, profits declined and many of the businesses failed. The fate of the code also varied from one state to another depending on whether the racecourses were permitted to operate the totalisator.

The plethora of promoters and many scandals in the sport increased demands for its proper control in the first decade of the twentieth century. In NSW this led to the formation of the

¹⁰⁷ Vamplew, Wray (Ed.) 1997 *The Oxford Companion to Australian Sport*, Oxford University Press, Melbourne, p.201.

NSW Trotting Club in 1902, while in Victoria overall control was eventually achieved by John Wren's Victorian Trotting Association in 1910.¹⁰⁸ In the same year, two controlling bodies were established in Tasmania – one for each end of the island – and the sport began in Perth.¹⁰⁹

With the closing of most courses during the First World War, harness racing was dealt a blow from which it took more than a decade to recover. The exception was Tasmania where trotting boomed during the war and achieved a status not far below that of thoroughbred racing.¹¹⁰ In the other states harness-racing officials, at least in the capital cities, saw night racing as the means of enabling them to compete successfully with the thoroughbred industry, which had a virtual monopoly on the best race days of Saturdays, public holidays and Wednesdays.

Western Australia was the first state to achieve the goal of night racing in 1929, at Gloucester Park. In Victoria and NSW the harness racing supporters had to wait until 1947 and 1949 respectively. In South Australia the sport was really only beginning in the mid-1920s and did not develop significantly until the following decade.¹¹¹

In Tasmania, as in New Zealand and to a lesser extent Western Australia, harness racing succeeded as a means of complementing a thoroughbred racing industry that was not sufficiently large to provide the volume of racing which existed in Melbourne and Sydney. Thus in those regions the sport was able to continue to grow with or without night racing. In the major centres the opportunity to race at a time which did not put harness race meetings in direct competition with the thoroughbreds proved successful. In Sydney harness racing was scheduled regularly on Friday nights, with the greyhounds racing on Saturday nights. In Victoria the reverse was the case.

This became particularly important with the establishment and growth of the TAB as the harness and greyhound meetings in the more popular states provided an opportunity for TAB customers to bet on Friday and Saturday nights. Television broadcasts of harness racing in the 1970s and the addition of Brisbane's Albion Park to the night racing program both helped to popularise the sport, which reached a peak in its popularity by the late 1970s. This was assisted by the opening of new metropolitan headquarters at Globe Derby in Adelaide in 1974 and Moonee Valley in Melbourne in 1976.¹¹²

The main harness racing bodies have both cooperated and competed in their development of the sport. Each state has developed its own major race, which it promotes as the nation's premier event. In NSW it is the Miracle Mile, an invitation race which usually attracts the fastest pacers in Australia. In Melbourne the AG Hunter Cup is the main race, but the true championship race each year is the Interdominion Championships, an event which is rotated between the various Australian capitals and the main New Zealand harness racing centres. As a race open to all-comers and run over a series of qualifying heats of varying distances and a final, the Interdominion is the Melbourne Cup of harness racing.

¹⁰⁸ Ibid, p.202.

¹⁰⁹ Freedman & Lemon, *The History of Australian Thoroughbred Racing*, p.458

¹¹⁰ Ibid, p.458.

¹¹¹ Vamplew, W, *Oxford Companion*, p.202.

¹¹² Ibid.

In the era of TAB expansion, harness racing has often complained about its treatment relative to thoroughbred racing, and has joined with the greyhound code in its criticism of the distribution of revenue. However, the advent of SKY and the concurrent tendency of the TABs to maximise the number of venues on which it operates at any given time has given harness racing greater exposure than at any previous time. Either despite this or because of it, the harness racing courses have suffered a decline in attendances at least as significant as the decline in the thoroughbred courses.

As happened in thoroughbred racing, the decline in attendances has coincided with the upgrading of tracks and the improvement of facilities. The small number of patrons who continue to attend the main harness race tracks do so with a level of comfort that their predecessors could not have imagined – but which is probably surpassed by many of their erstwhile fellow enthusiasts who now prefer to watch ‘the trots’ on big screens and from lounge chairs in the comfort of licensed clubs.

Greyhound racing

Greyhound racing in Australia owes very little to horseracing, although their fortunes have become entwined in the late twentieth century due to the developments in off-course betting and the television broadcasting of all codes of racing.

Although greyhounds arrived with the First Fleet, they were not initially used for racing but rather for their ability to catch live game. Greyhound racing began in the 1860s with coursing events using live wallabies as bait. A coursing club was formed for this purpose at Naracoorte in South Australia in 1868. A few years later, in 1873, live hares were imported to enable promotion of the sport. This quickly led to the development of coursing clubs in Victoria, Tasmania and NSW. Within a decade, coursing was organised on enclosed courses with patrons paying admission charges to watch and bet on the events.¹¹³

Greyhound coursing had limited appeal and with events in the form of ‘knock-out’ competition taking a whole afternoon to resolve, it did not offer the same betting opportunities as horse or pony racing. Accordingly, after the initial expansion in the 1870s, the sport stagnated for half a century until the arrival of the tin hare, an American invention.

The tin hare, mounted on a rail and driven around a small track, offered punters a spectacle not dissimilar from pony racing. In 1927 proprietary greyhound racing companies were formed in Sydney, Newcastle, Cessnock and Lithgow – the first at Lillie Bridge (which later became Harold Park), where the racing was held at night under lights.¹¹⁴

The immediate popularity of this new form of racing led to an outcry from critics of gambling, who successfully persuaded the parliaments to place bans on betting after sunset and/or betting on the mechanical hare events. Various promoters attempted to avoid the legislation by using live hares or bringing the timing of the race meetings forward. The political debate took a turn when it was agreed that the parliaments were banning the ‘working-man’s thoroughbred’ – but not the horseracing events of the wealthy. Thus

¹¹³ O’Hara, J. *A Mug’s Game*, p.73; Vamplew, W. *Oxford Companion*, p.193-4.

¹¹⁴ O’Hara, J. *A Mug’s Game*, p.186-7.

greyhound racing became involved in ideological debates. It was legalised again in NSW by the Lang Labor government and, although it suffered some decline during the depression of the 1930s, it was still able to grow into a significant sport by 1939. In that year the two metropolitan and forty-five greyhound racing clubs in NSW held a total of 1693 race meetings.¹¹⁵

NSW remained the leading greyhound racing state, at least until after the Second World War, due to the other states maintaining their prohibitions on night racing. In South Australia the mechanical hare remained prohibited until 1967.¹¹⁶

In Victoria greyhound racing was legalised in the mid-1950s and placed, as in NSW, under the control of a Greyhound Racing Control Board. As with all forms of racing no national controlling body has emerged, but from time to time the various state-based control boards and individual clubs have cooperated to promote national championship events which have rotated between states.¹¹⁷ In Sydney, Harold Park and Wentworth Park have been the main greyhound racing venues at various times. In Melbourne, Olympic Park was the dominant venue in the 1960s but in the 1990s Sandown Park has established itself as the premier venue.¹¹⁸

The introduction of the off-course TAB networks in the 1960s provided a major boost to greyhound racing as, like other forms of racing, betting on its events became more accessible. Revenue was boosted by the fact that punters who might never be tempted to attend a greyhound race meeting would often invest on a greyhound 'double' or 'quinella' when in the TAB to place bets on thoroughbred or harness race events. However, greyhound racing remained a poor cousin of the other racing codes when it came to the distribution of TAB revenues – a point which was made strongly and regularly by the greyhound club officials and owners in most states.

Like the other racing codes 'the dogs' suffered a decline in revenue whenever a casino was opened within the state, but benefited from the growth of TAB and broadcast coverage, particularly in the late 1990s. Greyhound racing, however, remains the least favoured of the three codes in betting, attendance and general public interest. Despite the occasional appearance of a new champion dog, or the development of a particular rivalry between two or more top class performers, greyhound racing has received minimum attention from mainstream press and broadcasting. It remains a sport largely restricted to a relatively small band of devotees.

Sportsbetting

Sporting events have been the object of betting in Australia since at least the first decade of the nineteenth century. Billiards, cock fighting, pedestrianism (athletics), boxing and boat racing were all popular with colonial gamblers by the 1820s. Boxing was particularly popular in the first half of the century, but was matched by cricket and football when they emerged as the main organised sports around the middle of the century. By the 1890s cycling races were

¹¹⁵ O'Hara, J. *A Mug's Game*, p.187.

¹¹⁶ *Ibid.*, p.208.

¹¹⁷ Vamplew, W. *Oxford Companion*, p.197.

¹¹⁸ Olympic Park was closed during the late 1990s for the construction of the City Link project.

also the object of extensive gambling.

In the nineteenth century, betting on sports was a completely legal though unregulated activity, although magistrates and the police were concerned about the 'public nuisance' caused by boxing matches and some other sports. However a series of scandals suggesting bribery or attempted bribery in cricket, cycling and football around the end of the century provided ammunition for those who opposed sportsbetting. In the first decade of the twentieth century the then state governments gradually outlawed betting on all sports other than on horseracing (on the racecourse).¹¹⁹

For most of the twentieth century, sportsbetting remained illegal although this fact did not prevent sports followers from betting illegally on cricket, football, boxing and sometimes other sports such as golf. In the 1980s a limited amount of sports betting was legalised through the off-course TABs which operated on various events such as the Sydney-Hobart yacht race, the Bathurst car races and even one-day cricket matches. These experiments were not particularly successful and most were abandoned, although they were followed in Tasmania and Victoria in the 1980s by legislation which enabled bookmakers operating on-course at horseracing meetings to offer odds on Australian rules football matches. In the same decade the state-controlled TABs also began to operate regularly on football matches through their various FootyTAB operations.

Although FootyTAB was mildly successful, the relatively small pools and the limited betting options available to the punters ensured that large scale gamblers continued the practice, prevalent from the time sportsbetting was banned, of placing their bets with illegal bookmakers. This illegality of most sportsbetting made it impossible to determine the level of its popularity, although anecdotal evidence suggests that it was both widespread and accessible.

The true potential of sportsbetting began to be revealed in the 1990s with the emergence of licensed sportsbetting agencies, initially in the Northern Territory and subsequently in other states.¹²⁰ By 1999, sportsbetting was being offered in all Australian jurisdictions by approved sports bookmakers and most TABs. Bookmakers often provide both wagering on races and sportsbetting and are licensed by the relevant government and racing authorities. However in the Northern Territory and the ACT, corporations such as Centrebet also are permitted as well as individual bookmakers.

In 1997-98 sportsbetting represented only a small proportion of total gambling expenditure, accounting for about \$24.5 million, or 0.2% of the \$11 billion spent on Australian gambling. But given Australians' passion for both sport and gambling, this market is expected to grow. In the latter half of 1998, when World Cup Soccer and AFL football were available, the sportsbetting revenues of Victoria's Tabcorp increased by 25% over the corresponding period in 1997.¹²¹

The imminent prospect of expanded opportunities for gambling via internet and digital

¹¹⁹ Vamplew, W. *Oxford Companion*, p.63-4.

¹²⁰ O'Hara, J. in D. Headon & L. Marinis (eds) *A League of Their Own*, Sydney, ABC Books.

¹²¹ PC p.12.36

television technology suggests that sportsbetting could become an important focus of national and international gambling activity.

Betting: From the 'tote' to TAB

Betting on horse or greyhound racing has traditionally taken place on-course, through registered bookmakers or, from the 1890s, the totalisator; or off-course through registered bookmakers' shops or unregistered and illegal starting price (SP) bookmakers. The histories of these betting forms are intertwined and complex and in no two Australian States are the stories the same. What was common to all states was a set of vested interests in the betting status quo and other parties with an interest in reform or realignment of those arrangements. The racing clubs, the racehorse owners, the bookmakers, the anti-gambling lobby, politicians and the punting public all had vested interests in betting arrangements, which led to often-prolonged political manoeuvring and sometimes bitter dispute.

Superficially the pattern of development of betting on racing across the various states appears similar. Initially betting was in the hands of the race clubs and the on-course bookmakers. The development of the parimutuel system of betting in France in the 1870s saw the 'tote' introduced to many of the nations' racing tracks in the latter part of the century; run by, or on behalf of, the racing clubs. An illegal aspect paralleled the legal aspect of established betting arrangements – the SP (starting price) bookmakers who operated out of pubs, tobacconists and alleyways across the country. The SP bookmakers were a varied lot in terms of their honesty, but more importantly than general concerns about criminal links or shady practices, the powerful racing clubs were concerned that SP bookmakers were a drain on both race day attendances and the on-course betting take. They argued strongly that no money handled by the SP bookmakers contributed to the wellbeing of the racing industry.

State governments were not deaf to the arguments put forward by the race clubs. Not only did the race clubs include many wealthy and influential individuals and families but the various governments were also constantly under financial pressure. This only increased after Federation in 1901, as the tax base available to the state jurisdictions shrank. The race clubs' argument about the non-return to the racing industry of betting activity with SP bookmakers applied equally to state taxation returns. What was required was a controllable form of off-course betting on racing, which would deliver capital to both government and the racing industry.

Betting had been a constant feature of life in Australia since the English settlement of 1788.¹²² However, the general atmosphere surrounding betting had been one of contestation and dissent, particularly between the moral-religious elements of the Christian churches and the interests of the liberal-secular sections of the colonies. In the 1890s depression, gambling was construed as constituting a direct contradiction to the values of thrift and conservatism that were becoming dominant as unemployment and poverty created enormous social pressures. Arguments regarding the suppressing of SP betting and the social benefit this would provide were used in various parliamentary debates on the introduction of the totalisator. These arguments, which paid lip service to the concerns of the anti-gambling lobby, were replicated in later debates in each jurisdiction about the introduction of Totalisator Agency Boards

¹²² O'Hara, J. A *Mug's Game*.

(TABs) providing widespread off-course access to the tote.

The introduction of the 'tote'

The parimutuel or totalisator (tote) form of betting was generally accepted to be a fairer method of betting than bookmaking.¹²³ This system, which is in effect a sweepstakes method of betting, requires each bettor to buy a ticket on the horse of their choice with the total investments being pooled. The investment pool is distributed among winning ticket holders after the operator has deducted an agreed percentage. The advantage of the system for the operator is that a certain level of profit is assured. Opponents of the totalisator system argued that the perceived fairness of its redistribution method would actually increase the level of gambling. On the other side, the reduction of the power and wealth of the bookmakers and of corruption in the running of races was argued to constitute the advantages of the tote. In addition, the major race clubs, including the Australian Jockey Club in Sydney and the Victoria Racing Club in Melbourne, were keen to establish a monopoly over on-course betting as a method of supplementing race prizemoney.¹²⁴

The tote first came into operation officially in South Australia at Morphettville in 1879. It performed successfully until legislation banned both the tote and bookmakers in 1883 – due principally to the fact that the overall volume of betting had not been reduced. This prohibition had dire consequences for the local racing industry until it was repealed five years later. In Victoria and NSW the confrontation between the anti-gambling lobby, governments and the established betting operators was hard fought. Indicative of this is the fact that some thirty-six years elapsed between the first proposed totalisator legislation and its eventual passage in NSW. In Victoria, where the intrigues surrounding the tote were even more complex, it was fifty years between the first tote bill and its eventual legalisation.

The difficult history of the tote in Victoria commenced with the original Victorian totalisator bill, which was sponsored by David Gaunson in 1880. The anti-gambling lobby argued against the bill on the grounds that it represented an expansion of betting opportunities and saw it duly defeated. Over the next decade and a half several more bills were introduced. During this period the VRC became increasingly agitated as illegal pony-races had begun to eat in to its betting and gate revenues. However, not even the VRC was able to present a united front in favour of introducing the tote. Frank Madden, a VRC committee member and an MLA, spoke up against the tote as in his opinion 'racing, regrettably, depended on the betting ring because it was from that sense that owners could recompense themselves for the expense of racing horses'.¹²⁵ The interests of the big-betting horse owners thus played a part in the defeat of the 1894 and 1895 totalisator bills – in the process leaving unaltered the established opportunities for bribery and corruption in racing, which advocates of the totalisator believed would be seriously decreased following its introduction.

Perhaps the greatest irony of the disputes surrounding the tote was the aligning of the bookmakers and the anti-gambling lobby. The well-organised and influential church-based anti-gambling lobby ensured that the bookmakers' powerful position within the established

¹²³ O'Hara, J. *A Mug's Game*, p.95

¹²⁴ *Ibid*, p.95

¹²⁵ Lemon, Andrew 1972 *Racing and Politics: Victoria's Great Totalisator Debate, 1880-1906*, Melbourne, Hornet Publications, p.14.

betting arrangements continued for decades to come. Chief among the beneficiaries of the existing arrangements was John Wren, who for over a decade had operated an illegal tote in inner-city Collingwood.¹²⁶ Wren made enough profit from his notorious tote to move into legal bookmaking and racehorse ownership, irritating the VRC and the government alike. Somewhat bizarrely, the proposer of the original totalisator bill in 1880, David Gaunson MLA, had taken on the position of John Wren's lawyer and he used his position skilfully to advocate Wren's cause and embarrass the VRC.¹²⁷ Eventually, in 1906, an amendment was proposed to the Police Offences Act to allow police access to premises adjoining betting activity – private properties which had been used to hide betting data or as escape routes. Dubbed by one MLA 'an act for the extirpation of small birds', the anti-Wren bill was passed at the end of the year and shortly after the Collingwood tote closed down.¹²⁸

In the end legalisation of the tote in Victoria did not occur until 1930, later than in all the other states except Tasmania, which had allowed off-course bookmaking for many years by this stage. As already outlined, the reasons for this were complex, but if one theme were to be singled out it would be the relatively conservative social mores of Melbourne society, and the influence of the churches in particular. In any event the major benefit of the tote according to its advocates – the eradication of the SP bookie – was not achieved until much later, through a combination of rapidly improving information technology and the introduction of the TABs.

The development of the automatic totalisator machine

When totalisator betting was legalised the tasks of compiling bets, calculating pools and dividends and administering pay-outs were undertaken by an army of clerks. The sheer weight of calculation involved in operating the on-course tote meant that in most cases betting closed 40 minutes prior to a race. Official results were often not available until the following day – clearly the automation of the tote was needed. The Automatic Totalisator was invented by the late George Julius (later Sir George). In 1913 he installed his first totalisator on Ellerslie Racecourse (Auckland Racing Club) in Auckland and the second at Gloucester Park (WA Trotting Association) in Western Australia in 1916 (see Table 3.5). The installation at Ellerslie was the first automatic totalisator in the world and by 1920 the automatic tote was installed on a total of seven racetracks: in Sydney, Brisbane and Newcastle in Australia, and Auckland in New Zealand. The equipment was very bulky and at this stage was manufactured at George Julius' home in Darling Point, Sydney, or in a backyard garage nearby.¹²⁹

¹²⁶ Buggy, Hugh 1977 *The Real John Wren*. Camberwell. Widescope.

¹²⁷ Lemon, A. *Racing and Politics*, p.24-8.

¹²⁸ Ibid.

¹²⁹ Conlon, B. <http://www.ozemail.com.au/~bconlon/#intro>

Table 3.5 Introduction of the automatic totalisator to racetracks¹³⁰

Year	Place of installation	Number of machines
1913	Auckland Racing Club, NZ	30
1916	WA Trotting Association, Perth WA	8
1917	Queensland Turf Club, Brisbane Qld	24
1917	Australian Jockey Club, Sydney NSW	150
1918	Rosehill Race Club, Sydney NSW	43
1921	South Australian Jockey Club, Adelaide SA	34
1922	Western Australian Turf Club, Perth WA	34
1923	Madras Race Club, Madras India	24
1925	Australian Jockey Club, Warwick Farm NSW	45
1928	Longchamps, Paris France	273

Until the early 1920s the equipment was made for one prize pool only, but by 1922 the single tote was superseded by win and place pools and in the same year the first totalisator for win and place betting pools was installed in Perth, Western Australia. From then on, with few exceptions, all racecourses installed win and place equipment. In 1948 the first mobile tote was manufactured, and was used in the Sydney metropolitan and near country areas. Soon after, all the Melbourne racetracks wanted combination pool equipment, so in 1956 punched tape began to be used for recording investments on these pools. The information technology revolution had begun to impact on the racing industry, and the forerunners of fully computerised electronic tote betting systems began to be introduced.

The development of the automatic totalisator and its subsequent computerised version was highly significant in the history of betting in Australia. The automation of the tote enabled the parimutuel system of betting to compete with bookmakers, ensuring regular returns to governments and racing clubs. Crucially, the automatic totalisator, by providing an alternative to off-course bookmakers, was a measure state governments and race clubs could use in their ongoing battle to eradicate the SP bookmakers and the huge impact illegal betting had on their respective revenue returns. However, the full potential of the totalisator betting system was not to be realised until it was harnessed with improved information technology. This enabled large centralised betting pools to be generated by linking hundreds of off-course betting establishments.

Betting: The Totalisator Agency Boards (TABs)

The introduction of TAB off-course betting systems in the 1960s marked a major shift in Australian gambling policies which was associated with social affluence, increased leisure time and a liberalisation of social attitudes.

Painter has traced the history of TAB policy in the various states, documenting the policy process whereby state policies towards off-course betting – ranging from suppression in some states (Queensland, NSW, Victoria) to licensed bookmakers and betting shops in other states (Tasmania, South Australia) – were eventually replaced by government-run TAB agencies. Painter’s analysis of the development of the TAB in the various states offers an applied and detailed account of how specific policy mechanisms and the calculations of state bureaucrats

¹³⁰ Ibid.

have operated to shape TAB policy.

Painter shows how the design of state TAB programs emerged from an ongoing process of administrative learning, accommodation of vested interests and policy reformulation. He suggests that one important consequence of the constitutional power of state governments over gambling policy is that once new policies are produced, they will be recognised and evaluated by other state governments so that the most effective policies will eventually extend across the Federation. Painter's study suggests that this process of 'policy learning', often achieved through the mechanism of an independent commission of inquiry, has been a significant influence towards uniformity and administrative effectiveness in Australian TAB betting policy.

Painter argues that the history of the TAB in Australia has evolved through three stages:

- a shift from an initial point of uniform prohibition of off-course betting;
- through a period of diversity in state government policies;
- to a third period when governments adopted very similar measures legalising off-course betting.¹³¹

Prior to the 1960s, a wide variety of legal betting arrangements and practices was found throughout Australia at any one time.¹³² Australian betting policies sustained the activities of a multiplicity of private entrepreneurs (bookmakers, as well as breeders and trainers), each subject to the legislation of a particular state, who capitalised on the growing interest in racing for private profit. Unlike Britain, where the connection between sporting events and gambling was utilised to establish a national network of betting shops so that there was no competitive advantage for illegal bookmakers, the racecourse totalisator (tote) was introduced to some Australian states as early as 1879 to discourage off-course betting and its perceived disruptive effects on the community.¹³³ There was strong opposition to its adoption in the most populous states of Victoria and NSW, however, on the grounds that it would increase public gambling.¹³⁴ By 1916, the NSW government had legalised the tote, motivated partly by the need to generate revenues in wartime. In the changed political and economic circumstances of the First World War, the moral and social issues of containing betting to bookmakers was subordinated by decisions to turn the betting preferences of the public into the financial advantage of the government. Other states (South Australia, Queensland) were already benefiting from racecourse tote revenues, and the NSW government could not afford to forgo a similar opportunity to fund reconstruction and social service programs.

By 1930, the general position throughout Australia was that betting was permitted at racecourses with private bookmakers and at the tote. Off-course betting was seen as tax

¹³¹ Painter, M. 1991 'Policy diversity and policy learning in a federation: the case of Australian state betting laws', *Publius: The Journal of Federalism* (21):143-57.

¹³² Stoddart, B. 1981. 'Sport and society 1890-1940: a foray'. In C.T. Stannage (ed.) *A New History of Western Australia*, Nedlands, University of Queensland Press, p.652-74;

Vamplew, W. 1976 *The Turf: A Social and Economic History of Horse Racing*, London: Allen and Unwin;

Vamplew, W. 1983 'From sport to business: the first seventy-five years of horseracing in South Australia', *Journal of the Historical Society of South Australia* 11:15-33.

¹³³ O'Hara, J. *A Mug's Game*, p.94-101.

¹³⁴ McConville, C. 'A short history of the Tote', p.3-18;

Royal Commission of Inquiry into the Totalisator 1912 *Report of the Royal Commission of Inquiry into the Totalisator*, Sydney, Government Printer.

evasion and was illegal under any circumstance; but despite this prohibition, SP betting flourished. States again responded to the problem in different ways. South Australia, Northern Territory and Tasmania legalised off-course bookmaking under strict licensing regulations, contending that the state governments could capture the licensing revenues permitted by such regulations. Other governments, such as Queensland, simply sought to eradicate any conditions that might facilitate widespread SP betting, such as advertising, the publication of starting-price information and the activities of tipsters.

Once governments decided to capitalise on popular betting, the considerations that influenced gambling policies and laws were primarily those based in a commercial rationality, rather than the religious and moral concerns that had dominated debates prior to the First World War. Moral objectives did not disappear, but were integrated into an overarching concern for efficient management of the growing gambling industry. The reorganisation of betting practices in the 1920s and 1930s to regulate crowds at racecourse totes provides a good example of this shift in political objectives (see the South Australian *Lottery and Gaming Amendment Act 1920* and the Victorian *Police Offences [Race Meetings] Act 1929* and *Police Offences [Trotting Races] Act 1931*). In the post-war period, governments were faced with the increasing difficulties of policing unpopular anti-bookmaking laws and resolving conflicts over the social consequences of widespread betting, while trying to capture betting taxes for the shrinking public purse. Despite varied and unsuccessful attempts to reduce the patronage of illegal bookmakers, including efforts in some cases to ban bookmakers altogether, state governments continued to face a persistent proliferation of SP betting and tax evasion.¹³⁵ Larger incomes, improved communications, expanded leisure time and attempts by state governments to levy higher betting taxes to increase public revenues all gave impetus to popular illegal betting.

Confronted by the high costs of post-war economic and social development, an inadequate tax base, as well as costly and unpopular attempts to legislate against illegal betting, every state government followed Victoria's example in 1960 and that of NSW in 1964 to introduce a network of government-operated TAB off-course agencies. Painter's conclusion is that 'policy learning' by state governments has produced relatively uniform outcomes, despite the parochial interests of regional racing clubs.

He argues that the eventual uniform introduction of the TAB in all Australian jurisdictions 'has not resulted from national policies...[but from] political and other forces operating in each of the states and...the effects of interactions between the governments of each of the

¹³⁵ Betting Control Board 1964 *Report of the Betting Control Board Enquiry into TAB Betting in Victoria and Queensland*, Adelaide, Government Printing Office; Birch, T. 'The system just rolled along', p.27-40.

Dixon, D. 'Responses to illegal betting in Britain and Australia', p.92-121.

Dixon, D. 'Illegal betting in Britain and Australia', p.86-100.

McCoy, A.W. 'Sport as modern mythology'.

Quiggan, J. 1985 'The economics of gambling', in G. Caldwell, et al. (eds) *Gambling in Australia*. Sydney: Croom Helm, p. 94-100.

Royal Commission into Off-Course Betting 1952 *Report of the Royal Commission into Off-Course Betting*, Brisbane, Government Printer.

Royal Commission into Off-Course Betting 1959 *Report of the Royal Commission into Off-Course Betting*, Melbourne, Government Printer.

Royal Commission of Inquiry into Off-Course Betting in New South Wales 1963 *Report of the Royal Commission of Inquiry into Off-Course Betting in New South Wales*, Sydney, Government Printer.

Royal Commission into Police and Illicit Betting 1936-37 *Report of the Royal Commission into Police and Illicit Betting*, Sydney, Government Printer.

states'. A series of government inquiries provided a significant channel of communication whereby legislators and governments could share information and evaluate policy options, eventually producing a common solution to diverse problems and experiences.

Before 1930 there was a uniform policy of prohibition of betting off the racecourse, although the specifics of state laws aimed at this objective differed considerably. In the 1930s, two states decided to legalise off-course race betting by licensing bookmakers' betting shops, while the majority persisted with attempts at prohibition. By the mid-1950s, the prohibition states were in a minority. By the 1960s, all had adopted legalisation. Moreover, all had adopted the state-run totalisator, or TAB (after the acronym of the Totalisator Agency Board) in favour of licensed private bookmakers' betting shops. Following Victoria's lead in setting up a TAB in 1960, four of the other states followed suit very quickly. In fact the 'local' innovator in this regard was across the Tasman Sea in New Zealand, where a TAB was set up in 1949, providing a model observed closely by the Australian states.¹³⁶

The early and innovative development in Australia of government-run off-course betting, at first glance, could be seen simply as the imposition of bureaucratic controls to resolve a growing problem of illegal betting. However, the uneasy balance of earlier periods between moral disapproval of widespread SP betting and the arbitrary and often minimal enforcement of legal prohibitions against it by the police and judiciary had been complicated and to some extent replaced by a new set of considerations. With state governments increasingly dependent on federal reimbursements, state finances and the changing nature of financial relations with the Commonwealth were major factors in the speed with which legislative innovation and policy conformity occurred.

The combined experience of high and increasing demands for illegal SP betting, pressures through administrative reforms to rectify corruption and 'regulatory capture' of public officials, and the fiscal disadvantage which resulted from the introduction of TAB outlets in rival states made legalisation an inescapable policy choice. Once race clubs recognised the relative economic advantages that TAB betting could bring to the racing industry, this was the only possible solution on which political consensus could be achieved. In the climate of consumerism and moral liberalism, governments were unwilling, even disinclined, to pursue repressive policies which would have undermined the expansionary trends in gambling activity and thus in public revenues. In this respect, governments were responding to a general community will and new external pressures, rather than taking the initiative in promoting off-course betting and the TAB for purely 'rent-seeking' purposes.

Painter argues that once the decision was made to legalise off-course betting, state governments assumed a role as promoters of gambling, organising off-course betting to their own fiscal and political advantage. This active marketing role conflicts with their more restrictive objectives and procedures of earlier times, an issue that was hotly debated by the main protagonists before the various commissions of inquiry which preceded the reorganisation of this form of gambling. Typically, an 'independent' inquiry was established to report on the problem and on the experience and policies of other jurisdictions, which demonstrated the advantages of a TAB system.

¹³⁶ Painter, M. 'Policy diversity and policy learning in a federation', p.145.

Painter argues that many governments avoided the failures and mistakes of previous policies by accumulating knowledge of successful proposals and alternatives for deficient components. Through processes of policy learning, policy-makers thus built on the most advantageous aspects of previous policies, assessing and modifying them to make the TAB strategy more administratively effective. Where problems occurred, such as tax evasion by bookmakers and regulatory irregularities in the administration of legislation, governments identified the source of the problem and adapted strategies from other states to improve the efficacy of betting controls.

This trend to a common policy stood in stark contrast to the diverse betting strategies which existed in the different states in the 1920s and 1930s. By the 1960s there was a notable absence of what he calls ‘administratively costly and politically risky policies which diverged from the norm’.¹³⁷ Thus the use of TAB policies has continued to improve and converge over time as states have adapted their own marketing and administrative systems to solve emerging difficulties and to maximise returns.

Painter’s central argument that a process of policy learning explains the adoption of TAB policies across the nation also can be applied to TAB developments in the 1980s and 1990s. For example, telephone betting, FootyTAB, PubTAB and sportsbetting have been introduced by all state TABs as each government has responded at a different pace to a similar set of technological, social and economic changes and trends in public opinion. In one significant area Victoria has again set the lead (as it did in 1960) by being the first state to privatise the TAB, in 1994 (Tabcorp). Since then, NSW has followed suit, while Queensland has recently ratified privatisation. Table 3.6, adapted from Painter, summarises these historical changes.

Table 3.6 The history of the TAB, New Zealand and Australia: 1930-1990

Jurisdiction	1930	1940	1950	1960	1970	1980	1990
New Zealand	P	----- L ₃ -----					
Victoria	P	-----	----- L ₃ -----				----- L ₄ -----
New South Wales	P	-----		----- L ₃ -----			----- L ₄ -----
Queensland	P	-----	----- L ₂ , L ₃ -----				----- L ₄ -----
South Australia	P	--- L ₁ --- P -- L ₂ -----		----- L ₃ -----			
Western Australia	P	-----	----- L ₁ - L ₃ -----				
Tasmania	P -- L ₁ -----				----- L ₃ -----		
Australian Capital Territory	P	-----		----- L ₃ -----			
Northern Territory	P	----- L ₁ -----			----- L ₃ -----		

Key:

- P = prohibition of off-course gambling
- L₁ = legalisation of bookmakers’ betting shops
- L₂ = legalisation but only by ‘local option’
- L₃ = legalisation of state-run totalisator (TAB)
- L₄ = privatisation of TAB off-course betting

After the 1960s, governments were gripped by an expansionist mood, although to some extent this was modified by a sense of the social difficulties the TAB might have unleashed. In this regard, too, they have not simply responded to public demand but have had various interests of their own. Every state government was prepared, or indicated that it was prepared, to take whatever steps were necessary to counter any continuance of illegal SP betting which might erode the profits of the TAB. Most governments introduced stiffer penalties to try to reduce illegal betting but they have been far from consistent in their implementation.

¹³⁷ Painter, M. ‘Policy diversity and policy learning in a federation’, p.157.

The introduction of the TABs

The introduction of legal off-course betting followed a tortured path similar to that leading up to the introduction of the tote. Many of the same pro- and anti-arguments were stated and restated. The first states to act on the perceived prevalence and economic significance of betting with illegal bookmakers were Tasmania and South Australia. Tasmania introduced centralised off-course premises, a single location where licensed bookmakers could operate on race meetings which were held more than 20 miles away.¹³⁸ In South Australia an inquiry into illegal off-course betting in 1933 had found that this activity was widespread and recommended a network of off-course totalisators. However, the SA Government decided to legalise off-course bookmakers who had individual premises, and by 1936 there were around 150 betting shops operating.¹³⁹ Meanwhile in the states with the largest populations, Victoria and NSW, illegal betting networks flourished with the increased availability of telephones and the ready access to radio broadcasts, despite police and government efforts to curtail them.

The Second World War resulted in South Australia's betting shops being closed, as racing was banned until 1943, and even then most of the shops did not reopen. Established betting arrangements, with no legal off-course outlets other than the Tasmanian bookmakers and some eight shops at Port Pirie in SA, then continued until the 1960s. By this time the financial drain on legal betting arrangements from the ubiquitous SP network was considerable. Betting was such an ingrained aspect of Australian popular culture that it became inevitable that the century-long struggle to contain betting to the racetracks would finally come to a close.

The change in approach to illegal betting which had been delayed by half a century – despite having been discussed, debated and frequently recommended by a range of inquiries into this Australian social institution – finally occurred as the result of the Victorian Royal Commission into Off-Course Betting of 1958-59. The Commission recommended the setting up of a network of off-course totalisator agencies. Accordingly the Victorian Totalisator Agency Board (TAB) commenced operations in 1961 and began to establish a network of off-course outlets. Following the almost immediate indications that it would be a success, NSW followed suit with the NSW TAB opening for business in 1964. By 1967 all states except Tasmania had established TABs.

In Queensland the government had decided to license off-course bookmakers. However the government and the race clubs soon observed that both higher taxation returns and profit shares for race clubs appeared to be emanating from the TAB in Victoria than could be expected to be extracted from the operations of betting shops. The government moved quickly, and in February 1962 the Queensland TAB was established. Interestingly the location of TAB offices was planned for areas with established SP and licensed bookmaking activity, and indication of the long-held desire to limit the off-course bookmaking take. In some places, particularly some country towns where the legal and illegal bookmakers were part of the local cultural life, the arrival of the TAB – which meant the cessation of any bookmaking activity – was not welcomed by the local population and provided a source of

¹³⁸ O'Hara, J. A *Mug's Game*, p.190.

¹³⁹ *Ibid*, p.189

social friction.¹⁴⁰ Conflict between the Queensland TAB and the metropolitan racing clubs on the other hand continued well into the 1980s. The clubs wanted a greater share of the TAB revenue and the TAB wanted to take over the on-course tote service. As a result, TAB policy was modified to include the provision of the same services for on-course punters as was provided for those off-course¹⁴¹ – parity in parimutuel betting opportunities for on- and off-course punters becoming standard across the states.

The betting services provided by the various Totalisator Agency Boards across the country improved steadily as developments in the field of information technology started to impact on society. In 1967 the Victorian TAB installed ‘Carbine’ – the computer automated real-time betting information network. This system enabled the amount of phone betting to triple by the mid-1980s. By 1971 the TABs were offering same-day payouts; in 1983 punters using TABs were able to bet right up until race start. In August 1985 the Victorian TAB extended its presence into hotels with the introduction of PubTAB outlets. The expansion and redefinition of the TAB continued with the introduction of TAB superstores in the mid-1980s. These stores provided a wide range of live sports broadcasting plus food and drink. However, the TAB expansion was not limited to new types of outlets; new products were also devised and introduced including sportsbetting, which commenced in Victoria in 1986.

In NSW the Government had established the Totalisator Agency Board of New South Wales to provide an off-course wagering service in NSW for thoroughbred, harness and greyhound racing. The first cash offices opened in 1964 and the first PhoneTAB branch in 1965. Subsequent amendments to the legislation have allowed the expansion of offices to include sub-agencies (1973) and Pub/ClubTAB (1983). NSW TAB now offers fixed odds betting on sports events through SportsTAB and owns SKY Channel – a satellite television service that telecasts race meetings throughout Australia.

The primary focus of government efforts in racing policy has been to encourage measures to stimulate expenditure in the TAB agencies and, to a lesser extent, at racetracks. Their concern for revenues and for staying in office have been such that they invariably have procrastinated in taking effective action to counteract the social and illegal consequences of market expansion. Whatever the aims of government law-enforcement policies, the general political and industrial commitment to TAB growth has both encouraged the expansion of racing and allowed governments to increase their own spending.

¹⁴⁰ Cohen, Kay 1996 ‘The TAB in Queensland: Some Aspects of its Operations’, in Royal Historical Society of Queensland, *Gambler’s Paradise*, Brisbane, Royal Historical Society of Queensland.

¹⁴¹ Cohen, K. ‘The TAB in Queensland’, p.62

Privatisation of the TABs

The privatisation of state TABs could be said to have closed one chapter in the history of betting in Australia and opened another. In a scenario being repeated across national and international jurisdictions, political and economic events in Victoria in the 1980s led to the sale of public assets with the aim of retiring state debt. The privatisation of the Victorian TAB – by now enjoying a half-share, with Tattersall’s, in the lucrative business of operating EGMs in licensed hotels and clubs in Victoria – exceeded expectations with a \$675 million market capitalisation. Tabcorp Holdings Limited, the company which emerged from the privatisation process, conducts a combination of wagering and gaming activities, founded on the businesses acquired through the privatisation of the former Victorian Totalisator Agency Board in August 1994. Tabcorp retains the exclusive licence to sell parimutuel bets on thoroughbred, harness and greyhound racing in Victoria, in addition to fixed odds sportsbetting and operating half the EGMs in the state.

During the course of 1998 the NSW TAB was also privatised, listing on the Australian Stock Exchange as TAB Limited on 22 June 1998. Prior to privatisation, the NSW government authorised the TAB to operate linked jackpots in clubs and a centralised monitoring system for the state’s gaming machines. The NSW TAB currently operates 1,497 cash sales betting outlets and more than 3,000 online computerised betting terminals issuing around 386 million tickets per year. TAB Ltd is ranked by business magazines among the first 40 of the top 1,000 companies in Australia and is one of the largest betting organisations in the world, measured both in total sales and per capita terms¹⁴².

In October 1998, TAB Limited and AWA announced plans to form a joint venture to operate a Keno game in NSW hotels.

Without denying the importance of government policies, the steady rise in betting expenditure since the 1960s has depended on the promotion of TAB betting, supported by the commercial initiatives of racing interests and clubs and a favourable economic environment. One of the outstanding features of the growth in the TAB and racing in the 1960s and 1970s was the propensity of racing entrepreneurs to invest. In the 1970s private investment in the racing industry (breeding, training facilities, supplies, veterinary services) was much higher and more stable than in the pre-TAB period. Horseracing, in particular, was able to consolidate its historical dominance over trotting and greyhound racing, encouraging a variety of commercial innovations which improved the quality of racing and expanded profits for private investors.¹⁴³ Moreover, the racing industry has powerful linkage effects, which served as stimuli to a number of other industries.

¹⁴² TAB Ltd *Annual Report 1998*

¹⁴³ Brawley, S. *Beating the Odds*.

Cohen, K. *Character and Circumstance*.

Cohen, K. ‘‘The TAB in Queensland’’, p.47-64.

Pollard, J. 1989 *The Pictorial History of Australian Horse Racing*, Sydney, Hodder and Stoughton.

Conclusion: The 1990s, horseracing and the development of wagering

In the 1990s horseracing has reflected the social-historical emphasis on 'economic rationalism', with an emphasis on moving operations away from a 'service to community' footing to a 'business-like' operation where success is measured by performance indicators such as increased betting turnover. As a result, the key features of the decade have included:

- the privatisation of the main TAB networks and their listing on the stock exchange;
- a 'rationalisation' of racing;
- the promotion of 'special events' in racing as part of a drive for increased tourism; and
- projected expansion of interactive electronic wagering.

Privatisation of the TABs began in 1994 in the context of the introduction of poker machines to Victoria. The Victorian TAB was privatised as part of a new structure which gave it control over 50 per cent of the state's pokies. In NSW in the early 1990s the emphasis was on corporatisation of the TAB, to remove it from traditional public service bureaucracy and perceived inflexibility. Corporatisation was expected to result in a greater emphasis on the TAB's commercial objectives, while giving management greater autonomy and authority. Control would continue to be exercised but this would be done through the application of performance indicators and systems of rewards.

Debate over corporatisation of the NSW TAB was continuing in 1997 when the impact of Tabcorp, the privatised form of the Victorian TAB, was becoming apparent. An initial significant rise in share prices and an apparent growth in not only betting turnover, but also in the racing industry in general (due largely to a reduction in wagering taxes by the Victorian government), increased demands from sections of the industry in NSW for the NSW TAB to follow suit. In April 1997 the NSW government announced its decision to privatise the TAB and list it on the stock exchange. After some months of debate over the structure and form of the new body, TAB Limited was floated in 1998.

Under its new structure TAB Limited is answerable to its shareholders, not to the racing industry or to its supporters. Its main concern, like Tabcorp's in Victoria, has become the growth of its business. Nevertheless, the privatised TABs are aware that their business depends on good relations with the various sections of the racing industry. The industry also recognises the need to cooperate with the privatised TAB.

Table 3.7 Expenditure on racing gambling products, by state and territory 1997-98

Gambling Form	Vic	NSW	Qld	SA	WA	Tas	ACT	NT	Total
EXPENDITURE (\$m)									
TAB	379.507	533.852	249.000	91.655	126.177	29.273	16.223	11.757	1 437.444
On-course totalisator	35.919	59.896	21.900	7.989	12.112	1.275	1.469	1.946	142.506
On-course bookmaker	17.338	33.586	12.900	3.737	9.135	0.819	1.121	4.700	83.336
Off-course bookmaker	-	-	-	0.150	-	-	-	-	0.150
Sportsbetting (racing)	5.069	0.394	0.600	0.773	0.838	-	2.137	10.450	20.261
Total racing	433.158	632.403	284.400	104.304	148.262	31.367	20.950	28.853	1 683.697
Household disposable income (%)	0.50%	0.47%	0.48%	0.40%	0.45%	0.41%	0.27%	0.78%	0.47%
PER CAPITA EXPENDITURE (\$)									
TAB	109.40	113.59	99.20	81.62	95.23	84.12	70.84	91.14	103.91
On-course totalisator	10.35	12.74	8.73	7.11	9.14	3.66	6.41	15.09	10.30
On-course bookmaker	5.00	7.15	5.14	3.33	6.89	2.35	4.90	36.43	6.02
Off-course bookmaker	-	-	-	0.13	-	-	-	-	0.01
Sportsbetting (racing)	0.11	1.08	0.24	0.69	0.63	-	9.33	81.01	1.46
Total Racing	124.87	134.55	113.31	92.88	111.90	90.14	91.48	223.67	121.72
Source: Tasmanian Gaming Commission 1999 Australian Gambling Statistics 1972/73-1997/98, TGC, Hobart, Table A, B.									

Despite innovations in racing products (more race meetings, night racing, SKY Channel telecasts, mystery bets) the Australian racing industry has seen a decline in its gambling market share in recent years. While total expenditure on racing has increased over time, in most states the market share is lower than it was in the 1970s. However, with a total gambling expenditure of \$1.68 billion, racing remains a significant part of the overall gambling industry (see Table 3.7).

Table 3.8 Comparative racing and sportsbetting taxation, by states and territories

Tax	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
Bookmaker turnover tax	2% metro 1.5% other	1%	1%	1.57%	0%	0.15%	1.25%	1.55%
On-course win/place	28.2% of player loss	28.2% of player loss	15%	14.25%	14.25%	15% (over all pools)	14.25%	14.25%
Sports Betting	Totalisator sports betting: max. deduction 20%, tax 28.2% of deduction Fixed odds sports betting: 20% of player loss	1% for off-course bookmakers 6% head to head with 3 possible outcomes 25% multiple outcomes & footyTAB Fixed odds sports betting: 20% of player loss	1%	1.75%	0.5% at racecourse 2% at sporting venue	Aust & NZ: 0.3% Other: 0.15%	0.25% on designated international sports. 0.5% on head to head bets. 1% on other fixed odds 6.75% index betting.	Aust & NZ: 0.5% Other: 0.25%
Source: NSW Treasury 1999 <i>Interstate Comparison of Taxes 1998-99</i> , http://www.treasury.nsw.gov.au/trpindex.html								

The response by the industry has been an attempt to rationalise the industry. This has taken the form of ‘growing the business’ through providing more opportunities for punters to bet on racing, and by removing from the industry those race meetings that add nothing to the business.

Various states have adopted revised structures and differential tax rates to assist that change (Table 3.8). In NSW this is reflected in the establishment of the Thoroughbred Racing Board (TRB) replacing the AJC as the supreme authority of NSW racing. The Board is more representative of the wider industry and is not aligned simply with one club or with only metropolitan racing. The TRB’s brief, like that of the privatised TAB, is to achieve growth that benefits all sections of the industry. In Victoria, a joint venture between VicRacing and Tabcorp has enabled funds from Tabcorp’s gaming machines to be used for racing industry development.

Table 3.9 Snapshot of horseracing and harness racing gamblers, Victoria 1998

Indicator	Horseracing	Harness racing
Participation rate in gambling activity	14%	3%
Characteristic of gamblers	Males or full-time workers, or white collar workers; significantly higher proportion of committed heavy gamblers	Male, younger than average, semi-skilled workers, more likely to be committed heavy gamblers
Of gamblers, how many play regularly (at least once a month)	49%	40%
Outlay per gambling activity	\$29	\$26
Gamblers’ primary motivations	Social reasons (34%), atmosphere/excitement (24%), thrill or dream of winning (23%)	Thrill/dream of winning (42%), social reasons (39%), atmosphere/excitement (19%)

Source: Roy Morgan Research 1999 *Sixth Survey of Community Gambling Patterns and Perceptions*, VCGA, Melbourne.

Expansion of opportunities in the racing and betting industry has followed three main ‘prongs’. First, the provision of race meetings on non-public holidays, Mondays and Fridays to fill the most obvious gap in the TABs’ daytime race meeting schedule. The second prong was the introduction of Sunday racing, which was embraced warmly in Victoria and with greater scepticism in NSW. Sunday racing has not yet become an every-week occurrence but its growth has been steady. The third prong was the development of night racing. Again Victoria acted first, and regular night racing at Moonee Valley has become accepted within its first year of operation. NSW is yet to begin night racing. Its introduction to Canterbury Park racecourse by the STC received only muted support from local residents but began in September 1999. The AJC recently announced that it also intends to introduce night racing at Randwick before the end of the decade.

Rationalisation of ‘uneconomic’ race meetings has been achieved both through action to reduce the number of country race meetings and race clubs, and through neglect. Clubs which are unable to secure TAB support, by having the TAB operate at these meetings, do not receive sufficient income from the TAB to provide attractive prizemoney. Accordingly, while some once-a-year cup meetings might survive, many outlying clubs that previously conducted

regular racing are now being squeezed out of the business.

The other main attempt to develop the racing product has been a concerted drive to attract a new clientele to racing through the promotion of it as a 'special event' or 'tourism event' rather than as a regular (daily or weekly) activity. This approach is apparent from the promotion and marketing of the main racing carnivals in autumn and spring (Sydney and Melbourne), winter (Brisbane and Adelaide) and summer (Gold Coast). These campaigns have often been accompanied by the heavy promotion of particular racing stars (e.g. Might and Power in 1998 or the clashes between Saintly, Octagonal and Nothing Leica Dame in 1997). These promotions have been remarkably successful and have led to marked increases in both on-course attendances and betting turnover at the main carnivals in 1997 and 1998.

Despite these changes, many of the traditional characteristics of racing and wagering persist. Horseracing continues to overshadow greyhound and harness racing; and wagering is still a predominantly male leisure activity, attracting a relatively high proportion of heavy regular gamblers (Table 3.9). Social reasons, excitement and the thrill of winning remain important motivations for gambling on racing.¹⁴⁴

The next major factor in business growth is yet to happen. This is the introduction of fully interactive wagering through the use of digital television. Online betting through the TAB internet websites exists, but probably serves only those who previously used other betting avenues such as PhoneTAB. It is anticipated that access to interactive betting through the lounge room television, while watching the races on cable or satellite TV, will introduce new people to racing as well as provide increased opportunity for current participants.

¹⁴⁴ Productivity Commission, *Australia's Gambling Industries Draft Report*, 3.16.

Chapter 4: The Lotteries

Introduction

The first lotteries were established in Sydney as sweepstakes (the Tattersall's Club Consultations) conducted for members in Tattersall's Hotel by the proprietor, W.J. O'Brien. As private sweepstakes, they bypassed the 1844 legislation forbidding lotteries. Responding to demand by non-members, the new hotel licensee, George Adams, organised the first public lottery as a sweep on the 1881 Sydney Cup horse race.¹⁴⁵ The Tattersall's sweepstakes quickly became very popular and brought prosperity to Adams. In three short years he had repaid his creditors and had purchased the hotel freehold, largely from the proceeds.

However, the clergy and anti-gambling lobby vigorously attacked the lottery and legislation was passed to ban some forms of betting, including Tattersall's sweeps. George Adams took his sweepstakes to Queensland and then to Tasmania. His estate eventually moved headquarters to Victoria, where it has continued to grow and expand into new and diversified forms of gambling. Tattersall's was the only private lottery in Australia until the Northern Territory introduced a private lottery in 1996.

Despite the success of Tattersall's, lotteries in other Australian states have been operated by government monopolies. The introduction of government-run lotteries involved both a quest to increase state revenues and an attempt to define public morality through particular welfare schemes.¹⁴⁶ This nexus between gambling revenues, state welfare and social values was crucial to the success of the first state lottery, Queensland's Golden Casket, which became the model for similar lotteries in most other states.¹⁴⁷

Overview of the chapter

Following this short introductory section, this chapter proceeds to outline the history of lotteries development in each Australian state and territory and in New Zealand. These individual sections lead into a short concluding section in which the themes of lottery development, which have emerged across recent Australian history, are summarised. A summary table (Table 4.2) in this concluding section gives an idea of the extensive nature of lotteries business in this country.

¹⁴⁵ Wilson, T. & Dean, E. 1996 *The Luck of the Draw. The History of the Estate of the Late George Adams and Tattersall's* (2nd ed.), South Yarra, Tattersall's Sweep Consultation.

¹⁴⁶ Selby, W. 1994 *The Golden Gamble: A History of the Golden Casket Art Union*, Brisbane, The Golden Casket Art Union Office; 1996 'Social evil or social good? The Queensland Golden Casket', in J. McMillen (ed.) *Gambling Cultures*, p. 65-85.

¹⁴⁷ In its early years the Golden Casket promoted the social values of motherhood and child health.

Table 4.1 The introduction of lotteries, lotto and keno to Australian states and territories

Time frame	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
1788 to 1900	1870s: land lotteries; sweepstakes. 1890s: legislation to prevent lotteries.	1844: Act prohibiting lotteries passed. 1870s: land lotteries; sweepstakes. 1881: First Tattersall's sweepstakes on Sydney Cup 1890s: legislation to prevent lotteries. George Adams moved his sweepstake to Tasmania.	1870s: postal sweepstakes; 1890s: legislation to prevent lotteries	1875: prohibition on lotteries.		1890s: Bank of Van Dieman's Land Lottery – failed. George Adams established Tattersall's postal lottery based in Hobart.		
1900 to 1940s	1900-1930s: growth in Tattersall's postal sales from Hobart.	1900-1930s: growth in Tattersall's postal sales from Hobart. 1931: state lottery established to fund health system and public hospitals. 1932: Three lotteries held to mark the opening of the Sydney Harbour Bridge.	1900-1930s: growth in Tattersall's postal sales from Hobart. 1916: non-profit lottery established for war welfare programs; 1921: Golden Casket lottery operated by government to fund public hospitals.	1900-1930s: growth in Tattersall's postal sales from Hobart.		1901: C'wealth attempt to prevent Tattersall's postal lottery.		
1940s to 1970s	1954: Tattersall's licensed to operate lotteries in Victoria. 1972: Tattersall's permitted to operate lotto.	1956: High Court upholds prohibition of Tattersall's postal lottery sales. 1957: Lottery introduced to finance construction of the Opera House.	1975: Pools introduced. 1979: lotto introduced	1956: special lottery for flood relief. 1966: last state to introduce lottery following referendum (state-run Lotteries Comm.). 1973: lotto introduced through Lotteries Commission	State run lottery; poorly subscribed. 1982: lotto introduced to raise charitable funds.	1956: High Court upholds prohibition of Tattersall's postal lottery sales.	Sale of Tattersall's and NSW lotteries Tickets through agencies. 1970s; art unions registered.	1978: Tattersall's operate through local agencies.

Time frame	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
1980s to 1990s	1978: Tattersall's interstate sales extended to Pools and SA Lottery. 1980s: Instant lotteries introduced. 1984: Tattersall's international mail service licensed. 1988: Keno introduced. 1991: Tattersall's licensed as owner-operator of 50% of EGMs in Victoria. 1994: Tattersall's expanded international sales. Tattersall's introduces Club Keno. 1997: Tattersall's licensed to sell lottery tickets on internet. 1997: Tattersall's licensed to install and monitor EGMs in Queensland clubs and hotels.	1982: random number generator introduced for lottery draws. Instant lotteries introduced following the success of Tattersall's sales. 1986: last Opera House Lottery. 1988: draw lotteries went online. 1989: Pools introduced. 1994: Australia's first national lotto game (Oz Lotto) introduced.	1981: Gold Lotto introduced; very popular. 1997: corporatisation of Golden Casket Office; licensed to install and monitor EGMs in clubs and hotels.	1984: Lotteries Commission awarded licence for Adelaide Casino (privately operated). 1995: decline in sales; Lotteries Commission restructured.	1990: Lotteries Commission corporatised; sales increased. Grants to community groups.		1997: Boystown authorised to operate mail-order cash art unions.	1995: private Territory Lottery authorised to conduct mail order sales. Approval for expanded sales of Tattersall's lotteries. 1996: internet lottery advertising approved. 1996: Keno introduced to clubs and hotels, operated by MGM Grand Darwin Casino.

The development of state and territory lotteries and New Zealand lotteries

NSW lotteries

Lotteries were prohibited in NSW in 1844, but were available in the 1880s in the form of sweepstakes conducted from the Tattersall's Hotel. Tattersall's sweeps continued unhindered until the severe depression, which struck in the early 1890s.¹⁴⁸ The Protestant clergy had never been comfortable with the predominance of gambling in Sydney and took the opportunity presented by the depression to mount a strong anti-gambling campaign. Unlike racing, which was defended by Sydney's most influential citizens, Tattersall's sweepstakes were caught up in a political trade-off whereby Parliament wanted to accede to the demands

¹⁴⁸ O'Hara, J. *A Mug's Game*, p.100-2; Wilson, T.E. & Dean, E. *The Luck of the Draw*, p.31-53.

of the anti-gambling lobby to show its concern with the suffering brought by the depression. In the debate about the Bill to restrict betting, which was eventually passed in August 1891, Tattersall's sweepstakes was mentioned several times. Adams and other sweepstakes operators moved their sweepstakes to Brisbane to avoid the NSW ban. When the Queensland authorities threatened to follow the NSW lead, Adams negotiated a deal with the Tasmanian government.

Over the ensuing years the mainland states watched with consternation as the sweepstakes activity they had prohibited continued to prosper. The primary concern of state governments was the flow of capital out of their jurisdictions and into Tasmania. Police in the various states attempted to obstruct the sweeps by occasionally charging agents with infringements of legislation. The new federal government also sought to obstruct Tattersall's through the *Postal Act (1901)* which enabled deliveries of mail addressed to Tattersall's to be stopped. In NSW police also applied pressure to George Adams' Sydney hotel by threatening to oppose the hotel licence should sweepstakes activity continue unabated through the hotel premises.¹⁴⁹

These restrictions began to have an impact. Tattersall's Hotel was forced to stop acting as agents for the Tasmanian sweepstakes and the Trustees began to see a falling off of profit. Pressure was also brought to bear on the carriers of advertising for the Tasmanian lottery in NSW. The legality of such advertising remained in question until 1956 when, following the introduction of the NSW State Lottery in 1931, the High Court confirmed the validity of legislation controlling the sale of interstate lottery tickets and fined the *Daily Telegraph* newspaper for advertising Tattersall's.

In the late 1930s, NSW hospitals faced a critical funding situation. The newly elected ALP State Government had observed the success of the Queensland Golden Casket and decided to introduce a state lottery to solve the problem.¹⁵⁰

The Great Depression of the 1930s had created unemployment of nearly 30 per cent and queues outside soup kitchens were a common sight. Poverty was increasing health problems in the community and authorities feared that hospitals would not cope with a similar outbreak such as the 1919 flu epidemic.

The announcement of the lottery 'created a political storm and was denounced by the Churches and the Opposition'.¹⁵¹ Premier Lang acknowledged that a lottery was not an 'appealing' solution but that it was necessary to avoid hospital closures.

The Lotteries Act was proclaimed in June 1931 and the first state lottery was drawn in August 1931 with a first prize of £5,000. Special Christmas Gift lotteries were introduced in December (first prizes £9,000) and in 1932 three special lotteries were introduced to mark the opening of the Sydney Harbour Bridge (first prizes £20,000). Prize values progressively increased in the post-war period, and in 1957 the Opera House Lottery (first prize £100,000) was introduced to help finance construction of the Sydney Opera House. These lotteries were concluded in 1986.

¹⁴⁹ O'Hara, J. *A Mug's Game*, p.102.

¹⁵⁰ NSW Lotteries Commission: <http://www.nswlotteries.com.au>

¹⁵¹ *ibid.*

Market share of New South Wales lottery revenue fell during the 1970s, prompting the introduction of lotto in 1979 and instant lotteries in 1982.¹⁵² In 1985 the government via the Lotto Board resumed responsibility for lotto from the private consortium which had introduced it. In 1989 NSW Lotteries began operating the Pools in NSW; and in 1994 Australia's first national lotto game, OZ Lotto, was introduced. By the 1990s Jackpot lotteries had become increasingly popular and in 1998 Australia's largest lottery prize win (\$17.53 million) was won on a Powerball jackpot.

The role of NSW Lotteries in raising funds for community projects has continued since its inception in 1931. Until recently, direct selling of NSW Lottery products could only be undertaken lawfully in New South Wales and the Australian Capital Territory through agents appointed by NSW Lotteries.

In January 1997 the NSW Lotteries Commission was corporatised under a new Act – the *NSW Lotteries Corporatisation Act 1996*. In addition, a new *Public Lotteries Act 1996* was introduced. These Acts differ from previous arrangements in several ways:

- the NSW Lotteries Corporation (NSWLC) can participate in all legal forms of gambling and gambling-related activities, provided they do so in a socially responsible manner;
- the NSWLC currently holds exclusive licences to conduct all lottery games in the state;
- the NSWLC can be involved in gaming products without having to be the licensed provider. This will allow the NSWLC to take advantage of new opportunities offered by the internet; and
- responsibility for authorising new lotteries was removed from the NSWLC and transferred to the Department of Racing and Gaming. The NSWLC no longer is certain of a monopoly over lotteries in NSW, although it does retain an exclusive licence until 2009 for its existing products.¹⁵³

Tasmanian lotteries

It is significant that Tasmania is the only Australian state never to have had a state-operated lottery. Tasmania's acquisition of the private Tattersall's lottery in 1895 is an instructive example of the government's acceptance of private gambling initiatives prior to casino legalisation.

Tattersall's sweepstakes had operated from Sydney since 1881, selling tickets to Tasmanian residents through the post. After the NSW government passed legislation preventing the sale of tickets through the mail and Queensland threatened to do the same, Tattersall's negotiated with the Tasmanian Premier Braddon, who undertook to introduce the necessary legislation for Tattersall's to receive a lottery licence to operate in that state. In 1896 Tattersall's became the first private gaming operation in Australia to receive legislative sanction. However, as O'Hara points out, Braddon's support for Tattersall's was not driven by an attempt to liberalise gambling, although he understood the extent of Tattersall's popularity with Tasmanians. On the contrary, there were considerable functional advantages to the state itself; 'his aim was to suppress the existing facilities by refusing them licences'.¹⁵⁴ The government

¹⁵² Alchin, T.M. 1989 'Taxation of gambling in Australia', *Economic Analysis and Policy* 19 (2):167-84.

¹⁵³ NSW Department of Gaming and Racing 1998 *Annual Report 1997-98*.

¹⁵⁴ O'Hara, J. *A Mug's Game*, p.101.

welcomed the opportunity to reform its gambling policy to establish direct control over lottery sales and improve its capacity to collect revenues.

Despite the efforts of mainland states to prevent ticket sales in their jurisdictions, Tattersall's continued to operate successfully from Tasmania until it was enticed to Victoria in 1954, when the Tasmanian government was unable to match the more favourable operating conditions offered by the Victorian government. Following the relocation of Tattersall's operations to Victoria, another private operator was licensed to conduct a lottery in Tasmania. However, Tasmanians remained loyal to Tattersall's products, the new venture failed and the licence was surrendered in 1960. Since then, there has been no Tasmanian-based lottery, although the continued interstate purchase of Tattersall's tickets by Tasmanians forced the government to accept a minority partnership in the agreement between Victoria and Tattersall's.¹⁵⁵

Victorian lotteries

Lotteries in Victoria since 1954 have been run by Tattersall's, the private company owned by the trustees of George Adams who are licensed for up to ten years at a time to promote and conduct a variety of lotteries and any other games approved by the Minister. Tattersall's also established operating agreements with governments in Tasmania, the Northern Territory and the ACT to sell their lottery products in those jurisdictions. A duty is payable to the respective governments on these games either as a percentage of turnover or via a complex formula, depending on the game.¹⁵⁶

Like NSW, Victoria had banned lotteries in the nineteenth century. However, for the first half of the twentieth century Victorian residents continued to purchase Tattersall's tickets from Tasmania. Victoria was by far the largest market for Tattersall's lotteries. Stimulated by the Second World War, a period of industrialisation brought affluence to Victorian society in the 1950s. With unemployment consigned to history for the moment and a new and prosperous spirit in the post-war period, the values of thrift and moderation emphasised during the war years increasingly receded and Tattersall's sales in Victoria boomed.¹⁵⁷

The Victorian Government of John Cain Snr responded by proposing to legalise a state-run Victorian lottery, similar to that operating in NSW. In 1953 the Tattersall's Trustees and the Cain government engaged in secret talks which resulted in Tattersall's moving permanently to Melbourne in 1954. It was a coup for both the government and the Trustees, who had simultaneously avoided the likelihood of being tied to a perennially cash-strapped Tasmanian Government and secured their major market against the incursion of a commercial competitor.

After slow but steady growth in the 1960s, the 1970s were a period of expansion for Tattersall's Victorian and interstate operations. Tattslotto, based on an automated and televised European game, was introduced by Tattersall's in 1972. Legislation was introduced at the same time to allow radio and television advertising. Although slow to gain public support, by the late 1970s Tattslotto had achieved the highest level of turnover of any form of

¹⁵⁵ Wilson, T. & Dean, E. *The Luck of the Draw*.

¹⁵⁶ Wilson, T & Dean, E. *The Luck of the Draw*.

¹⁵⁷ O'Hara, J. *A Mug's Game*; Wilson, T.E. & Dean, E. *The Luck of the Draw*

Australian gambling, with a network in all states except NSW and Queensland.¹⁵⁸ Victorian incomes were well above the national average and the popularity of new gambling options generated a level of discretionary expenditure and share of state revenue which were surpassed only by NSW.¹⁵⁹

During the 1980s Tattersall's sought to broaden the player base and boost turnover; existing games were refined and new games (for example, Instant Tatts, Super 66) were progressively introduced. Marketing, too, became increasingly important and products were promoted as part of a broader entertainment context: there was 'more tangible promotion of the image of family, fun and participation'.¹⁶⁰ In particular, Tattslotto experienced dramatic growth in the early 1980s and the Tattersall's business as a whole expanded throughout the decade, assisted by dramatic technological improvements such as online purchasing. This occurred despite a downturn in the economy in the late 1980s.¹⁶¹

In 1981 the Australian Lotto Bloc commenced, combining the prize pools of the lotto games in Victoria, Tasmania, the Australian Capital Territory, the Northern Territory, South Australia and Western Australia. In the same year the Queensland government contracted with Tattersall's to set up lotto in that state.¹⁶²

In 1982, after almost 30 years of regularity in the licence arrangements between Tattersall's and the Victorian government, the new ALP government put the Victorian lottery licence to public tender. The new licence would be for the operation of sweepstakes, Gold Lotteries, Tattslotto, Super 66 and Instant Tatts. In 1983 Premier Cain announced that Tattersall's would retain the lotteries licence for another seven and a half years on certain conditions.¹⁶³

In effect the share of turnover allowed to Tattersall's under the new conditions had dropped from seven and a half per cent under the previous arrangement to around four and a half per cent. The cost of the new licence prompted rapid moves to increase turnover including the installation of 1,200 more terminals and the introduction of a mid-week lotto.¹⁶⁴

Interstate sales were extended to Soccer Pools in 1978 and the South Australian lottery in 1979; in 1983 Tattersall's operations became fully computerised; in 1984 the trustees of Tattersall's decided to close down their operations in New Zealand, citing the conditions under which they were obliged to operate and the dim prospects of any improvements in turnover. In 1984 a licence to operate a mail service for Tattersall's was issued. The mail service was to become fully computerised and very successful in terms of the range of countries serviced.¹⁶⁵ In 1988 keno was introduced into Victoria and Tattersall's launched a more visible advertising campaign to promote the George Adams' heritage and jackpot prizes.

¹⁵⁸ NSW had established a rival lotto operation in 1979; Queensland's Golden Casket Agency agreed to administer draws in the Tattslotto bloc in 1981.

¹⁵⁹ McMillen, J. 1993 *Risky Business: The Political Economy of Australian Casino Developments*, Unpublished PhD thesis, University of Queensland, Chapter 6.

¹⁶⁰ O'Hara, J. *A Mug's Game*, p.245.

¹⁶¹ McMillen, J. *Risky Business*, p.300-301.

¹⁶² O'Hara, J. *A Mug's Game*, p.207.

¹⁶³ McMillen, J. *Risky Business*, p.299.

¹⁶⁴ Wilson, T. & Dean, E. *The Luck of the Draw*.

¹⁶⁵ *Ibid*, p. 230.

In 1991 Tattersall's returned briefly to racing sponsorship, but this was dropped following a decision that it no longer served Tattersall's purpose.

In 1990 Tattersall's core Victorian market was threatened by the proposed introduction of EGMs and casinos. With their commercial rival, TAB, Tattersall's negotiated with the Kirner government to obtain one of two 'gaming operator' licences to provide, monitor and operate gaming machines in the state's clubs and hotels. This provided Tattersall's with additional revenue to further expand their gaming operations in other jurisdictions.¹⁶⁶

Tattersall's began to look overseas to expand its customer base. By the end of 1994, in conjunction with local authorities, Tattersall's had introduced lotteries in Norfolk Island, Christmas Island, the Cook Islands, Fiji, and the Commonwealth of the Northern Mariannas Islands. The company continued to explore the possibility of introducing lotteries to other countries including South Africa, India, Vietnam, China and India.

In 1997, under Victorian legislation (the *Tattersall's Consultations Act 1997*), Tattersall's became the first Australian organisation to sell lottery products on the internet. All players were required to register with Tattersall's first. Prevailing legislation meant that only players from Victoria, Tasmania, the Northern Territory and the ACT can register and play.¹⁶⁷

In 1997 Tattersall's obtained a Licensed Monitoring Operator (LMO) licence to provide a monitoring and management service for the expanding EGM market in Queensland's clubs and hotels.¹⁶⁸

Queensland's Golden Casket

The Golden Casket Art Union, Queensland's lottery, was introduced in December 1916. The Golden Casket was the first lottery in Australia administered entirely by a government for charitable and community purposes. The Casket was initially conceived to raise money for war widow assistance and soldier settlement schemes, and in 1921 to finance the Ryan government's new public hospital system.¹⁶⁹

The Golden Casket Office, a statutory body, administers all lottery games including the Golden Casket Art Union, Soccer Pools, Gold Lotto and Instant Scratch-Its.¹⁷⁰ Historically, a substantial share of Casket revenues was directed to social programs and capital works; however, since the 1970s it has been paid into consolidated funds to be used for building roads, schools and other infrastructure.¹⁷¹ Casket tickets are sold by franchised Casket agencies (often newsagents) throughout Queensland.

Soccer pools, loosely based on the traditional British game, began in Queensland in 1975, accepting wagers on the Australian and United Kingdom soccer leagues. By 1979, pools

¹⁶⁶ Wilson, T. & Dean, E. *The Luck of the Draw*.

¹⁶⁷ Ibid.

¹⁶⁸ Queensland *Machine Gaming Newsletter*, 1998.

¹⁶⁹ Selby, W. *The Golden Gamble*.

¹⁷⁰ The Golden Casket Office (various years) *Annual Reports*.

¹⁷¹ Selby, W. *The Golden Gamble*.

claimed 41% of total gaming expenditure by Queenslanders.¹⁷² Although soccer pools appeared to present a serious threat to the Golden Casket, it failed to hold its share of an increasingly competitive market once a Queensland version of lotto was introduced in the 1980s.

Gold Lotto has been much more successful with Queenslanders since its introduction in 1981. Queensland became part of the Australian Lotto Bloc for this game, which is marketed through Casket agencies. lotto secured 50 per cent of the total Queensland gaming market in its first year. The large jackpot prizes offered by Gold Lotto attract players who often form family and community syndicates to improve their chances of winning.¹⁷³

In 1997 Queensland's lottery went through a similar corporatisation process to NSWLC and the *Lotteries Act 1997* was proclaimed, establishing the Golden Casket Lottery Inc. as monopoly operator of lotteries in Queensland for twelve years. As a government-owned corporation, the Golden Casket is registered with the Australian Securities Commission and must abide by its requirements. As well as its existing lottery duties, the Golden Casket must now pay company and sales tax to the Queensland government.

In 1997 the Golden Casket entered the EGM market as one of eight Licensed Monitoring Operators to supply and monitor gaming machines in Queensland clubs and hotels.¹⁷⁴

South Australian lotteries

Lotteries had been prohibited in South Australia since 1875 except on rare occasions when specific lotteries were authorised to raise funds for a designated purpose or emergency, such as flood relief in 1956. The suppression of lotteries originally had been based on concerns for public morality and street disorder.

By the time Australian gambling was being liberalised in the 1930s, the interstate purchase of tickets in Tattersall's and NSW lotteries was so widespread that it would have been uneconomical for South Australia to introduce a lottery of its own.¹⁷⁵ After Tattersall's moved to Victoria, the South Australian government reconsidered this policy. In 1966 South Australia became the last Australian state to introduce a regular state-run lottery (the Lotteries Commission) but only after the government held a referendum which was passed by a majority of three to one.

The Lotteries Commission of South Australia, constituted under the *State Lotteries Act 1966*, is authorised to promote and conduct lotteries in SA and conjointly with governments in other states and territories.¹⁷⁶ In addition to the Commission's own lotteries, the Dunstan government introduced lotto in 1973, administered by the Lotteries Commission. The government considered that the population was too small and expenditure levels too low to sustain large gambling developments.

¹⁷² Tasmanian Gaming Commission, *Australian Gambling Statistics 1972/73-1997/98*.

¹⁷³ Selby, W. *The Golden Gamble*.

¹⁷⁴ Queensland Machine Gaming Newsletter, 1998.

¹⁷⁵ O'Hara, J. *A Mug's Game*, p.173-4

¹⁷⁶ Lotteries Commission of South Australia (various years) *Annual Report*.

In 1984 the Lotteries Commission was awarded the licence for the Adelaide Casino, with responsibility to appoint and report on the activities of the casino operator.¹⁷⁷ However, the Lotteries Commission itself has no role in casino operations.

Following a slump in sales, the Lotteries Commission underwent a major restructure in 1995, but its performance has continued to decline sharply, partly due to competition from gaming machines.

A review of the Commission is currently underway, with corporatisation and privatisation being considered as options. A report is due later in 1999.

Western Australian lotteries

WA Lotteries Commission is an independent statutory body which administers its own Act and reports to the Minister for Racing and Gaming and to the Gaming Commission. The operations and actions of the Lotteries Commission are governed by two specific Acts: the *Gaming Commission Act 1987* which governs all gaming and lotteries in WA; and the lottery-specific legislation contained in the *Lotteries Commission Act 1990*.¹⁷⁸

The Lotteries Commission has monopoly status for all permitted lotteries in WA with authority over sales, financial management, and disbursing profits of lotto, soccer pools, instant lotteries, and draw lotteries. New categories of games require amendment to legislation; new games within existing categories require approval of the Minister.

During the 1970s, gambling tax receipts in Western Australia languished behind other states because only a relatively narrow range of gambling had been legalised and its lottery was poorly subscribed. In 1982, following recommendations of a 1974 Royal Commission into Gambling, Lotto was introduced to be operated by the Lotteries Commission to raise funds for charities.¹⁷⁹

Within legislated requirements, the Lotteries Commission has considerable autonomy over disbursement of lottery revenues to specific applicants. In 1997 total grants of \$46.1 million were made to 1,600 community organisations. Recent community research shows 84 per cent of WA residents have a highly favourable impression of WA Lotteries; 90 per cent said this was due to the Commission's community funding program, not to the lottery products.

A statutory review to the Premier and Cabinet as required under the Act is currently before the Minister. Issues include corporatisation.

¹⁷⁷ McMillen, J. *Risky Business*, p.228.

¹⁷⁸ WA Lotteries Commission (various years) *Annual Report*.

¹⁷⁹ Royal Commission into Gambling [*Adams Report*] 1974.

Australian Capital Territory lotteries

There is no ACT lottery although Art Unions can be registered in the ACT for mail distribution. The NSW Lotteries Corporation and Tattersall's (based in Victoria) have been authorised to promote and conduct lotteries, lotto and soccer pools in the ACT through their appointed agents.¹⁸⁰ Duty is payable to the ACT on these games either as a percentage of turnover or via a complex formula, depending on the game.

In 1997, Boystown, a charitable organisation that operates art unions in Queensland, received approval in the ACT to operate mail-order art unions with large cash prizes.

Northern Territory lotteries

There are two lotteries operating in the Northern Territory – the Territorian, a private lottery owned and operated by the Australian Lottery Company Ltd, and Tattersall's lotteries.

While under the administrative protection of the Commonwealth in the 1970s, the Northern Territory avoided the revenue pressures that motivated some states to expand legal gambling. Racing, minor gaming (small lotteries, raffles and bingo run by charitable and religious groups) and interstate lotteries catered for an existing demand and brought only limited government revenues.¹⁸¹

Tattersall's (Victoria) has operated lotteries in the Northern Territory since 1978.¹⁸² While the Territory was under federal jurisdiction, constitutional constraints did not permit the administration to have its own lottery but from 1978 it did allow interstate sales of Tattersall's tickets for 50 per cent of the Victorian government's commission on expenditure.

Community organisations such as sporting clubs, and religious and charitable groups could run raffles, small 'lotteries' and bingo but the Territory received no revenues from these activities.¹⁸³ In 1977, insecurity about the long-term future prompted the Country-Liberal Party administration to initiate an inquiry into the Territory's gambling policies.¹⁸⁴

The Territory Lottery operation was privatised in February 1995. Under the Gaming Control Act, the Territory Lottery Company (since 1996 trading as the Australian Lottery Company [ALC]) conducts a mail-order lottery business in the Northern Territory for the sale of Tattersall's lottery products and the Territory Lottery.¹⁸⁵ The latter, a type of mail cash lottery (the Territorian) is unique in Australia. From 1995 to 1997 several lotteries were conducted with increasing numbers of tickets and prizemoney.

¹⁸⁰ ACT Select Committee Review of Gaming 1999.

¹⁸¹ The climate was not conducive to thoroughbred farming and so the racing industry was relatively small and revolved around betting on both local and interstate races.

¹⁸² McMillen, J. & Togni, S. 1998 Study of Gambling in the Northern Territory 1996-97, Australian Institute for Gambling Research, University of Western Sydney Macarthur.

¹⁸³ Bingo was very popular, raising at least \$750,00 for community groups in 1979/80, an amount equal to the government's revenues from bookmakers' tax (Northern Territory Racing and Gaming Commission, First Annual Report 1979-80).

However, spending on bingo was probably higher than this as not all games were recorded.

¹⁸⁴ Northern Territory of Australia Inquiry into the Lotteries and Gaming Ordinance 1977

¹⁸⁵ Tattersall's is a private lottery company based in Victoria. Established in Sydney in 1881 by George Adams (see Wilson & Dean 1998). Tattersall's operates lotteries in Victoria, Tasmania, ACT and Northern Territory.

In June 1995 Tattersall's was granted a permit to sell tickets in 'foreign lotteries' (a lottery conducted outside the NT) for a period of three years, expiring in June 1998. This permit was subsequently extended to December 2003. Products included Tattslotto, Super 66, Tattslotto Extra, Instant Money Lottery, Soccer Pools and Oz Lotto.

Tickets for both the Territorian and Tattersall's lotteries are sold at a variety of retail outlets throughout the Territory. The Territorian also is sold by mail order outside the Territory, and is marketed overseas through the internet, though not in an interactive form. Administration of the lotteries is localised, however: ALC is based in Darwin; Tattersall's is based in Melbourne.

Duty, fees, commissions and unclaimed prizes are paid to a Lotteries Fund, which is distributed by the responsible Minister to charitable organisations or other bodies which, in the opinion of the Minister, serve the welfare of the community. The Department of Sport and Recreation receives the largest share of disbursements from the Lotteries Fund.

Tattersall's sales commenced through TLC in October 1995. In June 1995 Tattersall's was authorised to sell tickets in 'foreign lotteries' for a period of three years.¹⁸⁶ In 1995-96 most of the Tattersall's lotteries experienced growth in sales above 1994-95 levels. But in 1996-97, all Tattersall's lotteries except the new Powerball game had a sharp decline in subscriptions. Powerball has captured most of the Tattersall's subscriptions at the expense of other Tattersall's products. After a long period of declining performance, Soccer Pools ceased sales in the Northern Territory in 1997. In February 1997 a Saturday lotto draw was reinstated.

In 1996 the NT government noted the potential for lotteries to utilise internet technology to develop instant result lottery products but cautioned against the effects this would have on the character of existing lotteries.¹⁸⁷ At the time, the potential for market growth was thought to lie with cable/pay television. However, delays with availability of cable/pay television have encouraged commercial interests and the NT government to turn to other market opportunities for gambling, notably sportsbetting and interactive gaming.¹⁸⁸ The Territorian has advertised its lottery on the internet since 1996.

New Zealand lotteries

To raise funds for sports and other recreational facilities, sporting bodies in New Zealand had been pressing for the creation of a national lotto game or lottery since 1977.¹⁸⁹ The NZ Lotteries Commission was established as a government business enterprise in 1987 in response to sustained pressure from sports bodies for a national lotto game to generate funds for sport programs and facilities. A Lottery Grants Board was established as a separate body to disburse lottery revenues to a range of distribution committees.

The Lotteries Commission has positioned itself from the outset in consumer marketing. By skilful and aggressive promotion it has established lotto as the most popular form of gambling in New Zealand. It also has successfully branded lotto as a form of 'community' gaming,

¹⁸⁶ The NT Gaming Control Act defines 'foreign lotteries' as any lottery conducted outside the Northern Territory.

¹⁸⁷ Legislative Assembly of the Northern Territory 1996, p.57

¹⁸⁸ McMillen, J. & Togni, S. *Study of Gambling in the Northern Territory 1996-97*.

¹⁸⁹ Grant, D. 1994 *On a Roll. A History of Gaming and Lotteries in New Zealand*, Victoria University Press.

rather than as commercial gaming, and represents itself as promoting the New Zealand ‘way of life’. Consequently, it viewed the introduction of casinos in 1994 as a threat to the framework of regulation, which has favoured non-commercial gambling for community purposes.¹⁹⁰

Conclusion

The extent and diversity of government involvement in lotteries in Australia has equalled that of off-course betting developments. The social and moral implications, however, have been quite different. Whereas betting policy was motivated to a large extent by concerns to control and organise illegal betting, considerations behind legalisation of lotteries and the relaxation of some anti-gaming laws were primarily economic in character from the outset.¹⁹¹

Table 4.2 Current regulation of Australian lotteries, lotto and keno

Vic	NSW	Qld	SA	WA	Tas	ACT	NT
Minister for Gaming: licenses and controls lotteries. Department of Treasury and Finance: policy and legislation; regulation; taxes. Tattersall's: monopoly licence to conduct lotteries, Tattsлото, Club Keno.	Minister: controls NSW lotteries. Department of Gaming and Racing: policy and legislation; regulation; taxes. NSW Lotteries Corporation: operates lotteries, lotto.	Treasurer: controls lotteries. Qld Office of Gaming Regulation (QOGR): policy and legislation; regulation; taxes. Golden Casket Lottery Inc: operates lotteries, lotto. Jupiters Casino Ltd: operates Keno in clubs, hotels, TAB agencies.	Treasurer: control of lotteries and casino gaming. Department of Treasury and Finance: policy and legislation; regulation; taxes. Lotteries Commission of SA: operates lotteries, lotto; holds casino licence; reports to Treasurer and GSA. Gaming Supervisory Authority (GSA): licensing and regulation of Lotteries Commission as casino licensee.	Minister for Racing and Gaming: control of all gaming. Office of Racing, Gaming and Liquor (ORGL): policy and legislation; regulation; taxes. Gaming Commission of WA: licenses and regulates all gaming. WA Lotteries Comm.: monopoly operation of lotteries, lotto.	Treasurer: control of all gaming. Department of Treasury and Finance: policy and legislation; regulation; taxes. Tasmanian Gaming Commission (TGC): regulation and control of all lotteries. Reports to Minister. Tattersall's: operates lotteries, lotto. Federal Group: operates Keno in clubs, hotels, casinos.	No ACT lottery. Chief Minister's Department: policy; authorisation of Tattersall's and NSW Lotteries Corporation to operate in ACT.	Minister for Racing and Gaming: licensing, admin. of Lotteries Fund. Racing, Gaming & Licensing Department: policy and legislation. Racing and Gaming Authority (R&GA): regulation and control. Gaming Control Comm.: regulation of all lotteries. Tattersall's & Australian Lottery Company administer lotteries. MGM Grand Casino administers Club Keno.

In Britain and the United States lotteries had a long history of being a successful way to raise government revenue, until their prohibition in the nineteenth century.¹⁹² In Australia, three

¹⁹⁰ Australian Institute for Gambling Research 1998 *Study of the Social and Economic Impacts of Casinos in New Zealand*, Auckland, NZ Casino Control Authority.

¹⁹¹ O'Hara, J. *A Mug's Game*, p.171-6.

¹⁹² Abt, V., Smith, J.F. & Christiansen, M.E. 1985 *The Business of Risk: Commercial Gambling in Mainstream America*, Lawrence, University of Kansas Press.

Clotfelter, C.T., & Cook P. 1989 *Selling Hope: State Lotteries in America*, Cambridge, Mass: Harvard University Press.

Miers, D., & Dixon, D. 1979 'The national bet: the re-emergence of the public lottery', *Public Law*:372-403.

main factors were crucial.¹⁹³ First, the strain on government funds by specific new areas of public welfare expenditure, particularly hospitals, increased the need for new revenue sources. This was the main motivation behind the legalisation of lotteries in Queensland following the First World War and later in other states. Second, the immediate problems of economic recessions and depressions pressured some state governments, such as NSW in 1931, to turn to lotteries as a way of bolstering the shortfall in general consolidated revenues. Third, there was an attempt by each state to protect its own revenue base from interstate intrusion. For instance, in Tasmania the early success of Tattersall's depended on out-of-state sales. After the failure of attempts by other state governments to use federal post-office regulations to stop the sale of Tattersall's tickets through the mail service, they were compelled to consider the option of setting up their own lotteries to finance social programs.¹⁹⁴

As with reforms in betting policies, the political dimension of lottery legislation in Australia required state governments to carefully balance their economic, social and moral implications to arrive at the necessary trade-offs between revenue generation, community values and practices, and interest groups. The establishment of government-run lotteries at first was as politically contentious as the establishment of the racecourse tote and off-course betting. However, lotteries presented a socially and morally more palatable form of gambling, particularly when linked to popular welfare projects. Justification for government sponsorship of lotteries was based on political pressures for expanded expenditure by governments in tax-funded social policies, in spite of opposition from anti-gambling church groups and from political conservatives who resisted any increased government activity, either in public enterprises or in welfare policy.¹⁹⁵

In a process of 'policy-learning' similar to the spread of the TAB, although over a much longer period, every state eventually came to recognise the benefits of having its own lottery. While significant state variations persist in the legal definitions of lotteries and prizes, government responses to administrative problems and market opportunities since the 1970s have tended to adopt common strategies and arrangements. Governments have extended their lottery offerings and consolidated existing government mechanisms of control to take advantage of improving socio-economic conditions in a number of ways (Table 4.2).

First, after intensive lobbying by powerful local capitalists, state governments legislated to enable private investors to introduce new forms of commercial gaming, Gold Lotto and Soccer Pools. In Victoria and Tasmania, the lotto licence was granted to the powerful

¹⁹³ O'Hara, J. *A Mug's Game*, p.99-102, 149-51, 171-5.

¹⁹⁴ Royal Commission on Lotteries 1936 *Report of the Royal Commission on Lotteries*, Proceedings of the Parliament of South Australia, 19 (2).

A similar pattern of interstate rivalries led to the spread of lotteries in the eastern United States between 1970 and 1975, as states legalised lotteries largely according to the parochial rationale of preventing out-of-state ticket purchases by their citizens and the subsequent revenue losses (Abt, Smith & Christiansen:1985:56-68, 212-3). Following the introduction of an annual lottery in New Hampshire, daily and weekly lotteries have spread to a majority of the United States, as each state reacted to the addition of lottery activity in neighbouring states.

¹⁹⁵ There also have been historical and state differences in the designation of the particular beneficiaries of lottery revenues. For example, lottery funds in South Australia have been used to finance public housing development. In New South Wales, hospitals have been the major beneficiary, although special lotteries were held to finance the Sydney Harbour Bridge (1931) and, in the 1960s, the Opera House. Queensland lottery revenues were initially used to finance housing schemes for repatriated soldiers after the First World War; they later provided funds to establish a free hospital service; in the 1970s they were directed into a cultural development fund which financed the 1982 Commonwealth Games, Expo 88 and the construction of the Brisbane Cultural Centre. In 1992, the government again designated some Casket funds to state hospitals.

Tattersall's corporation, confirming its private monopoly over gaming in those states; and until 1986 the NSW Lotto was owned by a consortium of some of Australia's largest media owners (Rupert Murdoch, Kerry Packer, Robert Sangster).¹⁹⁶ Tattslotto's network has since been licensed to sell tickets in Queensland, South Australia, Northern Territory and Western Australia; and in 1993 an agreement was reached with NSW Lotto for both operators to collaborate in establishing a national lotto network (Table 4.3).

Table 4.3 Current structure of Australian lotteries

Jurisdiction	Licensee	Ownership	Exclusivity
Victoria	Tattersall's	Private trust	June 2002
New South Wales	NSW Lotteries	Government Corporatised 1997	July 2007
Queensland	Golden Casket Lottery Corporation	Government Corporatised 1997	June 2002
Western Australia	Lotteries Commission of Western Australia	Government	Exclusive but not specified
South Australia	Lotteries Commission of South Australia	Government	Exclusive but not specified
Tasmania	Tattersall's	Private (Vic)	
Australian Capital Territory	NSW Lotteries Tattersall's	Government (NSW) Private (Vic.)	
Northern Territory	Tattersall's The Australian Lottery Company	Private (Vic.) Private (privatised 1995)	

Source: Productivity Commission 1999 *Australia's Gambling Industries: Draft Report*, Commonwealth of Australia, Canberra, 12.42

Subsequently a number of large lottery bloc partnerships were established with overlapping and competing coverage of Australian jurisdictions (Table 4.4).

Table 4.4 National lottery bloc partnerships

Bloc name	Product	Partners
Australian Lotto Bloc	Saturday Lotto	Qld, WA, SA and Tattersall's (Vic, Tas, ACT & NT)
National Lotto Bloc	Oz Lotto	NSW, Qld, SA and Tattersall's (Vic, Tas, ACT & NT)
Powerball Lotto Bloc	Powerball	NSW, Qld, SA and Tattersall's (Vic, Tas, ACT & NT)
Soccer Pools Bloc	Soccer Pools	NSW, Qld, SA and Tattersall's (Vic, Tas, ACT & NT)

Source: Productivity Commission 1999 *Australia's Gambling Industries: Draft Report*, Commonwealth of Australia, Canberra, 12.43

Second, despite the trend towards privatised gaming, government's historical authority over gaming was so firmly established that the states have had the power to extract relatively high rates of taxation from commercial operators of lotto and pools in return for the necessary operating licences (Table 4.5). In all states except Tasmania and Victoria, where governments have negotiated generous returns from Tattersall's operations, lotto is administered by the government lottery agency for a substantial fee.¹⁹⁷

¹⁹⁶ O'Hara, J. *A Mug's Game*; Charlton, P. *Two Flies Up a Wall*.

¹⁹⁷ Wilson T.E. & Dean, E. *The Luck of the Draw*.

Table 4.5 Comparative lottery taxation by states and territories

Local lotteries	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
Summary of taxation. Based on value of net subscription unless otherwise stated	35.55%	15% on subscription plus fee equal to 14.7% of subscription	45% to 62% of gross revenue	25% (minimum)	33%	Shared with Victoria	Shared with NSW and Victoria	Shared with Victoria
NSW Treasury 1999 <i>Interstate Comparison of Taxes 1998-99</i> , http://www.treasury.nsw.gov.au/trpindex.html								

During the 1980-90s, competition from casinos and gaming machines resulted in a fall in the popularity of traditional lotteries. Despite the development of new lottery products (such as scratch tickets, jackpot games) expenditure on traditional lottery tickets have declined from over \$250 million a year to \$57 million in 1997-98. However, expenditure on lotto products has continued to increase over the same period, boosted by the development of national games, more frequent draws and multimillion dollar prizes, to its 1997-98 level of \$923.4 million, maintaining state government's healthy tax take from lotteries products (Table 4.6).

Table 4.6 Expenditure on lotteries gambling products, states and territories 1997-98

Product	Vic	NSW	Qld	SA	WA	Tas	ACT	NT	Total
EXPENDITURE (\$m)									
Lottery	5.214	46.554	2.030	-	-	0.345	1.028	1.772	56.943
Lotto, Tattslotto	268.815	250.285	161.023	67.516	135.638	16.140	12.063	11.942	923.422
Instant Money	23.670	62.691	94.673	8.343	29.512	2.368	2.186	1.396	224.839
Soccer Pools	1.244	3.573	1.501	0.267	0.835	0.080	0.179	0.021	7.700
Total	298.943	363.103	259.227	76.126	165.985	18.853	15.456	15.131	1 212.904
PER CAPITA EXPENDITURE (\$)									
Lottery	1.50	9.91	0.81	-	-	0.99	4.49	13.74	
Lotto, Tattslotto	77.49	53.25	64.15	60.12	102.37	46.38	52.68	92.57	
Instant Money	6.82	13.34	37.72	7.43	22.27	6.80	9.55	10.82	
Soccer Pools	0.36	0.76	0.60	0.24	0.63	0.23	0.78	0.16	
Source: Tasmanian Gaming Commission 1999 <i>Australian Gambling Statistics 1972-73 to 1997-98</i> , TGC, Hobart.									

Also during the 1980s and 1990s, all state lotteries were corporatised and subject to commercial management principles and performance criteria. Changes in state-operated lotteries 'have made lotteries competitive in nearly all segments of the market and currently [1986] perhaps the most aggressive form of gambling in Australia'.¹⁹⁸ State lotteries now compete with the capital investment and marketing techniques of large private gambling corporations.

¹⁹⁸ Abt, V. et.al. *The Business of Risk*, p.57.

With the growing number of competing gambling opportunities such as the TAB, lotto and pools, the economic success of lotteries depends primarily upon the extent to which they can attract and retain a sizeable share of the gambling market. To this end, government lotteries themselves have become more commercially competitive, utilising up-to-date technological and administrative developments such as computerised online ticketing services, aggressive marketing strategies and television advertising in an effort to ensure their share of gamblers' dollars.

Table 4.7 Snapshot of lotto and instant lotto gamblers, Victoria 1998

Indicator	Lotto	'Scratchies'/instant lotto
Participation rate in gambling activity	52%	20%
Characteristic of gamblers	Matches general population profile, higher proportion of occasional gamblers	Female in part-time employment
Of gamblers, how many play regularly (at least once a month)	76%	47%
Outlay per gambling activity	\$9	\$4
Gamblers' primary motivations	Dream of winning (72%), may get lucky (12%)	Dream of winning (53%), belief in luck (14%) beating the odds (7%)
Source: Roy Morgan Research 1999 <i>Sixth Survey of Community Gambling Patterns and Perceptions</i> , VCGA, Melbourne.		

Lotto in particular has been aided in its commercial appeal by the characteristics of its product, which has widespread appeal across all sectors of the population and a correspondingly high participation rate (Table 4.7). Coupling the public perception of lotto as a relatively low-cost opportunity to become very rich with the designing of products which allow a single entry to be valid across a number of draws/weeks, lotto games have developed a high level of regular players.

In the future it is likely that lotteries, in the face of competition from other gambling forms and operators for this market of regular players will need to turn to the internet. This is likely to be necessary both to satisfy demands for online delivery of standard lotteries products and to design and develop new products.

Chapter 5: The Casinos

Introduction

Overview of the chapter

Casinos have played a prominent part in the history of Australian gambling during the past three decades. The organisation of this chapter reflects the way this development has been structured in three distinct waves. The remainder of this introductory section tabulates the introduction of casinos and outlines the preconditions for this process of legalisation of casinos in Australia's various state and territory jurisdictions. The following sections entail a series of overviews of casino developments in each state or territory, which together outline the first, second and third stage of Australian casino development. The concluding section views these three stages in a wider overall context and considers the emerging historical themes, as well as outlining the current structure of the casino industry.

Table 5.1 Introduction of casinos to Australian states and territories

Time frame	Vic	NSW	Qld	SA	WA	Tas	ACT	NT	Christ. I
1788 to 1900	Prohibition on casino and card games in public. Gaming in private clubs and dwellings.	Prohibition on casino and card games in public. Gaming in private clubs and dwellings.	Prohibition on casino and card games in public. Gaming in private clubs and dwellings.						
1900 to 1940s		Gaming clubs given impetus by visits of US servicemen.							
1940s to 1970s	1970s: several private sector proposals for casinos not acted upon. 1979: Federal Hotels' casino proposal for Melbourne rejected by some govt. members.	1950-60s: illegal gaming clubs operate in Sydney 1976: Wran govt. proposes legalisation of casinos. 1977: Lusher inquiry recommends several small casinos for NSW.	1970-80s: small illegal gaming clubs operate in Brisbane and Cairns.	1973: Dunstan govt. proposes casino, legislation – defeated.	1974: casino recommended by Royal Comm.	1968: referendum approves a casino for Tasmania. 1972: Casino gambling legalised. 1973: Wrest Point Casino opened. 1978: application called for Launceston casino licence.	1976-83: three proposals to introduce a casino to Canberra. Strong community opposition.	1979: casinos legalised for Darwin and Alice Springs. Temporary Don Casino (Darwin) opened.	

Time frame	Vic	NSW	Qld	SA	WA	Tas	ACT	NT	Christ. Is.
1980s to 1990s	1982-83: Connor Inquiry recommends against a casino for Victoria. 1992: Legislation for a Melb. Casino. 1994: temporary Crown Casino opened in World Trade Centre. 1997: Permanent Crown Casino complex opened at Yarrabank. 1998: changes to Crown Casino's corporate & management structure; PBL increases shareholding.	1980-1985: several casino proposals fail. 1986: Casino licence awarded for Darling Harbour casino; Police refuse to give probity clearance. Licence withdrawn. 1988: casino legislation rescinded & damages paid to licensee. 1991-92: casino legislation prepared; Street inquiry recommends regulatory system. 1994: Sydney Harbour Casino opened in temporary premises. 1997: Star City Casino opened in permanent facility. Harrah's approved to take over casino operations. 1999: Tabcorp submits takeover offer for Star City.	1982: casino legislation passed. 1985: Jupiters Casino opened on the Gold Coast. 1986: Breakwater Casino opened in Townsville. 1995: Treasury Casino opened in Brisbane. 1996: Reef Casino opened in Cairns. 1997: Reef Casino in financial difficulty. 1999 French hotel co. Accor announce intention to join Casinos Austria in refinancing Reef Casino.	1982: further attempts at casino legislation defeated. 1983: private members bill to legalise a casino is passed. 1984: Lotteries Comm. casino licensee; Genting Berhad as casino operator. 1985: Adelaide Casino opened.	1984: Legislation for a Perth casino passed. 1985: Burswood Island Casino opened. 1990: major shareholding in Burswood Casino sold to Japanese company.	1982: Launceston Country Club Casino opened.	1983: Casino legislation disallowed by Senate. 1988: Social impact study for specific casino proposal. Legislation passed. 1992: Canberra Casino begins operations in temporary location. 1994: permanent Canberra Casino opens.	1981: Alice Springs casino opens. 1983: Mindil Beach (Darwin) casino opens. 1984: Federal Hotels' casino licence not renewed. Aspinall's awarded Darwin Casino Licence; Ford Dynasty awarded licence for Alice Springs casino (Lasseters) 1996: Lasseters placed in receivership. MGM Grand acquires Darwin Casino. 1996: MGM Grand authorised to operate keno in clubs and Hotels. 1997: Lasseters purchased Malaysian interests. 1999: Lasseters Casino first to offer casino games on internet.	1986: Commonwealth referendum approves a casino. 1987: Commonwealth agreement to legalise a casino; licence awarded to Federal Hotels. 1988: new legislation prepared, Casinos Austria as operator, Indonesian company as major shareholder. 1993: Casino opened. 1997: casino licence withdrawn from Indonesian owner. 1998: CI Casino closed; subject to sale.

Preconditions for the legalisation of Australia's casinos

Until 1973, one of the most distinctive historical features of the otherwise liberal Australian gambling policies was the uniform prohibition of casino gaming. However, since the first Australian casino was legalised in Tasmania in 1973, all Australian state governments have

authorised the introduction of commercial casinos, in some cases despite vigorous public opposition, in others with remarkably little public protest. The legalisation of casinos has introduced a new industry to Australia's economy and an important international element to the local gambling culture; the explosive growth of Australian casinos also has featured policy innovations in gambling regulation.

Although casino development has been arguably the most radical and controversial change to Australian gambling in recent years, the only systematic study of the introduction of casinos has been conducted by one of the authors of this report. Consequently this section is drawn primarily from that study.¹⁹⁹ It examines the policy process by which Australian casino development has been achieved in more detail than we have given to other forms of gambling. This analysis will reveal:

- the historical factors that have impacted on changing government attitudes to casino gambling;
- the ways in which each government has responded to gambling developments in other states; and
- the interrelationships between various forms of gambling – in the debates about casino legalisation, concessions and changes were made to existing legal gambling operators to defuse their opposition to casinos and to accommodate demands to protect existing markets and revenues.

The call for casinos first came in the late 1960s from investors and businesses associated with Australia's emerging tourism industry. Whereas most earlier forms of Australian gambling, such as state lotteries and off-course betting, have been directly administered by state governments themselves, since the 1970s governments have encouraged commercial investment in casinos.

Although Australian casinos share a number of general characteristics with casinos in other countries, patterns of development and organisation vary between states in significant and contingent ways, as do the policies devised for regulation. McMillen's research shows that Australia's casinos have been introduced in three distinct stages, each of which has been linked fundamentally to changes in the global economy as experienced at a regional level:

- The introduction of casinos in the first phase was closely tied to the period of economic downturn in the 1970s and the attempt by underdeveloped states (Tasmania and the Northern Territory) to revitalise flagging economies. The casinos introduced were small 'club' style venues reflecting a British-European influence.
- The continued recession prompted several other states to consider casinos as a mechanism to stimulate economic growth. The roots of the second phase of casino expansion lie in the restructuring of regional economies in Queensland, South Australia and Western Australia in the early 1980s. At this time, these states diversified their economies into international tourism and became the hosts for casino operators from Asia and America looking for new investment opportunities. The result was larger American-style casinos aimed at mass tourist markets. In Victoria, NSW and the ACT, however, any proposals were blocked by preoccupation at the political level with problems of control and crime.²⁰⁰
- The third stage of casino development in the 1990s has been distinguished by increasing

¹⁹⁹ McMillen, J. *Risky Business*.

²⁰⁰ McMillen, J. *Risky Business*, chapter 6.

competition as the various states have attempted to maintain their share of the gambling market. This current stage of development is an extension of the previous phase, characterised by regional struggles for economic growth and fiscal problems. By the late 1990s, Australian casino policies have moved to a more expanded and unstable stage of development, a period in which governments have been forced to contend with new conflicts, tensions and contradictions.

The absence of legalised casino gambling in Australia before 1973 reflected, in part, little public demand for this type of gambling. Other forms of gambling such as off-course betting, lotteries and charitable gambling had been legalised at least in part because of their popularity within the community. The variety and availability of other forms of legal and illegal gambling seem to have provided adequate gambling outlets for most Australians; baccarat and other card games were played by only a relatively small number of gamblers who frequented modest illegal clubs. Some of Sydney's small baccarat schools were converted into more luxurious illegal casinos in the 1950s but the general public seems to have been deterred by the links with known criminals.²⁰¹ Moral and religious opposition to gambling was compounded by a number of concerns specific to casinos.²⁰² Casinos have been seen as particularly difficult to control and potentially a disruptive force in society.

The introduction of legal casinos to Australia can only be understood in the context of changing social and political-economic conditions in the 1970s. At an international level, regulatory reforms in Nevada and Britain in the 1960s had improved the public image of the casino industry as a whole. Casino gambling became a legitimate feature of mass tourism and entertainment enjoyed by many Australians who travelled overseas. Within Australia, the impetus for the introduction of casinos to Australia came from a combination of factors:

- public acceptance of expanded legal gambling opportunities which were introduced in the 1960s around a two-fold state interest – to control illegal gambling and to boost government revenues;²⁰³
- rapid post-war developments in tourism which created new opportunities for commercial investment and market expansion;²⁰⁴
- pressures experienced by regional economies during the lingering economic difficulties of the 1970s and 1980s;²⁰⁵ and
- efforts by state governments to maintain a stable revenue base in the face of changes to federal financial arrangements and increasing administrative responsibilities.²⁰⁶

The immediate impetus for the introduction of casinos to Australia was to accelerate regional tourism and economic development. As part of a strategy of state development, this rationale was different from the social and political motives underlying the earlier legalisation of lotteries and the TAB. The development of tourism and leisure service industries in the post-war period became a powerful force in a more positive reassessment of gambling as both a personal entertainment experience and as a vital component in state economies. Australian

²⁰¹ Hickie, D. *The Prince and the Premier*.

²⁰² Evidence for the concern by Australian policy makers about casino scandals overseas can be found in the numerous reports by state governments considering the introduction of casinos and in the evidence presented by anti-casino groups hoping to prevent their legalisation.

²⁰³ O'Hara, J. *A Mug's Game*; Charlton, P. *Two Flies Up a Wall*.

²⁰⁴ McMillen, J. *Risky Business*.

²⁰⁵ *Ibid.*

²⁰⁶ *Ibid.*

casinos in most cases have been situated in cities with direct tourist appeal or access to key tourist regions.²⁰⁷

Within these general trends, specific regional conditions have influenced when and where casinos have been introduced, the types of casinos established, the choice of operators, and the structures and conventions of control. The various state governments adopted distinctly regional responses characterised by different economies, moral climates, political-economic calculations, market competition and regulatory systems.

Economic considerations consistently were the primary factor behind the emergence of casinos in Australia. And, as McMillen's research shows, in over two decades Australian governments learned from each other's experience in a process of 'policy learning' similar to that which accompanied the introduction of the TAB.²⁰⁸

The economic downturn of the 1970s affected various Australian states in different ways. The need to develop new means of stimulating economic growth was more acute in those states that were at a comparative disadvantage in the national economy. A conceptual distinction between core and peripheral states helps to explain the interstate rivalries, economic factors and changes that have induced different patterns of casino development.²⁰⁹

The first Australian casinos were relatively modest developments in small, sparsely populated and underdeveloped states that have existed on the periphery of the national economy – Tasmania and the Northern Territory.

First stage of casino development: Tasmania

This section examines the first stage of Australian casino development with the introduction of casino gambling in Tasmania during the 1970s and the introduction of similar casinos into the Northern Territory. It is significant that the first Australian state to introduce casinos was highly susceptible to the early stages of the 1970s global recession. It was hoped that casino development would solve two problems confronting Tasmania: address deteriorating economic conditions by strengthening tourism; and bolster state finances which were disadvantaged by a relatively low gambling tax structure.

Acceptance of private sector involvement in the major forms of Tasmanian gambling (horseracing and Tattersall's lotteries), and limited options for economic development, provided a congenial environment for the radical commercial proposal that a Tasmanian casino would stimulate economic growth and employment.

²⁰⁷ At the time, casinos in the USA and Caribbean were located in destination resorts. Where casinos were situated in urban areas in Europe and Britain, they were restricted to tourists or to club members.

²⁰⁸ McMillen, J. *Risky Business*.

²⁰⁹ Head, B. 'Taxation of gambling in Australia'.

Casino legalisation and establishment

The first effective step towards Australian casino development was taken in 1967 with a submission by Federal Hotels Ltd, an Australian hotel operator incorporated in Victoria, to the Tasmanian government for authority to include casino facilities in the renovation of its hotel complex at Wrest Point (Table 5.2). An earlier approach by Federal Hotels in 1959 had been abandoned because the political climate was ‘unreceptive’.²¹⁰

Table 5.2: Tasmanian Casino Establishment: Significant Events²¹¹

Year	Event
1967	Submission by Federal Hotels to Reece Labor government for casino in Wrest Point Hotel.
1968	Casino proposal debated in Parliament. Organised anti-casino protest.
1968 Nov	<i>Wrest Point Casino Licence and Development (Referendum) Act</i> passed by both Houses. Referendum approves casino legislation. <i>Wrest Point Casino Licence and Development Act of 1968</i> passed to enable casino development.
1968 Dec	Agreement with Federal Hotels for Wrest Point Casino licence.
1969	Liberal-Centre Party coalition government elected; little progress with casino policy.
1972	Reece Labor government re-elected. Casino Advisory Committee and single-member Gaming Commission appointed. Four Seasons proposal for second casino at Launceston.
1972 July	Joint Parliamentary Committee established to hear submissions on Launceston casino proposal. <i>North Casino Act</i> passed and casino licence issued to Four Seasons, but did not proceed with development.
1973	<i>Casino Company Control Act</i> passed to regulate finances of casino licensees and to limit foreign ownership. Wrest Point Casino opened.
1978	Expressions of interest invited for Launceston casino. Licence awarded to Federal Hotels consortium.
1982	Launceston Country Club Casino opened.

As in every other Australian jurisdiction where casinos have been introduced, discussions in Tasmania about the advantages or disadvantages of casino gambling developed around three general themes:

- first, the broad social policy implications of casinos, including issues of crime, political corruption, public morality and excessive gambling which have been seen as particular problems for governments;
- secondly, the economics and marketing of casino gambling which have influenced the choice of corporate structures and management strategies to enable the casinos to generate the anticipated level of profits; and
- thirdly, the regulatory approaches adopted to establish political control over the industry and to balance the costs and benefits of legalised casino gambling.

There was no attempt by the government to call for tenders from other potential casino developers or to consider alternative sites for the casino.²¹² More importantly, even after the casino decision had been approved by Cabinet, legislative and project development remained firmly in Federal Hotel’s hands with only limited direction or modification by government.²¹³

When the casino legislation was tabled in Parliament in October 1968, a storm of public

²¹⁰ Sutton, K. *Blueprint*, p.27.

²¹¹ Adapted from McMillen, J. *Risky Business*, p.139

²¹² Two other groups, a syndicate of bookmakers and the Hobart Convention Centre, indicated their interest in submitting proposals for a casino.

²¹³ Sutton, K. *Blueprint*, p.42-72.

protest plunged the Tasmanian community into a vigorous public debate about the relative social ‘evils’ and merits of casinos. Many of the accusations which were directed at casinos – that they would increase social problems, crime, illegal gambling and political and economic corruption – were based on negative perceptions of casinos in Nevada.

Concerned at the misinformation and superficiality of debate from both sides, several prominent citizens and Liberal and Labor politicians formed a Casino Inquiry Committee to act as a public forum for more informed and balanced consideration of the issues.²¹⁴ Legislative and administrative matters were assigned to a Casino Advisory Committee (CAC), a bipartisan advisory body.²¹⁵ Federal Hotels was directly involved in the drafting of casino legislation, working closely with government officials to establish a set of conditions and procedures that would ease public concerns about criminal involvement and the integrity of casino operations.²¹⁶

Intense pressure had developed for a referendum on the casino, particularly from church leaders, the Casino Inquiry Committee and conservative members of the upper house, the Legislative Council. In November 1968, both Houses of Parliament passed the *Wrest Point Casino Licence and Development (Referendum) Act* which authorised a state-wide referendum on the establishment of a casino at the Wrest Point Hotel.

Despite the vigorous anti-casino campaign by the churches and welfare groups, a small majority of Tasmanian voters expressed approval of the proposed Wrest Point casino legislation at the state-wide referendum on 22 November 1968.²¹⁷ The government moved swiftly to pass the *Wrest Point Casino Licence and Development Act of 1968* with the reluctant agreement of some Legislative Council members. This Act provided for the development of the Wrest Point site with an international standard hotel and the issue of a casino licence to Australian National Hotels Limited, a wholly-owned subsidiary of Federal Hotels. The casino licence was renewable annually subject to compliance with the government’s legislative and regulatory requirements. While the agreement was in force no other licence could be granted for the southern division of Tasmania for twenty-five years (i.e. until 1998). This process resulted in the construction of the Wrest Point hotel-casino complex and the club-style casino began its operations in 1973.²¹⁸

With the Wrest Point redevelopment nearing completion and legislation for a northern casino before Parliament, a single-member Gaming Commission was appointed with authority to exercise regulatory powers over the casino licensee. In 1974, a year after the Wrest Point Casino began operations, the Commission for Gaming and the Racing Commission were amalgamated as the Racing and Gaming Commission.²¹⁹ These new administrative arrangements established a crucial institutional bond between the racing and gaming codes.

In line with the Commonwealth Labor government’s foreign investment policy, the Tasmanian government also enacted the *Casino Company Control Act 1973* which placed a

²¹⁴ Sutton, K. *Blueprint*, p.85-100.

²¹⁵ Horne, P. 1987 ‘Personal correspondence: Gaming Commissioner, Tasmania’ 20 May 1987:2.

²¹⁶ McMillen, J. *Risky Business*, p.138-146.

²¹⁷ Support for the casino proposal represented 50.7% of the total votes cast (53% of the formal votes).

²¹⁸ McMillen, J. *Risky Business*, p.146-151.

²¹⁹ This involved amendments to the *Racing and Betting Act 1952*; other amendments at this time provided for the establishment of the TAB in Tasmania.

38 per cent limit on foreign ownership of company shares, ostensibly to ensure that casino licence holders were not controlled by interests outside Australian jurisdiction.²²⁰

Strong lobbying by Launceston businesses during the pre-referendum debates had succeeded in obtaining a government promise to establish a second casino in Launceston. Following passage of the *Northern Casino Act 1972* by the Tasmanian Parliament, a casino licence for the northern division of the state was awarded to the Four Seasons company. For commercial reasons, Four Seasons did not proceed with the project. The government did not revisit the idea of a Launceston casino until the late 1970s when the Commonwealth government's tightening of fiscal policy again passed additional revenue responsibilities back to the states.

The Launceston casino licence was awarded to Tasmanian Country Club, a consortium of Federal Hotels and its subsidiary Australian National Hotels (a combined 61% interest) and Examiner Northern Tasmania TV (ENT) Ltd, a Launceston-based media company (39% interest). The project was re-financed before construction began and the casino licence transferred to a new consortium (Country Club Casino Pty Ltd) consisting of Federal Hotels (60.94% shareholding), ENT (15.06%) and Jennings Industries Ltd (24%), one of Australia's largest construction firms. Under the *Northern Casino Act 1978*, which repealed the 1972 legislation, the consortium was given exclusive operating rights for the northern division of the state for fifteen years to conclude in 1997. A monthly licence fee of \$2,500 and an original monthly tax of 25% of gross profits were imposed. The Launceston Country Club Casino began operations on 10 May 1982 with a 'club' theme. In 1984 Federal Hotels purchased the ENT interests in the Launceston casino complex, thus acquiring total control over both Tasmanian casinos.²²¹

The Launceston Country Club Casino was offered for purchase in 1996 but was withdrawn from sale when it did not receive acceptable bids. TAS Keno, operated by the Federal Group, was introduced to casinos, hotels and clubs in 1994; and in 1996 the Federal Group was licensed to operate gaming machines in clubs and hotels, extending its Tasmanian gaming monopoly.²²²

In 1993 gaming was authorised on board the Bass Strait ferry *The Spirit of Tasmania*, operated by Admiral's Casino Pty Ltd, a member of the Federal Group.²²³ In 1997 permission was granted for gaming also to be conducted on the ferry operating between George Town and Melbourne. Keno, machine gaming and a new simulated horseracing game are the only forms of gambling permitted on board the ferries.²²⁴

²²⁰ Horne, P. Personal correspondence; Sutton, K. *Blueprint*, p.156.

²²¹ McMillen, J. *Risky Business*, p.150.

²²² Tasmanian Gaming Commission 1997 *Annual Report 1996-97*.

²²³ Governed by the *TT-Line Arrangements Act 1993* (Tasmania) and the *TT-Line Gaming Act 1993* (Victoria).

²²⁴ *Ibid.*

In 1998 the Tasmanian Government legislated for internet and interactive gaming, to be operated by local licensees, including the casinos. The Tasmanian legislation provides that only bets made from outside Tasmania can be received; it is proposed that wagers from Tasmanian residents will not be accepted by the licensed internet operator.²²⁵

First stage of casino development: The Northern Territory

The successful introduction in 1973 of Australia's first casino at Wrest Point in Tasmania provoked energetic lobbying by Federal Hotels to convince other state governments that casinos had positive advantages for their tourism strategies.²²⁶ Most governments remained cautious, however, and some states (Western Australia, NSW, South Australia) initiated lengthy public inquiries in the late 1970s to report on the implications of legal casinos. While other governments debated the costs and benefits of casino development, the Northern Territory government legalised two casinos only months after achieving self-government in 1978.

Like the Tasmanian government, the Territory administration was quick to recognise the advantages of casino development as a possible way of revitalising its underdeveloped economy through tourism while simultaneously generating a much-needed source of tax revenue. There were many similarities between the general circumstances of the Northern Territory and Tasmania in the 1970s. A narrowly based and fragile economy, dependence on staple pastoral and mining industries, a small and parochial jurisdiction and reliance on Commonwealth funding were compounded by the harsh physical environment and remoteness. Isolated small communities and the siting of major administrative and commercial activities in Darwin and Alice Springs encouraged inter-regional rivalries and competition. There was no substantial industrial base and providing public services for the small, scattered population (110,900 in 1978) was both difficult and costly.²²⁷

The Northern Territory differed from Tasmania in important ways, however. Until 1978, policy and administration was vested in the Commonwealth. Favourable national and international conditions for primary and minerals exports and Commonwealth funding had allowed the Territory administration to evade the difficult tax decisions forced upon the other Australian states during the 1970s.²²⁸ Self-government forced the Territory government to confront the need to broaden its tax base.²²⁹ In 1977 insecurity about the long-term future prompted the Country Liberal Party (CLP) administration to initiate an inquiry into the Territory's gambling policies.²³⁰ This Inquiry, headed by the Chairman of the Tasmanian Racing and Gaming Commission, recommended that a casino be established in the Northern Territory.²³¹

²²⁵ Tasmanian Gaming Commission 1997 *Annual Report 1996-97*.

²²⁶ Hurley, R. 'Australian gaming: poised for the big leap', *Gaming and Wagering Business*, November:1 1984:38.

²²⁷ McMillen, J. *Risky Business*, p.151-156.

²²⁸ Heatley, A. 1986 'The Northern Territory: the politics of underdevelopment', in B. Head (ed.) *The Politics of Development in Australia*, Sydney: Allen and Unwin, p.226-44.

²²⁹ Gerritsen, R., & Jaensch, D. 1986 'The Northern Territory'. In B. Galligan (ed.), *Australian State Politics*, Melbourne, Longman Cheshire, p.139-57.

²³⁰ *Northern Territory of Australia Inquiry into the Lotteries and Gaming Ordinance 1977*

²³¹ Australian Club Development Association [ACDA] 1982:76.

Following its victory in the 1978 election, the new CLP government acted promptly and advertised nationally for expressions of interest in two casinos, one for Darwin and one for Alice Springs. It also moved quickly to increase the level of government assistance given to tourism as one of the core industries for future expansion.

In contrast to the heated debates and protracted policy process in Tasmania, the CLP's decision to introduce casinos to the Territory was relatively uncontentious and speedy.²³² Churches in the Territory had little effective influence on public debates, in sharp contrast to their conservative leadership role in the Tasmanian dispute. Apart from the 1977 gambling inquiry, there was no opportunity for formal presentation of community views on casinos.

Table 5.3: Northern Territory casino establishment: significant events²³³

Year	Event
1977	Inquiry into gambling recommends casino development.
1978	Northern Territory granted self-government.
1978 Dec	<i>Lottery and Gaming Act (No. 4) 1978</i> and <i>Casino Development Act 1978</i> enables Treasurer to establish two casinos (Darwin and Alice Springs). Applications invited from interested developers.
1979	Three-member panel selects Federal Hotels as licensee for both casinos.
1979 June	<i>Casino Licence and Control Act 1979</i> ratifies agreement with Federal Hotels.
1979 Sept	Temporary casino at Don Hotel (Darwin) begins operations.
1981 July	Alice Springs casino opened. Poker machines introduced to both casinos.
1983 April	New permanent premises, the Mindil Beach Casino (Darwin) opened.
1984	Federal Hotels' licences not renewed by Territory government.
1993	<i>Gaming Control Act 1993</i> establishes a new system for the control, licensing and regulation of NT casinos.
1995 Sept	MGM Grand Australia P/L acquires operators contract for Darwin casino, completes a \$15 million refurbishment as part of the Agreement with NT Government.
1995	Casino Operator's Agreements provide for compensation for loss of exclusivity of operation of poker machines in the Territory.
1996	NT Keno announced by MGM.

Legislation which provided for the introduction of two casinos to the Northern Territory was based on Tasmania's statutes. The *Lottery and Gaming Act (No. 4) 1978* established a Racing and Gaming Commission responsible for supervision and regulation of all forms of gambling, including casinos; and the *Casino Development Act 1978* authorised the relevant minister (the Treasurer, who also was the Chief Minister) to negotiate and enter into agreements on behalf of the government for the construction and licensing of two casinos, one each at Darwin and Alice Springs.

A panel of three – including the Chairman of the Tasmanian CAC – was appointed to review the submissions and interview the applicants. The *Casino Licence and Control Act 1979* was assented to by the Commonwealth government in June 1979, providing for the 'ownership and control of companies to conduct casinos' and ratifying an agreement negotiated between

²³² McMillen, J *Risky Business*, p.156-161.

²³³ Adapted from McMillen, J. *Risky Business*, p.157.

the government and Federal Hotels.²³⁴ Not surprisingly, given the close consultation between the Tasmanian experts and Territory authorities in policy formulation, the regulatory structure for the Northern Territory casinos was similar to that established in Tasmania. However, responsibility for administration of the legislation and establishment of the casinos remained with Treasury until a combined Racing and Gaming Commission was created under the *Lottery and Gaming Act 1981*.

A monthly tax of 20 per cent of the gross profit was imposed on the Darwin casino; however, Federal Hotels negotiated a concession for the smaller Alice Springs casino of a flat tax rate of \$100,000 for the first year and a 15 per cent tax thereafter.

The temporary Darwin casino opened in 1979 without machine gambling. The 1977 gambling inquiry had recommended against poker machines in clubs and casinos, arguing that they were likely to cause social problems and crime, and that they were noisy and thus not compatible with the character of a 'quality casino'.²³⁵ However, under pressure from Federal Hotels and Treasury officials, the government reversed this decision less than eighteen months after the Don Hotel Casino opened and prior to the opening of the Alice Springs casino in 1981. Poker machines were authorised only in casinos, despite the protests of community and sports clubs.

There have been several changes to Northern Territory casino operations and regulations since legalisation. In 1984 in controversial circumstances, the Northern Territory Government did not renew Federal Hotels' casino licences and called for applications for new operators.²³⁶ This is the only occasion on which a casino licence has been withdrawn from an Australian casino operator. Reportedly, Federal Hotels encountered financial problems during the construction of the Mindil Beach Casino, creating difficulties meeting its contractual obligations to the government. Aspinalls, an experienced London casino operator, was awarded the licence to operate the Mindil Beach Casino; and Ford Dynasty, an Alice Springs company, received the casino licence for Lasseters.

In 1993 the *Gaming Control Act 1993* established a new system for the control, licensing and regulation of Northern Territory casinos. In 1995 Alice Springs Lasseters Casino was placed in receivership and was operated by managers Deloitte Touche Tohmatsu. In December 1996 an application by Malaysian interests to purchase Lasseters Casino was received and the purchase was finalised in July 1997.²³⁷

In September 1995 MGM Grand Australia P/L, an operator of large casinos in the United States, completed the acquisition of the Darwin Casino from Aspinalls P/L. As part of its Agreement with the NT Government, MGM Grand undertook a \$15 million refurbishment. At the time of purchase, MGM Grand Inc. expressed the intention of expanding the casino's operations to attract the south-east Asian market. Due to a number of factors, including increased competition between Australian and international casinos and limitations on

²³⁴ All Territory legislation required assent of the Commonwealth under the *Northern Territory (Self-Government) Act 1978*.

²³⁵ Australian Club Development Association 1982:75-6. The same arguments were used to reject a submission to the inquiry by clubs seeking to install poker machines. The absence of poker machines in Northern Territory clubs prevented them from competing with the casinos either as an alternative entertainment venue or as a gambling outlet.

²³⁶ McMillen, J. *Risky Business*, p.392.

²³⁷ McMillen, J. & Togni, S. *Study of Gambling in the Northern Territory*.

scheduled air services, ‘the desired mixture of premium players was not obtained. As a result operating margins were negatively impacted and the casino has rationalised costs wherever possible’.²³⁸

Prior to the introduction of gaming machines throughout the Territory, Operator’s Agreements in 1995 provided for compensation to be paid to both casino operators in return for the increased rate of taxation on casino poker machines and the loss of exclusivity over poker machines.²³⁹

In October 1996 Cabinet approved NT Keno to be conducted by MGM Grand Darwin in Territory hotels and clubs, and at the Alice Springs Lasseters Casino. In 1998 the Northern Territory government amended legislation to allow licensed casino operators to provide internet gaming. Lasseters Casino went online in April 1999.

Summary of 1970s casino development

The Tasmanian and Northern Territory governments were at the front line of casino development, assisting private investors to present casinos as an apparently beneficial and creative solution to regional economic problems. Government ownership or direct operation of the casinos was never seriously considered. Federal Hotels provided the commercial initiative and the necessary financial resources; governments facilitated the proposals and oversaw casino legalisation.

The Tasmanian and Territory casinos established the pattern of regional monopolies which has become characteristic of Australian casino policies. For over a decade Federal Hotels had an operating monopoly on casinos in Australia, with two small casinos in the Northern Territory (Darwin and Alice Springs) and two in Tasmania (Hobart and Launceston).

Casinos introduced to Australia a range of traditional table games such as blackjack, roulette and baccarat; and Asian games such as sic-bo and mini-dice. They also included a modified version of Australia’s ‘national game’ of two-up.²⁴⁰

In economic terms, growth in Tasmania’s and the Northern Territory’s emergent tourism industry during the 1970s and the popularity of the casinos with local residents and visitors ensured the casinos’ profitability. More to the point, these apparent benefits were achieved without public scandal or political corruption that could be linked to casino development, or evidence of adverse effects on the community. Community fears that the unique characteristics of the casino industry would make effective government control difficult seemed to be unfounded.

These benefits were not lost on other Australian states, which began to investigate the feasibility of casinos in their own jurisdictions. The apparent success of the ‘first stage’ casinos, particularly Wrest Point, was a crucial factor in paving the way for a second phase in

²³⁸ Racing and Gaming Authority 1997 *Annual Report*, Darwin, p.36.

²³⁹ McMillen, J. & Togni, S. *Study of Gambling in the Northern Territory*.

²⁴⁰ McMillen, J. ‘Two-up from 1788 to the 1990s’.

Australian casino developments, a period of rapid expansion which began in the 1980s. However, for various reasons not all Australian states took up proposals for casinos at this time; when they did so, it was in a significantly different form to the developments in Tasmania and Northern Territory.

Second stage of casino development in 1980s: Preconditions for growth

The second stage of casino development in Australia occurred during the 1980s, introducing a different style of casino based on a more explicitly competitive set of commercial criteria and a different system of government regulation from the Wrest Point model. In contrast with the more modest commercial objectives of earlier developments, however, potential investors in the 1980s argued for larger American-style casinos.

The opening of Jupiters Casino on the Gold Coast in 1985 was the first development of this kind in Australia and was rapidly followed by similar projects in Western Australia and South Australia. Each state vied to offer bigger, more lavish casinos, calling for competing proposals from corporations able to offer marketing efforts to attract large numbers of gamblers, especially affluent tourists from Asia and the United States.²⁴¹

The decision to legalise casinos in Queensland, Western Australia and South Australia coincided with the continuation of the economic crisis into the 1980s, which highlighted structural problems with economic development and social change in these states. The prospects of fiscal crisis in the 1980s also increased for all Australian states, exacerbated by Commonwealth policies. The capacity for individual state governments to deal with these problems depended to a large extent on the state's own taxation strategies.²⁴²

Casinos began to look increasingly attractive as a short term-strategy which would stimulate economic activity at a time when it was difficult to attract investment and which simultaneously would secure much-needed revenues to fund further development. The second phase of Australian casino development was part of this reformation and expansion of peripheral state economies.

The image of casino gambling had improved during the 1970s, both in Australia and overseas, as reputable companies showed their willingness to invest in the future potential of the industry and as regulatory procedures seemed able to prevent or remove serious problems of crime and corruption (Table 5.4).

²⁴¹ McMillen, J. *Risky Business*, p.169-177.

²⁴² *Ibid*, p.132-138.

Table 5.4: Australians' approval of casinos in their state, 1968-81²⁴³

	1968 %	1973 %	1976 %	1980 %	1981 %
For	41	39	46	46	51
Against	48	40	38	39	38
Undecided	11	21	16	15	11

As debates about the merits of casinos revitalised in the early 1980s, support for casinos rose steadily throughout Australia (Table 5.5).

Table 5.5: State residents' approval of casinos in their state, 1981-82²⁴⁴

	Qld %		NSW %		Vic %		Tas %		SA %		WA %	
	1981	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981	1982
For	50	53	48	51	40	52	57	71	45	43	50	48
Against	35	35	36	38	46	39	28	17	40	45	33	42
Undecided	15	12	16	11	14	9	15	12	15	12	17	10

Major changes also had been achieved in the international casino industry during the 1970s with transnational corporations investing in lavish casino-hotel complexes in tourist resorts.²⁴⁵

The adoption of a more comprehensive regulatory regime by New Jersey authorities suggested to Australian observers that it was possible to have international casino development without opening the door to crime and corruption.

Second stage of casino development: Queensland

The decision in 1980 by the Queensland government to allocate two casino licences in the state signalled a turning point in the direction of Australian casino development. Other states quickly followed; in 1985-86, four new casinos modelled on the openly commercial American approach began operating in Queensland, Western Australia and South Australia.

²⁴³ McMillen, J. *Risky Business*, p.176.

²⁴⁴ McMillen, J. *Risky Business*, p.176.

²⁴⁵ Eadington, W.R. 1992 *Gambling and Commercial Gaming*, Reno, Institute for the Study of Gambling and Commercial Gaming.

McMillen, J. & Eadington, W.R. 1986 'The evolution of gambling laws in Australia', *New York Journal of International and Comparative Law*, 8(1):167-92;

McMillen, J. 1996 'The globalisation of gambling: from glamour to grind', in J. McMillen (ed.) *Gambling Cultures: Studies in History and Interpretation*, London, Routledge, p.263-87.

Table 5.6: Queensland casino establishment process: Significant events²⁴⁶

Year	Event
1963-73	Proposals for casino development opposed by Premier. Dissent within the coalition increased after 1969.
1973	With the support of anti-casino groups, Premier Bjelke-Petersen rejects majority Cabinet support for casinos.
1980	National Party opposition to casinos is reversed on election eve.
1981 March	Legalisation of casinos approved by Cabinet. Ministerial sub-committee appointed to report on policy issues.
1981 April	Treasury advisory committee appointed.
1981 April- July	Expressions of interest sought from potential casino developers. The 28 applicants reviewed by Cabinet sub-committee and Treasury advisers. Political controversy over promotion of applicants by ministers.
1982 Jan	Short-list of three preferred applicants announced.
1982 Feb	Membership of ministerial sub-committee increased. Interdepartmental committee appointed to recommend on finalists.
1982 July	Jupiters Management Ltd selected for Gold Coast casino. Federal Hotels rejected as operator for Jupiters. Several partners in Jupiters withdraw from consortium. Breakwater Island Resort Pty Ltd selected for Townsville casino. Genting Berhad approved as Breakwater operator. First international casino operator in Australia.
1982 Oct	Genting Berhad approved as Jupiters' operator. Legislation negotiated with successful applicants.
1982 Dec	<i>Casino Control Act 1982</i> enacted, Casino Control Division established, responsible for licence conditions, internal controls, audits and administrative procedures.
1983 March	Genting Berhad withdraws from both casinos. <i>Jupiters Casino Agreement Act 1983</i> enacted.
1983 June	Conrad Hilton International approved as operator for Jupiters Casino.
1984	<i>Breakwater Island Casino Agreement Act 1984</i> enacted. Sheraton Hotels approved as operator for Breakwater Island Casino.
1984 Nov	<i>Casino Control Regulations 1984</i> gazetted.
1985	Hiltons refused casino licence in New Jersey. Construction delays, cost increases, changes to corporate structures.
1985 Nov	Jupiters Casino begins operations.
1986 June	Breakwater Island Casino begins operations.
1994	Applications are called for two additional casinos: one in Cairns and one in Brisbane.
1995	Treasury Casino (Brisbane) opens in the heritage-listed Treasury Building.
1996	Reef Casino (Cairns) begins operations.

Two Agreement Acts, the *Jupiters Casino Agreement Act 1983* and the *Breakwater Island Casino Agreement Act 1984* were drafted in almost identical terms to deal with the development of the complexes, the corporate organisations, licensing of employees, routine operating requirements and termination of casino licences. Negotiated up-front licence fees were an important part of these negotiations; tax rates were specified and agreement reached on periods of exclusivity for Townsville (five years) and the Gold Coast (ten years); and the casinos were required to pay 1 per cent of gross revenue into a Community Benefit Fund. The agreements also established the values of unit entitlements held by the casino 'founders' and restricted the total shares to be held by any person or company to 5 per cent of the total

²⁴⁶ McMillen, J. *Risky Business*, p.178.

equity. Queenslanders responded enthusiastically to the sale of \$40 million public shares in the Jupiters Casino and \$14 million shares in the Breakwater Island Casino.²⁴⁷

By 1988, casino gambling had attracted over 50 per cent of the total gambling market in Queensland.²⁴⁸ By 1994 the period of exclusivity for the two Queensland casinos was due to expire, and the Goss Labor government called for tenders for two additional casinos – one in Cairns and one in Brisbane.

However, community objections were triggered in Brisbane by the nomination of the old heritage-listed Treasury Building as one of the possible sites for a Brisbane casino.²⁴⁹ Similar protests occurred over the location of the Cairns Reef Casino on Anzac Park, site of the historical Customs House and a traditional meeting place of local Aboriginal people. A land rights appeal to the Queensland Supreme Court to prevent development on the site was rejected. Public controversy escalated when it was revealed that one of the members of the interdepartmental selection committee had financial interests in Jupiters Trust, the successful applicant for the Brisbane casino.²⁵⁰ Even so, the government awarded the Brisbane Treasury Casino licence to Jupiters Trust; and the Cairns Casino licence to Reef Trust, with Casinos Austria as casino operator.

The Queensland Government levies 20 per cent tax on casino revenues from the two southern casinos (Jupiters and Treasury), and 10 per cent tax from the northern region casinos (Breakwater and Reef Casino). Although the two southern casinos rely to some extent on the same local catchment pool in south-east Queensland, they have continued to attract stable and profitable markets.²⁵¹ Jupiters Casino arguably is Australia's only resort casino, attracting a substantial proportion of its revenues from domestic and international tourists. Jupiters also introduced facilities for international and premium players in 1989. Treasury Casino relies more heavily on regional patronage.

The two northern casinos have had more difficulty meeting their predicted targets. Breakwater Casino has withdrawn from the international junket market and relies mainly on local patrons. Jupiters Trust purchased shares in Breakwater Casino in 1996. Reef Casino has not achieved its predicted tourist patronage and has had to compete with local clubs and hotels which acquired gaming machines in 1992. In 1997 Reef Casino also withdrew from the international junket market, and in 1999 is negotiating a refinancing package to restructure the corporation.

Second stage of casino development: Western Australia

The Western Australian government first formally examined the issue of legalisation of

²⁴⁷ Applications were restricted to Queensland residents; applicants for public shares in the casino exceeded the number of shares on offer and appropriately, a 'lottery' ballot was held to select those to be granted.

²⁴⁸ Tasmanian Gaming Commission 1999 *Australian Gambling Statistics 1972/73-1997/98*.

²⁴⁹ Hutton, D. 1996 'The Brisbane Treasury Casino: a community group perspective', in J. McMillen, M. Walker & S. Sturevska (eds.), *Lady Luck in Australia*, NAGS, Sydney University, p.99-106.

²⁵⁰ McMillen, J. 'Risky ventures: Casino regulation in a changing market', p.84. Concern over the Brisbane casino selection process, combined with controversies over the allocation of the Melbourne casino licence prompted the Australian Democrats to establish a Senate Select Committee inquiry into casino licensing in 1996.

²⁵¹ The Australian Institute for Gambling Research has conducted a longitudinal comparative study of the impacts of the Treasury Casino (Brisbane) and Reef Casino (Cairns). The report of this study will be finalised in 1999.

casinos in 1974 when a three-member Royal Commission recommended a legal casino at Exmouth on the Western Australian coast.²⁵² Evidence from Federal Hotels, which stressed the success of Wrest Point Casino, undoubtedly influenced the recommendations of the Royal Commission for a destination resort casino located well outside the Perth metropolitan area and operated along Tasmanian lines.²⁵³ However, this initial proposal for a Western Australian casino was merely one of the Royal Commission's sweeping recommendations to liberalise gaming to bring it into line with community practices.

²⁵² Royal Commission into Gambling 1974 *Report of the Royal Commission into Gambling Western Australia*, [Adams Report] Perth, WA Government Printing Office.

²⁵³ Adams Report, p.74-6; Sutton, K. *Blueprint*, p.179-80

Table 5.7: Western Australia casino establishment process: Significant events²⁵⁴

Year	Event
1974	Coalition government appoints Royal Commission into Gambling – recommends liberalisation of gambling and a casino.
1981	Backbench Committee Inquiry into Gambling.
1982	Liberal Party rejects Backbench Committee's proposal for a casino – action taken to suppress illegal gaming clubs.
1983 Feb	ALP elected to government. Both parties support liberalisation of gambling.
1983 March	Cabinet sub-committee and Casino Advisory Committee established to set guidelines for the establishment and control of casinos.
1983 May	Casino Advisory Committee invites expressions of interest for casino. Govt endorses a resort casino with accommodation, sporting and recreational facilities.
1983 Nov	Casino Advisory Committee presents divided report to Cabinet.
1984	Cabinet decides to legalise one casino on Burswood Island site, near Perth CBD.
1984 July	<i>Casino Control Act 1984</i> passed. Casino Control Committee established to select casino developer from 12 applicants and to regulate casino operations. Developer to be Australian-owned and operated with <40% foreign ownership. Mossenson Inquiry recommends rationalisation of gaming.
1984 Nov	Tileska Pty Ltd (Dempster and Genting Berhad) selected to develop casino with Genting Berhad as casino operator.
1984 Dec	Agreement negotiated with developer and draft legislation prepared. Office of Racing and Gaming established. Perth City Council approves Burswood Island development.
1985 Feb	Government's secures casino Agreement with Burswood Management Ltd. (formed by Dempster and Genting Berhad).
1985 Mar	<i>Acts Amendment and Validation (Casino Control) Act 1985</i> enacted. <i>Casino (Burswood Island) Agreement Act 1985</i> ratified.
1985 June	Burswood Management Ltd secures freehold title to casino site. Cost overruns and constructions delays. Rights issue and additional loan (R & I Bank) to meet cost overruns.
1985 July	Burswood Park Board appointed to manage parkland development.
1985 Dec	Casino gaming licence granted to West Australian Trustees Ltd. Burswood Island Casino opens 30 December – hotel, convention centre and resort facilities incomplete.
1986 July	Corporate Affairs Commission investigates Dempster. Dempster sells shares in Burswood Property Trust to Genting.
1992 July	WA Inc. inquiry finds that the government did not act corruptly in its dealings with Dempster during the casino selection process.

In February 1983, a Cabinet sub-committee, assisted by an interdepartmental Casino Advisory Committee, was established to reconsider the casino question and ‘to establish guidelines and formulate legislative procedures for the establishment and control of casino operations in Western Australia’.²⁵⁵ The Committee received several proposals for a casino in Perth and country locations, including proposals from experienced casino-hotel operators.

The Western Australian government nominated a specific Perth site for the casino – Burswood Island, undeveloped marshland down-river from Perth’s central business district – which was to become the site for the then largest casino in Australia. Unlike Queensland, no detailed guidelines were provided for development proposals because the government ‘did

²⁵⁴ McMillen, J. *Risky Business*, p.203.

²⁵⁵ Office of Racing and Gaming 1985 *Annual Report*, p.1.

not want to restrict innovation’.

In constructing the legal framework, the government followed the now accepted practice for Australian casino development of first implementing enabling legislation and subsequently negotiating a specific agreement with the casino licensee. Similar to Queensland’s legislative approach, key sections of the *Casino Control Act 1984* were more comprehensive than the Tasmanian approach. A Casino Control Committee (CCC) was created to evaluate and report on the feasibility and viability of casino proposals and to decide between the applicants.

Once the casino legislation was approved, another review of gaming was announced. In August 1984, while submissions for the casino were being received, the review was elevated to the status of a committee of inquiry to recommend on legislative reforms. The government wanted to relieve community concerns that casino development would disadvantage other gambling interests such as clubs, hotels and race clubs, and to coordinate policy reforms.²⁵⁶

In December 1984, after the government had selected the casino developer, changes to legislation were announced that allowed bookmakers to recover gambling debts, two-up was legalised at race meetings to assist with the viability of country race clubs, and the Office of Racing and Gaming was established to coordinate administration of the casino and the TAB. In February 1985 the Mossenson Report recommended further liberalisation of gaming laws, specifically that gaming permits be more readily available to charitable groups and approved applicants, that private operators be permitted to conduct two-up on private premises, and that all forms of gaming should be brought together under the control of a composite gaming Act and a single regulatory authority.²⁵⁷

In its negotiations with the Burke government Genting Berhad was far more successful in achieving favourable operating conditions than it had been in Queensland. Although initial guidelines provided to casino applicants excluded video gaming machines from the casino, under the *Casino (Burswood Island) Agreement Act 1985*, the Western Australian government reversed this ruling at the licensee’s request. Clubs and hotels were incensed. The casino was granted a 15-year period of exclusivity in the entire state and exclusive rights to the game of two-up within a 200 kilometre radius from the casino; tax was set at 15 per cent of casino gross revenue, with an annual indexed licence fee of \$400,000.

Contrary to Cabinet’s decision in November 1984 that the government would retain public ownership of Burswood Island, the developers also paid the government \$30 million to convert 12.5 hectares to a freehold basis. Costs of future beautification and development of the remaining land for public use were to be covered by an annual levy of \$1 million or 1 per cent of gross revenue, whichever was the greater. Despite heated criticism of these concessions from the Opposition and environmentalists, the *Casino (Burswood Island) Agreement Act* was ratified in February 1985 and work began on the casino site on the same day.

Burswood Resort Casino was an immediate commercial success, with revenues far exceeding

²⁵⁶ Clubs and hotels had been lobbying for poker machines for several years (see *Adams Report 1974*; Committee Appointed to Inquire into and Report upon Gaming in Western Australia 1984 *Report of the Committee Appointed to Inquire into and Report upon Gaming in Western Australia*, [Mossenson Report] Perth, Government Printer).

²⁵⁷ *Mossenson Report*.

expectations. Revenue for the first six months exceeded \$35.6 million; income to the Burswood Property Trust was \$13.9 million compared to the forecast of \$10.9 million; \$6.1 million was paid to the government in tax, licence fees and the Burswood Park levy.²⁵⁸

Second stage of casino development: South Australia

South Australian governments failed three times to have casino legislation passed by the House of Assembly before acceptable standards of political accountability were achieved in 1983.²⁵⁹ The Dunstan ALP government first proposed a casino for South Australia in 1973 in response to a direct approach to the Premier by Federal Hotels.²⁶⁰ The Dunstan government was receptive to innovative ideas and large projects that would attract new forms of investment and diversify the South Australian economy. The government presented a Casino Bill loosely based on the Tasmanian legislation to the House of Assembly but it was soundly defeated.

²⁵⁸ Burswood Property Trust 1986 *Annual Report*, p.12.

Office of Racing and Gaming 1986 *Annual Report*, p.26.

²⁵⁹ McMillen, J. *Risky Business*, p.217-227.

²⁶⁰ *Wilson Report*, p.96

Table 5.8: South Australia casino establishment: Significant events²⁶¹

Year	Event
1973	Proposal by ALP government for a casino 80 km from Adelaide. Casino legislation defeated in House of Assembly.
1981	Liberal government's proposal for casino. Second attempt at casino legislation defeated in House of Assembly.
1982 April	Revised casino legislation introduced by Liberal government. Select Committee Report on legislation and casino development recommends an Adelaide casino and an independent regulatory structure, despite public disapproval. Adelaide City Council support for casino development.
1982 Aug	Third attempt at casino legislation defeated in House of Assembly by conscience vote.
1982 Nov	Bannon ALP government elected to office and revived casino issue.
1982 Dec	Casino Bill introduced by private member in Legislative Council, based on previous Liberal Government's defeated Bill.
1983 May	<i>Casino Act 1983</i> passed by both Houses with Lotteries Commission as casino licensee. No ceiling on foreign ownership.
1983 Oct	Casino Supervisory Authority (CSA) public inquiry to select casino site and to recommend terms and conditions of licence.
1984 Jan	CSA selects Adelaide railway station as casino site and ASER Investment Units Trust as casino developer; request for legislative review rejected by Cabinet.
1984 Feb	Cabinet alters CSA recommendations for terms and conditions of licence.
1984 Dec	Lotteries Commission selects AITCO-Genting as preferred operator.
1985 March	TAMS Agreement between AITCO and Genting Berhad criticised by CSA.
1985 April	CSA gives qualified acceptance to revised TAMS Agreement.
1985 Dec	Adelaide Casino opened. A stand-alone casino without hotel accommodation, modelled on European rather than American casinos.

In the early 1970s, gambling in South Australia was relatively underdeveloped. On-course betting had been legalised since the nineteenth century, and off-course bookmakers were licensed in 1933. The introduction of the TAB in 1967 had further stimulated betting. Gaming, on the other hand, had been tightly restricted and failed to develop until the late 1960s when the state lottery was introduced after a referendum. Even then, it was considered that the population was too small and expenditure levels too low to sustain large gambling developments.

In 1982 the Liberal government proposed an Adelaide casino and presented a draft Casino Bill to the House of Assembly. The government's objectives were more specific and motivated more explicitly by economic criteria than the 1973 ALP proposal. But the proposal was threatened by pressure from anti-casino groups and persistent doubts by some Liberal members that private involvement in casino operations would increase the risks of corruption.

A government committee appointed to consider the casino proposal recommended in favour of a casino but with comprehensive controls to protect problem gamblers and prevent criminal involvement. Significantly, the committee considered that predictions of large revenues flowing to the government from a casino were unjustified. Revenue from the several existing

²⁶¹ McMillen, J. *Risky Business*, p.218.

forms of legal gambling (state lotteries, lotto, soccer pools, TAB, on-course and off-course betting, bingo and raffles) was declining and well below that of most other states.²⁶² In 1981-82 gambling expenditure in South Australia amounted to only 1.05 per cent of household consumption, considerably less than all other states except Queensland and Western Australia.²⁶³ Even so, the committee recommended that poker machines be prohibited, ostensibly because they were unacceptable to the public.

The government proposed that the casino licence should be granted to the state Lotteries Commission. It did this to ensure that the casino would be owned and controlled by the state government and its benefits would flow to the people of South Australia rather than to private entrepreneurs.²⁶⁴ The government also proposed that at least 1 per cent of revenues be designated to the South Australian Housing Trust (SAHT), a state public housing program.²⁶⁵

The *Casino Act 1983* was passed by a slim margin in May 1983, only six months after the Bannon government had been elected. It was clear that a pronounced change in parliamentary and community attitudes to casinos had occurred since the Dunstan era. A Gallup poll taken in 1983 showed that for the first time a majority of South Australians (52%) supported casinos.²⁶⁶

There are a number of unusual features of the *Casino Act 1983*, which differentiate the South Australian casino policy from the policies of other Australian states:²⁶⁷

- A public inquiry was conducted by an appointed Casino Supervisory Authority (CSA) to determine the premises to be licensed for a casino and the terms and conditions on which the licence should be issued;
- The *Casino Act 1983* does not provide for an agreement between the casino management and the government to regulate the operation and administration of the casino. In this regard it did not follow the trend towards the Queensland and New Jersey approach of legislating for detailed regulatory conditions;
- Under the legislation, two separate selections were made – one for the casino site (and thus the owner-developer) and one for the casino operator. In several ways this approach was a radical departure from that taken by other Australian governments;
- The casino licence was granted to the Lotteries Commission of South Australia, which was required to appoint an operator approved by the CSA to manage the casino on its behalf. This licensing structure was intended to ensure the operator could more readily be removed and replaced if necessary.

²⁶² *Wilson Report* Appendix 7; South Australian Parliament 1983 *Debates*, 1524-38

²⁶³ Tasmanian Gaming Commission 1999 *Australian Gambling Statistics 1972/73-1997/98*.

²⁶⁴ McMillen, J. *Risky Business*, p.222-224.

²⁶⁵ *Ibid.* p.226.

²⁶⁶ South Australian Parliament 1983 *Debates*, 1114.

²⁶⁷ McMillen, J. *Risky Business*, p.224-227.

In December 1984 the Lotteries Commission selected AITCO as its operator with Genting (SA) as contracted casino manager.²⁶⁸ The CSA expressed ‘strong objection’ to certain clauses of the agreement but was forced to accept it.²⁶⁹

The casino was opened in December 1985 and it immediately attracted capacity crowds. While the Adelaide Casino was being built, public approval of poker machines increased. A location for them was reserved in the casino and in 1985 a private member’s bill to legalise poker machines was introduced to the House of Assembly by an Independent Labor MP. The government resisted the growing demand for poker machines in the casino until 1990 when market pressures began to threaten the profitability of the casino. Gaming machines were approved and installed in 1991.

In 1997 the government announced its intention to sell either as a whole or individually the components of the ASER development, namely the Adelaide Casino, the attached Hyatt Hotel, and the Adelaide Convention Centre. In February 1998 the government announced that no suitable bid for the purchase of the casino had been received and the casino sale process was terminated. In June 1998 the Casino Supervisory Authority approved the appointment by the Lotteries Commission of Clianthus Pty Ltd to operate the Adelaide Casino on the Commission’s behalf.

Second stage of casino development: Christmas Island

In June 1987 the Commonwealth Department of Territories made an agreement with a Perth developer for a casino on Christmas Island.²⁷⁰ This agreement directly involved the federal government in casino administration for the first time.

Christmas Island, an Australian possession located 2620 kilometres north-west of Perth in the Indian Ocean, is governed by a federally appointed administration in the Commonwealth Department of Territories. Western Australian property developer, Frank Woodmore, proposed that the island be developed into a luxury resort with a casino.²⁷¹ The island is within reach of Southeast Asian markets and a casino was seen as the type of attraction needed to give the island a comparative advantage for tourists from Indonesia and Singapore. This proposal was accepted by the government and in 1986 a referendum of the Christmas Island community was conducted with 94 per cent voting in favour of the project. As the island already had a very active gambling ‘club’, the government expected the casino to have ‘minimal impact’ on the community.

²⁶⁸ This meant that Genting Berhad was both manager of the Adelaide Casino and owner-operator of the Perth Burswood Resort Casino.

²⁶⁹ Casino Supervisory Authority 1985 ‘Correspondence to Chairman, Lotteries Commission of South Australia’, 25 March, p.11.

²⁷⁰ Australian Government Solicitor 1987 *Agreement between the Commonwealth of Australia and Christmas Island Casino Resort Pty Ltd, Francis Philip Woodmore, F.P. Woodmore Pty Ltd and Selected Equities Ltd Relating to the Construction and Operation of a Casino/hotel on Christmas Island*, Canberra, Australian Government Solicitor.

²⁷¹ Woodmore had first suggested a casino for the island in 1981 but did not pursue the idea.

In June 1987 the Commonwealth entered into an agreement with Woodmore's company (Christmas Island Resort Pty Ltd [CIR]) which outlined the conditions under which the casino proposal could proceed.²⁷² A lease was issued to CIR in 1989 for a period of ninety-nine years. It includes extensive environmental clauses as well as conditions on building the resort and the purpose for which the leased land may be used. There was no limit on foreign ownership and when Woodmore's mainland enterprises had financial problems, an Indonesian businessman, Robbie Sumampouw, assumed 90 per cent ownership through a Singapore-registered company.²⁷³

In November 1989 an operating agreement was approved for the casino, based on the Wrest Point legislation, and Federal Hotels was awarded the casino licence; no alternative applications were sought.²⁷⁴ This was the only aspect of the development process which created any political criticism. After losing its national casino monopoly in the early 1980s, Federal Hotels' applications for licences in other states had been rejected and it had lost its two casino licences in the Northern Territory in 1984.²⁷⁵ Following investigation by the Australian Federal Police (AFP) on the company's suitability to hold the casino licence, the licence was awarded in December 1987.

The *Casino Control Ordinance 1988* was passed to provide for the control of a casino on Christmas Island, authorising the Commonwealth Minister for Justice to grant the casino licence. Unlike the exhaustive and competitive selection processes which operated in every state other than Tasmania, the Minister was given extensive discretion over the form of the licence and approval of the operator. The Ordinance also provided for the establishment of a Casino Surveillance Authority and appointment of a Casino Controller and inspectorate.

Construction delays postponed the casino opening. In the interim the *Casino Control Ordinance 1988* was repealed and new legislation relating to the casino prepared, placing the casino under the regulatory control of the Gaming Commission of Western Australia instead of a Commonwealth-based authority. Casinos Austria was appointed as casino manager-operator, replacing Federal Hotels.

The \$42 million dollar Christmas Island hotel and casino complex, with twenty-six gaming tables, opened in 1993. The casino directed its marketing to Southeast Asian countries, offering daily charter flights to and from the resort and port facilities for regular cruise ships. While the Christmas Island casino was more in competition with Asian than Australian casinos, the difference in airfares allowed the casino to offer cheaper junkets than the mainland casinos.²⁷⁶

The Christmas Island casino grossed \$140 million in its first 15 months of operation. This made it one of the world's most profitable casinos per gaming table. The company benefited greatly from a decision by the Keating Labor Government to allow Indonesians to visit the island without having to obtain visas. However, the Indonesian Government disallowed

²⁷² Australian Government Solicitor *Agreement*.

²⁷³ McMillen, J. *Risky Business*, p.315-318.

²⁷⁴ Sutton, K. *Blueprint*, p.22-4.

²⁷⁵ Federal Hotels also tried to venture into international hotels in Western Samoa and Guanzhou Province, China but withdrew from both projects because of 'unfavourable conditions' (Sutton, K. *Blueprint*, p.25).

²⁷⁶ McMillen, J. *Risky Business*, p.316.

flights from Jakarta to Christmas Island in 1996, with immediate and drastic effects on patronage and revenue. The casino also was plagued by litigation and management disputes in the period before Asia's economic collapse in 1997-98. In August 1997 the Australian Government removed Mr Sumampouw's licence because he failed to pay millions of dollars allegedly owed to casino workers and creditors. Federal Hotels was appointed to continue casino operations but in May 1998 the casino was closed, leaving hundreds of casino employees out of work and devastating the island's economy.

The casino's appointed Perth liquidator launched a campaign in 1999 to promote the sale of the 156-room complex.

Summary of the second stage of casino development

The Queensland government decision to allocate two casino licences signalled a turning point in the direction of Australian casino development. In the early 1980s, casinos became one of Australia's fastest-growing industries as governments increasingly turned to tourism to diversify and revitalise flagging economies. Western Australia and South Australia quickly followed the Queensland example as interstate competition for tourism and the lucrative casino market gathered pace.

In general, the trend to larger, more elaborate casino projects in the 1980s was associated with a greater emphasis by governments on the perceived stimulus a casino would give to regional tourism, its potential contribution to direct revenue and as a visible symbol of state progress. This signified a transition from the restrained approach of the British legacy which had shaped the first stage of casino development, to more overtly commercial American strategies and more comprehensive regulation.

States vied with each other to offer bigger, more lavish casinos, calling for proposals from competing corporations able to offer the financial resources, operating expertise and marketing efforts to attract large numbers of gamblers, especially affluent tourists from the United States and Asia. The opening of Jupiters Casino on the Gold Coast in 1985 signalled the first Australian development of this kind and it was rapidly followed by similar projects in other states. However, in all states, legalisation and the ambitious commercial nature of these projects generated intense political lobbying and public criticism of the selection and licensing process. Only with the Christmas Island casino was government, through the Commonwealth, able to avoid prolonged and controversial political conflict and structural impediments and achieve a smooth transition to casino development.

A feature of the move into larger corporate developments has been the emergence of publicly-traded casino trusts trading on national sharemarkets. In Queensland and Western Australia, additional equity and public support were obtained through a public float of shares; in South Australia public equity was achieved via a state instrumentality.

An important aspect of the new corporate arrangements was the advent of American and Asian casino operators. With the inflow of foreign investment into Australian casinos, the transition from monopoly to competitive conditions between the states was achieved.

With the entry of larger casinos and transnational operators, more stringent regulations adapted from New Jersey guided a more comprehensive Australian control system. Licensing conditions and procedures were tightened and extended to include thorough investigation of all individuals and companies associated with a casino application. There were variations on this general pattern which reflected local circumstances and concerns.²⁷⁷

However, the 1980s move to legalise casinos was not uniform across the country. Despite the regulatory reforms introduced during the second period of casino expansion, doubts persisted in some states about the capacity of government to control the industry.

Third stage of casino development: The 1990s

The expansive phase of casino development that resulted in the introduction of American-style mass-market casinos to Queensland, Western Australia and South Australia came to an abrupt halt in the core south-eastern states. Before casinos were eventually approved, political and administrative problems stalled government plans to legalise casinos in NSW and the ACT; and the Victorian government resisted casinos for a decade.

The NSW and Victorian governments were under less pressure to join the trend to casinos because of the relative strength of their industrialised economies. Under the protective administration of the Commonwealth government, the ACT also was shielded from the general effects of the economic downturn during the 1970s and early 1980s.

By the 1990s, circumstances had changed:

- casinos were perceived as an essential and legitimate facility for the competitive expansion of international tourism, which had become a major component of Australian economic policy;
- for state governments faced with problems of economic restructuring and a declining industrial sector, tourism and high-standard casinos seemed to offer a ready means for stimulating regional economic activity, even in states which formerly had a secure industrial base;
- international casino investors were lobbying hard to expand into the Australian market. As well as the development of new local markets, it was envisaged that an Australian casino licence would provide an operator with strategic access to the highly lucrative and relatively undeveloped Asian market; and
- by the late 1980s, the ACT, Victoria and NSW faced acute fiscal problems. Economic crisis placed the industrialised core states under increasing competitive pressures for regional economic restructuring and development.

By 1991 all these jurisdictions had overcome the political barriers to legalisation. In the ACT, a temporary Canberra Casino operated by Casinos Austria opened in November 1992; the NSW government introduced plans for a large tourism-oriented casino to Sydney; the Victorian government legislated for an even larger casino in Melbourne. The Queensland government added to this third stage of casino expansion with two additional casinos for Brisbane and Cairns, further escalating competition between state casinos for investment and

²⁷⁷ See McMillen, J. *Risky Business*, Chapter 8; 'Risky Ventures', p.73-98.

markets. Less than twenty years after Wrest Point Casino opened its doors, casinos had been legalised in every Australian jurisdiction, making a total of fourteen Australian casinos for a population of little more than seventeen million.

Table 5.9: Gambling expenditure as a percentage of Household Disposable Income (HDI). States with and without casinos, 1984-85 and 1989-90.²⁷⁸

Casino states	1984-85	1989-90	Increase in gambling expenditure
Queensland	1.19	1.55	30.25%
South Australia	1.03	1.61	56.31%
Western Australia	0.98	1.74	77.55%
Non-casino states			
Victoria	1.33	1.35	1.50%
New South Wales	2.52	2.62	3.96%

Social acceptance of casino developments in other Australian states had effectively broken down the rationale for legal discrimination against casinos. Moreover, governments had been unable to prevent the spread of illegal gaming. Illegal casinos had been operating openly in Sydney since the 1960s, and the relatively high immigrant population in NSW and Victoria fostered illegal ethnic card clubs in urban centres.²⁷⁹

Third stage of casino development: The Australian Capital Territory

There were four unsuccessful attempts to introduce commercial casinos to the ACT – in 1976-77, 1981, 1983 and finally in 1988-90.²⁸⁰ Each time a proposal was made for a Canberra Casino, there was widespread public protest over the issue from anti-casino groups. Debates that had characterised development in other states were given an additional element in the ACT by the fact that many residents and politicians were concerned about the role and identity of Canberra as the national capital.²⁸¹

²⁷⁸ Source: Inquiry into the Establishment and Operation of Legal Casinos in New South Wales [*Street Report*] 1991, p.46

²⁷⁹ Bongiorno, B.B. 1985 'Gambling and crime', in G. Caldwell, et al. (eds) *Gambling in Australia*, Sydney, Croom Helm. Hickie, D. *The Prince and the Premier*.

McCoy, A.W. 1980 *Drug Traffic: Narcotics and Organised Crime in Australia*, Sydney, Harper and Row, p.273-90;

Moffitt, A. 1985 *A Quarter to Midnight. The Australian Crisis: Organised Crime and the Decline of the Institutions of the State*, Sydney, Angus and Robertson.

²⁸⁰ *Canberra Report*, p.22-5.

²⁸¹ *Ibid.* p. 308.

Table 5.10: Australian Capital Territory casino establishment: significant events²⁸²

Year	Event
1976	Ministerial proposal for a Canberra Casino referred to Standing Committee on Tourism and Recreation. Commonwealth proposal for ACT self-government defeated in referendum.
1977	Conditional approval of a casino by Standing Committee but after public protests, the Commonwealth government does not proceed.
1979	House of Assembly confirms the 1977 recommendations; Commonwealth again decides not to proceed with a casino on those conditions.
1981	Department of Territories called for expressions of interest; ACT Select Committee endorses development. Organised protests escalate.
1982 Jan	Federal Cabinet decides there is lack of public support for a casino.
1983	ALP Cabinet endorses a Canberra Casino and <i>Casino Control Ordinance</i> gazetted. House of Assembly Select Committee rejects casino proposal; <i>Casino Control Ordinance</i> disallowed by Senate.
1987	Specific proposal for redevelopment of central Canberra site; protests focus on the issue of a casino in the national capital.
1988	Independent social impact study undertaken; gives open decision on casino. Public protests continue.
1988 Sept	<i>Casino Control Act</i> passed.
1988 Nov	Self-government announced for the ACT.
1989	ACT Alliance government elected. Select Committee of the new ACT Legislative Assembly accepts the findings of the social impact study; doubts raised about the original nominated site. Expressions of interest called.
1991	Casino Surveillance Authority appointed.
	<i>Casino Control (Amendment) Act</i> passed by ACT Legislative Assembly; original proposal for casino complex extensively modified.
1992 Feb	Agreement with Casinos Austria International to operate temporary casino in the National Convention Centre.
1992 Nov	Casino Canberra begins operations in a temporary location.
1993	Construction begins on permanent casino.

In 1987, the same year that the Commonwealth Department of Territories proposed a casino for Christmas Island, the same department revived earlier proposals for a Canberra Casino to be included in redevelopment of a central city site, Section 19 of the Civic Centre. In the intervening years since the last casino initiative, the successful operation and popularity of casinos in other states had strengthened arguments that a casino would provide a much-needed inner-city entertainment facility for tourists. On the other hand, opponents of the casino focused on claims that casinos in other states had increased crime and social problems.²⁸³ The casino became a key issue in the election campaign early in 1989.

In July 1989 a Select Committee (by a 3:2 majority) endorsed the casino policy. Five consortiums submitted licence applications, including the Federal Group.²⁸⁴ A five-member Casino Surveillance Authority (CSA) was appointed, headed by a retired Supreme Court judge, to supervise the establishment of the casino, to select the licensee and developer, and to establish and maintain a regulatory regime once the casino was operating.

²⁸² McMillen, J. *Risky Business*, p.307.

²⁸³ ACT Gaming and Liquor Authority [GALA] 1988; The Licensed Clubs' Association of the ACT Inc.:1988.

²⁸⁴ Legislative Assembly for the Australian Capital Territory 1989 *Select Committee on the Establishment of a Casino Report*, Canberra, Legislative Assembly for the Australian Capital Territory.

In 1991 Casinos Austria International was selected to establish and operate the Canberra Casino with an exclusive 20-year licence for a small, European-style self-contained casino on a different site.²⁸⁵ This is the only Australian casino to be fully owned and operated by a foreign company. The *Casino Control Act 1988* was amended to accommodate an agreement about the mode of casino operation and payment of a \$19 million casino premium to the government, to be used for social and cultural projects. With an initial tax rate of 30 per cent of gross receipts, the Canberra Casino was the highest-taxed casino in Australia. Four years after the passage of legislation, in November 1992, a temporary Canberra Casino opened with 51 gaming tables in the National Convention Centre. Gaming machines were excluded in response to pressure from licensed clubs. In the first six months of operation, attendance figures at the casino exceeded 450,000, making it the most-visited tourist attraction in the ACT. Construction of a permanent purpose-built Casino Canberra was completed in 1994.²⁸⁶

Third stage of casino development: New South Wales

Legal casinos were first announced for NSW in 1976, but despite five attempts by successive governments to introduce them (1976-78, 1982, 1985-86, 1986-88, 1990-93), the promise was not realised until 1995. These delays were only partly due to organised opposition by anti-casino moralists and the lobbying power of established gambling sectors seeking to protect their interests against casino competition. By the 1970s NSW was well-established as the 'gambling state', with more forms of legalised gambling and double the level of discretionary spending on gambling than any other Australian state. Prolonged public and political opposition to legal casinos in NSW was motivated less by anti-gambling arguments than by concern at the government's incapacity to enforce gaming controls and to eradicate 'organised crime' and official corruption.²⁸⁷

The Askin government.

During the 1950s a number of Sydney nightclubs operated illegal gaming under the patronage of corrupt police and politicians.²⁸⁸ During the Askin Liberal-Country Party coalition government in the 1960s, operators of the major illegal baccarat schools converted their modest clubs into lavish European-style 'casinos', openly advertising their location and catering to Sydney's business and social elite.²⁸⁹ Fourteen such illegal casinos operated in Sydney during the 1970s.

The Wran government

Casino legalisation emerged as a serious political issue after the election of the Wran ALP government in May 1976,²⁹⁰ as Premier Wran announced the decision to legalise casinos in NSW.²⁹¹ In September 1976 Edwin Lusher, QC was appointed to inquire into casinos for

²⁸⁵ Casinos Austria International is a subsidiary of Casinos Austria AG which is one third owned by the Austrian government, one third by large corporations and one third by private individuals. It operates over 100 casinos in 15 nations.

²⁸⁶ McMillen, J. *Risky Business*, p.313.

²⁸⁷ McMillen, J. *Risky Business*, p. 255-268.

²⁸⁸ Hickie, D. *The Prince and the Premier*, p.108-29.

²⁸⁹ *Ibid*, p.130-78.

²⁹⁰ McMillen, J. *Risky Business*, p.260-280.

²⁹¹ Greiner, N. 1987 'Legalising New South Wales casinos: an odds-on loser', In M. Walker (ed.), *Faces of Gambling. Proceedings of the Second Conference of the National Association for Gambling Studies (NAGS)*, Sydney, National Association for Gambling Studies, p. 53-62:56;

NSW and to make recommendations to the government on their legalisation and introduction. Lusher recommended that casinos should be of the restricted British 'club' style rather than the more commercial American model. The guiding principle behind this recommendation was that casino gambling should not be artificially stimulated, advertised or proliferated, either in the interests of private profit or the promotion of tourism, or by government in its quest for revenues.

This was the first public inquiry to systematically consider the relative merits of public or private casino ownership and management for Australia.²⁹² Despite the evident success of government-run gambling enterprises such as the TAB and state lotteries, Lusher recommended private sector ownership with a comprehensive system of government regulation administered by an 'independent, non-political' control authority.²⁹³ However, the escalating problem of illegal gambling had become a political irritant, which discouraged the government from going ahead with its casino plans.²⁹⁴

McMillen, J. *Risky Business*, p.260-268.

²⁹² *Lusher Report*, p.37-39

²⁹³ *Lusher Report*, p.87.

²⁹⁴ Bottom, B. 1979 'Criminals plan to muscle in on Wran's casinos', *The Bulletin* 9 January:14-5; Hickie, D. *The Prince and the Premier*, p.184-203; *Stewart Inquiry*; *Woodward Inquiry*.

Table 5.11: New South Wales casino establishment: significant events.²⁹⁵

Year	Event
1965-76	Illegal casinos expand during the Askin Liberal/Country Party coalition government
1973-74	Moffitt Royal Commission identifies links between illegal gaming, registered clubs, organised criminal activity and official corruption. Recommends regulatory reform of club industry but not legal casinos.
1976	ALP government elected. Premier Wran announces that casinos will be legalised, appoints Lusher Inquiry.
1977	Lusher Inquiry recommends 'club'-style casinos to cater for existing illegal demand. Illegal casinos continue to operate with only irregular and ineffective police action. No action taken on Lusher recommendations.
1978	Wran announces that illegal casinos will be closed and that Lusher's recommendations will be implemented. Policy delayed by bribery scandals (Woodward Inquiry) and by the opposition of ALP left faction.
1980	Wran's casino proposal defeated in Cabinet.
1981	Police Tribunal recommends reforms to structure and powers of police. ALP State Conference endorses state ownership of casinos.
1982	Treasurer Booth recommends large privately-owned casino to promote economic development.
1983	Costigan Royal Commission raises questions about crime and corruption in NSW. Wilcox Inquiry (poker machines) and Connor Inquiry (casinos) recommend against legal casinos in Victoria because of the potential for crime and corruption. Stewart Inquiry reveals corruption in NSW judiciary and police force.
1985 April	Lloyd-Jones Report recommends three categories of legal casinos, rejected by Cabinet. Administrative and legislative reforms of registered clubs and illegal casinos.
1985 Nov	State-owned casino announced for Darling Harbour development.
1985 Dec	Darling Harbour Casino Bill proposes private casino and tenders called.
1986	<i>Darling Harbour Casino Act</i> proclaimed.
1986 June	Hooker-Harrah consortium announced as successful casino licensee. Wran resigns from politics. Police Board protests against the casino decision and reveals probity objections against Hooker's managing director, George Herscu.
1986 July	Disclosure that Harrah's licence is under investigation in New Jersey.
1986 Aug	Premier Unsworth revokes Hooker-Harrah's casino licence. Specifications for Darling Harbour casino are revised before new tenders are called. Casino Control Division established, <i>Darling Harbour Casino Act</i> amended.
1986 Dec	Short-list of five applicants produced.
1987 May	Four applicants eliminated from short-list.
1987 Oct	Final applicant (Genting Berhad) rejected by Police Board.
1988 March	Liberal-National Party coalition elected to government. <i>Darling Harbour Casino Act</i> rescinded and casino project abandoned.
1988 Dec	Damages claim by Hooker-Harrah's settled out of court, government pays \$38 million compensation to the consortium.
1988-90	Reforms to improve policing, control of illegal gaming and official corruption.
1990 Dec	Greiner minority coalition government re-elected with support of four Independents in Legislative Assembly. Plans for two Sydney casinos announced and draft Casino Control Bill prepared.
1991 Dec	Street Inquiry into the operation and establishment of casinos endorses government policy.
1992 Jun	Resignation of Premier Greiner after Independent Commission Against Corruption (ICAC) investigation.
1992 Sept	Swan inquiry into effects of planned casino on clubs and poker machine revenues. Casino Control Authority (CCA) appointed to report on casino site and operations.
1993 Feb	CCA designates Pyrmont power station site and endorses government casino proposal. ALP proposes draft alternative legislation for Darling Harbour site and a reduced number of poker machines. Independents demand exclusion of poker machines from casino.
1997	Review of licence conducted. Permanent Star City Casino complex opens.

²⁹⁵ McMillen, J. *Risky Business*, p.264.

Between 1976 and 1985 NSW experienced severe economic difficulties and reinstated casino development as a policy priority.²⁹⁶ The Darling Harbour development was the biggest and most ambitious of these grand projects, with initial proposals including a privately owned casino.²⁹⁷ Debates over public or private ownership and potential corruption continued. Treasurer Booth recommended a large open casino-hotel intended to maximise state revenue and stimulate tourism.²⁹⁸ In April 1985 Wran appointed a committee of inquiry to recommend gambling reforms. In November it was announced that a state-run casino would be included in the Darling Harbour redevelopment project; by the time the Darling Harbour Casino Bill was presented to Parliament in December the proposal had shifted to a private casino.²⁹⁹

In 1986, Wran announced that the Hooker-Harrah consortium had been selected by Cabinet to establish and operate the Darling Harbour casino. However, initial probity checks had identified significant concerns about Hooker's managing director, George Herscu. The crisis escalated a week later when Treasurer Booth revealed that allegations against a former licensed employee of Harrah's were being investigated by the New Jersey Casino Control Commission as part of a routine annual renewal hearing.³⁰⁰

The Unsworth government

In August 1986 the new Premier Unsworth revoked the government's nomination of the Hooker-Harrah's consortium.³⁰¹ Fresh tenders were called and, following investigation of applications, a short-list of five submissions was produced (Federal Hotels, Harrah's, Genting International, HKMS consortium and the Trump group).³⁰² But police were unable to give unqualified approval to any consortium, even those operators holding licences in other Australian states. The series of scandals over the Darling Harbour casino became a central election issue.

²⁹⁶ Larcombe, G. 1986 'New South Wales: the political economy of an industrial state', In B. Head (ed.) *The Politics of Development in Australia*, Sydney, Allen and Unwin, p.97-113;

Thompson, E. & Painter, M. 1986 'New South Wales', In B. Galligan (ed.), *Australian State Politics*, Melbourne, Longman Cheshire, p.2-24.

²⁹⁷ Greiner, N. 'Legalising NSW casinos';

Huxley, M. 1991 'Making cities fun: Darling Harbour and the immobilisation of the spectacle', In P. Carroll, et al. (eds) *Tourism in Australia*, Sydney, Harcourt Brace Jovanovich, p.141-152.

²⁹⁸ *Booth Report*. Booth's report was not made public until 1985 when it was included in the report of yet another NSW casino inquiry (*Report of the Committee of Inquiry into Gaming in New South Wales [Lloyd-Jones Report]* 1985: Appendix E).

²⁹⁹ Wran's case for private casino operation had been strengthened by the Victorian Connor Report which had argued against government operation (*Connor Report*, p.17.09-17.11).

³⁰⁰ Harrah's was subsequently exonerated and its Atlantic City licence renewed.

³⁰¹ McMillen, J. *Risky Business*, p.280-281.

³⁰² Daley, R.P., Shields, C. & Foggo, M. 1987. 'The Casino Control Division in New South Wales'. In M. Walker (ed.) *Faces of Gambling*, p. 63-8

The Greiner government

The first parliamentary action of the new Greiner government was to repeal the *Darling Harbour Casino Act*, with Premier Greiner arguing that a casino would bring crime and social disharmony.³⁰³

Gambling continued to generate a stable source of revenue for the NSW government, proving to be more politically acceptable and recession-proof than most other taxes.³⁰⁴ Boosted by poker machines, gambling expenditure in NSW, as a percentage of household disposable income, remained the highest in Australia at 2.62 per cent (Table 5.9). The Greiner government made some important concessions to the club industry (linked jackpot prizes up to \$100,000 in 1988, computerised keno in 1990) which further increased revenues. Yet gaming expenditure in NSW had not increased at the same rate as other states which had introduced casinos in the 1980s. Elsewhere, casinos had given the most effective stimulus to gaming expenditure and revenues during the economic downturn, as well as providing additional benefits of economic activity and job creation.

Following re-election in 1990, Premier Greiner reversed his anti-casino stance and announced plans for two casinos in Sydney – one a large open American-style casino and one smaller ‘boutique’ casino for private members and international high-rollers.

The Fahey government

Following the Street Report in 1992, new Liberal Premier, John Fahey, agreed to the ALP’s demands for just one large casino and a reduction in the number of poker machines.³⁰⁵

The Casino Control Authority recommended the old Pyrmont power station site for the casino in February 1993, and endorsed the government’s policy to have 1,500 poker machines, keno, a TAB agency and 200 gaming tables in the casino, making it the largest casino in Australia.³⁰⁶ In December 1994 the casino licence was awarded for ninety-nine years to Sydney Harbour Casino Holdings Ltd (now Star City Holdings Ltd), a publicly listed company with a major investment by Leighton Constructions Limited.³⁰⁷ The consortium included Showboat, an American company which would operate the casino. The temporary Sydney Harbour Casino opened on wharves 12 and 13 at Pyrmont Bay in September 1995 with 150 gaming tables and 500 gaming machines. Gross gaming revenue for 1996-97 was \$363.2 million, contributing to the construction costs of the permanent casino and \$78.6 to government revenue. The casino tax includes a 2 per cent levy paid to a Community Benefit Fund administered by Trustees.

The new permanent Star City Casino opened on 26 November 1997 with 200 gaming tables and 1,500 gaming machines. As required by legislation, in 1997 an independent review of the casino licence was conducted and in January 1998 a favourable report ensured the

³⁰³ McMillen, J. *Risky Business*, p.282-287.

³⁰⁴ *Street Report*, p.45

³⁰⁵ McMillen, J. *Risky Business*, p.287-290.

³⁰⁶ By comparison, at the time Jupiters Casino had 112 tables and 1100 gaming machines; Burswood Island Casino had 115 tables and 1128 machines.

³⁰⁷ The licence includes a 12-year period of exclusivity in NSW.

continuation of Star City's operations.³⁰⁸ That year Public and Broadcasting Ltd (PBL), which had a significant shareholding in Melbourne's Crown Casino, made application to the NSW Casino Control Authority for approval to purchase shares in Star City Casino; however, the application was withdrawn. In 1998 Showboat's equity in the casino and its role as operator were purchased by Harrah's Entertainment Ltd, another American casino operator with experience in the Auckland Sky City Casino.

Since the licence was awarded the Star City Casino has objected to the tax rates applied to it, arguing that they were uncompetitive and disadvantaged the casino in the overseas market. In October 1998 the NSW Carr government reduced the tax rate on international high rollers (staking \$75,000 or more) from the standard rate of 23 per cent to 10 per cent. This brought it in line with the comparable rate for Crown Casino in Melbourne.

In June 1999 a proposed takeover bid by Tabcorp Holdings Ltd was rejected by Star City shareholders.³⁰⁹ No decision has been made on a subsequent Tabcorp bid.

Third stage of casino development: Victoria

Unlike NSW, casino development in Victoria was resisted by successive governments during the 1970s and 1980s.³¹⁰ During the early 1970s, Federal Hotels' initial proposal for a Melbourne casino was shelved by the company as it increased its efforts in other states.³¹¹ A Melbourne casino was next canvassed in the media in 1977 when plans were announced to refurbish the prestigious old Windsor Hotel.

Economic pressures were mounting by the late 1970s. As the sustained growth of the 1960s and early 1970s began to slow, problems of economic management and revenue shortfall became more acute. Victorian gambling revenues were relatively high because of the popularity of racing (Victoria was the traditional heartland of the Australian racing industry) and the expansion of Tattersall's operations interstate. Tattslotto was introduced by Tattersall's in 1972 and although slow to gain public support, by the late 1970s it had achieved the highest level of turnover of any form of gambling, with a network in all states except NSW and Queensland.³¹² Victorian incomes were well above the national average³¹³ and the popularity of new gambling options generated a level of discretionary expenditure and share of state revenue which were surpassed only by NSW.

Despite its dependence on gambling revenues, Victoria was not willing to follow the NSW example and introduce poker machines. Concerned by negative findings of the 1974 Moffitt inquiry into NSW registered clubs, Victorian governments were less ready to legalise any form of gambling which could generate community and welfare problems.³¹⁴

³⁰⁸ *McLellan Report*.

³⁰⁹ *Sydney Morning Herald* 10th June 1999.

³¹⁰ McMillen, J. *Risky Business*, p.290-305.

³¹¹ Sutton, K. *Blueprint*, p.20.

³¹² NSW had established a rival lotto operation in 1979; Queensland's Golden Casket Agency agreed to administer draws in the Tattslotto bloc in 1981.

³¹³ Harman, A. et al. *State Capital and Resources*, p.362.

³¹⁴ McMillen, J. *Risky Business*, p.291-295.

There were other important structural and policy differences between NSW and Victorian gambling. Illegal gambling was a problem for police in Victoria as it was in other states, but the principal form of illegal gambling was SP betting. Unlike the magnitude of illegal casino gaming in Sydney, Victoria had only a limited number of small illegal ethnic gaming clubs and two-up schools which catered for 'some hundreds of intermittent players'.³¹⁵ Police efforts to completely eradicate them were no more effective than in NSW, but the demand was small and contained.³¹⁶

The Hamer government

In 1979 Federal Hotels proposed a \$75 million entertainment and convention centre complex at Southgate on the Yarra near the Arts Centre, to include a large three-level casino.³¹⁷ However, pressure was applied by other gambling institutions which did not want increased competition for a share of the gambling dollar.³¹⁸ The casino proposal was abandoned after several members of the Liberal government indicated they would vote against legalisation.

The Cain government

The Cain ALP government was elected in 1982 on the promise of a much more interventionist approach to economic management aimed at generating employment and development.³¹⁹ Gambling produced over \$202 million revenue for the Victorian government in 1981-82, almost 10 per cent of total state taxation. However, while gambling turnover had increased, the returns to government had not kept pace with demands for government spending. The rapid expansion of gaming options, particularly by Tattersall's, had been partly at the expense of racing, an important traditional source of gambling revenue in Victoria. From 1972-3 to 1981-2, racing's share of the gambling market declined sharply from 87.6% to 47.9%.³²⁰

The former federal judge Xavier Connor, QC, was appointed in October 1982 to inquire into and recommend on whether casinos should be established in Victoria.

³¹⁵ Connor Report, p.9.52.

³¹⁶ Hickie, D. *The Prince and the Premier*, p.361

³¹⁷ Connor Report, p.12.14

³¹⁸ O'Hara, J, *A Mug's Game*, p.199.

³¹⁹ Davidson, K. 'The Victorian economy', Holmes, J. et al. 'Victoria', p.38-48.

³²⁰ McMillen, J. *Risky Business*, p.294-301.

Table 5.12: Victoria casino establishment: Significant events³²¹

Year	Event
1972-77	Private sector proposals for casinos not acted upon.
1982	Justice Xavier Connor appointed to inquire and report on the prospects of casino development for Victoria. Strong objections to a casino by community groups and police.
1983	Connor Report recommends strongly against casino development.
1990 Aug	Premier Cain resigns over state debt.
1990 Dec	Xavier Connor asked to report on the establishment and operating conditions for two Melbourne casinos.
1991 Feb	Connor Report accepted by government; approval of casinos announced, with the Docklands as a preferred site. Casino legislation prepared.
1991 Aug	The Opposition forces the government to broaden the site options.
1991 Nov	<i>Casino Control Act</i> passed by both houses and expressions of interest called for one large Melbourne casino.
1992	Casino Control Authority appointed; protocol conditions imposed on applicants.
1992 Oct	Coalition government elected.
1992 Nov	Short-list of three casino applicants is announced.
1993 Feb	Yarrabank nominated as the casino site.
1993 Sept	Crown Casino Ltd announced as successful casino applicant, with Federal Hotels as casino operator.
1993 Oct	Financial backing and shares in Crown Casino restructured.
1994	Temporary casino operates in World Trade Centre, Melbourne.
1997	Crown Casino opened in permanent facilities at Southbank.

In April 1983 Connor recommended to the Victorian government that a casino should not be introduced to Melbourne because of the social and regulatory problems which could result.

The Cain government accepted Connor's findings and announced that the casino would not proceed. In 1983, to win renewal of its licence against submissions from the TAB and NSW Lotto Management, Tattersall's offered the government a generous revenue and profit-sharing package. Cain openly conceded that the new tax structure was intended as 'a built-in incentive to the licensee to continue to expand and develop lotteries in Victoria'.³²²

The Kirner government

John Cain's resignation in August 1990 provided an opportunity for the new Kirner administration to legitimately review the government's gambling policies in the light of changing circumstances.³²³ In 1990 the TAB persuaded the government to allow it to establish a gaming machine venue, Tabaret, in one of Melbourne's luxury hotels. Tattersall's demanded a major revision of gambling policy, arguing that the Tabaret had been given an unfair market advantage with its 'casino-style' monopoly on gaming machines. A gambling review committee was appointed, headed by the Deputy Premier and Attorney-General, and in December 1990 the government announced that it would legalise casinos as part of a more

³²¹ McMillen, J. *Risky Business*, p.296.

³²² Boon 1983:10

³²³ McMillen, J. *Risky Business*, p.301-304.

general economic strategy to attract financial and development capital to the state and to encourage redevelopment of the Melbourne central business district (CBD).

Amid the planned gambling reforms, the government reappointed Xavier Connor to report on the establishment and control of a large open casino and the prospects of a smaller unobtrusive casino. Connor recommended a comprehensive system of regulation and control, that selection of the casino licensee should be made by an authority independent of political influence or interference. He also strongly recommended that the state police be involved in all stages of the establishment and control of any casino.

The government accepted Connor's recommendations and prepared casino legislation, nominating the Docklands area on the western fringe of the CBD as its preferred site for a large open casino. Expressions of interest were called for a large Melbourne casino early in 1992, attracting twenty-three applications from Australian and international consortiums. In keeping with Connor's recommendation, a five-member Victorian Casino Control Authority (VCCA) was appointed and included the Deputy Commissioner of Police.

The Kennett government

The Kennett coalition government was elected in October 1992, promising to return economic prosperity to the state. On the casino issue, the government was able to introduce new policy objectives.³²⁴

The ALP's option of a second casino was immediately rejected. By November 1992, the VCCA had reduced the list of casino applicants to three – Jupiters; Crown Casino, a consortium formed by Hudson Conway Ltd (a local developer), Federal Hotels, the Victorian TAB and Carlton and United Breweries (CUB); and Pacific Casinos, formed by Sheraton Pacific Hotels and Leighton Properties Ltd, a national construction company. Each proposal nominated a different preferred casino site, but the Crown Casino bid to be located on Southbank on the Yarra (Yarrabank) emerged as the front-runner. Involving large Melbourne-based companies and well-known business identities, the Crown consortium was promoted as the only genuinely Melbourne bid.

In February 1993, the VCCA specified that the casino would be built on the Yarrabank site and invited the three short-listed applicants to submit new detailed plans by April and final bids by August. In September 1993 Crown Casino was awarded the 12-year casino licence. The joint parliamentary Public Accounts and Estimates Committee (PAEC) questioned the decision when informed that the licence payment offered by the Sheraton-Leighton consortium was \$20 million more than Crown Casino's offer.³²⁵ Premier Kennett denied media suggestions that the VCCA's decision had been influenced by Hudson Conway's links with the Liberal Party. Further concerns were raised about a possible conflict of interest between Lloyd Williams' position as deputy chairman of the Victorian TAB and his private investments in Crown Casino; Williams immediately resigned from the TAB.³²⁶

³²⁴ McMillen, J. *Risky Business*, p.304-306.

³²⁵ *Australian Financial Review* 14 September 1993

³²⁶ McKay, S. 1999 'The Casino State', in Costar, B. & Economou, N. (eds.), *The Kennett Revolution: Victorian Politics in the 1990s*, UNSW Press, Sydney.

Dismissing these reservations, the government fully endorsed the project, moving quickly to facilitate the planning and construction process. Metropolitan boundaries were redrawn to include the Yarrabank site after dismissal of the Melbourne City Council in October 1993. The financial structure of Crown Casino was finalised with Hudson Conway (30%), Federal Hotels (10%) and Carlton United Brewery [CUB] (5%) as the major shareholders. One-third of the remaining 55% was offered in a public float after a temporary casino was opened.³²⁷ The Crown consortium agreed to pay a tax rate of 20%, as well as \$200 million for the casino licence, \$62 million for the rights to operate the temporary casino and a further \$23 million for road and infrastructure improvements around the casino site. The licence was awarded in November 1993 and a temporary casino opened in the World Trade Centre in June 1994. The permanent casino, originally to have 150 tables and 2,500 machines, was scheduled to open in mid-1996 with a \$50,000 daily penalty for late completion.

Under a new agreement Crown agreed to pay the government an extra \$100.8 million in gambling taxes over three years in exchange for the right to increase the number of tables in the permanent casino to 350. An application to boost the number of gaming machines from 2,500 to 3,500 was rejected.³²⁸

Public and media concerns about the casino selection process continued and in 1996 the Australian Democrats in the Australian Senate established a Senate Select Committee inquiry to investigate the selection process for the Melbourne casino. This inquiry was extended to include the Queensland government's selection of the Treasury Casino licence in 1994, and ultimately to examine the licensing of all Australian casinos. However the Senate committee's investigations were discontinued in 1997.

The permanent Crown Casino complex opened in May 1997 and immediately exceeded market expectations. In particular, the casino developed a strong international marketing campaign that attracted a relatively high proportion of high-spending overseas patrons. The casino successfully argued for a reduction in the rate of 'junket tax' to 10 per cent to improve its capacity to compete for international players. However, a number of events related to the casino's overseas market (a major economic crisis in Asian countries, several large losses to international junket players) adversely affected the casino's income in 1997-98. This temporary slump in revenue appears to have been reversed in 1999.

Since the Crown Casino complex began operations, several changes have been made to the corporate and management structure of the casino. Crown Ltd became a wholly owned subsidiary of Publishing and Broadcasting Ltd (PBL) on 30 June 1999.

³²⁷ Hudson Conway also underwent a major restructuring; the major shareholders in Hudson Conway at the time were Lloyd Williams (15%), Kerry Packer (15%) and Ron Walker (14.6%) (James 1993).

³²⁸ Changes in the number of EGMs and table games at Crown Casino are detailed at Appendix 2.

Conclusion: The three stages of Australian casino development

The pattern of Australian casino legalisation has not been even and uniform. Casinos have been introduced in three identifiable stages – in the 1970s (Tasmania and the Northern Territory); 1980s (Queensland, Western Australia and South Australia); and the 1990s (the ACT, Christmas Island, Victoria and New South Wales). McMillen's research shows that each stage has constituted a specific set of national and regional influences and outcomes.

Despite the overall expansion of gambling throughout Australia during the 1970s and early 1980s, some Australian governments delayed casino development. For different reasons, the southern core-states of NSW and Victoria, together with the ACT, balked at the introduction of casinos until the late 1980s, when strong pressures for casino development were gradually accommodated.

With the benefit of poker machine revenues, reductions in Commonwealth funding which had influenced casino development in other states during the 1970s and 1980s had not had such immediate effects in NSW and the ACT; and a sustained level of economic growth and broad tax basis in Victoria had acted as a buffer against federal cutbacks.

The continuing economic crisis in the late 1980s pushed the core southern Australian states towards casino development. Casino proposals in NSW, however, continued to be hampered by institutionalised illegal gambling and administrative failure. In Victoria moral and community campaigns against casinos were mounted throughout the 1980s with considerable success. This situation began to change in the late 1980s when economic development and fiscal problems were at the forefront of political debates and electoral campaigns. Although Victoria made a relatively late move to legalise casino gambling, once the decision was made it moved much more swiftly and decisively to implement its policy than did other states.

In each state, casino development was politically contentious and generated public opposition. Whereas the NSW government in the early 1980s was preoccupied with internal administrative problems relating to the control of illegal gaming, the Victorian government was preoccupied with attempts to shield the state from external threats to community standards and values by 'organised crime'. Casino proposals in Victoria in particular were constrained by pressure from sectional interests. The determination by Connor's 1983 inquiry that the casino industry would create more problems than it would solve formed the basis for a consistent anti-casino policy in Victoria for almost a decade. Over time, however, moral debates were replaced with expectations of widespread economic benefits. The Kirner government's decision to allow poker machines and casino development was a politically expedient tactic to improve the economy and generate much-needed revenue. This strategy was strengthened by the election of the Kennett government and the selection of a local consortium to develop and operate the casino.

Table 5.13 Current regulation of Australian casinos

Vic	NSW	Qld	SA	WA	Tas	ACT	NT
Minister for Gaming: licenses casino. Dept of Treasury & Finance: policy and legislation. Victorian Casino and Gaming Authority (VCGA): licenses key personnel; technical standards; monitors and controls casino gaming; surveillance; policy advice; research.	Minister for Gaming & Racing: licenses casino. Dept. of Gaming & Racing (DGR): policy and legislation. Casino Control Authority (CCA): controls and monitors casino; licenses key personnel. Director of Casino Surveillance (DCS): regulates casino operations; reports to CCA and Minister.	Treasurer licenses casinos. Old Office of Gaming Regulation (QOGR): policy and legislation regulation; surveillance.	Treasurer controls gaming. Dept of Treasury & Finance policy and legislation regulation. Gaming Supervisory Authority (GSA): supervision and regulation of casino; supervision of LGC. Liquor & Gaming Commissioner (LGC): regulation of casino operations; licensing key personnel; approval of equipment and technical standards; collection of revenues.	Minister for Racing & Gaming: licensing and control of casino. Office of Racing, Gaming & Liquor (ORGL): policy and legislation surveillance and regulation. Gaming Commission of WA: regulates casino.	Treasurer control of gaming. Dept of Treasury & Finance: policy and legislation regulation. Tasmanian Gaming Commission (TGC): regulation and control of casino gaming. Reports to Minister..	Casino Surveillance Authority monitors and regulates casino operations.	Dept of Gaming & Racing controls and regulates casinos.

The highly politicised policy process in NSW, Victoria and the ACT placed greater demands on government for public participation and consultation over casino policy decisions. This was accomplished by a twofold strategy. First, there was a coercive response against illegal gambling and gambling-related crime as the state mobilised against what had been constructed as a threat to state authority. Secondly, there was a struggle with the anti-casino groups to organise and win public support by constructing a public definition of casino development which would achieve popular consent. Considerable reliance was placed upon public inquiries and (in the ACT) a ‘social impact study’ to alleviate community concerns. The NSW Greiner government rapidly drafted its casino legislation and then established a public inquiry (the fourth since 1977) to consult and report on its implications. Victoria was even more pragmatic; after announcing its decision to legalise casinos, it appointed the same judge who had reported negatively on casinos in 1983 to undertake further inquiries. In both states, casino establishment was managed by independent authorities with responsibility for the selection and licensing processes.

These tactics undoubtedly minimised political controversy, although the main achievement was to differentiate between the more ‘moderate’ critics who expressed concerns about casinos and the ‘extremists’ who opposed development under any circumstance. In short, concessions were made to more moderate demands, for example by establishing independent regulatory agencies to select the casino licensees and by increasing community allocations. Thus a compromise was achieved which isolated anti-casino groups and achieved legalisation.

The legalisation of the first casinos in the 1970s introduced new forms of gambling to

Australians. By the 1990s most Australians had ready access to casinos; every state/territory had at least one casino located in the major population centres. Despite the initial concerns expressed by some community groups, casino gambling has proved to be very popular. The Productivity Commission's national survey indicated that in 1998-99, 10 per cent of adult Australians played casino table games.³²⁹ Gaming machines in casinos also are very popular; only Canberra Casino does not have gaming machines.

The spread of casinos has been an important factor in the growth of spending on gambling since the 1980s. Expenditure on casino gaming has increased from below \$60 million a year prior to 1984-85, when casinos operated only in Tasmania and the Northern Territory, to over \$2 billion in 1997-98, when every state and territory had one or more casinos (Table 5.14).

Table 5.14 Expenditure on casino gambling products, states and territories 1997-98

Product	Vic	NSW	Qld	SA	WA	Tas	ACT	NT	Total
Expenditure (\$m)	742.292	446.200	468.300	76.080	358.828	75.642	17.280	47.414	2,232.04
Per capita expenditure (\$)	\$213.98	\$94.94	\$186.57	\$67.75	\$270.81	\$217.36	\$75.46	\$367.55	

Source: Tasmanian Gaming Commission 1999 *Australian Gambling Statistics 1972/73-1997/98*, TGC, Hobart.

Victorian data shows that casinos attract younger gamblers (Table 5.15). This has been confirmed by the Productivity Commission's national survey, which provided a distinct profile for casino table game players: they tend to be young single males aged between 18-24, and often students.³³⁰ While only a minority of casino gamblers plays on a regular basis, they spend relatively large amounts on each occasion.

³²⁹ Productivity Commission, *Australia's Gambling Industries Draft Report*, 3.16

³³⁰ Productivity Commission, *Australia's Gambling Industries Draft Report*, 3.16

Table 5.15 Snapshot of casino gamblers, Victoria 1997-98 (1996)

Indicator	1997	1998
Participation rate in gambling activity	25% (22%)	18%
Characteristic of gamblers	Even distribution males and females, younger age profile, more likely to be owner/white collar worker, higher proportion in metropolitan areas, slightly more likely to be in at-risk group, more likely to be social gambler, acknowledged heavy gambler or committed heavy gambler	Even distribution males and females, younger age profile, more likely to be owner/white-collar worker, more likely to be social gambler, acknowledged heavy gambler or committed heavy gambler
Of gamblers, how many play regularly (at least once a month)	15% (14%)	18%
Outlay per gambling activity	\$41 (\$44)	\$53
Gamblers' primary motivations	Social reasons (40%), thrill/dream of winning (31%), buzz (23%)	Social reasons (48%), thrill/reward of winning (22%)

Sources: Market Solutions & Mark Dickerson 1997 *Fifth Community Gambling Patterns Survey*, VCGA, Melbourne; Roy Morgan Research 1999 *Sixth Survey of Community Gambling Patterns and Perceptions*, VCGA, Melbourne.

All Australian casinos are regional monopolies and most are owned and operated by Australian companies (Table 5.16). The exceptions are the Adelaide Casino, which is government owned, and the MGM Grand International Hotel Casino in Darwin, which is a subsidiary of the Las Vegas MGM Grand. The casino industry employed over 20,000 people in 1997-98.

Table 5.16 Current structure of the Australian casino industry

Jurisdiction	Casino	Location	Opened	Number of gaming machines	Number of gaming tables
New South Wales	Star City	Sydney	1995	1500	200
Victoria	Crown Casino	Melbourne	1994	2500	328
Queensland	Conrad Treasury	Brisbane	1995	1187	88
	Reef Hotel and Casino	Cairns	1996	536	46
	Sheraton Townsville Hotel and Casino	Townsville	1985	235	24
	Hotel Conrad and Jupiters Casino	Gold Coast	1985	1163	95
Western Australia	Burswood Resort Casino	Perth	1985	1125	130
South Australia	Adelaide Casino	Adelaide	1986	716	89
Tasmania	Wrest Point Casino	Hobart	1973	601	16
	Country Club Casino	Launceston	1982	440	14
Australian Capital Territory	Casino Canberra	Canberra	1992	0	39
Northern Territory	MGM Grand	Darwin	1979	367	27
	Lasseters Casino	Alice Springs	1982	240	21
Commonwealth Island Territory	Christmas Island Resort Casino	Christmas Island	1993	Suspended April 1998	Suspended April 1998

Source: Productivity Commission 1999 *Australia's Gambling Industries: Draft Report*, Commonwealth of Australia, Canberra, 12.20

Relative to casino net takings from table games, EGM takings have increased remarkably in the three years 1994-95 to 1997-98 (Table 5.17). Net casino takings from EGMs have doubled in this period and, as a percentage of total casino takings from gambling, the proportion taken from EGMs has risen from 24.9% in 1994-95 to 32.3% in 1997-98.

Table 5.17 Casino net takings from gambling, by type of gambling, Australia

Casino gambling type	1994-95 \$m	1997-98 \$m	Change %
Casino EGMs	343.6	700.1	103.8
Casino keno	25.5	33.4	31
Casino table games	1 012.7	1 431.6	41.4
Total	1 381.8	2 165.1	56.7

Source: ABS 1999 *Gambling Industries*, Cat 8684.0.

In the same three-year period casino industry employment has also risen substantially. Much of this increase can be attributed to the opening of the permanent Crown Casino complex in Melbourne in February 1997.

Table 5.18 Other key casino aggregates

No. of Businesses		Total Employment		Total Income (net of payouts) \$m		Operating Profit Before Tax \$m		Operating Profit Margin	
1994-95	1997-98	1994-95	1997-98	1994-95	1997-98	1994-95	1997-98	1994-95	1997-98
14	13	15 837	20 531	1 650.5	2 709.7	107.4	-287.9	6.5	-10.8

Source: ABS 1999 *Gambling Industries*, Cat 8684.0

While the local and domestic tourist markets are the most stable, international visitors also are a significant source of income for some Australian casinos (e.g. Burswood Resort Casino in Perth). The Productivity Commission estimates that on average 25 per cent of Australian casino earnings come from overseas visitors.³³¹ However, the profitability of several casinos declined in the mid-1990s following an increase in the number of casinos from eight to fourteen and the introduction of club and hotel gaming machines in several states. For example, a decline in revenue from the Canberra Casino coincided with the opening of Sydney's Star City Casino.³³² A number of casinos have withdrawn from the overseas 'junket' market; the Cairns Reef Casino experienced serious financial problems in 1997-98; and the Christmas Island Casino was closed and placed in receivership.

As casinos have proliferated in the 1990s, with larger and more commercially aggressive operations, government revenue from casinos has increased significantly from 4 per cent of total government tax revenue to an average of just under 12 per cent. An estimated 46 per cent of government revenue from casinos is derived from gaming machines in those venues.³³³ However, the share of casino gambling expenditure (21 per cent) appropriated by governments is lower for casinos than for most other forms of gambling (Table 5.19).³³⁴

Table 5.19 Comparative casino taxation by states and territories, 1998-99

Tax	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
Licence fee	\$358.4m	\$376m	\$137 500 quarterly	\$5 000 per month	\$1.72m p.a. (CPI indexed)	\$60 800 per month (indexed annually)		Not imposed
Summary of tax rates (proportion of gross revenue)	22.25% regular players (including CBL) 10% premium players (inc. CBL)	20% to 45% 10% or \$6m pa on high rollers, whichever higher	10% to 20% specific to casino	10% for table games, 43.5% for EGMs	15%	15% to 35%	20%	8% general casino tax, 17.5% for EGMs
Other State charges	1% of gross revenue for Community Benefit Levy (CBL)	2% of gross gaming revenue (CBL)	1% of gross revenue (CBL)		1% of gross revenue for upkeep of Burswood Island			

NSW Treasury 1999 *Interstate Comparison of Taxes 1998-99*, <http://www.treasury.nsw.gov.au/trpindex.html>

The Australian casino market appears to have reached maturity, with profit margins well below those of the 1980s. Casino corporations are responding in two ways: the smaller

³³¹ Productivity Commission, *Australia's Gambling Industries Draft Report*, p. 3.6

³³² *Ibid*, p. 18.4

³³³ *Ibid*, p. 18.2-18.3

³³⁴ For example, in 1997-98 governments collected 82% of expenditure on lotteries/lotto. PC p.18.10

casinos are consolidating their local markets, abandoning efforts to secure a share of international gambling; and the larger well-resourced casinos have increased promotions to attract international junket players. Some casinos also are beginning to diversify into other forms of gambling and to seek opportunities for internet/interactive gambling; for example, Jupiters' operation of Club Keno in Queensland and purchase of Centrebet, and Lasseters Casino's venture into internet gaming.

Chapter 6: Poker Machines and EGMs

Introduction

Legal poker machines were first allowed in registered clubs in NSW in 1956, although the presence of illegal machines can be traced back to the late nineteenth century.³³⁵ Registered clubs, which were typically managed by sporting groups and service organisations such as the Returned Services League (RSL), became popular in the 1940s as venues where the ‘respectable’ working class could socialise and drink. Prior to that time, hotels were the major outlet for liquor. However, social conditions deteriorated in hotels during the war, with an increasing incidence of rowdy behaviour, fights and the infamous ‘six o’clock swill’.³³⁶ The popularity of registered clubs increased dramatically after NSW liquor laws were altered in 1946 and 1954 to permit clubs to serve alcohol beyond the prescribed hotel hours and club facilities were extended to women in the late 1950s.

The popularity of some clubs was further improved by the illegal possession of poker machines. The proceeds of these illegal machines were used to provide members with additional amenities and to subsidise the food and drink offered to members. Hotels objected to the loss of business, but in response to public pressure the NSW government in 1956 legalised poker machines in registered clubs and introduced a system to government supervision to legitimise their operations.

The dramatic growth of gambling expenditure and the resulting prosperity of NSW clubs encouraged the gaming machine industry to lobby hard for legalised poker machine gambling in other states. Other state governments resisted these pressures for almost four decades, concerned about the social implications of such widespread gambling and their own capacity to regulate the industry.³³⁷ By the 1990s, a number of factors – computerisation which improved both the reliability of gaming machines and auditing procedures, fiscal stress, and relaxation of social attitudes to gambling – combined to persuade every Australian government except Western Australia to legalise machine gaming in clubs and hotels. It is this process of legalisation and liberalisation, which led to the wide expansion of gaming into clubs and hotels in particular, that is reviewed in this chapter.

³³⁵ Caldwell, G.T. 1972 ‘Jackpot: the NSW club’, *Current Affairs Bulletin*, September 13 p.61;

Lynch, R. 1990 ‘Working class luck and vocabularies of hope among regular poker-machine players’, In D. Rowe & G. Lawrence (eds) *Sport and Leisure: Trends in Australian Popular Culture*, Marrickville, Harcourt Brace Jovanovitch, p.189-208; Wilcox Report 1983

³³⁶ Hotels were required to cease trading liquor at 6pm, and it became common practice for customers (all male in those days) to order several drinks just prior to closing and ‘swill’ them quickly with the inevitable results of public intoxication, street disorder and domestic violence.

³³⁷ McMillen, J. 1996 ‘Social priorities in gaming policy: Studies from two Australian states’, in W. Eadington and J. Cornelius (eds.) *Gambling: Public Policy and the Social Sciences*, Institute for the Study of Gambling and Commercial Gaming, Nevada, p.103-126.

Overview of the chapter

The introduction to this chapter includes a tabulation of the introduction of electronic gaming machines to all Australian jurisdictions and to New Zealand. The following sections deal with each of these jurisdictions individually, outlining the significant events in the history of this gaming product for each one. The concluding section draws out the major themes present in these histories, focusing particularly upon the 1990s and the role of EGMs in the expansion of gaming. Comparisons are made between the relative maturity of the EGM markets in the major Australian jurisdictions.

Table 6.1 Introduction of EGMs to Australian states and territories

Time frame	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
1788 to 1900	Illegal machines imported from USA.	Illegal machines imported from USA.						
1900 to 1940s		1921: ambiguous legislation: operation of poker machines not prosecuted.		Illegal machines imported from USA.				
1940s to 1970s		1956: Poker machines legalised in non-profit clubs. 1974: Moffitt Royal Comm. condemns club industry practices.	1970s: steady flow of poker machine revenues to northern NSW clubs. Industry lobby for legalisation does not succeed.	1970-80s: lobbying by club and hotel sectors for gaming machines.			1976: poker machines legalised in non-profit clubs.	1970s: cashless draw card machines legalised in hotels.
1980s to 1990s	1983: Wilcox Report rejects EGMs. 1990: coinless EGMs operated in Tabaret facilities. 1991: legislation passed to establish EGMs in clubs and hotels. 1992: Tattersall's & Tabcorp licensed as gaming operators. EGMs begin operating clubs/pubs. 1994: BreakEven regional centres established. G-Line proposed. 1995: Temporary limit set by Minister: 27,500 EGMs in clubs & hotels	1984: a form of poker machine (draw card machines) legalised in hotels. 1997: inter-club links approved; computerisation program announced. 1998: TAB authorised to link and monitor EGMs in clubs and hotels.	1991: legalisation of EGMs in clubs and hotels. 1994: BreakEven regional centres established 1996: reforms to regulatory system. 1997: several gaming operators licensed to install and monitor EGMs in venues. 1999: Govt. review of gaming announced.	1992: legalisation of EGMs. 1995-97: community protests at the social impacts of EGMs. 1997: independent candidate elected to Legislative Council on 'no pokies' platform. 1998: Parliamentary review recommends reform.	1996: 700 cashless Video Lottery Terminals (VLTS) introduced in licensed premises. 1990s: Govt continues to resist industry lobby for legalised EGMs.	1997: EGMs legalised for clubs and hotels with the casinos (Network Gaming) as licensed operator. 1998: gaming machines installed on Bass Strait Ferry.	1998-99: review of gaming to consider reforms.	1995: Parliamentary inquiry recommends legalisation. 1996: EGMs introduced to clubs and hotels; overall limit of 680 machines for the Territory. 1998: AIGR Report and Alder Report recommend reforms.

NSW: Machine gaming

The proliferation of public drinking houses in NSW during the late nineteenth century and the associated public disorder prompted legislation in 1905 (the Liquor Act) to freeze the number of liquor outlets and introduce local controls over licensing. Further restrictions on liquor trading were introduced during and after the First World War, but the status of registered clubs was unclear. Although subject to the same licensing laws, clubs were able to offer their members more liberal drinking conditions than the working class enjoyed in hotels.³³⁸ At first only 85 clubs were permitted throughout the state, restricting growth for many decades. In the post-war period, however, many clubs began to diversify and offer a wider range of social and sporting facilities, attracting members from the elitist gentlemen's clubs. Public pressure achieved an increase in club licences with legislative amendments in 1946 and 1954.³³⁹

Significantly, many clubs had been illegally operating poker machines since the 1880s. These were mechanical machines, operated by pulling a handle to activate gears and levers to make the machine's three reels spin and show a range of symbols.³⁴⁰ Although the NSW Supreme Court had ruled in 1921 that poker machines contravened existing legislation, the ruling was sufficiently ambiguous to allow their continued operation without police interference.³⁴¹ Despite periodic attempts to remove the illegal machines and a Royal Commission in 1932,³⁴² successive governments chose to ignore poker machines, which provided clubs with income to provide better facilities and standards of service than hotels. By 1954 'the profits from the illegal poker machines were being used in such a way that clubs were no longer functional alternatives [to hotels], but superior ones. They were developing into multi-functional leisure organisations'.³⁴³

Machine gaming in NSW community-based clubs was legalised in 1956 and is governed by the *Gaming and Betting Act 1912*, the *Registered Clubs Act 1976* and the *Liquor Act 1982*. Against the moral protests of churches and economic objections by the hotel industry, the NSW government authorised clubs to operate gaming machines and other forms of gambling on the basis that the profits derived would go back to club amenities and the community. Licence fees were to be paid directly to the Hospitals Fund.

Thus the present character of NSW clubs 'was conceived in the social, economic and industrial climate of the immediate post-war period'.³⁴⁴ Caldwell argues that the organisation of clubs as 'leisure co-operatives' reflects the traditional Australian ethos of mateship and the national pursuit of pleasure. His study of NSW clubs in the early 1970s showed that poker machines had become an integral part of social life and an important revenue source for community organisations providing venues and leisure facilities for social and sporting groups. In 1954 there were 154 clubs in NSW; by 1957, following the liberalisation of liquor laws and the legalisation of poker machines, this number had increased to 1,052.³⁴⁵ By 1988

³³⁸ Caldwell, G.T. 'Jackpot: the NSW club', p.61.

³³⁹ Ibid; Lynch, R. 'Working class luck'.

³⁴⁰ *Wilcox Report*, section 2.02.

³⁴¹ Ibid, section 3.11.

³⁴² NSW Royal Commission into Greyhound Racing and Fruit Machines 1932.

³⁴³ Caldwell, G.T. 1972 *Leisure Co-operatives. The Institutionalisation of Gambling and the Growth of Large Leisure Organisations in New South Wales*. PhD thesis, Australian National University, p.93.

³⁴⁴ Caldwell, G.T. 1983. Statement to the poker machine inquiry. Appendix to the *Report of the Board of Inquiry into Poker Machines* [Wilcox Report]. Melbourne: Government Printer:4

³⁴⁵ Ibid, p.5

there were 1,570 registered clubs and NSW gamblers had access to almost 54,000 poker machines and 9,000 draw poker machines, 'making the club industry the largest provider of leisure in the state'.³⁴⁶ However, despite the popularity of clubs, poker machines themselves were not popular at first with the general public. In 1957 over 65 per cent of surveyed residents disapproved of pokies. By 1998 almost 10 per cent of the state's adult population played the machines weekly, with average annual expenditure of \$635.98 yielding \$689.770 million in government revenue from EGMs and Keno in the fiscal year 1996-97.³⁴⁷

Because registered clubs are run on a non-profit basis, they are expected to direct the bulk of gambling revenues for the benefit of members, to improve club facilities and to subsidise meals and entertainment. Some clubs in NSW have developed into large multifaceted complexes providing a wide range of recreational activities, international entertainers, convention facilities and quality restaurants. For example, poker machine revenues have allowed large football clubs to play a key role in the professionalisation of the sport, financing players' salaries and building better facilities for spectators.

The significant income earning capacity of poker machines has also enabled many registered clubs to assume several of the functions of local government. They did this by, for example, undertaking the construction and maintenance of public facilities such as sporting complexes and community social halls, and by making financial contributions to community programs which otherwise would have been the responsibility of local government.³⁴⁸ In return for these community benefits, clubs have been able to negotiate low tax rates on gaming turnover, and in 1980 achieved a mutuality agreement with the Commonwealth government that exempted them from federal taxes.

By the 1970s, boosted by poker machine revenue, many NSW clubs had grown significantly in terms of assets, membership and facilities. But persistent criticisms of improper conduct in the club sector, along with more general accusations of gambling-related corruption in NSW, prompted the government to establish a Royal Commission into gambling in 1974.³⁴⁹ Justice Moffitt found evidence of criminal involvement, hidden ownership and money laundering in the NSW club industry and large-scale illegal gaming operating openly at several inner-Sydney clubs.

³⁴⁶ Lynch, R. 'Working class luck', p.190.

³⁴⁷ Dickerson, M. 1995 *Study 2: An Examination of the Socio-economic Effects of Gambling on Individuals, Families and the Community, Including Research into the Costs of Problem Gambling in New South Wales*. Casino Community Benefit Fund, p.32;

Tasmanian Gaming Commission *Australian Gambling Statistics 1972/73-1997/97*.

³⁴⁸ Knock, K. 1985 'The funding of a major recreational and leisure organisation', in G. Caldwell, et al. (eds) *Gambling in Australia*, Sydney, Croom Helm, p.269;

Lewis, B. 1985 'The Southern Cross Club: a family club's experience with poker machines', in G. Caldwell, et al. (eds) *Gambling in Australia*, Sydney, Croom Helm, p.273-5.

³⁴⁹ *Moffitt Report*.

Based on his observations of the situation in Sydney and on imputations from overseas experience, particularly from the United States, Moffitt argued strongly in his final report that the legal and illegal gaming industry created an opportunity for organised criminals to

*...infiltrate this country in a substantial fashion. Its arrival is unlikely to be signalled by the arrival or activities of armed gangsters with black shirts and white ties. More likely, it will arrive within the Trojan Horse of legitimate business fashioned for concealment and apparent respectability by the unwitting aid of expert accountants, lawyers and apparent businessmen.*³⁵⁰

As well as documenting cases of skimming and cash theft in NSW registered clubs, Moffitt expressed his conviction that criminals involved in the management of NSW clubs and illegal casinos had already established connections with known United States criminals operating in the gaming industry.³⁵¹

*Experience has shown that legalising some activity, such as gambling, does not have the consequence claimed by some of removing crime from the activity...as we've seen, organised crime will still operate, usually undercover, through willing and unwilling nominees within the now legitimate business, using criminal means. It is attracted to gambling in particular because of its easy profits, and the opportunities to skim cash and evade tax.*³⁵²

Police efforts to control crime in registered clubs, on the other hand, were seriously impeded by political lobbying by the registered club industry and its determined resistance to regulatory reform. Despite the Moffitt inquiry's recommendations, the government had not provided police with powers of enforcement over crimes involving poker machines.³⁵³ Once a club was licensed by the Liquor Administration Board (LAB), regulation of poker machines was left to the clubs themselves, just as it had been since 1956, leaving the industry open to internal theft by management, staff and patrons. By the early 1980s police estimated that manipulation and rigging of poker machines was costing the club industry an estimated \$18-20 million per year. The Wilcox inquiry, established in 1983 by the Victorian government to investigate the possibility of legalising poker machines, revealed serious and widespread corruption by NSW gaming machine distributors, club operators and public officials.³⁵⁴ Although charges had been laid at various times against promoters and manufacturers of gaming machines, flaws in the legislation made conviction difficult.

Any suggestion that the laws should be changed to replace the self-regulatory regime with a more centralised system of control was resisted by both the Registered Clubs Association (RCA) and the Liquor Trades Union (LTU), which represented club workers. The industry had overcome the public scandals and financial problems of the 1970s and had grown to the extent that, by end of the decade, it claimed to be the largest private employer in the state.³⁵⁵ The LTU resented allegations that their members might be dishonest and required additional supervision. Moreover the NSW government could ill afford to antagonise an industry which

³⁵⁰ Ibid, p.4.

³⁵¹ Ibid, p.27-64.

³⁵² *Moffitt Report*, p.55

³⁵³ *Wilson Report*, p.45

³⁵⁴ *Wicox Report*.

³⁵⁵ ACDA *The Economic Impact of the Licensed Club Industry on New South Wales and Queensland*; McCoy, A. *Drug Traffic*, p.215.

generated a major proportion of the state budget. In 1980-81, gambling revenues in NSW provided 13.59% of total state taxation with poker machines contributing over 43% of that amount.³⁵⁶ Despite the political and revenue costs of club-related crime, the government's increasing dependence on the club and poker machine industries discouraged it from unilaterally imposing major regulatory reforms.

Until the 1980s, the not-for-profit status of registered clubs was instrumental in their gaining competitive advantages in both liquor and gambling operations over rival hotels. The clubs' dominance over machine gambling in NSW also helped to legitimate their community role over an alternative privatised approach. Club machine gaming was sanitised and made respectable through its links with social purposes. Yet the clubs' non-profit status, membership requirements and social aims have allowed them to actively pursue increased economic returns from machine gaming in the name of social benefits for members and the broader community.

Aggressive lobbying by the hotel sector achieved legalisation of machine gaming in hotels in 1984, governed by the *Liquor Act 1982*. To appease the club sector, hotels were permitted to operate only 'draw card' machines (Approved Amusement Devices – AADs), and the number of machines in each hotel was restricted initially to five machines and ultimately to fifteen. This development and the simultaneous rapid growth of other forms of gambling (lotto, Instant Lotteries, new betting options, and casino gambling) resulted in a steady decline in the comparative advantage of NSW clubs.³⁵⁷ The interaction between different forms of gaming and the responses by government and industry to growing market competition are demonstrated in Table 6.2. This table documents the major changes in NSW club gaming from 1956 to 1998, in the context of new developments and market initiatives in other forms of NSW gaming and in other states.

³⁵⁶ Tasmanian Gaming Commission *Australian Gambling Statistics 1973-97*:1. At the same time other forms of gambling were declining; for example, the market share of New South Wales lottery revenue had fallen during the 1970s, prompting the introduction of instant lotteries in 1982.

³⁵⁷ Registered Clubs Association of NSW 1998 *Submission to the Independent Pricing and Regulatory Tribunal [IPART] Inquiry into Gaming*.

Table 6.2: Chronology of Significant Gaming Machine Developments in NSW³⁵⁸ #

1956	Legalisation of poker machines in NSW registered clubs - <i>Gaming and Betting (Poker Machine) Act 1956</i> .
1957	Poker machine taxation rebate scheme commenced on community expenditure by registered clubs in NSW.
1982	The introduction of TAB facilities in licensed premises in NSW.
1983	NSW government legislates to require poker machines to return 85% to players. Introduction of FootyTAB in NSW and ACT.
1986	NSW maximum jackpot for stand-alone poker machines increased to \$10,000.
1988	\$1 and \$2 poker machines introduced to NSW clubs, and the maximum bet increased to \$10 per play irrespective of denomination. In-house linked jackpots introduced with a maximum prize level of \$100,000. 'Bingo-style' poker machines approved. SKY Channel introduced in NSW.
1989	Introduction of video poker machines rather than stepper motors. Technological innovations by machine manufacturers to increase the number of lines played on a poker machine (previously one line, increased to possibly 180 lines on an individual play). Introduction of mystery links with smaller, more frequent jackpots.
1990	Cash advances to patrons prohibited in NSW registered clubs and hotels.
1991	Introduction of keno in NSW registered clubs.
1992	Tokenisation of NSW poker machines approved. NSW clubs permitted to install gaming machines comparable to those in casinos.
1993	Technical Standards for gaming machines introduced in NSW to enhance the integrity of machine gaming and a timetable given to phase out 'old-style' poker machines.
1994	Major legislative changes to the integrity of NSW gaming machines implemented and changes to gaming rules and regulations introduced.
1995	NSW clubs permitted to operate multi-terminal gaming machines NSW clubs permitted to install AADs Agreement achieved with NSW government to allow inter-club links of gaming machines. <i>NSW hotels allowed access to both AADs and poker machines; maximum number increased to 30, with a limit of 15 poker machines.</i> <i>Permanent Star City Casino opens with 1,500 gaming machines.</i>
1998	TAB awarded exclusive 15-year licence for CMS and Links in NSW clubs. Legislation introduced for Community Development and Support Expenditure by NSW clubs. <i>Auction of additional EGM licences.</i> Problem Gambling Policy legislated for NSW registered clubs. Trial responsible-gambling program implemented and evaluated. Statewide program announced.
Other changes In 1990s	NSW replacement of all mechanical gaming machines with electronic machines Introduction of 'note acceptors' for gaming machines to accept \$100, removal of 1&2 cent coins which have catered for the entertainment bottom end of the market.

Key to Table:

- events related specifically to NSW Registered Clubs;
- events related to other forms of NSW machine gaming.

By the 1990s increased competition for machine gambling from hotels and the new Sydney casino, and new tax impositions on gaming machines, fuelled a more intense approach to marketing and political lobbying by the clubs. While overall gambling expenditure has continued to steadily increase, expenditure on gaming machines in NSW slumped from a high of 74 per cent of the total NSW gambling market in 1974 to a low 54 per cent of total gambling expenditure in the early 1990s.³⁵⁹ Favourable tax arrangements also have been

³⁵⁸ Adapted from The Registered Clubs Association of New South Wales, *Submission IPART Inquiry into Gaming*, Annexure 1.

³⁵⁹ Tasmanian Gaming Commission *Australian Gambling Statistics 1972/73-96/97*, Table 6.

eroded. In 1990 a net profit tax was introduced; this duty was increased in 1997 and again in 1998.³⁶⁰

In 1997 further reforms were announced to the operation of gaming machines in NSW as part of the TAB privatisation package, including a statewide linked jackpot system for NSW registered clubs, testing of machine integrity and a centralised monitoring system by the year 2001.³⁶¹ The new regulatory regime will bring NSW gaming machine operations more in line with gaming machine regulations introduced in Queensland and Victoria in 1991-92. Clubs will be required to replace old-style mechanical 'pokies' with modern electronic machines at their own expense.³⁶²

Political disputes between the RCA and NSW government over tax increases were aggravated by plans to privatise the NSW TAB.³⁶³ To enhance the share offer, the government proposed granting the TAB an exclusive licence to operate a statewide linked jackpot system and the centralised monitoring system (CMS) for all machines in NSW clubs and hotels.

Following a lengthy and heated consultation process, and in exchange for a reversal of the proposed taxation increase, the RCA agreed to the TAB operated links in 1,500 clubs and a 1.5 per cent levy on pre-tax club gaming machine profits. Legislation was enacted in 1998 which gave effect to these changes and required clubs with annual gaming machine profits in excess of \$1 million to apply a 1.5 per cent levy to certain types of community development and support.³⁶⁴ The government's tax shortfall will be met by permitting NSW hotels to operate up to thirty machines similar to those in clubs. Hotels have to bid for licences for machines in excess of fifteen a situation which has seen the per unit prices of machine licences rise dramatically. Clubs, on the other hand, are entitled to buy machines without paying such costs.

This legislation also required the RCA to develop a responsible gambling policy. Problem gambling had emerged as a social concern during the 1990s, and research indicated that gaming machines were responsible for a significant incidence of gambling-related problems.³⁶⁵ During 1998, a 'responsible gambling' program was trialled and evaluated.³⁶⁶ In March 1999 the RCA and government announced that the RCA's responsible gambling program would be implemented statewide. In pre-election statements, the government also announced its intention to legislate for responsible gambling policies for all other forms of gambling.³⁶⁷

³⁶⁰ Department of Racing and Gaming 1996 *Annual Report*, p.5.

³⁶¹ Independent Regulatory and Pricing Tribunal 1998 *Report to Government: Inquiry into Gaming in NSW [IPART Report]*, p.9.

³⁶² *IPART Report*, p.9

³⁶³ The clubs fielded six members of the Registered Clubs Party to contest seats in the Legislative Council in the March 1999 election. None were elected.

³⁶⁴ *The Liquor and Registered Clubs Legislation Amendment (Community Partnership) Act 1998*.

³⁶⁵ Dickerson, M. *Study 2*;

Dickerson, M. 1998. *A Repeat of Study 2. An Examination of the Socio-economic Effects of Gambling on Individuals, Families and the Community, Including Research into the Costs of Problem Gambling in New South Wales*. Sydney, Casino Community Benefit Fund. These findings were supported by the Productivity Commission in its *Draft Report 1999*.

³⁶⁶ Australian Institute for Gambling Research 1998 *Report on the Trial Responsible Gambling Program in NSW Registered Clubs*, AIGR, University of Western Sydney Macarthur.

³⁶⁷ Minister for Gaming and Racing, press release 19 March 1999.

ACT: Machine gaming

Poker machines were introduced to the ACT in 1976, primarily to counteract the growing patronage of Queanbeyan licensed clubs by Canberra residents and the subsequent loss of revenue.³⁶⁸ As in NSW, poker machines were authorised in clubs run by local service organisations, and supported a range of amenities and entertainments. Machine gaming rapidly became an intrinsic part of ACT social life and an important source of government revenue.³⁶⁹ Consequently, by 1979 the gambling public in the ACT had access to a range of legal gambling activities and recreational facilities which was equalled only by NSW.

However, from the start, ACT regulatory requirements and procedures were more comprehensive than in NSW, and thus avoided many of the corrupt and improper practices which had discredited the NSW regime.³⁷⁰

There is currently no community benefit levy on machine gaming in the ACT. However recent amendments to the Gaming Machine Act require all licensed clubs to monitor and record their voluntary contribution to community organisations and activities, with a view to establishing reliable information on the current utilisation of gaming machine revenues for community developments and support. Further reforms currently are being considered in the context of a review of gaming by a Legislative Assembly Select Committee and the ACT Government's proposal to establish an independent authority or commission.

Queensland: Machine gaming

Prohibition against gaming machines was first legislated in Queensland in 1868, primarily for social and moral reasons. *The Vagrants, Gaming and Other Offences Act 1868* made it an offence to have possession of 'any fruit machine or any mechanical contrivance in the nature of, or similar to a fruit machine'.³⁷¹ Following legalisation of poker machines in NSW in 1956, however, NSW clubs developed a sizeable trade from the densely populated areas of south-east Queensland. By the 1970s the popularity of poker machine gambling in NSW clubs was attracting a steady flow of Queensland players, transported across the border by regular bus trips to the largest clubs. At the time, tourism was achieving some significance in the Queensland economy, and these border clubs presented a commercial threat to tourist facilities on the Gold Coast.³⁷²

Despite the cross-border leakage of gambling revenues, successive Coalition Queensland governments resisted lobbying by the industry during the 1970s and 1980s to introduce machine gaming to Queensland. Following several public inquiries critical of NSW poker machine operations, Premier Bjelke-Petersen in particular was firmly opposed to their introduction to Queensland, as much on moral grounds as concerns for industry control. However, the ALP was more receptive to the idea, and promised legalisation of poker

³⁶⁸ Australian Capital Territory Gaming and Liquor Authority 1988 *Supplementary Submission to Casino Social Impact Study*.

³⁶⁹ Department of Territories 1985 *Australian Capital Territory Poker and Amusement Machine Enquiry*, Canberra, Department of Territories.

³⁷⁰ *Allen Report 1998*

³⁷¹ The term 'fruit machine' is not defined in the legislation but refers to the fruit symbols displayed by machines of the time.

³⁷² ACDA *The Economic Impact of the Licensed Club Industry on New South Wales and Queensland*.

machines during the election campaign in 1989. Pressure for legalisation came mainly from the Gold Coast region, but the ALP saw poker machines as a distinctively working-class form of gambling which would assist ailing local sports and social clubs.

By the 1980s, the deteriorating financial position of non-profit associations in Queensland was a matter of growing concern because of the impact on low income groups which traditionally benefited from them. Inadequate recreational facilities and the impact of strict drink-driving laws combined to reduce club patronage. The Australian Club Development Association (ACDA), purportedly a lobby derived from state associations of registered clubs, lobbied both the Victorian and Queensland governments for the introduction of poker machines.³⁷³

Economic imperatives proved to be the strongest justification for legalising gaming machines in Queensland.³⁷⁴ At the time, the states were being squeezed for funds under the Hawke Government's 'new federalism'.³⁷⁵ Although Queensland's share of Loan Council funding increased in real terms during the 1980s, its rate of growth did not provide sufficient funding to states seeking to provide more services and facilities without raising additional taxes. The mood in the community was against more direct taxes.³⁷⁶

But the introduction of gaming machines into Queensland was seen primarily as a way to assist local community organisations to supplement their finances and thus improve their facilities. Soon after the Goss ALP government was elected in 1989, it commissioned a review by the newly formed Criminal Justice Commission (CJC) which released a report strongly critical of the poker machine industry.³⁷⁷ The CJC was most concerned about the conduct of the machine suppliers and manufacturers and recommended that if gaming machines were introduced, the government should act as purchasing agency. The significance of this report was its emphasis on control and regulation.

The report was widely criticised by industry, and the government initiated public hearings by a Joint Parliamentary Committee to address the issues. This was an important step in the process of ensuring that the government's gaming policies were open to public scrutiny comment and debate, as envisaged in the Fitzgerald Report on corruption and accountability.

The committee reported to Parliament in 1990 and the Queensland Government passed the *Gaming Machine Act 1991* establishing a comprehensive and rigorous regulatory regime to permit gaming machines in Queensland clubs and hotels. An independent statutory 'watchdog' authority (the Machine Gaming Commission) was appointed to safeguard the public interest, with specific functions to license venues and key industry participants, and to mediate between the government and industry.

Gaming machine licences were available only for venues with an approved liquor licence

³⁷³ A senior officer of the ACDA was later charged and convicted in relation to alleged secret commissions paid in connection with the supply of poker machines (CJC 1990:24).

³⁷⁴ McMillen, J. 'Social priorities in gaming policy', p.103-126.

³⁷⁵ Groenewegen, P.D. 1983 'The fiscal crisis of Australian federalism', in A. Patience & J. Scott (eds) *Australian Federalism: Future Tense*, Melbourne, Oxford University Press, p.123-58.

³⁷⁶ Ibid.

³⁷⁷ Criminal Justice Commission 1989 *Report on Gaming Machine Concerns and Regulations*, Brisbane, Goprint.

(clubs, hotels) obtained from the Liquor Licensing Division. A separate application for a gaming licence had to be made to the Gaming Commission and different tests on probity and financial standing were applied.

In establishing the gaming machine industry, the Government had a number of clear principles to which it adhered in respect to probity issues:

- ensuring the separation of key functions to minimise the potential for kickbacks and anti-competitive practices;
- assuming government responsibility for many of the key functions (e.g. the ownership of machines, centralised monitoring and auditing of operations); and
- adopting a vigorous licensing system to ensure that persons involved in the industry are honest and of good repute.

This Queensland regime provided for a high level of involvement by government, matched only by the system developed later for the Northern Territory in 1995.

Queensland clubs and hotels were required to return to players a minimum of 85% of gaming machine turnover. In 1995-96 gaming machine revenues were derived as follows:

- Gaming Machine Tax: 20.3% of club gaming turnover, 20.4% of hotel gaming turnover;
- Sport and Recreation Levy: 6.8% of club gaming turnover, 17% of hotel gaming turnover;
- Charities and Rehabilitation Levy: 22.2% of hotel gaming turnover;
- Community Benefit Levy: 3% of club gaming turnover, 3.5% of hotel gaming turnover;
- rentals and recoveries: 12.8% of total gaming turnover.

From 1991 to 1997 a proportion of hotel gaming revenues was directed to a Charities and Rehabilitation Levy, administered by the Department of Family Services. These funds were intended for the establishment of community support services, and funded the establishment of eight BreakEven centres specifically to assist people with gambling problems. However, the bulk of these revenues were absorbed by other functions of the Department.³⁷⁸

In 1996 an additional Gaming Machine Community Benefit Levy was introduced, based on a sliding scale (0.5%-1%) which recognised the ability of clubs to contribute. Hotels also contributed to the fund through a reallocation of 0.5% of the existing Charities and Rehabilitation Levy. This Community Benefit Fund was administered by a secretariat in the Department of Family Services that assessed applications from community groups for funding capital works and equipment.

However, in 1996 a White Paper on gaming machine regulations signalled a number of significant and staged changes to regulatory structures and procedures in Queensland which are currently being implemented.³⁷⁹ Outcomes of the White Paper process being phased in over the period from 1998 to 2001 include:³⁸⁰

³⁷⁸ Personal communication, Department of Families, Youth and Community Care 1998.

³⁷⁹ Queensland Government 1996 *Review of Queensland Gaming Machine Regulatory Arrangement*, Brisbane, Queensland Government Printer.

³⁸⁰ *Queensland Machine Gaming Newsletter*, various issues, 1998.

- the government no longer purchasing gaming machines and leasing them to clubs and hotels. Sites are to be allowed to purchase their own gaming machines through Licensed Monitoring Operators (LMOs);
- flexible pay-back rates will be phased in between 1998-2000;
- approval of LMOs to supply machines and associated services to clubs and hotels;
- monitoring of sites will be allocated to LMOs who will also provide other services such as linked jackpots, management information, technical advice, training and finance, and performing game conversions. The transfer of responsibility for basic monitoring services began in July 1998. Eight LMOs have been licensed to purchase and distribute gaming machines to venues and to operate centralised monitoring systems (CMS);
- all hotels and most clubs (excluding the top earning clubs) have received significant tax cuts;
- calculation of tax is based on metered win, rather than machine gaming turnover. This brings Queensland into line with all other Australian jurisdictions, where casino and gaming machine taxes are levied on a profit basis;
- the number of machines permitted in hotels will increase gradually to a maximum of 45; the maximum number of machines permitted in clubs will increase gradually to 300. There will be no statewide ceiling on the number of gaming machines;
- appeals to the Magistrate's Court against the decision of the Commission for LMO licences have been introduced, with subsequent appeals to the District Court on a question of law; and
- the tax structure derived from gaming machines was revised, the Charities and Rehabilitation Levy removed and taxes lowered for all but the highest income clubs.

In effect, many of the functions previously performed by government have been transferred to the private sector. The regulatory system associated with these changes is still being developed.

Since the introduction of gaming machines, problem gambling has emerged as a growing concern, with research suggesting that gaming machines have had a significant impact.³⁸¹ In 1998, a Problem Gambling Advisory Committee was established to advise on remedial policies. Following the election of the Beattie government, this committee has been supported by a Responsible Gambling Secretariat and a trial program with a gambling help-line has been introduced.³⁸²

Victoria: Machine gaming

Like Queensland, in the 1970s and 1980s Victoria also experienced significant cross-border leakage of gambling revenue as Victorians travelled to NSW to play poker machines. Assisted by regular bus services from Melbourne and regional centres, NSW clubs along the Murray River prospered while social and sporting clubs in Victoria struggled with financial difficulties and declining membership.³⁸³

³⁸¹ Department of Family Services and Aboriginal and Islander Affairs 1994 *Report of the First Year of the Study of the Social and Economic Impact of the Introduction of Gaming Machines on Queensland*, Brisbane, DFSAIA.

³⁸² Personal communication, Responsible Gambling Secretariat 1998.

³⁸³ Personal communication, Licensed Clubs of Victoria and Australian Hotels Association (Victorian Branch)

The Australian Club Development Association (ACDA), the poker machine lobby group, had tried for years to persuade the coalition parties to legalise poker machines in Victoria.³⁸⁴ However, both the ALP and coalition parties opposed poker machines, fearing adverse social effects and regulatory problems. Having failed to sway the coalition government, the ACDA adopted a more direct political strategy, supporting a candidate in the 1982 state election who then directed his preferences to the ALP, thus costing the Liberals the seat and helping the ALP Cain government to office.

The industry's increased pressure for the introduction of poker machines led to an inquiry conducted by Murray Wilcox, QC, in 1983. Wilcox was highly critical of gaming policy and regulation in NSW, arguing that millions of dollars in revenue were being lost through inadequate controls, machine manipulation and malfunction, skimming of profits, fraud and theft.³⁸⁵ He argued that the large cashflow of the gaming industry attracted criminals, and thus should be subject to strict regulation. The Wilcox Report recommended against poker machines, based on arguments about the potential spread of organised crime, community criminal activity, as well as unacceptable business practices associated with the supply of machines.

The Wilcox Report's findings confirmed the personal opinion of Premier Cain that poker machines exploited the working class. Cain argued consistently that poker machines would encourage people to gamble beyond their financial capacity.³⁸⁶ Other arguments were that a shift in gambling expenditure to poker machines would cause a loss of revenue from more highly taxed forms of gambling, particularly Tattersall's lotteries and the TAB. Wilcox maintained that if revenue was the principal consideration, then further promotion of lotteries and revitalisation of the racing industry would be more beneficial for Victoria.³⁸⁷

As had occurred many times in the history of Australian gambling, this independent inquiry provided an important setting for 'policy learning' as evidence and submissions were gathered and assessed to resolve debates on the issue. Evidence of poor club management, questionable industry activities and the lack of regulatory controls detailed in Wilcox's report effectively deferred legalisation of gaming machines for a decade. The influence of the report extended beyond Victoria to other states. More importantly, his recommendation that the introduction of gaming machines be subject to strict regulation greatly influenced policy formulation in the 1990s.

The reversal of gaming machine policy in Victoria occurred through a major economic crisis and a subsequent change in political leadership. In the late 1980s Victoria faced a series of major economic disasters including the collapse of the State Bank and the Pyramid Building Society. Victoria's declining industrial sector and economic restructuring added more stress to the economy. Premier Cain accepted responsibility and resigned. With the removal of Cain's personal political barrier to gaming machines, the new Premier Kirner announced the introduction of casinos and gaming machines.³⁸⁸

³⁸⁴ *Wilcox Report* 1983.

³⁸⁵ *Wilcox Report* 1983.

³⁸⁶ Cain, J. 1994 'Grim face of gambling', *The Age*, 13 March, p.14.

³⁸⁷ *Wilcox Report* 1983.

³⁸⁸ McMillen, J. *Risky Business*, Chapter 6.3.

As in Queensland, economic considerations were central to the new policy and overwhelmed moral and social objections. Suggestions were made that a ‘gambling led’ economic recovery would provide the revenue which had been lost by Commonwealth cutbacks. Another key argument for the legalisation of gaming machines rested in promoting tourism as a means of improving the state’s industrial growth and revenue.³⁸⁹ Pressure was building in the Northern Victorian regions for gaming machines to be introduced to allow clubs and hotels to compete on an even footing with NSW counterparts.

Initially, in 1990 the TAB was licensed to establish and operate coinless gaming venues (called Tabaret) in Melbourne, to be followed by venues in major regional centres. But Tabaret operations were not popular with the public.³⁹⁰ Within a year of Premier Kirner’s original announcement, the *Gaming Machine Control Act 1991* was proclaimed, providing for two gaming operators (Tattersall’s and the TAB, renamed Tabcorp after privatisation in 1994) to purchase and install electronic gaming machines (EGMs) in clubs and hotels, and to operate a centralised monitoring system for their contracted venues. On 16 July 1992, poker machines at the Footscray Football Club and the Dorset Gardens Hotel, the first gaming venues under the new legislation, commenced operation.³⁹¹

The precarious hold the ALP had on office during 1991 made it highly vulnerable to demands for policy concessions for Tattersall’s and the state TAB. Tattersall’s stood to lose considerable market share with the introduction of gaming machines and the government feared the company would move interstate. The government was obliged to protect the TAB, particularly since racing was stagnating and it faced problems recouping the outlays for the unpopular Tabaret machines.

The Gaming Machine Control Act also was influenced by the Casino Agreement negotiated at the same time, limiting the number of gaming machines allowable in any venue to 105 within a 100 kilometre distance of the Melbourne Casino site until 2005. An initial statewide upper limit of 45,000 EGMs was established, with 2,400 machines to be installed in the Melbourne casino. The original ceiling on machine numbers was expected to be achieved within six years.

The principal features of the Victorian regulatory system for machine gaming are:

- two licensed gaming operators (Tattersall’s and Tabcorp) have 20-year licences to purchase and maintain the machines. There are no lease, rental or service fees to the venue;
- the operators maintain the machines through a third-party service provider, with the operator supplying the parts at no cost to the venue;
- after machines are tested by private testing laboratories, the Victorian Casino and Gaming Authority [VCGA] (until 1994 called the Victorian Gaming Commission) approves gaming and wagering equipment;
- the operator monitors machine performance and upgrades or replaces non-performing machines at no cost to the venue;

³⁸⁹ Schilling, M. 1994 *Review of Electronic Gaming Machines in Victoria*, Melbourne, Victorian Government.

³⁹⁰ Ibid, p.7.

³⁹¹ Current Ministerial Directions issued under the *Gaming Machine Control Act 1991* and a chronology of changes to the Ministerial Directions pertaining to gaming machines are detailed in Appendix 3.

- operators provide and subsidise training for venue management and staff;
- operators select venues based on assessment of profitability. The venues are licensed by the VCGA, which also licenses operators, technicians and other employees;
- gaming machine licences are available only for venues with an approved liquor licence (clubs, hotels) granted by the Liquor Licensing Commissioner. A separate application for a gaming licence must be made to the VCGA and different probity and financial tests apply;
- there was to be a 50:50 division in the number of machines installed in clubs and hotels;
- machines are required to return a minimum of 87 per cent of turnover to the player; and
- legislation provides for inspectors, requirements for internal controls, accounting procedures, distribution of funds and the technical issues associated with gaming operation.

In 1992 a new Liberal-National Party coalition government came to power in Victoria, soon after endorsing EGMs as playing a key role in the state's economic recovery. The government appointed a committee to examine the impact of gaming machines in Victoria and recommend on future processes.³⁹² This review precipitated a range of policy adjustments and continued the expansion of gaming:

- the original Victorian Gaming Commission and the Victorian Casino Control Authority were amalgamated in 1994 into the Victorian Casino and Gaming Authority (VCGA), thus coordinating regulation of all forms of gaming;
- A Community Support Fund was established for distributing EGM revenues to community groups;
- the Department of Human Services (DHS) established several regionally based BreakEven centres, funded from gaming revenues, to assist people with gambling problems.³⁹³ DHS also developed a statewide Problem Gambling Services Strategy, including a training program for people working with problem gamblers and community education. A statewide crisis-line counselling and referral service (G-Line) was established to assist people with gambling problems. G-Line is privately operated but funded from gaming revenues.;
- Club Keno was launched in 1994 as a shared initiative operating in both Tattersall's and TAB gaming venues, but with Tattersall's running the system;
- Crown Casino opened on 30 June 1994, with 130 gaming tables and 1,200 gaming machines, presenting stiff competition to other EGM outlets;
- in 1994 the Victorian government floated Tattersall's rival, the state-owned TAB, as a public company called Tabcorp Holdings Limited. In this year the racing industry also was deregulated. Tabcorp produced impressive initial results, reporting a profit for the ten and a half months to 30 June 1995, of \$63.4 million, 8 per cent above the prospectus forecast on a pro rata basis. Horseracing revenues were down, but Tabcorp's gaming machines have returned better than forecast daily revenues; and
- a review of gaming policy in 1994 indicated that the two gaming operators (Tattersall's and Tabcorp) had benefited the most financially from the introduction of gaming machines.³⁹⁴

³⁹² Schilling, M. 1994. *Review of Electronic Gaming Machines in Victoria*. Victorian Government

³⁹³ Jackson, A. et al. 1997. *Analysis of Clients Presenting to Problem Gambling Services from July 1, 1995 to June 30, 1996*. University of Melbourne, p.3.

³⁹⁴ Schilling, M. *Review of Electronic Gaming Machines in Victoria*.

The Victorian Casino and Gaming Authority (VCGA) approved an increase in the number of gaming tables to be permitted at the Southbank Casino from 200 to 350, but rejected an application to increase the number of EGMs. In a separate decision the Authority approved an increase in the maximum number of tables to be permitted at the temporary Galleria Casino from 180 to 200. Following community protests, new planning requirements were introduced to prohibit the installation of gaming machines in shopping complexes.

In 1995 the government announced that the number of gaming machines in operation statewide would be restricted to 27,500 pending comprehensive research by the VCGA and independent research into the social and economic effects of gaming.³⁹⁵

Victorian gaming machine policy was strongly influenced by the Queensland legislation, and the CJC and parliamentary inquiries which preceded it. As it was in Queensland, a critical factor in allowing the legalisation of EGMs in Victoria was the introduction of a computerised central monitoring system (CMS). The monitoring systems operated by Tattersall's and Tabcorp communicate individually with each gaming machine in the state 24 hours a day, seven days a week – a real-time online system capable of monitoring machines from a range of different manufacturers. Apart from the constant monitoring for security, the CMS records from each gaming machine details of all games played, the amount wagered, prizes paid and cash retained to assist the gaming operators and venues in marketing decisions. The same information is provided to government regulators for financial control and auditing purposes.

Both the Queensland and Victorian governments adopted a highly interventionist role in machine gaming policy. In both states, a significant concentration of decision making power was given to government officials so that anticipatory policies for introducing gaming machines could be put into effect. Notably, both governments have prevented the direct purchase of gaming machines by venues from manufacturers. And both states established an independent statutory authority with considerable licensing and review powers. A variety of administrative instruments and legal provisions have been designed to ensure that both governments directly and indirectly control market entry and gaming machine operations.

Moreover, in both states, governments addressed the concerns of welfare groups about social impacts and the disbursement of gaming revenues by establishing designated funds for charitable and community purposes. Legislation also made provision for the care of persons who may have a gambling problem.³⁹⁶ The Kirner government went further than any Australian state and required research into the social and economic impacts of gambling, funded from gaming revenues.

The Victorian model can be distinguished from the Queensland approach in several ways.

- In Queensland, each hotel was restricted to ten machines of 10c denomination only, while clubs were allowed a maximum of 250 machines of 5c, 10c and 20c denomination. This policy reflected the government's commitment to support community-based non-profit

³⁹⁵ See Appendix 3.

³⁹⁶ McMillen, J. 1997 'Social priorities in gaming policy: Case studies from two Australian states', in W. Eadington & J. Cornelius (eds.) *Public Policy, The Social Sciences and Gambling*, Institute for the Study of Gambling and Commercial Gaming, University of Nevada, p.103-126.

clubs and to limit access to gaming revenues for private profit. In Victoria, hotels and clubs were allocated 50 per cent of the total number of machines. The Victorian government was particularly supportive of the hotel industry, which was experiencing declining revenues.

- In Queensland, government resources were committed to support the introduction of gaming machines to clubs through a gaming machine acquisition fund to purchase and lease machines for venues. In Victoria, machine acquisition was funded by industry, through the two gaming operators (Tattersall's and TAB).
- Until 1997 the Queensland Machine Gaming Commission (MGC) determined the government's purchase of gaming machines and their allocation to venues, which paid a monthly lease; in Victoria, two private operators (Tattersall's and Tabcorp) were licensed to supply gaming machines to clubs and hotels, with each operator allowed 50 per cent of the market. The Queensland government in 1997 altered this arrangement and introduced a version of the Victorian approach, legislating for an unrestricted number of private Licensed Monitoring Operators (LMOs) to supply machines to venues and compete for market share. Eight monitoring operators have been approved.
- Whereas the Queensland Office of Gaming Regulation (QOGR) has operated the centralised monitoring system (CMS) in Queensland, Tattersall's and Tabcorp each provide and operate a separate CMS to record all activity on their installed gaming machines throughout the state. This provides a continuous online real-time link between the machines and the monitoring systems. Under the changes outlined in the 1996 White Paper, the Queensland government's CMS will be replaced by new systems established by the eight licensed monitoring operators.
- In Queensland, QOGR has maintained its own laboratory to test the integrity of the games; this function is contracted to private testing laboratories in Victoria.
- Until 1997 the distribution of gaming machines in Queensland was determined by the pattern and pace of venue applications; in Victoria, it was intended that machines were to be allocated to metropolitan and rural areas according to a 80:20 ratio. However, more than 20 per cent of gaming machines have been located in rural areas.
- Following sustained public criticism about the adverse social impacts of gaming machines, the Victorian government in 1994 imposed a temporary moratorium on the number of machines in the state (15,000 at the time). A revised limit of 27,500 machines still applies. In contrast, the Queensland government in 1997 increased the number of machines allowed in clubs and hotels, and lifted the limit on the number of machines permitted statewide.

Social problems

The rapid expansion of gambling in Victoria, particularly the almost simultaneous introduction of gaming machines in clubs and hotels and the opening of the Melbourne casino, has led to a reported increase in gambling problems in the community. In particular, community service agencies reported increasing problems for people in low-income and rural areas.

These social impacts generated organised and sustained protests against the EGMs and government gaming policy. Even with the moratorium on EGMs, a 1998 Interchurch Gambling Taskforce noted that 'due to market demands and gambling returns, EGMs are generally concentrated in lower socio-economic areas ... with many millions of dollars being

pulled out of poorer communities'.³⁹⁷ The scale and intensity of this public backlash has been unique to Victoria. This is reflected in the establishment of organisations such as the Interchurch Gambling Taskforce and coordinated public protests. Other states have encountered an increase in problem gambling but no other state has reported problems as severe or experienced such heated protests as in Victoria. Table 6.3 chronicles the major events in this continuing debate.

³⁹⁷ Interchurch Gambling Taskforce 1998 *Review of the Social and Community Consequences of the Cap on Electronic Gaming Machines in Victoria*.

Table 6.3: Chronology of key events in Victoria, with reference to community activity and protests

1994:	The state government announces that a year-long moratorium on gaming licences will be lifted, allowing the number of gaming machines to increase from 20,000 to 45,000 over the following six years. The easing of restrictions were announced after releasing a six-month review of Victoria's fledgling gaming industry.
1995:	<p>Formation of Ministerial Advisory Committee as a forum to raise and discuss community concerns around the introduction of new forms of gambling.</p> <p>The Administrative Appeals Tribunal rejects an application for poker machines in Geelong's Market Square shopping centre, citing the social impacts.</p> <p>Church groups call for a moratorium on the approval of gaming machines pending a comprehensive and independent impact study.</p> <p>The state government launches the first phase of an advertising campaign proposed by the Victorian Council on Compulsive Gambling to promote 'responsible gambling'. The radio campaign, consisting of a series of five 'case study' advertisements, goes to air to promote the problem-gambling referral services, BreakEven centres and G-Line. Newspaper advertisements, billboards and pamphlets in different languages are released to reinforce the message that support for gambling-related problems is available.</p> <p>The Anglican Archbishop of Melbourne leads a protest by 2,000 people near the construction site for the permanent Crown Casino. A number local groups also protest against EGMs in suburban shopping centres.</p> <p>Community representatives from church, welfare and service agencies make a public announcement that the Ministerial Advisory Committee on gaming issues is an ineffective forum for raising community concerns because the Minister does not attend meetings.</p> <p>Plans are announced to develop an industry 'responsible gambling' program, to include a code on advertising. An Industry Secretariat is appointed to develop the program.</p> <p>The Interchurch Gambling Taskforce is formally launched, with representatives of the major Christian churches and regular input from Jewish and Muslim representatives.</p> <p>The State government approves a new \$1 million television campaign warning of the dangers of excessive gambling and promoting the gambling counselling service, G-Line.</p>
1996:	<p>The Interchurch Gambling Taskforce raises concerns that EGMs have been concentrated in poorer suburbs.</p> <p>Responsibility for the Community Support Fund is transferred to the Premier's Department, which indicates the fund will be used for a range of community projects.</p> <p>The government's administration of the gambling-sponsored Community Support Fund is criticised by the Auditor-General. The report claims the government had spent only 0.6% of the annual \$65 million fund on gambling research, despite widespread community concern about its social impact. The Auditor-General also finds that the VCGA has overseen an extensive range of research activity since 1995 and consulted periodically with key external bodies to receive input on suggested research topics.</p> <p>The government does not renew funding for the Victorian Council on Problem Gambling. Church and welfare groups express concern about the decision.</p> <p>Regular meetings are initiated between the Interchurch Gambling Taskforce and the VCGA.</p> <p>A coalition of local councils announces its intention to study the impact of gaming machines in a bid to increase council influence on the development of new gaming venues. Councils are unable to reject proposals on the grounds of social and economic impact unless they can prove there will be negative effects.</p> <p>Concerns are raised in Parliament over the issue of an escalating social problem in the disproportionately high number of Asian people using the casino.</p>
1997:	<p>Local initiatives in Altona, Broadmeadows, Heidelberg, Frankston, Mt Waverly and Camberwell oppose the introduction of EGMs.</p> <p>The gaming industry (Tabcorp, Tattersall's, Crown Casino, the Licensed Clubs of Victoria, the Australian Hotels Association) launch their Responsible Gambling program, which includes Codes of Practice, training for venue staff and a complaints resolution process.</p> <p>The industry's Responsible Gambling program is criticised by BreakEven service providers.³⁹⁸</p>
1998:	The Independent Gaming Machine Industry Secretariat publishes an evaluation of the industry's Responsible Gambling program.

South Australia: Machine gaming

For almost a century, illegal gaming machines operated in South Australia as they did in

³⁹⁸ Stevens, A. 1998 'Responsible Gaming - An Industry Code of Practice for Victoria. Comments on the Codes and their Implementation', Barwon BreakEven Problem Gambling Service.

many other states. Historically, South Australia was the most conservative state regarding legalised gambling, and moral resistance to legalising poker machines was particularly strong. However, as Queensland and then Victoria demonstrated that gaming machines could be regulated and controlled, the South Australian government succumbed to the political lobbying of the hotel and club sectors and introduced EGMs. Against protests by churches and welfare groups, the *Gaming Machines Act 1992* came into operation in July 1993.

While the government adapted several aspects of the Queensland and Victorian policy framework to suit its own needs, the South Australian approach to gaming machines is distinctive in many respects. Venues are limited to a maximum of forty machines; and it is the only state where a private company has an exclusive licence for the centralised monitoring system (CMS).

The Australian Hotels Association of South Australia (AHA-SA) has emerged as the most influential industry participant in South Australia, with member hotels receiving the largest allocation of gaming machines and the highest gaming revenues.³⁹⁹ With the Licensed Clubs Association of SA (LCA), the AHA also is a major shareholder in the Independent Gaming Corporation (IGC), a non-profit company which has been awarded the Gaming Machine Monitor Licence to operate the CMS. Venues pay IGC a monthly fee for this service. These arrangements differ from those in Victoria, where two private operators (Tattersall's and Tabcorp) provide the monitoring system, and Queensland, where the state government provides the central monitoring system.⁴⁰⁰

The South Australian approach also has been less concerned with restricting the direct selection of machines by venues from manufacturers. Venues are able to deal directly with licensed manufacturers in establishing their needs. Purchasing must be conducted through the State Supply Board, but each venue owns and is responsible for its own machines.

The South Australian regulatory structure also differs from those in other states. The principal gaming regulatory agency is the Liquor Licensing Commissioner who is responsible for:

- determination of all applications under the Act, including applications for a gaming machine licence, a gaming machine dealer's licence, and approval of persons in a position of authority;
- approving gaming machines, gaming equipment and the computerised monitoring system;
- determining the number of machines per licensed premises and the authorised gaming hours;
- disciplinary action against licensees, including the power to reprimand, suspend or cancel a licence;
- review of the barring of persons by licensees;
- inspection, monitoring and scrutiny of gaming machine operations; and
- receipt of gaming tax, recovery of unpaid gaming tax and remission of late payment fines.

The Gaming Supervisory Authority, an independent statutory authority, reviews the application of regulations and advises the Minister on any aspect of gaming policy.

³⁹⁹ South Australia 1995 *Inquiry into the Impact of Gaming Machines in Hotels and Clubs in South Australia* (Hill Report).

⁴⁰⁰ As explained above, the Queensland monitoring system will be taken over by licensed private operators in 1999.

Although South Australians typically spend less on gambling than residents of most other states,⁴⁰¹ the introduction of gaming machines has seen a significant increase in gambling expenditure and in reported incidents of problem gambling. In consultation with government, the industry responded by establishing a Gamblers' Rehabilitation Fund to finance community agencies providing support and counselling for people with gambling problems. Even so, churches and welfare groups have continued to protest at industry practices and to highlight the adverse social impacts of the spread of gaming machines, particularly in low income and rural areas.⁴⁰²

In 1997 an independent candidate for the state Legislative Council (Nick Xenophon) established a No Pokies Party to promote policy reform which would address these social concerns. His unexpected election for an eight-year term, holding the balance of power in the Council, has focused attention on South Australia's gaming policy and resulted in several legislative amendments, including the prohibition of gaming machines in shopping centres. Local authorities also have become active in seeking to exercise some control over the location of gaming outlets in their communities. In 1998 an Aboriginal community in the north of the state was successful in preventing a nearby hotel obtaining a gaming licence.⁴⁰³

The groundswell of public concern about the effects of gambling prompted the appointment of a Parliamentary Select Committee in 1997 to examine and report on the issues.⁴⁰⁴ The government also commissioned an independent review of the Gamblers' Rehabilitation Fund after public criticisms by several service agencies about the fund's administration.⁴⁰⁵ The government has yet to respond to the recommendations of both reports.

Tasmania: Machine gaming

In 1997 gaming machines were introduced to Tasmanian clubs and hotels – notably without the public protests and government inquiries which have characterised their introduction to many other states.

The Tasmanian approach to gaming machine policy is most closely comparable to the South Australian model. In Tasmania, however, it is the casino that is the major beneficiary of legalised gaming machines. Hotels and clubs rent machines from the gaming operator, Network Gaming (part of the Federal Group of companies, the owner-operator of the two Tasmanian casinos), which also provides training and marketing services to venues and coordinates maintenance for an annual maintenance fee. Machines are monitored by the gaming operator's central monitoring system.⁴⁰⁶

Gaming machines are required to return a minimum of 85% to players, but generally return in excess of 87%. Taxation arrangements for casino machine gaming include a tax guarantee of \$21.4 million annually until 30 June 2000. Taxation of casino machine gaming is currently calculated on a sliding scale from 25% to 35% depending on gross profit for all machines in

⁴⁰¹ Only Tasmania has lower per capita spending on gambling.

⁴⁰² Parliament of South Australia 1998 *Gambling Inquiry Report*.

⁴⁰³ An application has been resubmitted by the hotel but is still to be determined.

⁴⁰⁴ Parliament of South Australia 1998 *Gambling Inquiry Report*.

⁴⁰⁵ Review of the Gamblers' Rehabilitation Fund.

⁴⁰⁶ Tasmanian Gaming Commission 1998 *Annual Report 1997-98*, Hobart, Tasmanian Government Printer.

hotels, clubs and casinos (excluding the Bass Strait ferry). The government plans to move to metered taxation arrangements.⁴⁰⁷

The only statutory community funding is the Community Support Levy introduced in 1997 with gaming machines in hotels and clubs. Hotels pay 4% of gross profit from gaming machines into the levy; clubs pay 2% of gross profit. Total levy for the six months to June 1997 was \$203,000. Casinos are not required to pay the levy but make only voluntary contributions to problem gambling programs.⁴⁰⁸

The Community Support Levy is administered by the Tasmanian Gaming Commission, which employs a Community Support Levy Executive officer. Statutory allocation occurs as follows:

- 25% community sporting;
- 25% community cultural and development; and
- 50% research and service provision for problem gambling and rehabilitation.

Community allocations are subcontracted to the Department of Sport and Recreation; the problem-gambling component remains in the Gaming Division and is submitted to tender. Although expenditure on gaming machines outside the state's two casinos has been remarkably low (\$16 per capita in 1996-97), research suggests that this form of gambling is more likely to lead to problems.⁴⁰⁹

Northern Territory: Machine gaming

Prior to 1996, all gaming machines in Northern Territory clubs, hotels and taverns were cashless Approved Amusement Devices (AADs), also known as 'draw card' machines. These machines provide players with prizes in the form of goods and services, not cash. Draw card machines (which are really cashless poker machines) were legal in Northern Territory licensed club venues from the late 1970s, but were not permitted in hotel premises until 1990.⁴¹⁰

In the early stages, players in clubs could play draw card machines for a cash return of credits won. From 1990, permits issued for the operation of these machines required that credits won could only be redeemed for goods or services. It was well known that some establishments in the past did in fact redeem credit vouchers for cash, but that was a difficult situation for the NT Racing and Gaming Authority (RG&A) to control.⁴¹¹

However, with the growing popularity of electronic gaming machines (EGMs) during the 1980s in Australia and overseas, and their legalisation in the early 1990s in several Australian states (Queensland, Victoria, South Australia), clubs in the Territory lobbied government for

⁴⁰⁷ Ibid.

⁴⁰⁸ Ibid.

⁴⁰⁹ Dickerson, M. 1997 *The Extent and Impact of Gambling in Tasmania With Particular Reference to Problem Gambling*, Tasmanian Government. It should be noted that the 1996-97 data do not provide figures for a full year of gaming machine operations.

⁴¹⁰ NT Racing and Gaming Authority (various years). *Annual Report*.

⁴¹¹ Ibid.

a larger share of the gambling market.⁴¹²

Proponents of the introduction of EGMs asserted that the legalisation of this particular form of gambling would lead to net increases in state revenues and significantly contribute to improved community facilities when operated by community-based organisations such as social and sporting club. As in other states, opponents of poker machines contested this assumption, arguing that the economic gains are often offset by funds shifting from other areas of the community, by increased regulatory costs, and by an increase in the number of people with gambling problems and crimes caused by expansion in the gambling industry.

The temporary Darwin Casino first introduced a small number of poker machines to the Northern Territory in 1981 under the Casino Operators Agreement; the Alice Springs casino received approval for gaming machines soon after. Clubs and hotels argued that the casinos' exclusivity over poker machines was damaging their own fundraising efforts and affecting their viability. At one extreme, they argued that they needed poker machines to survive.⁴¹³

The two Territory casinos in Darwin and Alice Springs continued to enjoy the privilege of being exclusive licensees for gaming machines until the end of 1995. A parliamentary Select Committee review of the issues and interstate developments in that year recommended legalisation and restricted installation of gaming machines in clubs and hotels.⁴¹⁴

The government indicated a willingness to consider the introduction of community-based poker machines provided that the necessary consent could be negotiated with casino operators. The proposal received bipartisan support from Territory politicians.

The two Territory casinos, predicting erosion of their market, lobbied government effectively for concessions to compensate for loss of revenue. Gaming machines were introduced into community venues (hotels and licensed clubs) from January 1996 after the two casinos agreed to receive rebate against the loss of their exclusive license for gaming machines. This agreement provided the casinos with a compensation payment as a percentage of gross profit of community-based machines and an extension of their exclusivity period over other forms of casino gambling.⁴¹⁵

Under the *Gaming Machine Act 1995*, adapted from the Queensland legislation, the RG&A proposed to install 680 gaming machines in community clubs and hotels during a two-year installation period (1996 to 1997). The distribution of machines was shared between the north and south: 500 machines in the Northern Division (north of Tennant Creek), with a limit of 260 in the first year; and 180 machines in the Southern Division, with a limit of 90 in the first year.

By the end of 1997 the Territory had 530 machines, well below the initial target of 680.⁴¹⁶ Overall, gaming machines have been introduced to the Territory at a significantly slower rate

⁴¹² NT Select Committee on the Effects of Poker Machines in Community Venues 1995 *Report*, Legislative Assembly of the Northern Territory.

⁴¹³ NT Select Committee on the Effects of Poker Machines in Community Venues, *Report*.

⁴¹⁴ *Ibid.*

⁴¹⁵ NT Racing and Gaming Authority 1996 *Annual Report 1995-96*.

⁴¹⁶ McMillen, J. & Togni, S. 1998 *Study of Gambling in the Northern Territory*.

than in other Australian states. The introduction of gaming machines in the Northern Territory during 1996 was a gradual process, with machines installed progressively in venues as the licensing, purchasing and testing procedures were completed. Testing and maintenance of gaming machines are contracted out to private technical services.⁴¹⁷

A central rationale that shaped the Northern Territory policy on EGM gambling has been that machine gaming should be for community benefit. Clubs can retain the operating surplus generated by gaming machines to improve facilities and services for club members, or they can distribute it among local community groups and charities, while hotels operate primarily for private profit. Hence the policy intentionally established more favourable operating conditions for Territory community clubs.

Licensed clubs in the Northern Territory have been permitted to install a maximum of forty-five gaming machines, while hotels are restricted to a maximum of six gaming machines. An indicative ratio of 80:20 that had existed for the distribution of draw card machines between clubs and hotels was maintained in the distribution of cash paying EGMs.

A Gaming Machine Commission was established to purchase and allocate machines and license gaming venues. Minimum return to players was set at 85 per cent. Calculations of projected gaming machine performance were made to determine a date when the Territory government could expect to 'break even' on the purchase costs.

The Gaming Machine Regulations set out the gaming machine tax rate at 47 per cent of gross profit and 3 percent of turnover on draw card machines. Hotels were to pay an additional community benefit levy of 25 percent of gross profit, to be paid into a Gaming Machine Community Benefit Fund (CBF), and an additional 3 per cent on draw card turnover to the Charities and Sporting Clubs fund.

Some allocations from the Community Benefit Fund have been made to general community service agencies for problem-gambling support (e.g. Amity Community Services, Relationships Australia, a Territory-wide crisis telephone line). However, while problem gambling has not become a major policy issues as in other states, the Territory government has been criticised for an inadequate response and for distributing only a small proportion of the available community funds.

It must be noted that prior to the introduction of gaming machines, many Territory community clubs and hotels already had installed gambling facilities; several were operating TAB outlets and were holding charitable bingo, raffles and other minor gambling in the venues. Moreover, NT Keno, operated by MGM Grand Casino, was introduced into Territory clubs and hotels in 1996. In effect, community gaming venues can now offer a range of gambling options – gaming machines, TAB betting, NT Keno, ADDs (although these are being phased out) as well as bingo, raffles and other forms of charitable gambling.

While the NT approach to EGMs drew many of its features from the original Queensland model, there were three major departures:

⁴¹⁷ McMillen, J. & Togni, S. 1998 *Study of Gambling in the Northern Territory*.

- although gaming machines would be owned by the government (as in Queensland), they would be free of a lease fee for the initial period of implementation. This situation would be subject to review;
- the tax base in the NT would be ‘gross profit’ or ‘player loss’ from the machines; and
- the membership of the NT Gaming Machine Commission would be appointed by the Minister and include both the Director of Gaming and the Chair of the Liquor Commission.

It is worth noting that following Queensland’s 1997 policy change that handed purchasing and monitoring functions to the private sector,⁴¹⁸ the NT Government contracted an external review to consider the merits of their gaming policy.⁴¹⁹ The government has yet to indicate if it will implement the recommendations of that review. However, policy responsibility for gaming has been relocated to the Department of Industries and Development.

Western Australia: Machine gaming

Western Australia is the only Australian jurisdiction that has not legalised gaming machines in clubs and hotels. In 1984 Burswood Resort Casino negotiated exclusive operating rights for gaming machines in the state until 2001. Moreover, despite persistent lobbying by the gaming machine industry, particularly by the Australian Hotels Association (AHA), Premier Court has expressed his strong moral opposition to legalisation of gaming machines. There are, however, cashless video-lottery terminals (VLTs) installed in licensed clubs and hotels. Over 700 VLTs have been installed into licensed premises since August 1996.

VLTs are electronic representations of hand-held continuing lottery tickets (break open bingo/beer tickets), with permits issued to sporting, charitable and community organisations for the purposes of fundraising. Advertising, other than on the premises in which the machine is located, is not permitted. VLTs can only be obtained from suppliers of gaming equipment licensed by the Gaming Commission. Gaming in Western Australia is premised on a ‘not for the purpose of private gain or any commercial undertaking’ principle, apart from the issue of the casino licence. Current Western Australian Government policy is that there will be no expansion of gaming through new gambling opportunities, although existing operators can introduce new products under approved circumstances.

New Zealand: Machine gaming

American-made ‘fruit machines’ and Australian poker machines operated throughout New Zealand unlicensed and largely unregulated until 1988, when amendment of the *Gaming and Lotteries Act 1977* legalised the operation of gaming machines by clubs. However, the Act stipulates that gambling can only be undertaken to benefit charities and the community; the machines were interpreted as lotteries or games of chance.⁴²⁰ This approach meant that both the commercial ownership and operation of gaming machines was problematic.⁴²¹

⁴¹⁸ Queensland Treasury 1996 *Review of Queensland Gaming Machine Arrangements*.

⁴¹⁹ *Alder Report*, 1998.

⁴²⁰ Department of Internal Affairs, *The Impact of Technology*, November 1995: 9

⁴²¹ For more detailed discussion of all forms of NZ gaming and their impacts, see Australian Institute for Gambling Research

Mechanical gaming machines were first introduced to clubs and pubs in New Zealand in the 1980s. Gaming machines which utilised video-linked technology operating in casinos came under the specific rulings of the *Casino Control Act 1990*. In the case of casinos, charitable status is not a requirement of ownership but charitable payments are a requirement of operation.

As in Australia, the granting of gaming machine licences to clubs and hotels in New Zealand is explicitly linked to liquor licensing. That is, only sites that hold a liquor licence normally are granted a gaming licence, thus restricting the access of other groups to gaming machines.⁴²²

Like their Australian counterparts, New Zealand clubs are community owned, not for profit, incorporated societies, but hotels are privately owned and thus prohibited from gaming under legislation. However, hotels considered that gaming machines were essential to allow them to compete with clubs, providing an additional recreational facility to attract patrons and increase liquor and food sales. Hotels responded with the creation of various local and national charitable trusts which took over from individual publicans the ownership and operation of hotel gaming machines and disbursed gambling revenues to charity. This allowed NZ hotels to operate gaming machines on relatively equal terms with clubs.⁴²³

For clubs, the main impact of the 1988 legislation was their designation as charities. This allowed a wide range of clubs to benefit from the operation of gambling and to own and receive revenues from gaming machines, which could be spent on club facilities and services. However, licensing imposed particular restrictions on how clubs could operate machines and in the use and disbursement of gaming revenues. Department of Internal Affairs (DIA) regulations governing gaming machines require the following:

- clubs are not allowed to cross-subsidise food and beverages and can make disbursements only to organisations approved by the DIA;
- gaming revenues cannot be used to offer prizes or to advertise gaming machines;
- all machines in clubs and pubs must be approved by the DIA and make a minimum return to players of 78%;
- a gaming duty of 20% is payable to government, plus a 12.5% goods and services tax on turnover. Because of their charitable designation, clubs are exempt from corporate tax; and
- limits are placed on prizes and jackpots. In 1996 these were lifted to \$500 (hotels) and \$1,000 (clubs); the number of machines allowed in each venue was increased from twelve to eighteen.

New Zealand does not have centralised computer monitoring of gaming machines. Regulation relies on periodic site visits by DIA inspectors and manual audit checks. However, increased surveillance and audit checks were instigated in 1988, resulting in a significant increase in prosecutions of clubs and hotel charitable trusts for misappropriating gaming funds.⁴²⁴

1998 *Social and Economic Impacts of New Zealand Casinos*, Auckland, NZ Casino Control Authority.

⁴²² Department of Internal Affairs 1995. *Review of Gaming - A Discussion Document*.

⁴²³ Australian Institute for Gambling Research *Social and Economic Impacts of New Zealand Casinos*, p.279-303.

⁴²⁴ Australian Institute for Gambling Research *Social and Economic Impacts of New Zealand Casinos*, p.282.

The current licensing system and regulatory regime has always been recognised as temporary until new legislative controls could be enacted. The Department is currently reviewing its regulatory system to develop new legislation for New Zealand.

Conclusion

In the context of the historical development of poker machine gaming in Australia, the almost simultaneous introduction of electronic gaming machines (EGMs) by the Queensland and Victorian governments in 1991-92 represented a radical policy reversal. Alert to the problems experienced in NSW, Queensland and then Victoria developed a new regulatory regime to ensure the integrity of machines, the probity of key personnel, and online real-time auditing of gaming operations through a centralised monitoring system (CMS). Both states also directed a proportion of gaming revenues to designated funds for social purposes.⁴²⁵

Regional variations of the new regulatory regime for gaming machines were developed in South Australia, Tasmania and Northern Territory along with social policies to ameliorate problems anticipated with this type of gambling.

⁴²⁵ McMillen, J. 1996 'Social priorities in gaming policy'.

Table 6.4 Current regulation of EGMs

Vic	NSW	Qld	SA	WA	Tas	ACT	NT
Minister for Gaming: controls minor gaming. Dept of Treasury & Finance: policy and legislation; regulation; taxes. Victorian Casino and Gaming Authority (VCGA): licenses operators, venues, technicians and gaming staff; monitors machine gaming and impacts. Tattersall's & Tabcorp: own and supply gaming machines to contracted clubs and hotels; monitor venue operations, performance.	Minister: Dept of Gaming & Racing: policy and legislation; regulation; taxes. Licensing Court: liquor licences to clubs and hotels. Liquor Admin. Board (LAB): regulation of gaming in clubs and hotels; technical standards. TAB Ltd: licensed to monitor club gaming and operate linked jackpots in NSW clubs.	Treasurer: controls machine gaming. Qld Office of Gaming Regulation (QOGR): policy and legislation; regulation; taxes; technical standards. Qld Gaming Comm.: licenses venues, gaming staff, repairers, monitoring operators. Licensed Monitoring Operators (LMOs): supply and monitor gaming machines in contracted venues.	Treasurer: control of gaming. Dept of Treasury & Finance: policy and legislation; regulation; taxes. Gaming Supervisory Authority (GSA): licensing & regulation of machine gaming in clubs and hotels; supervision of LGC. Liquor and Gaming Commissioner (LGC): regulation of gaming machines in clubs and hotels; licensing key personnel; approval of equipment & technical standards; collection of revenues.	Only Video Lottery Terminals (VLTs) in licensed premises; no EGMs. Minister for Racing & Gaming: control of all gaming. Office of Racing, Gaming and Liquor (ORGL): policy and legislation; regulation; taxes. Gaming Commission of WA: licenses and regulates VLTs.	Treasurer: control of all gaming. Dept of Treasury & Finance: policy and legislation; regulation; taxes. Tasmanian Gaming Commission (TGC): regulation and control of EGMs. Reports to Minister. Federal Group: operates EGMs in clubs and hotels. TT-Line: operates EGMs and Keno on Bass Strait ferries.	Chief Minister: Chief Minister's Dept: policy and legislation. Revenue Office: licensing of clubs for EGMs, draw card machines; regulation of venues.	Minister for Racing & Gaming: licensing. Racing, Gaming & Licensing Dept: policy and legislation. Racing and Gaming Authority (R&GA): regulation and control. Gaming Control Commission: regulation of machine gaming.

Computerisation has enabled governments to improve regulatory procedures. For example, centralised computer monitoring systems (CMS) which record gambling transactions allow accurate auditing of gaming turnover for taxation purposes and provide reliable information for dispute resolution.

However, while the new regulations have demonstrated that governments can effectively control gaming machine operations to remove malpractice and corruption, the dramatic expansion of gaming machines has been associated with a reported increase in problem gambling. This in turn has generated organised public protests and political backlash, most notably in Victoria and South Australia.

Table 6.5 Distribution of EGMs by state and territory and venue type

Venue	Vic	NSW	Qld	SA	WA	Tas	ACT	NT	Total
Clubs	13 691	72 429	17 544	1 446	na	221	4 865	456	110 652
Hotels	13 613	23 961	9 783	10 386	na	1 095	60	132	59 030
Casinos	2 500	1 500	3 121	716	1 125	1 041	na	607	10 610
Total	29 804	97 890	30 448	12 548	1 125	2 399	4 925	1 195	180 334

Source: Productivity Commission 1999 *Australia's Gambling Industries*, Commonwealth of Australia, Canberra.

Electronic gaming machines (EGMs) are now available in casinos, clubs and hotels throughout Australia, except Western Australia where they are restricted to the Perth Burswood Resort Casino (Table 6.5). The legalisation of gaming machines in hotels has created the most significant area of growth in Australian gambling expenditure and enabled those establishments with gaming machines to improve and expand their facilities. Some large NSW clubs have been able to construct vast leisure complexes that include swimming pools, sports stadiums and golf courses.

Table 6.6 EGM expenditure and structure of the EGM market by state and territory

	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
EGM expend. \$ millions 1997/98	1 711.290	2 989.084	601.403	394.629	No EGMs outside casino	23.666	127.163	19.731
Per capita expend. EGMS 1997/98	\$493.31	\$635.98	\$239.60	\$351.41		\$68.01	\$555.30	\$152.95
Minimum pay-outs	87%	85%	85%	85%		85%	85%	88%
Maximum bets	No	\$10	\$5	\$10		\$10	\$10	\$5
Linked jackpots in venues	Yes	Yes	Yes	No		No	Yes	Yes (none operating)
Wide area jackpots	No	Yes	Yes	No		No	Yes	No
Caps	30,000 global 2,500 casino 105 per club 105 per hotel	- 1,500 casino unlimited 30 per hotel	- 280 per club 35 per hotel	- 40 per club 40 per hotel	- na na	- - 25 per club 15 per hotel	5 200 global na Unlimited 13 per hotel	- - 45 per club 6 per hotel
Sources: Productivity Commission 1999 <i>Australia's Gambling Industries</i> , Commonwealth of Australia, Canberra; Tasmanian Gaming Commission 1999 <i>Australian Gambling Statistics 1972/73-1997/98</i> , TGC, Hobart; ABS 1999 <i>Gambling Industries</i> , Cat.8684.0;								

Total expenditure on gaming machine play outside casinos in Australia in 1997-98 was \$5.867 billion (Table 6.6). Since the 1980s gaming machine gambling has replaced wagering and lotteries/lotto as the most popular form of gambling with Australians. Technological advances in gaming machines have allowed the industry to improve services and increase the entertainment experience for players. New and faster games, linked jackpots and other innovations have helped to maintain consumer interest.

Table 6.7 Snapshot of EGM gamblers, Victoria 1997-98 (1996)

Indicator	1997	1998
Participation rate in gambling activity	39% (40%)	31%
Characteristics of gamblers	Even distribution males and females, closely reflect the general population, higher proportion of social gamblers and acknowledged heavy gambler	Slight bias toward females, no bias according to age, occupation, metro or country areas, higher proportion of those identified as being at risk, more likely to be social gambler, acknowledged heavy gamblers and committed heavy gamblers
Of gamblers, how many play regularly (at least once a month)	26% (34%)	39%
Outlay per gambling activity	\$27 (\$28)	\$31
Gamblers' primary motivations	Social reasons (47%), thrill/dream of winning (28%), buzz (16%)	Social reasons (42%), thrill/reward of winning (14%), boredom (10%)
Sources: Market Solutions & Mark Dickerson 1997 <i>Fifth Community Gambling Patterns Survey</i> , VCGA, Melbourne; Roy Morgan Research 1999 <i>Sixth Survey of Community Gambling Patterns and Perceptions</i> , VCGA, Melbourne.		

The motivations of EGM players recorded in the annual survey of gamblers' participation and perceptions conducted by the VCGA reflect the importance placed on social factors by EGM players (Table 6.7). As a form of leisure and entertainment this social aspect of EGM gambling in clubs and hotels is highly valued by participants – more so than desire for success in terms of returns from outlays. The high level of participation by both men and women reflects the security that the vast majority of club and pub venues also provide.

The taxation of EGM revenue by state governments differs widely between the various jurisdictions (Table 6.8). There is also differential taxation between the various venues for EGMs, clubs, hotels and casinos. In general, hotels are taxed at a higher rate than clubs. A proportion of hotel EGM taxation is paid directly into a Community Benefit Levy or Fund in most jurisdictions. The lower tax rates applied to clubs reflects government acceptance of the principle that clubs are community-based enterprises which return a large proportion of their income to the community in the form of improved or extended facilities, community sponsorships etc. In Victoria, one of the two EGM operators, Tattersall's, is also required to pay a minimum of \$35 million annually as a gambling licence fee.

Table 6.8 Comparative EGM taxation by states and territories

Taxation	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
Poker machine tax: referred to in some States as 'Gaming Machine' tax.	Gambling licence fee: Tattersall's is required to pay annually for the duration of its licence (ending April 2012) 30% of its net profit or \$35m (indexed annually by CPI), whichever is higher.					The tax is based on total gross profit earned in a financial year by the exclusive operator, Federal Hotels' Ltd.		
Summary of EGM taxation on clubs	33.33% of gross profit (net cash balance).	1% to 26.25% of annual profits derived from gaming machines.	10% to 45% of metered win including Community Benefit Levy (CBL).	30-40% of annual net gambling revenue for clubs and community hotels.		25% to 35% of excess	1% up to 23.5% of profit	47% of gross profit
Summary of EGM taxation on hotels	41.67% of gross profit (net cash balance), of which 8.33% is allocated to a Community Support Fund.	15% to 40% of annual profits derived from gaming machines.	45% of metered win including CBL.	30-40% of annual net gambling revenue, tax rates.		As for clubs. In addition, a community support levy of 4% .	35% monthly gaming machine revenue	47% of gross profit and a Community Benefit Levy at 25% of gross profit.
Summary of EGM taxation on casinos (unless specified as part of general casino gaming revenue taxation, see Table 5.19)		22.5% of gross revenue from slots.		Gaming machines at 43.5% of net gambling revenue.		Based on Federal Hotels' total gross profit . Video gaming (EGMs): <\$30m: 25% \$30m - <\$35m: 30% of excess >\$35m: 35% of excess.		Poker machine tax from 1.7.97 to 30.6.99 at the rate of 17.5% on gross profit.

Source: NSW Treasury 1999 *Interstate Comparison of Taxes 1998-99*, <http://www.treasury.nsw.gov.au/trpindex.html>

Overall, the rapid expansion of gaming machines during the 1990s and their daily accessibility for most Australians has brought with it growing community concern about adverse social impacts. This public concern was reflected in the findings contained in the Draft Report of the Productivity Commission Inquiry, particularly in relation to EGM gambling. This report marks an important historical moment in the history of Australian gambling. The responses to the Report will undoubtedly shape the next stage in the history of gaming machine gambling in Australia.

Chapter 7: Charitable and Minor Gaming

Introduction

Overview of the chapter

This short chapter is in three parts. The introduction tabulates the introduction of minor gaming forms to Australian states and territories. The second and major part of the chapter looks at the specifically Australian forms of legal and illegal minor gaming practices and at gaming among Aboriginal and Asian communities in Australia. This section also reviews available data on participation in minor forms of gaming. The final chapter summarises the themes of the chapter and provides tabulations of the comparative regulation of minor gaming across Australian jurisdictions and of the overall structure of the minor gaming sector.

Table 7.1 Introduction of charitable and minor gaming to Australian states and territories

Time frame	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
1788 to 1900	Card games, makeshift 'pitch and toss'. By 1850s: Two-up and Asian games on goldfields. Sportsbetting widespread 1890s: Two up prominent.	Card games, makeshift 'pitch and toss'. By 1850s: Two-up and Asian games on goldfields. Sportsbetting widespread. 1890s: Two-up prominent. 1891: Chinese gambling houses popular.	By 1850s: Two-up and Asian games on goldfields. 1890s: Two-up prominent.	Card games, makeshift 'pitch and toss'. 1890s: Two-up prominent.	Card games, makeshift 'pitch and toss'. 1890s: Two-up prominent.	Card games, makeshift 'pitch and toss'.	Not known.	Aboriginal gambling, card games, makeshift 'pitch and toss'.

	Vic	NSW	Qld	SA	WA	Tas	ACT	NT
1900 to 1940s	Asian games prohibited. Charitable bingo in church and community halls illegal but popular. Raffles, chocolate wheels become a major source of charitable funds.	Asian games prohibited. Charitable bingo in church and community halls illegal but popular. Raffles, chocolate wheels become a major source of charitable funds. 1907-60s: Joe Thomas' two-up 'school' operated around Sydney.	Asian games prohibited. Charitable bingo in church and community halls illegal but popular. Raffles, chocolate wheels become a major source of charitable funds. Postal art unions conducted for charity.	Charitable bingo in church and community halls illegal but popular. Raffles, chocolate wheels become a major source of charitable funds.	Charitable bingo in church and community halls illegal but popular. Raffles, chocolate wheels become a major source of charitable funds.	Charitable bingo in church and community halls illegal but popular. Raffles, chocolate wheels become a major source of charitable funds. Card playing by Aborigines condemned by missionaries.	Charitable bingo in church and community halls illegal but popular. Raffles, chocolate wheels become a major source of charitable funds.	Charitable bingo in church and community halls. Raffles, chocolate wheels become a major source of charitable funds. Card playing by Aborigines condemned by missionaries.
1940s to 1970s	Illegal private gaming clubs and two-up schools flourish. Bingo boomed, used for wartime and post-war fund-raising. 1960-70s: Nappy Ollington's two up 'school' thrives.	Illegal private gaming clubs and two-up schools flourish. Bingo boomed, used for wartime and post-war fund-raising.	Small private gaming clubs and two-up schools operate illegally. Bingo boomed, used for wartime and post-war fund-raising.	Small private gaming clubs and two-up schools operate illegally. Bingo boomed, used for wartime and post-war fund-raising.	Small private gaming clubs and two-up schools operate illegally. Bingo boomed, used for wartime and post-war fund-raising.			Card playing on Aboriginal out-stations.
1980s to 1990s	Licensed bingo in large centres, clubs. 1996: Bingo games permitted on Sundays.	1984: two-up legalised at Broken Hill. Licensed bingo in large centres, clubs.	Licensed bingo in large centres, clubs, mail art unions (e.g. Boystown cash prize art union).	Licensed bingo in large centres, clubs.	1983: Two-up legalised at Kalgoorlie. Licensed bingo in large centres, clubs.	Bingo in large centres, clubs.	Bingo in large centres, clubs.	Bingo and minor gaming remain unlicensed. Card playing by Aborigines in rural and urban areas. Permits required in Darwin.

Australian gaming

Long before horseracing was introduced as a recreational diversion for the new settlers, gaming in various forms was a popular pastime in the Sydney Cove colony. 'It was impossible to put a stop to the gratification of this gaming disposition...which may be said, next to drinking, to constitute the chief pleasure and amusement of the lowest class of the prisoners'.⁴²⁶

⁴²⁶ Cumes, W.C. 1979 *Their Chastity was Not Too Rigid: Leisure Times in Early Australia*, Melbourne, Longman, Cheshire, Reed, p.16.

Early colonial documents record the games played by prisoners and emancipists in the settlement. Cribbage and ‘all fours’ were popular card games which according to the colony’s first Judge Advocate in 1798, David Collins, often led gamblers into debt and further crime.⁴²⁷ Collins also was concerned about the losses incurred by inexperienced gamblers who ‘tossed up for dollars’ and often lost ‘the very clothes on their wretched backs’. Here Collins refers to the game of pitch and toss (or chuck-farthing) which was popular among the working class throughout England and Ireland and which convicts played on the voyage out.

Two-up⁴²⁸

Pitch and toss was adapted by the new settlers into the Australian game of two-up. The game was eminently suited to the social and physical environment of the new settlement. Requiring only two coins and a level patch of ground, the essential simplicity and fairness of the game and its portability appealed to early convicts, emancipists and military officers who were excluded from the card games of the colony’s respectable elite. There is evidence that by the 1850s two-up was being played extensively on the eastern states’ goldfields where diggers had few other recreational outlets. Some enterprising individuals became itinerant organisers of the games, travelling between towns to conduct ‘schools’ among pastoral workers and miners. With the gold rushes in Western Australia in the 1890s and the discovery of inland mineral deposits, the game spread to the west and north. Mining towns like Broken Hill and Mt Isa became the location of regular two-up games. By the late nineteenth century, two-up schools operated in most cities and towns in Australia.

Two-up was condemned by the Protestant churches, the secular press and the anti-gambling crusaders. The aim of legislators was to remove gambling, including two-up, from the public gaze. Racing was confined to prescribed and supervised locations such as racecourses, and gaming was tolerated only in the privacy of gentlemen’s clubs. As well as the moral and class arguments against two-up, there was strong opposition to profiteering from gambling. The state was concerned with matters of taxation and control, and the mobility and informal betting structures of two-up created particular difficulties for government authorities.⁴²⁹

Police attempts to enforce the laws prohibiting two-up games were largely ineffectual. In many cases the police colluded with two-up proprietors to allow the games to continue as long as they created no public disturbance and remained out of sight of the respectable citizenry. Even when police did raid the two-up schools they were hampered by elaborate escape mechanisms, which allowed players to avoid capture and denied police the necessary evidence for conviction. Thommo’s legendary two-up school was established in Sydney in 1907 and quickly became the biggest floating game in town. ‘For 40 years the police were unable to find Thommo’s floating two-up school in Sydney, though his customers did not seem to face the same difficulties’.⁴³⁰

⁴²⁷ Collins, D. ‘An Account of the English Colony in New South Wales, with Remarks on the Dispositions, Customs, Manners, etc. of the Native Inhabitants of that Country’, [1798], cited in P. Charlton 1987 *Two Flies Up a Wall. The Australian Passion for Gambling*, North Ryde, Methuen Haynes, p.11-15.

⁴²⁸ This section is derived from McMillen, J. 1996 ‘Two-up from 1788 to the 1990s’, in *Gamblers’ Paradise*, Brisbane, Royal Historical Society of Queensland, p.9-24.

⁴²⁹ For a detailed discussion of the game of two-up see McMillen, J. 1996a ‘Two-up from 1788 to the 1990s’, in *Gamblers’ Paradise*, Royal Historical Society of Queensland, pp. 9-24; Sheehan, D. & Lamotte, W. 1985 *Heads and Tails. The Story of the Kalgoorlie Two-Up School*. Perth, Westcolour.

⁴³⁰ O’Hara, J. *A Mug’s Game*, p.234.

Two-up was celebrated by the working class as the ‘national game’ during the First World War, when it became identified with the newly acquired sense of national identity, personified by the ‘digger’.⁴³¹ Significantly, the legendary association between Australian diggers and two-up was institutionalised in ritualistic games of two-up held after the memorial service every Anzac Day. The annual Anzac Day two-up game became an important link which united and revitalised a generation of war veterans. However, two-up also remained inherently discriminatory; women were excluded and Anglo-Saxon values had priority over other cultural traditions.

In the post-First World War period, two-up thrived as ex-soldiers shared again the comradeship of their war days. Every Australian city and town had its two-up game, often well known to players and police alike. By the 1920s operators of two-up schools in Melbourne and Sydney had established regular games in permanent premises. The two-up tradition was carried on by a new generation of Australian soldiers in Africa and New Guinea during the Second World War.

Organisers of regular two-up ‘schools’ had the respect and trust of their clients, and some acquired the status of folk-heroes. Among the best known were Joe Thomas, the founder of Thommo’s school which operated in inner Sydney from 1907 to 1960s; Joe Dempsey, who organised games for soldiers in the Middle East during the First World War; and ‘Nappy’ Ollington, whose two-up games were popular in Melbourne during the 1960s and 1970s.⁴³² Politicians and judges were reportedly regular players at Thommo’s games, along with wharfies and labourers.⁴³³

With the expansion of legal gambling opportunities in the 1960s and 1970s (the establishment of off-course TAB betting, lotto and pools, expansion of lotteries), the popularity of two-up started to wane. Some of the old two-up proprietors began to lobby for legalisation. Seeking to capitalise on the wave of gambling liberalisation at the time, Nappy Ollington attempted to convince the Victorian government of the commercial potential of legalised two-up. Tainted by their history of illegality, these proposals were rejected.

Two-up was legalised for the first time in 1973 when Federal Hotels persuaded the Tasmanian government to permit the game in Australia’s first legal casino at Wrest Point (Hobart). Since then every Australian casino, except Canberra, has legalised a commercial version of two-up as part of the casino repertoire. The game gave casinos a distinctively Australian image; and for the first time it was democratically available to all Australians, including women and Asians. Similarly, in 1983 the famous illegal two-up game in Kalgoorlie (Western Australia) was legalised; and in 1984 a two-up school was legalised in Broken Hill as part of that city’s strategy to develop tourism.

Thus the traditional game of two-up has contributed to the social acceptance of legalised casinos, adding a distinctively national characteristic which won the support of the community. However, as the casino industry expanded and became more competitive in the 1990s, two-up has proved costly to operate and has been removed from many Australian

⁴³¹ White, Richard 1984 *Inventing Australia*, Sydney, Allen and Unwin.

⁴³² The Ollingtons tried to promote the game in Nevada casinos, and were permitted a short trial period in two casinos. But the game was not popular with Americans and was withdrawn.

⁴³³ Charlton, P. *Two Flies Up a Wall*.

casinos. Generational changes also threaten its survival; few young Australians have experienced the authentic game and many of its regional traditions have been lost.

Illegal gaming clubs

Illegal gambling, particularly SP betting and two-up schools run by local identities, continued to operate in metropolitan and rural areas of Australia in defiance of the law and in competition with legal gambling. Police attempts to eradicate these activities were both irregular and largely unsuccessful, so that their existence appeared to be tolerated by authorities to a certain degree. However, under the cover of legitimate business activities, two new types of illegal gaming developed a growing clientele during the 1950s and 1960s – small ethnic gaming clubs and private ‘clubs’ which illegally operated baccarat games in rooms separate from other nightclub activities.

Ethnic gaming venues were often located in coffee lounges and Chinese restaurants scattered throughout the inner suburbs of Sydney, Melbourne, Wollongong and Perth, which had a high concentration of migrants from southern Europe, Asia and the Middle East. The nightclub baccarat schools were the major source of illegal gaming and the forerunners of so-called illegal casinos.⁴³⁴ Well-appointed baccarat clubs, some financed by capital from illegal gambling operations in Melbourne, operated in Sydney with little police interference after their owners purchased police protection. During the 1950s a number of Sydney nightclubs involved in illicit liquor sales also extended their activities into illegal gaming under the patronage of corrupt police and politicians.⁴³⁵ Criticism of police inaction periodically precipitated a highly publicised series of police raids against the nightclubs, but payment of protection money ensured immunity from further police interference and the baccarat games continued to operate and prosper.

By the mid-1960s tensions appeared between operators competing for a share of the increasingly lucrative market. When the Askin Liberal-Country Party coalition was elected to office in 1965 after twenty-five years of ALP government, established criminals could no longer depend on their old political contacts for protection. Two years of instability and club rivalry, aggravated by liberalisation of gambling and liquor laws in the 1950s and 1960s, forced many small illegal operators to close.⁴³⁶ Opportunities for SP betting declined (albeit temporarily) after the establishment of the TAB in 1964; and the introduction of poker machines in registered community clubs in 1956 made gaming legally available throughout the state.⁴³⁷ The immediate popularity and rapid expansion of poker machines had particular impact on illegal gambling.

⁴³⁴ Hickie, D. *The Prince and the Premier*, p.94-5

⁴³⁵ Hickie, D. *The Prince and the Premier*, p.108-29.

⁴³⁶ *Ibid*, p.130-78.

⁴³⁷ O'Hara, J. *A Mug's Game*, p.171-210.

See also Caldwell, G.T. 1972a *Leisure Co-operatives. The Institutionalisation of Gambling and the Growth of Large Leisure Organisations in New South Wales*, unpublished PhD thesis, Canberra, Australian National University, 1972b 'Jackpot: the NSW club', *Current Affairs Bulletin*, September:13-6, 1974 'The gambling Australian', In D. Edgar (ed.) *Social Change in Australia: Readings in Sociology*, Melbourne, Cheshire, p.13-28.

Knock, Ken 1985 'The funding of a major recreational and leisure organisation', in G. Caldwell, et al. (eds) *Gambling in Australia*, Sydney, Croom Helm, p.269-72;

Learmonth 1974 'Gambling - an aid to decentralisation'. *The Australian Municipal Journal*. February, p.247.

Lynch, R. 1990 'Working class luck and vocabularies of hope among regular poker-machine players', in D. Rowe & G. Lawrence (eds) *Sport and Leisure: Trends in Australian Popular Culture*, Marrickville, Harcourt Brace Jovanovitch, p.189-208.

To maintain their clientele, operators of the major illegal baccarat schools invested heavily in luxury fittings to convert their modest clubs into European-style 'casinos' and introduced new games such as roulette and blackjack.⁴³⁸ In marked contrast with the shabby and austere baccarat schools of the 1950s, 'a network of lavish casinos became the focal point of the city's glittering nightlife. The gems in the city's crown of vice, the best casinos were lavishly decorated and managed with a flair that made them the equal of Europe's finest'.⁴³⁹ Fourteen such illegal casinos operated in Sydney during the 1970s under the control of criminals with the resources and political connections to assert their authority and secure protection from government interference.⁴⁴⁰

In the 1970s the NSW government established a Royal Commission headed by Mr Justice Athol Moffitt to investigate allegations that the coalition government and Premier Askin in particular had engaged in a cover-up of illegal gambling.⁴⁴¹ Moffitt found no evidence to support allegations of a government cover-up, but extended his terms of reference to examine claims of criminal involvement in the club industry.

Aboriginal and Asian gambling

As with people of diverse cultural origins in Australia, gambling has been part of the social lives of many Aboriginal people, certainly since contact with non-indigenous peoples, and probably before then.⁴⁴² Card games have been the most predominant form of gambling among Aboriginal people up until recent decades. Berndt and Berndt document the extent and types of card games being played by Aboriginal people in the Northern Territory during the early 1940s; however there is evidence to suggest that the first card games were introduced by the Macassar traders prior to the European contact with Aboriginal people in north Australia.

Card playing continues to be a significant activity in the daily lives of many Aboriginal people in rural areas, whether they live in remote outstations or in some of the urban communities (Darwin, Alice Springs, inner Sydney).⁴⁴³ In economic terms, several studies have identified card games as an important means for many Aboriginal people to redistribute limited resources and to accumulate a relatively large sum of money in order to purchase costly items such as vehicles and white goods which can then be used by an extended family.⁴⁴⁴ A recent Northern Territory study reported card games where people played for

⁴³⁸ Hickie, D. *The Prince and the Premier*, p.142-84;

McCoy, A.W. 1980 *Drug Traffic: Narcotics and Organised Crime in Australia*, Sydney, Harper and Row, p.199-207.

⁴³⁹ McCoy, A.W. *Drug Traffic*, p.199.

⁴⁴⁰ Most of the operators of the new-style illegal casinos were well-known criminals who had been involved in illegal gambling throughout the post-war years. However, the first and most successful illegal casino, the 33 Club, was opened by an English migrant, Mick Moylan and established plush European standards for other Sydney casinos.

⁴⁴¹ Royal Commission of Enquiry in Respect of Certain Matters Relating to Allegations of Organised Crime In Clubs in NSW [Moffitt Report] 1974;

Moffitt, A. 1985 *A Quarter to Midnight. The Australian Crisis: Organised Crime and the Decline of the Institutions of the State*, Sydney, Angus and Robertson;

McCoy A.W. *Drug Traffic*, p.233-53.

⁴⁴² Berndt, R.M. & Berndt, C.H. 1977 *The World of the First Australians* (2nd ed.), Sydney, Ure Smith;

Lynch, R. & Veal, A.J. 1996 *Australian Leisure*, South Melbourne, Addison, Wesley, Longman;

Todd, R. 1985 'Aboriginal gambling and self-determination in Queensland', in G. Caldwell, et al. (eds) *Gambling in Australia*, Sydney, Croom Helm, p. 46-9.

⁴⁴³ Playing cards for money in a public place is not illegal in the Northern Territory because card games are considered to be a game of skill rather than a game of chance. However, the Darwin City Council has recently required a 'permit' for regular games and imposed a monetary limit on bets (AIGR 1998).

⁴⁴⁴ Altman, J. 1985 'Gambling as a mode of redistributing and accumulating cash among Aborigines: a case study from Arnhem Land', in G. Caldwell, et al. (eds) *Gambling in Australia*, Sydney, Croom Helm, p.50-67; Berndt & Berndt, *First*

only a few dollars and others where the stakes could be as high as thousands of dollars and items such as vehicles could be won and lost in games.⁴⁴⁵

Studies also note that card games are used to generate funds for the welfare of others, such as at the time of a funeral where airfares for family members may be required. The social activity of card playing also is suggested to result in positive social interactions among groups of Aboriginal people and allows a mechanism for cultural/social relationships to be reinforced. However, for women in Tiwi society, playing cards is viewed as work rather than leisure, as it is defined in Western cultures⁴⁴⁶.

With the introduction and expansion of commercial forms of gambling such as lotteries, casinos, the TAB and most recently EGMs in clubs and hotels, Aboriginal people have broadened their gambling activities. Little published research has been carried out in relation to Aboriginal people's experience of these commercial forms of gambling. Observations of Aboriginal attendance at the casino in Darwin, for example, claim that this attendance has increased, especially among Aboriginal women.⁴⁴⁷ There is no reliable research to suggest that Aboriginal people prefer to play EGMs in community venues, however; when this does occur it is most likely to do so in a hotel.

A study of a small northern Queensland Aboriginal community revealed the popularity of PubTAB among male community members. Research in the Northern Territory suggests that bingo is popular among Aboriginal women; bingo tickets bought from local service stations also were popular in some towns.

As with Aboriginal communities, there has been little research into the nature and extent of Asian gambling in Australia. Much of the available literature focuses on gambling in ethnic Chinese communities; although it must be noted that 'Asia' consists of diverse and varied cultures. Gambling has been part of recorded Chinese social life for thousands of years, with a cultural recognition that even the course of history depends on matters of fate and chance.⁴⁴⁸ In Chinese culture, gambling (e.g. on mah-jong) is integrated into the social rituals of everyday life.⁴⁴⁹

The first Chinese to arrive in Australia in the 1840s brought with them their traditional games and betting practices. By the 1850s the Chinese had established a major presence on the goldfields and were openly gambling on fan tan and pakapu.⁴⁵⁰ By the 1890s there were 38,000 Chinese in Australia, mostly men. In 1891 a Royal Commission in NSW reported on alleged links between Chinese gambling, immorality and bribery of police. The Commission found that of the 3,500 Chinese living in Sydney, 700 were earning a living through the

Australians.

⁴⁴⁵ Australian Institute for Gambling Research 1998 *Study of Gambling in the Northern Territory*, UWS Macarthur.

⁴⁴⁶ Goodale J. 'Gambling is hard work: card playing in Tiwi society', *Oceania*, 58:1, p.6-21.

⁴⁴⁷ Foote, R.J. 1996 'Aboriginal Gambling: A Pilot Study of Casino Attendance and the Introduction of Poker Machines into Community Venues in the Northern Territory', Discussion Paper No. 1/96, Centre for Social Research, Northern Territory University, Darwin.

⁴⁴⁸ Day, D. 1989 'Descent into the bowels of the city: gambling in Ming-Ch'ing fiction', paper presented at Annual Meeting of the Association of Asian Studies, Washington D.C.;

Hsu, Francis L. K. 1948 *Under the Ancestors' Shadow*, New York, Columbia University Press.

⁴⁴⁹ Basu, E. O. 1991 'Profit, Loss, and Fate: The Entrepreneurial Ethic and the Practice of Gambling in an Overseas Chinese Community', *Modern China*, Vol. 17(2):227-59.

⁴⁵⁰ Charlton, P. *Two Flies Up a Wall*, p.87.

gambling houses. The Commission reported, however, that the 'Chinese are, apart from their disposition to gamble, a singularly peaceable and generally law abiding section of the community'.⁴⁵¹

Whereas many forms of gambling have had a high degree of social acceptance in Australia, gambling policies of the various states have always discriminated against Asian gambling. From the nineteenth century, legislation prohibited the gambling activities of cultural minorities, especially the Chinese. Proscriptions against Asian gambling were often linked in legislation to other 'crimes' such as vagrancy and prostitution.⁴⁵² Along with similar restrictions against working-class gambling in public places, the selective prohibition and suppression of Asian gambling reflected Anglo-Saxon middle-class concerns for public morality and social order. Asian gambling confronted mainstream traditions and values, and was seen as a form of public disorder and social disharmony. Despite periodic attempts by law enforcement agencies to suppress gambling by Asian communities, their games continued to thrive in the Chinatown precincts of Sydney and Melbourne.

Ironically, by the 1980s, trade links with Southeast Asia and a wave of Asian migration compelled a radical change in Australian perceptions of Asian culture, elevating it to a new social and economic importance. Asian gambling games which had been prohibited for 200 years were appropriated by casino operators and commercialised, then introduced to the modern Australian casino (sic bo, pai gow). Asian gambling has been made respectable and economically profitable. The incorporation of Asian games into casinos has provided Asian residents of Australia with an avenue for cultural integration and social participation, which has sometimes been denied them in other areas of community life.

While occasional police reports indicate that illegal games of manilla and backgammon have endured within Mediterranean communities, very little is known of the gambling history of other cultural groups who have settled in Australia.

Trade promotions

Trade promotions (or trade competitions) are permitted in every Australian state and territory for the purposes of promoting a product or service. Such promotions can include coupon competitions, members' badge draws, 1900 telephone competitions and 'scratch-it' ticket prizes. Under these promotions, people do not pay to participate; they merely purchase a product at normal prices or enter a competition by letter or telephone call.

The increasing prevalence of trade promotions in recent years and changes in their characteristics has led some state regulators to view them as a form of private lottery. However, there are significant differences between jurisdictions in the approach being taken. NSW, for example, has a system of blanket approval. A 1999 television quiz show offering large prizes was deemed in South Australia to be a game of skill (and thus not requiring a permit), while in Victoria it was considered to be a trade promotion requiring a permit.⁴⁵³

⁴⁵¹ Hansford-Miller, F. 1986 'Chinese Gambling in NSW in 1891', *Statistical Society of Australia*, No. 35, pp.1-5.

⁴⁵² See for example, the Queensland *Vagrancy, Gaming and Other Offences Act 1890*, the NSW *Gaming Act 1950*, and the *Lotteries, Gambling and Other Offences Act of Victoria* (Yong:1956).

⁴⁵³ The random selection of applicants was considered to be a form of lottery.

Conclusion

Charitable gambling has been an important feature of Australian society and, like other gambling, has been organised and experienced in ways which are determined by the socio-cultural environment. Since early days of white settlement the various forms of minor gambling (art unions, raffles, lucky envelopes, chocolate wheels, bingo) have raised significant funds for thousands of charitable, religious, educational, patriotic, community and sporting associations approved by state governments.⁴⁵⁴ The government departments responsible for these approvals also supervise the draws of major art unions and ensure compliance with legislation.

⁴⁵⁴ Despite its widespread social acceptance and availability, this study has been able to find very little historical commentary on charitable gaming. Minor gaming in its various forms has been rarely the subject of research; nor have the important histories of charitable gambling activities been told.

Table 7.2 Current regulation of charitable gaming

Vic	NSW	Qld	SA	WA	Tas	ACT	NT
Minister for Gaming: controls minor gaming. Dept of Treasury & Finance: policy and legislation; regulation; taxes. Victorian Casino and Gaming Authority (VCGA): licenses and monitors charitable gaming; approves bingo centres & operators; the conduct of charitable gaming.	Minister for Gaming & Racing: controls minor gaming. Dept of Gaming and Racing: policy and legislation; regulation; taxes.	Treasurer: controls minor gaming. Qld Office of Gaming Regulation (QOGR): policy and legislation; regulation; taxes.	Treasurer: controls all forms of gaming. Dept of Treasury Finance: policy and legislation; regulation; taxes. Liquor and Gaming Commissioner (LGC): supervision and regulation of gaming machines in clubs and hotels.	Minister for Racing & Gaming: controls all gaming. Office of Racing, Gaming and Liquor (ORGL): policy and legislation; regulation; taxes. Gaming Commission of WA: licenses and regulates all gaming.	Treasurer: controls all gaming. Dept of Treasury & Finance: policy and legislation; regulation; taxes. Tasmanian Gaming Commission (TGC): regulation and control of all gaming. Reports to Minister.	Chief Minister: Chief Minister's Dept: policy and legislation; regulation.	Minister for Racing & Gaming: licensing. Racing, Gaming & Licensing Dept: policy and legislation. Racing and Gaming Authority (R&GA): regulation and control. Gaming Control Comm.: regulation of all minor gaming.

Table 7.3 Snapshot of raffle and bingo gamblers, Victoria 1998 (1997)

Indicator	Raffles	Bingo
Participation rate in gambling activity	33% (61%)	5%
Characteristics of gamblers	Significantly more likely to be female, live in country areas and be occasional or disinterested gamblers	Significantly more likely to be female, live in country areas, not be in paid employment and be social gamblers
Of gamblers, how many play regularly (at least once a month)	41% (34%)	50%
Outlay per gambling activity	\$4 (\$4)	\$14
Gamblers' primary motivations	Donations to charity (61%), thrill/dream of winning (19%), social reasons (15%)	Social reasons (67%), thrill/reward of winning (11%)

Sources: Market Solutions & Mark Dickerson 1997 *Fifth Community Gambling Patterns Survey*, VCGA, Melbourne; Roy Morgan Research 1999 *Sixth Survey of Community Gambling Patterns and Perceptions*, VCGA, Melbourne.

However, charitable gambling has not been viewed with the same moral opposition or regulatory concern as other forms of gambling. The general public and governments have accepted, even applauded, gambling activities that have been organised to raise funds for charitable purposes. Governments have placed few regulatory requirements on charitable gambling operations. In many states, some types of charitable gambling (e.g. church-run bingo) have been theoretically illegal, but allowed to operate openly without penalty. The Northern Territory government still does not require official approval or reporting for minor gaming unless the operators offer a major prize of significant monetary value (a 'major lottery').

Charitable organisations (such as the Mater Hospital, Boystown, Endeavour Foundation) have operated art unions from Queensland with considerable success. These art unions offer large property prizes and mail tickets throughout Australia. However, Queensland legislation does not allow cash prizes. In 1997 Boystown registered a cash prize art union in the ACT.

Bingo (also called 'housie' in some states and New Zealand) has been a well-established fundraiser for church and sporting groups, with most games held in Catholic church community halls or sporting clubs. Bingo was particularly popular with people of British origin in South Australia and Victoria, where games regularly attracted large crowds in the post-war period. Maori communities in New Zealand also have shown a marked preference for this type of gambling, which has become a major source of community funding for needy families and social support services.

However, the legalisation and proliferation of a wide variety of gambling since the 1960s have made it increasingly difficult for small community games to maintain patronage and many have closed. Since the 1980s, bingo in major cities and towns has been conducted in large licensed centres by professional organisers who manage the games on behalf of various charities (Table 7.3). The introduction of casinos since the 1970s and gaming machines in clubs and hotels in many states since 1990 have attracted players from bingo.⁴⁵⁵ Bingo and other forms of charitable gambling have been steadily losing market share over the last decade.

⁴⁵⁵ Program on Non-profit Organisations 1994 *The Impact of the Introduction of Gaming Machines on Charitable Fundraising*, Department of Family Services and Aboriginal and Islander Affairs, Brisbane. Praxion Consultants 1996 *The Effect of Gaming Machines upon Charity and Non-Profit Organisations in Victoria*, Victorian Casino and Gaming Authority, Melbourne.

Chapter 8: Conclusion

The core themes of this history have shown that Australian gambling has been shaped by the interconnected dynamics between society, government and the market. Key defining influences have been: social and cultural values which accept gambling as a legitimate recreational activity; changing economic conditions and trends which have facilitated legalisation and the introduction of new gambling products; a federal political system in which state governments determine their own gambling policies but at the same time learn from the experience in other states; and the impact of technological innovation.

The nature of this report does not lend itself to presenting the final chapter as a set of findings. Rather, the intention is to draw together the historical themes presented in the body of the Report and to set these themes in the context of the contemporary gambling industry. The draft report of the Productivity Commission Inquiry into Australia's Gambling Industries is used as the principal source for material regarding the contemporary industry. The final section of this chapter then reviews selected research into social impacts of the expansion of gaming, seeking to identify shortfalls in the research and in available data. This review is then used as the basis for a final commentary regarding social impact of gambling research strategies, including opportunities for collaborative research.

Gambling as entertainment and leisure

From its informal colonial origins, gambling in Australia has become a large and expanding industry, incorporating a wide diversity of activities ranging from charitable gambling to internet and online interactive gaming. Development of new gambling products, a general trend to increased spending on recreation and leisure, and the expansion of commercial forms of gambling have facilitated the promotion of gambling as a legitimate form of entertainment. Many forms of gambling, particularly those which arose originally from community activities and were subsequently prohibited (e.g. off-course betting, two-up, casino card games, sportsbetting), have been legalised and made accessible to adult Australians on a daily basis.

The steady trend toward legalisation of popular gambling is reflected in the growing amount that is spent (lost) by Australians on gambling activities. Gambling expenditure has increased dramatically, particularly since the 1970s. The proportion of Household Disposable Income (HDI) spent on gambling has doubled from 1.6% in the early 1970s to a peak of 3.2% of HDI in 1997-98. Real per capita expenditure has almost doubled from \$458 in 1990-91 to \$819 in 1997-98. Total gambling expenditure in 1997-98 was \$11.067 million. The net takings by Australian gambling industries increased by 41% between 1994-95 and 1997-98, a growth rate of 12% per annum over this period.⁴⁵⁶

As this report has shown, the historical efficacy of gambling as a form of leisure and entertainment in Australian society is unquestioned. In recent years the continued popularity of gambling activities has been consistently reflected in participation surveys, as well as in indicators such as aggregate expenditure data.

⁴⁵⁶ ABS 1999 *Gambling Industries*, Catalogue No. 8684.0; TGC 1999 *Australian Gambling Statistics 1972/73-1997/98*.

In previous eras in Australian history, as this report has shown, gambling faced a strong moral opposition. In contrast, gambling today appears to be perceived as an acceptable and legitimate form of social entertainment. However, some aspects of the predominance of commercial gaming and its perceived negative social impacts appear to be provoking widespread social concern. The resolution of this contradiction looms as the major challenge for elected governments, gaming operators, regulators and policy makers in the immediate and medium-term future, particularly in relation to the provision of gambling activities as mass leisure and entertainment.

Technology and gambling development

Technology has made a significant contribution to the nature of gambling products and to market growth. Even in the nineteenth century, Australian gambling innovations have led the world and facilitated public participation and the development of new gambling products. The development and introduction of the totalisator played a critical role in attracting people to race meetings and to betting; radio broadcasts and the telephone improved consumer service, stimulated public interest in racing and made possible a dramatic growth in off-course SP betting. In the last decade, the use of satellite telecommunications and SKY Channel has brought racing from every state and overseas into people's homes.

Technological developments also have provided much greater access to gambling. Gambling is conveniently available in every Australian shopping centre, and increasingly in the home. The development of computer technology and on-line retail outlets enabled lottery operators and TABs to improve their services and offer more products with quicker results. Computerisation improved regulatory controls over gaming machines and thus facilitated legalisation; it also has allowed gambling suppliers to develop faster, more exciting games.

New technological forms of gambling, such as internet and interactive betting, have emerged as a major area of potential growth. TAB betting, lottery sales, casino games and sportsbetting are provided by Australian internet services.

Moreover, advances in information technology allow gambling operators to collect valuable commercial data on their customers. Membership programs in casinos and clubs enable the venue to offer prizes and other promotions to encourage consumer loyalty and sustained levels of spending.

Technological advances will continue to shape Australia's gambling development in the future. Subject to regulatory approval by state governments, interactive gambling and sportsbetting through the internet and digital television are likely to lead another wave of gambling growth into the next century.

Gambling as an industry and source of employment

As this report has shown, the last two decades have seen rapid expansion in gaming expenditure, strategic and commercially successful new product design and development, and technological innovation in the gambling industry. But as this comparative history illustrates,

the pattern of industry growth has not been even. Whereas lotteries were predominant in the past, during the 1990s expenditure on gaming, especially EGMs and casino gambling, has increased at a much faster rate than other forms of gambling. The introduction of EGMs to clubs and hotels in every state except Western Australia, and an increase in the total number of casinos from eight in 1990 to fourteen by 1996, have made these forms of gambling accessible to the majority of Australians on a daily basis. The availability of large numbers of poker machines in NSW since 1956 has been a major reason for that state's consistently high per capita gambling expenditure. Similarly the introduction of significant numbers of EGMs in Queensland, Victoria and South Australia during the 1990s has coincided with a dramatic growth in gaming expenditure in those states.

In 1997-98 gaming machines accounted for 58% of total net industry takings from Australian gambling, a significant increase from 51% in 1994-95.⁴⁵⁷ This represents an annual increase of 17% per annum over the three year period. The net takings for poker machines and EGMs in 1997-98 were highest in clubs (\$3,432 million); but the greatest percentage increase occurred in casinos (104%) and pubs, taverns and bars (126%). In comparison, the proportion of total industry takings on lotteries, lotto, football pools, instant money and club keno decreased from 17% in 1994-95 to 15% in 1997-98. This decrease occurred despite the introduction of new lottery products, strong marketing campaigns and rationalisation of retail outlets.

Despite the large increase in expenditure and net takings, there has been a general trend to larger gambling facilities with only a 7% increase in the number of businesses providing gambling services since 1995. However, employment by gambling industries increased by 17% in the same period.

The most significant change in Australia's gambling industries during the 1990s has been the growth of gambling in pubs, taverns and bars. In that industry there has been a 20% increase in the number of businesses with gambling facilities; 11.8% increase in net takings from gambling; 25% increase in employment, and an increase in profit before tax from \$183 million to \$582 million in 1997-98.

The major factor in this growth has been the introduction of EGMs in Queensland, Victoria, South Australia, Northern Territory and Tasmania, and a rapid expansion in the number of gaming machines in NSW.

Racing, formerly the most popular form of gambling until the 1960s, has struggled to maintain its market share. The proportion of net takings from on-course totalisator and off-course TAB sales decreased from 19% in 1994-95 to 14% in 1997-98.⁴⁵⁸ In all states, greyhound racing and harness racing continue to be subordinate to the more popular horseracing. But even with horseracing, track attendance has dwindled, the number of country race meetings have declined and regional racetracks have closed. There also has been a trend to rationalisation of TAB agencies, particularly in rural areas. Innovations such as night racing, satellite telecasting and feature race carnivals have been introduced in an attempt to improve participation. In Victoria, strategic industry development and strong marketing of

⁴⁵⁷ Australian Bureau of Statistics. *Gambling Industries 1994-95, 1997-98*. Catalogue No. 8684.0, 8647.0.

⁴⁵⁸ Australian Bureau of Statistics. *Gambling Industries 1994-95, 1997-98*. Catalogue No. 8684.0, 8647.0.

racing as an exciting form of entertainment has counteracted the general downward trend in other states. Through the now private Tabcorp, the Victorian horse race industry has been boosted by additional revenues from gaming.

Associated with the proliferation of legalised gambling in Australia has been a shift towards investment and operation by large private corporations. Whereas many early forms of Australian gambling were community based (regional horseracing, bingo, charitable gambling) or government run (TABs, state lotteries), the most rapidly growing forms of gambling involve private investors and transnational games. Commercial casinos, in particular, have attracted international gambling operators and to a lesser extent, participation by tourists and 'highroller' gamblers. Following the opening of the first Australian casino at Wrest Point in 1973, casinos have opened in every state and territory, including Christmas Island. By 1995-96, there were fourteen operating casinos in Australia. Canberra Casino was the only casino wholly owned by overseas interests; the Christmas Island casino was 90% owned by an Indonesian investor; the two Tasmanian casinos were owned by a private company; and the remainder were owned by consortia of Australian and international investors, often with substantial public shareholdings.

This market trend has been accompanied by an increased concentration of the Australian casino industry. Casinos operated by the four largest enterprises involved in the casino industry accounted for 82% of employment at the end of June 1997 and 82% of total income in 1996-97.

By the mid-1990s the Australian casino industry was indicating signs of maturity and limited opportunities for future growth. Increased competition within the casino sector and from the introduction of EGMs had begun to undermine the profits of some casinos. In 1996-97 the Australian casino industry generated an operating profit before tax of \$27.4 million, a significant fall on the overall operating profit margin of 8.9% in 1995-96 and 6.5% in 1994-95.⁴⁵⁹ That year the operating profit before tax per person employed was \$1,200 compared to \$10,700 in 1995-96.

Increased competition and market maturity also resulted in increased casino expenditure on promotions and marketing. In 1991-92 Australian casinos spent 1.4% (\$10.4 million) of their total income on advertising, marketing and promotions; in 1997-98, this expenditure had risen to 15.3% (\$458.8 million) of total casino earnings.⁴⁶⁰

Despite these efforts, declining profit margins, market instability and the costs of competing with the larger operators forced several casinos to withdraw from the international 'junket' market by 1997. These casinos (Darwin, Canberra, Adelaide, Townsville, Hobart, Launceston, Cairns) now concentrate on providing a service to the local community. The Christmas Island Casino was closed in 1998 and placed in the hands of receivers.

The move towards gambling as a legitimate private sector business also is reflected in the privatisation of state-owned gambling operations such as TABs and the corporatisation of state lotteries. To some extent Australian gambling industries always have been a mix of

⁴⁵⁹ Australian Bureau of Statistics. *Casinos. 1996-97*. Catalogue No. 8683.0.

⁴⁶⁰ *Ibid.*

public and private ownership. However, after Federation, gambling in most states was characterised by government ownership (TABs, state lotteries) and tight restrictions on private operators (bookmakers, gaming clubs). In the 1970s this process began to be reversed with the introduction of privately owned casinos and lotto. In 1994 Victoria was the first state to privatise the TAB (now Tabcorp); New South Wales followed in 1998 and Queensland in 1999. Other states are considering similar commercialisation options.

Australian lotteries have been predominantly government owned: Tattersall's in Victoria and the Territory Lottery Company in the Northern Territory are the two exceptions. Since the 1980s there has been an expansion in the range of lottery products (lotto, soccer pools, scratch-tickets, jackpot lotteries) and most state lotteries have been corporatised.

Another trend which indicates the changing nature of gambling as an industry is the convergence of gaming and wagering. This process is best exemplified by Tabcorp's role as operator of both wagering and gaming. However other gambling corporations (Tattersall's, Jupiter's Trust, TAB Ltd) also have diversified from their original product base to become major providers of other forms of gambling.

The politics of gambling development

Along with social, industry and market trends, however, the character and structure of Australian gambling has been shaped by the variable nature of the federal system and state differences. In each state a complex matrix of events provided the conditions for economic and social change and for legalised gambling to address these trends. Through the policy process, each government observed the experience and responses of other jurisdictions and developed policies to suit their own needs and aspirations. With casinos, for example, at different times the various states confronted specific regional problems of economic development; casinos were proposed as a key part of new solutions which would solve these problems. Thus the legalisation of Australian casinos has featured distinctly regional responses in three 'waves' of development, based on different moral climates, political economic conditions and interstate competition for development.

Per capita expenditure also reveals significant state differences. NSW consistently has had the largest level of per capita expenditure; in recent years South Australia, Queensland and Tasmania have had the lowest. These interstate differences appear to be due to the availability of legal gambling outlets, different leisure patterns between states and the ability of each state to attract out-of-state tourists to their gambling venues.

The legalisation of casinos in each state has been associated with a significant increase in per capita gambling (\$119 per annum, in 1997-98 values).⁴⁶¹ The introduction of EGMs also has had a marked effect on the level of per capita expenditure; states experienced an average increase of \$63.⁴⁶² Casino gambling and EGMs have become the dominant forms of gambling in each state where they have been introduced, in most cases rapidly surpassing the levels of expenditure on other forms of gambling.

⁴⁶¹ Productivity Commission, *Australia's Gambling Industries Draft Report*.

⁴⁶² Ibid.

However, the extent and types of legal gambling have also been circumscribed by state government regulations and community acceptance to accommodate local preferences, social concerns and expectations. Hence the state and territory pattern of development exhibits notable variations; for example, the prescribed limit of 660 EGMs in the Northern Territory contrasts sharply with the situation in NSW (over 95,000 EGMs and steadily increasing) and the prevailing prohibition on EGMs in Western Australia. Yet each state also has embraced policies and innovations of other states; and interstate rivalry and competition for a share of the gambling market increasingly shapes policy decisions.

Gambling as a source of government revenue

Gambling taxes are a stable and rising source of state revenue. The contributions of gambling to state revenues are influenced by the extent to which gambling is available and by the widely variable tax rates that apply in the various jurisdictions. While tax rates vary between and within different forms of gambling, the broad levels of taxation are similar between jurisdictions.

During the 1970s, wagering/betting was the major source of government gambling revenue. By the early 1980s, lotteries had become the principle gambling tax source. The expansion of gaming machines and casinos in the early 1990s displaced lotteries/lotto as the predominant revenue source. While new forms of gambling have been an important source of revenue growth, tax from gaming machines grew rapidly even in NSW, which has had gaming machines since the 1950s. Government revenue from gambling averaged 34% of gambling expenditure in 1997-98. Of this revenue, lotteries/lotto provided the largest share (82%), wagering 43%, gaming machines 30% and casinos 21%.

Real government revenue from gaming was \$3.258 billion for 1997-98. Real government revenue from racing was \$574.8 million for the same period. The importance of these revenue amounts to overall state government budgets has become part of discussion about the politics of gaming expansion. As the Productivity Commission discusses, Commonwealth-state fiscal arrangements place pressure on state and territory governments to recoup tax revenue from those avenues available to them that are 'benchmarked' as providing consistent high returns. The reliance of state and territory governments upon gambling taxation revenue⁴⁶³ becomes a contributory factor in the overall development of state and territory gambling policy.

⁴⁶³ Gambling tax revenue as percentage of total own-tax revenue 1997-98, reported by the Productivity Commission (1999:18.7): Victoria 15.2%; NSW 10.4%; Queensland 12.5%; WA 5.7%; SA 13.8%; Tasmania 10.3%; ACT 8.3%; NT 9.6%; average 11.7%.

Contemporary debates over gambling: The convergence of historical themes

As this history has shown, in recent years the continued growth of legalised gambling has generated heated debates and public protest over perceived negative social impacts including an apparent increase in problem gambling. Unlike the debates over religious morality, which dominated Australia's early gambling history, churches and community groups in the late 1990s have not been concerned with prohibiting gambling as such. Rather their protests have focused on perceived commercial expansion and promotion of gambling by industry and governments and the social impacts on vulnerable groups in the community.

Several state governments have responded to these public concerns by establishing public inquiries to identify the social impacts of gambling: Select Parliamentary Inquiry (SA) (1998); Select Committee on Gambling, Legislative Assembly for the Australian Capital Territory (1999); IPART (Independent Pricing and Regulatory Tribunal of NSW) (1998). In addition, the Queensland Government in 1999 established a gaming inquiry that has yet to produce its report. Each of these inquiries has examined submissions that presented evidence of both benefits and costs of gambling in their respective jurisdiction.

However, the most comprehensive and significant outcome of contemporary public debates has been the establishment by the Commonwealth Government of a comprehensive national inquiry conducted by the Productivity Commission. The Productivity Commission Inquiry into Australia's Gambling Industries is an important milestone in the understanding of the complexity and contradictions of Australian gambling.

The Commission released its Draft Report in July 1999. Its key findings have highlighted the contradictory tendencies associated with rapid industry growth and commercialisation, and the social costs experienced by individuals and the community. Problem gambling was identified by the Commission as the most significant social cost.

Importantly, the Commission argues that gambling is not 'just another industry'.

The 'questionable' nature of the gambling industries reflects their ability simultaneously to provide entertainment that is harmless to many people, while being a source of great distress – and even of financial ruin – to a significant minority. The imbalances between the consequences for each group can be very marked, a feature not found in other entertainment industries....

Furthermore, the benefits which may derive from gambling – to the extent that they include occasional winnings – are in part derived from the financial losses of others, and the consequent suffering of some. This too sets the activity apart and helps explain long-standing ethical or moral objections within the community to activities seen as involving the pursuit of 'easy money'.⁴⁶⁴

⁴⁶⁴ Productivity Commission, *Australia's Gambling Industries Draft Report*, p.xxii

As part of its investigations, the Commission conducted a large national survey of Australians, the first in Australia's history, to monitor people's gambling patterns and their perceptions of contemporary gambling. Consistent with previous state-based research, the Commission's survey found widespread concern about the expansion of gambling and a higher level of problem gambling than recorded in previous Australian studies.

The Productivity Commission's key findings relevant to this history include:⁴⁶⁵

- Gambling provides some enjoyment to most Australians, over 80 per cent of whom gambled in the last year – spending about \$11 billion – with 40 per cent gambling regularly.
 - It is these consumer gains, rather than (mostly illusory) gains in output or jobs, that are the main source of national benefit from the gambling industries.
- Around 330,000 Australians (2.3 per cent of the adult population) are estimated to have significant gambling problems, with 140,000 experiencing severe problems.
- Problem gamblers comprise 15 per cent of regular (non-lottery) gamblers and account for over \$3 billion in losses annually – one third of the gambling industries' market.
 - They lose on average nearly \$12,000 each per year, compared with \$625 for other gamblers.
- The prevalence of problem gambling is directly related to the degree of accessibility of gambling, particularly gaming machines.
- Such impacts on individuals and the community help explain the ambivalence of most Australians about the gambling industries:
 - 75 per cent of people surveyed believed that gambling does more harm than good and 92 per cent did not want to see an increase in gaming machines.
- Internet gambling offers the potential for significant consumer benefits, as well as new risks for problem gambling.

What can be identified then, at this historical juncture, is a fundamental tension between the benefits associated with the contemporary growth of gambling industries and the social costs that have emerged. While Australians continue to gamble at levels far beyond those in other nations and are willing to embrace each new form of gambling which has been introduced, they also are deeply concerned about the effects that expanded gambling is having on society and individuals.

Many of the issues identified by the Productivity Commission with regard to broader community impacts, government revenue and gambling policy remain unresolved and warrant further investigation. The following section reviews a selected bibliography of research into the social impacts of the expansion of gambling, seeking to identify shortfalls in the research undertaken to date.

⁴⁶⁵ Productivity Commission, *Australia's Gambling Industries Draft Report*, p.xii

Research on the social impacts of the expansion of commercial gaming

This section of the report summarises information regarding the research that has been conducted on social impacts, including a selection of international and Australian research developments. Tables 8.1-8.4 summarise these studies and the issues they examine. The studies nominated in these tables are far from exhaustive; they represent examples of the type of research that attempt to identify and measure the social impacts of gambling.

The following discussion focuses on issues and methodologies relevant to the development of an analytical framework and associated indicators for a model for the evaluation of the social impact of gaming. The further development of this framework is the subject of Section Two of the VCGA's comparative history project.

Research into the social impacts of gambling

Much of the existing research on the availability of gambling and social impacts is based on studies conducted in a single state or country observed over one or two time periods, or focused on one particular type of impact, (for example crime, problem gambling).

- In most Australian states research on social impacts is unsystematic and ad hoc, providing only a partial picture.
- When research has been replicated (e.g. the Australian Institute for Gambling Research's [AIGR] study of gambling in the Northern Territory; the two year study of the impacts of the Sydney Harbour Casino, the AIGR's Tasmanian baseline studies) the research has covered only a short time frame (2-3 years).
- Alternatively, the research is restricted to specific regions or locations (e.g. the AIGR's study of the impacts of the Brisbane and Cairns casinos 1996-98).
- Studies of a single state or region based on limited time points do not provide enough reliable information for trends and impacts to be identified with any confidence. The absence of longitudinal studies means that most studies provide only snapshots that are incapable of demonstrating trends, the duration of impacts, or the factors which influence those trends.
- Studies of casino gambling, where casinos are positioned to attract interstate and international visitors, have found it difficult to assess the relationship between regional patterns and impacts and casino performance.
- Similarly, information on the impacts of border clubs and hotels are distorted by the fact that state-based data on expenditure, problem gambling, employment, crime, etc. may not reflect cross-border movements.

- Rarely do impact studies incorporate control groups, regions or states. In the current Australian context, for example, Western Australia (which is the only Australian state without club and hotel EGMs) provides a useful control for studies of the impact of gaming machines outside casinos.
- However, it would be difficult, if not impossible, to have a control for any study of online gambling. Identification of the impacts of internet gambling present an even greater research challenge. By its very nature, internet gambling transgresses state borders and the impacts are displaced offshore.
- The majority of impact studies do not adequately address the question of causality, or explore the extent of the relationship between gambling intensity/availability and specific types of impact. For example, studies on the impact of casinos on community crime often assume (rather than investigate) a direct causal relationship between the introduction of a casino and statistics showing increased crime. Issues such as displacement, changes in policing practices and general environmental influences are not systematically examined. Similar criticisms can be made of many studies that explore the relationship between gambling and economic hardship.
- Moreover, inadequacies in data sets, changes in data categories (e.g. crime, tourism and ABS statistics) prevent reliable time series analysis.
- Many official statistics (e.g. crime data) are not sensitive enough to allow specific gambling-related impacts to be disentangled from more general patterns and trends. Other data are available only in aggregate form at the state level, and thus tell us nothing about regional issues. Yet gambling impacts often are experienced most acutely at the local and regional level.
- In the absence of regionally sensitive data many studies rely on aggregate data (e.g. at a state level) and make assumptions from these about regional impacts.
- It is inappropriate for Australian researchers to assume that they can simply transfer concepts, findings or assumptions from research conducted in other countries to their own studies. Significant differences between Australia and other countries in the socio-cultural environment, the structure of gambling industries, the gambling products and public policies make such assumptions invalid. Australian gambling research should be sensitive to the distinctive characteristics of the local environment.

Gambling social impact studies have also been hampered by data inadequacies, inconsistencies and gaps. At a national level, there is a serious shortage of reliable time-series data on gambling or its impacts. The national expenditure and taxation data compiled by the Tasmanian Gaming Commission are the only reliable and comparable longitudinal data on gambling industries which are available. Gambling data provided by the Household Expenditure Survey (a self-report community survey) are widely recognised as an understatement and less reliable. The ABS 'gambling industries' series has established the foundation for time-series data, but the series began only in the mid-1990s and by 1999 had

been replicated only once.

Victoria is the only state with a coherent research strategy to examine comprehensively the social and economic impacts of gambling over time. A detailed summary and evaluation of the 1996-97 research is provided in the VCGA's *Summary of Findings; 1996-97 Research Program* publication. This summary is condensed in Table 8.5.

The VCGA's research program, which began in 1991 and was refined in 1994, has established baseline data for longitudinal impact analysis, including:

- annual replication of behavioural and attitude studies. This series of studies thus provides the only comparable data on gambling patterns and perceptions;
- regional studies of the impacts of gambling in metropolitan and rural communities. To date there have not been follow-up studies, preventing analysis of trends. Different methodologies and frameworks limit the comparative value of these studies;
- current VCGA research (for example, *The Impact of Gaming on Specific Cultural Groups*) indicates a more specific focus on the nature and impacts of gambling in particular segments of the community; and
- the Baseline Database Project, which aims to integrate gambling specific information with other geo-demographic data.

Table 8.1 Social impacts of gambling: Selected research, all gambling types

Jurisdiction/ Commissioning body	Author/ Consultant	Year	Title of Study	Main Themes
Australia	National Productivity Commission	1999	<i>Australia's Gambling Industries</i>	Comprehensive report into gambling; around 2.3% of Australians are problem gamblers; there are social and economic benefits for recreational gamblers; need for independent regulatory authority.
New South Wales/ Casino Community Benefit Trust Fund (CCBFT)	AIGR	1998	<i>An Examination of the Socio-Economic Effects of Gambling on Individuals, Families and the Community, including Research into the Costs of Problem Gambling in NSW</i>	Small increase (up to 4.4%) in number of players gambling weekly or more and are 'at risk' of gambling problems; economic costs from negative impacts remained stable since 1995 at \$50 million pa.
Northern Territory	AIGR	1998	<i>Study of Gambling in the Northern Territory 1996/7</i>	Comprehensive analysis of social and economic impacts of all forms of gambling in the Northern Territory.
Victoria	Melbourne University	1997	<i>Analysis of clients presenting to problem gambling counselling services</i>	Problem gamblers increasingly turning to crime to finance gambling habits.
Victoria	Financial and Consumer Rights Council	1997	<i>Queen of Hearts – The needs of women with gambling problems</i>	Gaming venues are safe places for women; problem gamblers, middle-aged, low-income; report loss of control, guilt, health problems, financial & relationship difficulties.
Australia	Walker, M.B.	1997	<i>The Impact of Casinos in Urban Centres on Problem Gambling</i>	Introduction of legalised casinos in urban centres is associated with large increases in gamblers seeking help.
South Australia	Department of Family and Community Services	1996	<i>Community gambling patterns and the prevalence of gambling-related problems in South Australia</i>	Public attitudes; accessibility of gaming activities; entertainment and leisure; problem gambling.
Tasmania	AIGR	1996	<i>The Extent and Impact of Gambling in Tasmania with Reference to Problem Gambling</i>	Follow up to 1994 baseline study. Increased number in gambling activities; lotto and 'scratchies' most regular activity; city residents play more casino, EGMs and keno.
Victoria	People Together Project	1996	<i>'Pressure Cooker': Living in the South East Growth Corridor – Cranbourne and district community audit report</i>	Negative perceptions of gaming have developed in part due to increased media coverage of the social impacts of gambling.
New Zealand	NZ DIA Policy Research Unit	1996	<i>People's Participation In and Attitudes Towards Gambling: Final Results of the 1995 Survey</i>	Survey on participation, expenditure, attitudes, social impacts, types of gambling and problem gamblers.
Other	Munting, R.	1996	<i>An economic and social history of gambling in Britain and the USA</i>	Comparative history of gambling; reports on media, taxation, operators and social problems.
New Zealand	NZ Dept of Internal Affairs (DIA) Coopers and Lybrand	1995	<i>The Social Impact of Gaming in New Zealand</i>	Report for NZ review of gaming. Problem gambling; greater availability of gaming activities leads to increase in problem gamblers; crime, leisure, community benefits.
New Zealand	NZ DIA Coopers and Lybrand	1995	<i>The Economic Impact of Gaming in New Zealand</i>	Report for NZ review of gaming. Impact on local and national economies, increased tax revenue, tourism and employment.
USA	Goodman, R.	1995	<i>The Luck Business: The Devastating Consequences and Broken Promises of America's Gambling Explosion</i>	Highlights the negative consequences of casinos; the costs to governments and community; warns policy advisers to consider impacts of casino revenue.
Tasmania	Australian Institute for Gambling Research (AIGR)	1994	<i>A Baseline Study of the Impact of Gambling in Tasmania with Particular Reference to Problem Gambling</i>	Social impacts; public attitudes and gambling patterns. Prevalence of problem gambling.
Tasmania	Tasmanian Gaming Commission	1972-73 to 1997-98	<i>Australian Gambling Statistics</i>	Annual summary of gross turnover and expenditure on all forms of gaming and wagering in all states and territories.

Table 8.2 Social impacts of gambling: Selected research, electronic gaming machines

Jurisdiction/ Commissioning body	Author/ Consultant	Year	Title of Study	Main Themes
NSW/ Casino Community Benefit Fund Trust (CCBFT)	Southern Cross University	1997	<i>Evaluating the Current and Future Adequacy of Services for Problem Gamblers in Sydney</i>	Welfare services found to be inadequate: call for increased funding for individual counselling; establish a coordinating body for Sydney agencies.
NSW CCBFT	Southern Cross University	1997	<i>Poker Machine Playing and Problem Gambling amongst Members of Sydney Registered Clubs</i>	Profile of poker machine players cf. non-poker machine players; 3.7% surveyed club patrons are problem gamblers.
NSW	Charles Sturt University	1997	<i>The Reaction of NSW Border Clubs to the Introduction of Legalised Gaming in Victoria</i>	Clubs report severe economic impacts due to introduction of EGMs in Victoria.
NSW	Econsult ADR	1996	<i>Impact of Electronic Gaming on the Murray River Region</i>	Regional economies report severe economic impacts due to legalised gaming in Victoria.
NSW/ CCBFT	Southern Cross University	1996	<i>Socio-Demographic Characteristics of Resident Populations Supporting Poker Machine Playing in Sydney Registered Clubs</i>	High EGM expenditure found in adult resident populations with limited qualifications and/or unemployed; reflects profile found in previous studies.
Queensland	AIGR & Labour and Industry Research Unit	1994	<i>Report of the First Year of the Study into the Social and Economic Impact of the Introduction of Gaming Machines to QLD Clubs and Hotels</i>	Licensed clubs reported \$60m in building & facility improvements; membership increases; employment growth; increased tax revenue; generally positive attitudes towards gambling in community.

Table 8.3 Social impacts of gambling: Selected research, lotteries

Jurisdiction/ Commissioning body	Author/ Consultant	Year	Title of Study	Main Themes
USA	Jones, T.H.	1997	<i>Do State Lotteries Enhance the Financing of Public Education?</i>	State lottery revenues do not help schools in America; earmarked funds for schools are re-directed elsewhere.
USA	Goldman, G.E.	1997	<i>The Economic Impact of the Californian State Lottery on a Rural Area in California</i>	Funding arrangements for Californian lottery further disadvantage rural sector.
Asia	Liu, D.Y.	1997	<i>An Analysis of the Economic Impacts of Lottery in Taiwan</i>	Reviews the adoption of lotteries in Taipei; initial public demand resulted in government termination due to moral standards in society.
Africa	Brenner, G.A., Lipeb, M. and Servet, J.M.	1996	<i>Gambling in Cameroon and Senegal: A response to crisis?</i>	Lotteries are a growing source of revenue for financially deficient governments in Africa; who maintain monopoly control of lotteries.

Table 8.4 Social impacts of gambling: Selected research, casinos

Jurisdiction/ Commissioning body	Author/ Consultant	Year	Title of Study	Main Themes
New Zealand/ NZ Casino Control Authority	AIGR	1998	<i>Study of the Social and Economic Impacts of New Zealand Casinos</i>	Overall growth of gambling in NZ; crime minimised due to casino management; employment, community attitudes, economic impacts.
USA	Gazel, R.	1998	<i>The Economic Impacts of Casino Gambling at the State and Local Levels</i>	Positive and negative economic impacts; monopolistic market structure results in economic losses in casino gambling.
USA	Blevins, A. and Jensen, K.	1998	<i>Gambling as a Community Development Quick Fix</i>	Social impacts of casinos in the southern states; changes in traffic, law enforcement and use of infrastructure.
USA	Miller, W.J. and Schwartz, M.D.	1998	<i>Casino Gambling and Street Crime</i>	Problems with definition of street crime and determining causal relationship between crime and casinos.
Victoria	National Institute of Economic and Industry Research	1997	<i>Melbourne Metabolism Study – Stage One Temporary and Permanent Casino Complex Impact Assessment</i>	Predicted recreation and entertainment to decline in some areas and increase in Southbank; demand for tourists accommodation in city will increase.
New Zealand	NZ Dept of Internal Affairs (DIA) Policy Research Unit	1997	<i>What's On the Cards?: A Literature Review of the Social and Economic Impacts of Casinos</i>	Presents a review of international impact studies conducted on casinos; incl. legalisation, development, public attitudes, crime and problem gambling.
Canada	Albanese, J.S.	1997	<i>Predicting the Impact of Casino Gambling on Crime and Law Enforcement in Windsor, Ontario</i>	Prediction model based on previous casino developments; additional police officers required for increases in visitors, traffic and crime.
USA	Anders, G.C.	1997	<i>Estimating the Economic Impact of Indian Casino Gambling: A Case Study of the Fort Dowell Reservation</i>	Discusses history and current operation of the profitable casino. Tribes have prospered through gaming but the impact on their future is not known.
USA	Deller, S.C. and Chen, S.	1997	<i>The Impact of Native American Gaming on Rural Areas: The Case of Wisconsin</i>	Surges of income from Indian gaming have been dramatic; increased incomes, drop in unemployment; however little integration in local economy.
USA	Evart, C.	1997	<i>Casino Gaming and the Unwary Host Community: Lessons Learned</i>	Compares environmental and social issues associated with casino gaming; reduce impact on local community through informed planning.
USA	Harris, T.R.	1997	<i>Expansion of the Gaming Industry: Opportunities for Cooperative Extension</i>	Growth in the rural gaming industry proves an opportunity for cooperative extension to develop programs to aid rural citizens and economies.
USA	Rittvo, S.M.	1997	<i>Planning Casinos that Complement the Urban Mosaic – The New Orleans Land Based Casino: A Case Study</i>	Developers must use the best possible planning processes and integrate casino complexes into the local context.
USA	Long, P.T. and Kang, Y.S.	1997	<i>Impacts of Limited-Stakes Casino Gambling on Resident Satisfaction with Community Life: A Preliminary Report</i>	Implementing gambling in rural communities has had varied success; resident satisfaction was higher in non-gambling towns.
USA	Truitt, L.J.	1997	<i>The Regulation and Economic Impact of Riverboat Casino Gambling in Illinois</i>	Early experiences of legalised riverboat gambling, gambling policy; revenue and employment exceeded all projections.
Other	Hughey, A.M. & Mobilia, P.	1997	<i>The Development of Casino Industries on American Indian Reservations and South African Homelands: A Comparison</i>	Both reservations and homelands have used gaming revenue to increase economic welfare in impoverished communities.
NSW	Lynch, R. & Veal, A.J.	1996-7	<i>Impact Study of the Sydney Harbour Casino</i>	Low level impact on tourism, assessed local/displaced crime
Queensland	Queensland University of Technology	1996	<i>Comparative Study of the Socio-Economic Impacts of the Brisbane and Cairns Casinos 1996-1998</i>	First report on longitudinal study of the social and economic impacts of the Brisbane and Cairns casinos.
Queensland	Queensland University of Technology	1996	<i>The Cairns Casino: Community Attitudes and Some Employment Impacts. Report No.2</i>	Second report of 1995 pilot study into potential impacts of proposed casino. Residents felt casino would have an overall positive impact but concerned about social impacts.
USA	Uni of Illinois Grinols, E.L. & Omorov, J.D.	1995	<i>Development or Dreamfield Delusions?: Assessing Casino Gambling's Costs and Benefits</i>	Successful casinos must shift as many of the social and economic costs as possible out of their own community.

Jurisdiction/ Commissioning body	Author/ Consultant	Year	Title of Study	Main Themes
Canada	City of Vancouver Planning Department	1994	<i>City of Vancouver Casino Review: A Discussion Paper</i>	Comprehensive study of the social and economic impacts; resulted in rejection of casino in Vancouver.
Australian Capital Territory	Civic Sec. 19 Development and Casino Study Team	1988	<i>Casino Development for Canberra: Social impact report</i>	The casino would result in an increase in gambling levels; small increase in problem gambling. Casino was recommended with effective control system in place.
USA	Sternlieb, G. & Hughes, J.W.	1983	<i>The Atlantic City Gamble: A Twentieth Century Fund Report</i>	New Jersey referendum to authorise casino gambling; found increased crime rates and housing prices, and limited employment from casino development.

Table 8.5 Social impacts of gambling research: Victorian Casino and Gaming Authority

Author/ consultant	Year	Gambling Type	Title	Main Themes & Major Findings
Roy Morgan Research	1999	All	<i>Sixth Survey of Community Gambling Patterns and Perceptions</i>	Participation rate declined over last 2 years; increased expenditure on casinos and EGMs. Racing and lotto remained constant.
Hames Sharley	1997	EGMs	<i>Impact of EGMs on Small Rural Communities</i>	EGMs provide extra entertainment but can adversely effect disadvantaged, cause increases in gambling debts and reduce retail expenditure.
Melbourne and Deakin Universities	1997	EGMs	<i>Impact of EGMs on Inner City Municipalities</i>	Improved facilities provide greater opportunity for social interaction; disadvantaged individuals gain self esteem via gaming venue.
Melbourne and Deakin Universities	1997	EGMs	<i>Social and Economic Effects of EGMs on Non-Metropolitan Communities</i>	Gaming venues provide social setting but impact on low-income earners, unemployed, pensioners and disabled in managing their expenditure.
Australian Institute for Gambling Research (AIGR)	1997	All	<i>Definition and Incidence of Problem Gambling including the Socio-Economic Distribution of Gamblers</i>	Problem gambling is the situation when a person's gambling activity gives rise to harm to themselves, their family and community; affects women as often as men; problems for unemployed and disadvantaged; crosses all cultures.
Roy Morgan Research	1997	All	<i>Older People and Gambling</i>	Gaming venues provide social entertainment; elderly more cautious with limited funds to spend; problem gamblers less likely to access counselling services.
Market Solutions & AIGR	1997	All	<i>Fifth Community Gambling Pattern Survey Combined with Second Positive & Negative Perceptions of Gambling Survey</i>	Risk group of problem gamblers ranges between 1-3% population; using South Oaks Gambling Screen.
Market Solutions	1997	All	<i>Community Gambling Patterns – Survey Four</i>	Elderly spend less on average compared to total population in Vic.
Hames Sharley	1997	All	<i>Community Facilities Resulting from Providers of Gaming (include 3rd Survey of Gaming Venues)</i>	Increased funds from Vic hotels; majority venues donate to charities; some not-for-profit losing funding in competition in minor gaming activities.
Nat. Institute of Economic & Industry Research (NIEIR)	1997	All	<i>The Effect of Gambling on Employment in Victoria</i>	Increased gambling revenue created employment in the operators and venues, contractors and multiplier effect in other sectors.
NIEIR	1997	All	<i>Impact of Expansion in Gaming on the Victorian Retail Sector</i>	Growth in gambling expenditure funded by reduction in personal, household savings levels; some reduced local retail spending.
Hames Sharley	1997	Casinos	<i>Patron Profile of a Major Casino Operating in a Metropolitan Environment</i>	Temporary casino indicates 20% tourists from country Vic, interstate and overseas; permanent casino increased interstate tourists.
Arthur Andersen	1997	All	<i>Summary of Research Findings -1996-97 Research Program</i>	Summarises and evaluates the findings of the research projects undertaken by the VCGA; draws conclusions about the social and economic impacts of increased gaming opportunities in Victoria.
Hames Sharley	1996	All	<i>Positive and Negative Perceptions of Gambling – Survey One</i>	Support for the entertainment and economic benefits of casino were contrasted with opinions that EGMs were introduced too quickly in Victoria
Praxion	1995	EGMs	<i>The Effect of Electronic Gaming Machines Upon Charity and Non-Profit Organisations in Victoria</i>	Community groups who own, use or are beneficiaries of EGMs have benefited with increased funding and enhanced facilities.
DBM Consultants	1995	All	<i>Community Gambling Patterns – Survey Three</i>	Only 0.5% respondents admitted having a gambling problem; 63% see gambling as serious problem.
AGB McNair	1995	All	<i>Community Gambling Patterns – Survey Two</i>	Public perceive gambling as serious problem affecting between 5% to 20% of population; increase due to EGMs.
AGB McNair	1992	All	<i>Community Gambling Patterns – Survey One</i>	Up to 78% respondents believed EGMs and the casino would boost Victoria's economy and tourism; gambling widely accepted in community.

Concluding comments

This history has shown that Australian society is a fertile environment for gambling as a popular recreational activity, an important and growing industry and a significant and reliable source of government revenue. Despite the predictions of economists in the 1980s that the demand for gambling had been satisfied and that there was no capacity for further expansion, the market has continued to expand and to diversify. Investments in the gambling industry, particularly online/internet ventures, feature in financial papers on an almost daily basis. The challenge of regulation of this new mode of delivery of gambling products – anticipated to develop into one of the most lucrative sectors of e-commerce – awaits.

The industry trends that are emerging today indicate a convergence of gaming with racing, of gambling with other forms of recreation and entertainment, and of gambling business with new forms of telecommunications and media. Gambling is no longer confined to specific sites such as casinos, clubs or racetracks; it increasingly crosses jurisdictional borders and operates globally. From its organic origins as community based recreation, it is now a national and international industry. Australia leads the world in the legalisation of internet and online interactive gambling. In the next decades of the dominance of the information economy it is likely we will see the increased integration of gaming business into media and entertainment conglomerates, extending even further the presence of gambling throughout the spheres of everyday life.

Appendix 1 Definitions and Sources

The Australian Bureau of Statistics (ABS) defines gambling for the purposes of recording and monitoring activity and including it in the national accounts. Statistically recorded gambling consists of racing and gaming. Racing includes betting on horses (galloping and harnessing racing) and greyhounds. Bets are made with bookmakers or with totalisator agencies. Gaming includes expenditures on lotteries, Casino games and activities, electronic gaming machines (EGMs) and minor forms (pools, bingo, raffles and so on). In all these gaming forms consumers purchase services from organisations which provide the gambling activity and in almost all cases the government regulates and taxes activity. In addition there is a very much smaller level of private betting, in which private citizens wager among themselves, that does not enter official statistics.

The data used in the report comes from a variety of sources. Consequently, sometimes the definition of industries involved (or expenditures made) in gambling can vary. Table A1.1 lists the various industry definitions used in this analysis, and Table A1.2 lists the sources and their coverage. It must be noted that the Tasmanian Gaming Commission expenditure data for each state and territory includes spending by local residents and domestic and international tourists.

Table A1.1 Gambling industry definitions

Source	Industry	Definition			
Tasmanian Gaming Commission , Australian Gaming Statistics 1972-73 to 1997-98 (figures 8.1- 8.9, 8.30-8.31).	Racing	Legal betting with bookmakers and totalisators, both on racecourses and off-course (TAB). It is related to betting on the outcome of horse and greyhound races, and, in recent times, on some other specified sporting events such as football matches.			
	Gaming	Gaming is all legal forms of gambling other than racing, such as lotteries, poker and gaming machines, casino gaming, football pools and minor gaming (which is the collective name given to raffles, bingo, lucky envelopes and the like).			
Household Expenditure Surveys (figure 8.18)	Gambling – expenditure recorded over a two-week period	Expenditure is classified according to the Household Expenditure Survey Commodity Classification List.			
Input-Output Tables (figures 8.19-8.20)		1974-75 to 1976-77	1977-78 to 1980-81	1981-82 to 1990-91	1991-92 to 1993-94
	Lottery Services	Establishments mainly engaged in operating lotteries or in selling lottery tickets.	Establishments mainly engaged in operating lotteries or in selling lottery tickets.	Establishments mainly engaged in operating lotteries or in selling lottery tickets.	Establishments mainly engaged in operating lotteries or in selling lottery tickets.
	Totalisator agency services	Establishments mainly engaged in providing totalisator facilities.	Establishments mainly engaged in providing totalisator facilities.	Establishments mainly engaged in providing totalisator facilities.	Units mainly engaged in providing totalisator facilities.
	Other Gambling services	Establishments mainly engaged in providing other betting facilities.	Establishments mainly engaged in providing betting or other gambling services.	Establishments mainly engaged in providing betting or other gambling services.	Units mainly engaged in providing betting or other gambling services, including casinos.
Census of Population and Housing (figures 8.21-8.22)	na	Social Demographics (National)			
Tasmanian Gaming Commission , Australian Gaming Statistics 1972-73 to 1997-98 (figures 8.24 – 8.29, 8.32)	Taxation	Revenue			

Table A1.2 Sources of data

Source	Data	Coverage
ABS Census	Employment × industry (all, recreation & leisure & restaurants, dedicated gambling/lotteries/racing) × state	From 1966 to 1996 (5-yearly), ex 1976
	Employment × industry (as above) × age × sex.	From 1971 to 1996 (5-yearly), ex 1976
ABS Household Expenditure Survey (HES)	Household expenditure [total, meals out & take away food, alcoholic beverages & tobacco, recreation, gambling (by type), holidays] × gross income quintile × state.	1974-75 to 1993-94 (about triennial)
	Household expenditure [as above] × family type × state. Note: estimates of gambling expenditure are considerably underestimated so look mainly for comparative information.	
ABS National Accounts Catalogue no. 5209.0, 5215.0, p45, 5209.0 ,9301.	Sport, gambling etc. only given for 1993-94 (perhaps a few other years) . Gives employment, wages GOS, source for final demand, taxes & imports, 5215.0 starts at 1982-82 to 1993-94.	
Tasmanian Gaming Commission, Australian Gambling Statistics	Turnover × state × type (racing type, gaming type) Expenditure × state × type (racing type, gaming type) Government revenue × state × type (racing type, gaming type)	1972-73 to 1997-98.
	Also transformation of the above: real values, per capita % of household disposable income	1972-73 to 1997-98 (annual)
ABS Taxation Statistics, Catalogue No. 5506.0	Taxation × type × state	1938-39 to 1996-97

Appendix 2 Crown Casino: Number of EGMs and Table Games

CHRONOLOGY OF EVENTS RELATING TO THE MELBOURNE CASINO

Table A2.1 The temporary Melbourne Casino

Date	Description	EGMs	Tables
30 June 1994	Opening of the temporary Melbourne Casino	1,200 - actual 1,300 - permitted	125 - actual 130 - permitted
November 1994	Expansion of temporary Melbourne Casino	1,300 - actual 1,300 - permitted	180 - actual 180 - permitted
12 October 1995	Increase in number of tables approved at the temporary Melbourne Casino	1,300 - actual 1,300 - permitted	180 - actual 200 - permitted
October 1995	Expansion of temporary Melbourne Casino	1,300 - actual 1,300 - permitted	191 - actual 200 - permitted
December 1995	Expansion of temporary Melbourne Casino	1,300 - actual 1,300 - permitted	195 - actual 200 - permitted
8 May 1997	The temporary Melbourne Casino closed at 4:00 am.	0 - actual 0 - permitted	0 - actual 0 - permitted

Table A2.2 The permanent Melbourne Casino

Date	Description	EGMs	Tables
19 November 1993	Licence issued permitting a permanent Melbourne Casino	0 - actual 2,500 - permitted	0 - actual 200 - permitted
12 October 1995	Increase in the number of approved tables at the permanent Melbourne Casino	0 - actual 2,500 - permitted	0 - actual 350 - permitted
8 May 1997	The official opening of the permanent Melbourne Casino	2,263 - actual 2,500 - permitted	293 - actual 350 - permitted
26 June 1997	Las Vegas Room opened	2,500 - actual 2,500 - permitted	335 - actual * 350 - permitted

* maximum number of tables in operation on any given day during the past twelve months to 30 June 1999.

Appendix 3 *Gaming Machine Control Act 1991:*

Ministerial Directions

GAMING MACHINE CONTROL ACT 1991

MINISTERIAL DIRECTIONS

I, Roger M Hallam, MLC, Minister for Gaming, pursuant to Section 12 of the *Gaming Machine Control Act 1991*, hereby revoke all previous directions to the Victorian Gaming Commission and the Victorian Casino and Gaming Authority and in substitution therefore, hereby direct the Victorian Casino and Gaming Authority

- (a) that the maximum number of gaming machines permitted in the State to be available for gaming in all venues licensed under the *Gaming Machine Control Act 1991*, other than the Melbourne Casino, is 27,500; and
- (b) that, in respect of the 27,500 gaming machines permitted to be available for gaming in all licensed venues, other than the Melbourne Casino, the proportion of gaming machines to be located outside the Melbourne Statistical Division is not less than 20%, and
- (c) that, in respect of the 27,500 gaming machines permitted to be available for gaming in all licensed venues, other than the Melbourne Casino, the maximum permissible number of gaming machines to be placed -
 - (i) in restricted areas in the State is 100 with no bet limit applying; and
 - (ii) in unrestricted areas in the State is five with a bet limit of \$2.00 to apply; and
- (d) that, in respect of the 27,500 gaming machines permitted to be available for gaming in all licensed venues, other than the Melbourne Casino, the proportion to be placed in premises, in respect of which -
 - (i) a residential licence under Section 46 of the *Liquor Control Act 1987* or a general licence under Section 47 of the Act is in force, is 50%; and
 - (ii) a club licence under Section 48 of the *Liquor Control Act 1987* or a licence under Part I, II or III of the *Racing Act 1958* is in force, is 50%; and
- (e) that, in respect of the 27,500 gaming machines that are permitted to be available for gaming in all licensed venues, other than the Melbourne Casino, the proportion of gaming machines which each gaming operator is permitted to operate is 50%.

ROGER M HALLAM MLC
Minister for Finance
Minister for Gaming
Date: 4 April 1997

MINISTERIAL DIRECTIONS

The provisions of the Ministerial directions have not changed except for:

- i. the maximum number of electronic gaming machines;
- ii. the Ministerial direction of 29 May 1995 stipulated that the maximum number of machines allowed at gaming venues did not include those machines located at the Melbourne Casino; and
- iii. the Ministerial direction of 4 April 1997 relating to the operator split which was originally for a period of 5 years, from 8 April 1992, was extended indefinitely.

All changes are detailed below along with the two moratoria which have been imposed:

8 April 1992	Ministerial directions issued to 10,000 EGMs.
18 September 1992	Ministerial directions issued to 20,000 EGMs. Only first 15,000 gaming machines placed had to comply with the 50/50 club/hotel split.
28 June 1993	Premier announces moratorium where only those venues with contracts/commitments entered into prior to 16 June 1993 were eligible for consideration.
8 September 1993	Ministerial directions issued to reinstate 50/50 club/hotel split for all machines placed (maximum limit stays at 20,000 EGMs).
21 June 1994	28 June 1993 moratorium lifted.
29 May 1995	Ministerial directions issued to 22,000 EGMs. Further, the direction stipulated that the maximum number of machines allowed at gaming venues did not include those machines located at the Melbourne Casino.
28 August 1995	Ministerial directions issued to 25,000 EGMs.
20 December 1995	Premier announces moratorium of 27,500.
28 May 1996	Ministerial directions issued to 27,500 EGMs.
4 April 1997	The direction relating to the operator split was originally for a period of 5 years, from 8 April 1992, was extended indefinitely with Gaming Operators advised that any decision to amend this provision to be considered in light of the review of absolute numbers of EGMs.

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