

## *Policy: Gambling*

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The Liberal Democratic Party (LDP) neither supports nor opposes gambling. It considers it to be like any other form of entertainment - a matter of choice for responsible adults.

Just as we may turn off the television or refuse to enter a cinema, we may also leave a casino or decline to bet on a horse race.

The LDP therefore rejects the belief that the potential hazards of excessive gambling justify government control of the gaming industry.

The LDP also believes the current approach of governments to gambling control is inefficient and delivers sub-optimal outcomes to both Australian gamblers and the economy.

### **Policy**

The LDP has not developed a specific plan of institutional change. However, it commits to the following broad principles:

1. The LDP will not ban or place restrictions on any individual's gambling unless they seek it themselves or lack the capacity to make a rational decision to participate.
2. The LDP will remove monopoly privileges over all aspects of the gaming industry, allowing competition between providers to lower house margins, commissions and other prices for gambling entertainment.

3. The LDP will not favour or disadvantage a particular form of gambling over any others. The LDP will also not adopt discriminatory policies or taxes to favour a particular venue or enterprise.
4. The LDP does not consider problem gambling, which affects a small number of individuals, to provide a basis for Government policy on gambling.
5. The LDP supports informed choice including ready availability of odds and access to information about how to deal with problem gambling. It also supports practical exclusion schemes for those seeking to overcome a gambling problem or who are legally or medically assessed as unable to make a rational choice.
6. The LDP favours a reduction in all taxes including those on gambling. It also supports internalising any external costs that are clearly imposed by the gaming industry. However, the LDP will not support the use of gambling as a social scapegoat, a political football to be attacked in order to generate votes, or an issue to be managed on the basis of personal moral beliefs.

## **Discussion**

Australian State and Territory governments control gambling through privatized or semi-privatized corporations. These corporations resemble private enterprises but in reality rely upon monopoly privileges.

In Victoria, NSW and Queensland, betting on a horse race from anywhere outside the racecourse requires a transaction through Tabcorp (or a company in a joint venture with Tabcorp). Thus Tabcorp is essentially a monopoly sanctioned by the state, with no fully independent competitor permitted.

Casino gambling is no different. The only legal casinos in Queensland (Jupiters, Treasury and Jupiters Townsville) and New South Wales (Star City) are either owned by Tabcorp or have a local monopoly (e.g. Cairns). The only legal casino in Victoria (Crown Casino) is run by Crown Limited.

As any economist can confirm, monopolies result in inferior products being sold at higher prices. This is certainly true for the Australian gambling market, as shown by the casino game of Blackjack, the most popular casino card game in the world today.

For any specific set of Blackjack rules it is possible to calculate the "house margin" i.e. the statistical expected loss for every bet the player makes. The house margin is essentially the 'price' for the entertainment that comes from playing the game.

Australia has very high house margins relative to other parts of the world. Gaming mathematician and consultant Michael Shackelford has calculated that the house margin in a standard game of Blackjack at Star City in Sydney is 0.58% (footnote 1). The standard rules at Crown Casino in Melbourne have a house margin of 0.527% (footnote 2). The standard rules at Jupiters on the Gold Coast have a house margin of 0.55% (footnote 3).

Compare this to Las Vegas where players can easily play games (for reasonable minimum bets) in which the house margin is 0.26% to 0.48% (footnote 4) or Macau, which has even lower house margins (down to 0.02% at one specific casino) (footnote 5).

In both Las Vegas and Macau, competition between casinos is intense and casinos frequently advertise their superior rules on billboards outside their establishments.

Obviously, competition can improve the chances of many Australian gamblers. So why does the current monopolistic situation persist?

First, some members of the community have significant ethical hostility towards gambling and believe fewer gambling facilities are better than more. Additionally, some people believe that gambling establishments promote gambling addiction and that in order to protect people from the perils of excess gambling, a lower number of gambling opportunities is inherently preferable to a larger number.

The second reason is that Tabcorp and Crown both benefit significantly from their monopoly privileges. They are able to maintain high house edges or commissions on bets because the vast majority of Australian gamblers cannot go to another casino in another state or a racecourse in another country.

Not only do the corporate powers-that-be like the current institutional arrangements, the State powers-that-be do as well. High taxes on gambling profits further increase the disincentive to offer bets at reasonable prices, because no State government wants to lose revenue.

The cruellest irony is that it is the ordinary occasional gambler, the person allegedly being 'protected' by the current policy, who suffers the most. Most Australian gamblers are not high rollers; they cannot afford interstate or international flights to a casino owned by someone else, nor can they place bets on the Dubai International through a non-Tabcorp (or partially-Tabcorp-owned) intermediary. They have no option, if they choose to gamble, but to play the games or place bets with a monopoly provider.

In the case of casino gambling, this has led to predictable results: Crown Casino in Melbourne has progressively increased house edges, including the introduction of a blackjack game (called "Sports Blackjack") with a house margin of more than 2% and double-zero roulette wheels (which have house margins of more than 5%) on the main gaming floor. Naturally, these rule-changes do not apply to the high-rollers area, as high-rollers can easily take their custom elsewhere. (Footnote 6)

Removing the monopoly privileges of current providers (de-monopolizing the gambling industry) will allow competition between providers to flourish, improving punter's odds, creating more jobs for Australians and increasing income from gambling tourists. Additionally, taxes from gambling can provide a significant boost to government revenue

(potentially allowing the lowering of other taxes), while the government will no longer be beholden to any single provider of gambling taxation revenue (and hence remove the temptation to give gambling monopolists special privileges).

Although they are more accessible, poker machines are simply another form of gambling and should not be treated any differently. The LDP believes internet gambling should be treated the same way. Indeed, internet gambling can be much fairer to gamblers than casino gambling; for example the online casino "Betfair" offers a suite of games with a house margin of 0.00% (Footnote 7). The low cost of running online casinos (relative to land-based casinos) means that games can offer improved conditions for consumers of gambling entertainment.

The LDP acknowledges the problems of gambling addiction. Being hooked on gambling can be extraordinarily devastating for the addict as well as the addict's family. The LDP therefore supports the promotion of informed choice by publishing the odds of winning at the gambling venue, by making sources of assistance (ie Gamblers Anonymous) readily available and by enforcing laws relating to the accuracy of advertising.

Additionally, the LDP will encourage providers of gambling entertainment to refuse service to patrons that self-identify as gambling addicts and seek assistance to stop, and those confirmed by a court or medical specialist as a gambling addict lacking the ability to make a responsible decision to stop.