

Mr Gary Banks
Chairman
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Mr Banks

AUSTRALIA'S GAMBLING INDUSTRIES - INQUIRY

I refer to the Issues Paper issued September 1998 seeking submissions to the above Inquiry which is being undertaken by the Productivity Commission.

Please find attached the ABS submission to the inquiry. It focuses on item (h) as specified in the scope of the Inquiry: the adequacy of ABS statistics involving gambling.

If there are any queries about the submission, Inquiry staff should contact me on telephone (02) 6252 6359 or by e-mail at russell.rogers@abs.gov.au.

Yours sincerely

(signed and sent RR)

Russell Rogers
Assistant Statistician
Services and Small Business Statistics Branch
21 December 1998

PRODUCTIVITY COMMISSION INQUIRY INTO AUSTRALIA'S GAMBLING INDUSTRIES

SUBMISSION BY THE AUSTRALIAN BUREAU OF STATISTICS

1. Introduction

In referring Australia's gambling industries to the Productivity Commission for inquiry, the Treasurer specified as part of the scope of the inquiry the following:

"(h) the adequacy of ABS statistics on gambling".

The purpose of this submission is to provide to the inquiry, information on the existing range of ABS statistics on gambling, the background and difficulties in providing statistics on gambling as well as ABS' current and future plans for statistics in this field.

2 In considering the issue of gambling statistics it needs to be recognised that there are two main views for which statistics can be

compiled. First, it can be considered from a 'demand or expenditure side' view (ie expenditure by individuals and households on gambling services). This view from the individual or household perspective might also encompass measuring the social effects of gambling and the impact it has on people's lives. Alternately, gambling activity can be considered from a 'supply or income side' view (ie the income generated by businesses providing gambling services).

3 There are three major sources of quantitative national data in respect of gambling. On the demand side the ABS Household Expenditure Survey (HES) provides estimates of households' net expenditure on gambling. On the supply side the Tasmanian Racing Commission produces an annual publication on 'Australia's Gambling Statistics' which provides comprehensive data on net takings from gambling. The data in this publication are sourced from the various State and Territory governments tax and regulatory bodies in respect of gambling. The other major source on the supply side is the ABS survey of the gambling industries undertaken in respect of 1994-95.

4 Section 2 below discusses in more detail the current ABS statistics from the 'demand side' (ie the HES), while Section 3 addresses the issue from the 'supply side' (ie outlines in more detail the 1994-95 ABS survey of the gambling industries). Section 4 outlines ABS future plans for statistics relating to gambling. Section 5 provides some concluding remarks as to the adequacy of ABS statistics on gambling.

2. Gambling demand side statistics

5 Data on net expenditure on gambling by Australian households are collected in the Household Expenditure Survey (HES) which is conducted every five years and is designed to provide information on the spending patterns of Australian households. Data in the HES are collected over a twelve month period from a sample of households and the estimates are weighted up to form estimates for the total number of households in Australia. Households are selected in the survey for a two-week period and during that period are requested to record in a diary all income and expenditures, including those from gambling during that period. The latest data available are from the 1993-94 HES. Estimates of net expenditure on gambling by Australian households in 1993-94 and 1988-89 are attached (gamble1.xls). The estimates are presented for a range of different types of gambling expenditure.

6 The estimates of expenditure on gambling from the HES are net of winnings. The estimates are derived by deducting from the respondents' reported payouts any winnings which resulted from their expenditure on gambling. For some households, expenditure on gambling may therefore be a negative expenditure.

7 In the 1993-94 HES, Australian households reported an average net

expenditure on gambling of \$5.17 per week. From this the total yearly aggregate expenditure for Australian households is estimated to be \$1,784 million.

8 There are a number of potential sources of differences between demand estimates (ie net expenditure on gambling services by households) as measured by HES and supply estimates (income by businesses providing gambling services) as measured by industry surveys. These include reporting issues (eg householders may have difficulty in recalling and isolating gambling expenditure separately from other forms of expenditure such as food, drink and entertainment and/or may more readily recall winnings as opposed to losses) and conceptual differences (eg HES excludes expenditure by overseas visitors to Australia whereas they are included in industry estimates). However, the supply estimates for 1993-94 of \$6,972 million as recorded in the Tasmanian Racing Commission publication 'Australian Gambling Statistics 1972-73 to 1996-97' indicate a very significant degree of under reporting in the HES which is unlikely to be explained by the reporting errors mentioned above. This clearly indicates that respondents are deliberately failing to report the full extent of their gambling activities. This may be due to a concern that they have that other members of the household and ABS staff will see the diary of expenditures and may judge their gambling activities as excessive and/or anti social. These difficulties are demonstrated in the attached, to the extent that the HES estimates show households in NSW, SA, WA and NT all

with negative expenditure (or overall winnings) on the 'TAB, on course betting etc' for 1993-94.

9 In addition to the quantitative data from the HES, the ABS has also collected from households (as part of its Population Survey Monitor (PSM)) a range of data for the period 1993 to 1998 on the incidence of gambling including type of gambling activity and, for the most recent years, information on the potential for internet gambling. Other than these two sources ABS has no other data that shows the impact of gambling on people's lives. Some results from these collections are attached (gamble3.xlw).

3. Gambling supply side statistics

10 As part of its service statistics strategy the ABS has been actively re-allocating resources to improve the data collection program and increase the range of information available in respect of the services sector. A key element of the strategy is a program of in depth studies of selected service industries. Within that program, a detailed study was undertaken in 1994-95 of businesses involved in the sport, recreation and gambling industries. The objectives of the study were to provide information on the nature and structure of businesses involved in these industries. The survey covered businesses in the following industries:

I pubs, bars and taverns

- | hospitality clubs
- | sport
- | lotteries
- | casinos
- | TABs
- | other gambling services.

11 Information collected from businesses in the survey included:

- | employment
- | takings from gambling by type of gambling
- | other sources of income
- | expenses including labour costs
- | profitability
- | number of gaming machines

12 Results from the study were published in a range of publications. The most relevant to this inquiry was Gambling Industries, Australia ,1994-95 (Catalogue No 8684.0). This publication complements the existing data on Australian Gambling Statistics from the Tasmanian Racing Commission in that it provides similar estimates on net takings from gambling classified by type of gambling. The publication also provided information on the gambling venue and type of business providing the gambling services, as well as information on the cost structures, profitability and employment of

the industry. Data were also presented by State and by size of business.

In another publication titled Clubs, Pubs, Taverns and Bars, Australia

1994-95 (Catalogue No 8687.0) data are presented separately for businesses

with gambling facilities and for businesses without gambling facilities.

13 More detailed tabulations from the study are available on request.

14 In addition to the above collections, the ABS conducts a monthly survey which collects data on retail turnover of businesses in the retail and selected services industries. Results are published in Retail Trade, Australia (Catalogue No 8501.0). Included in that survey are clubs, pubs, taverns and bars. Estimates of net takings from gaming machines are available for these industries on a monthly basis and were the subject of a article on gambling in the October 1996 issue of 8501.0. A copy of the Special Article is attached (provided in hardcopy only). An update of this article is currently being produced and data up to June 1998 will be released shortly.

4. Future plans

(a) Demand side statistics

15 A further Household Expenditure Survey (HES) is being conducted in respect of 1998-99. The wording of the gambling items have been varied to

try to improve the reporting of this item. However, these changes are unlikely to substantially improve the reporting of gambling expenditure, and there is no reason to believe that this survey will be any different to earlier HES collections in terms of reporting problems in respect of gambling losses. Unfortunately, within the broader scheme of a HES design, it is considered highly unlikely that such reporting problems can be fully addressed in a systematic fashion. The problems with accurate reporting of gambling expenses in HES are an international problem, not just restricted to Australia.

16 The PSM collection on the incidence of gambling is user funded. Its continuation will be dependent on the continued availability of such funding. It may be possible to add new areas of questioning if the funding was provided.

(b) Supply side statistics

17 Subsequent to the 1994-95 study, annual studies have been undertaken of the casinos industry measuring its growth and performance over the last three years.

18 ABS is currently undertaking another study of gambling industries. The survey, in respect of 1997-98, is similar in scope and content to the 1994-95 gambling industries survey, although information about internet gambling is being collected for the first time. Preliminary results are

scheduled to be released in April 1999 with a final publication to be issued in July 1999.

19 In terms of future collections, the program of service industries studies is currently being reviewed. In spite of the redirection of resources to service statistics, the resources for the program are limited, although on occasions they have been supplemented by user funding. The inclusion of gambling industries in the future program will be dependent on user requirements and the relative cost of undertaking the collection. It is expected that similar supply side data will continue to be available on a periodic basis.

5. Concluding Remarks

20 In terms of supply side statistics the ABS considers that the ABS program of collections relating to the gambling industries, in conjunction with the comprehensive annual information provided by the Tasmanian Racing Commission, have and will for 1997-98 provide a comprehensive picture of the economic impact and significance of the gambling industries.

The continued inclusion of gambling industries in the ABS program of service

industry studies, which is currently being reviewed, will be dependent on user requirements and the availability of resources.

21 In relation to demand side statistics the ABS recognises that the

information available is limited. The HES data on gambling is significantly under-reported and hence any analysis based on, for example income distribution, may be questionable. It may be possible for the ABS to design and develop a household survey specifically focussed on gambling activity and its impact on individual and family well-being that may overcome some of the problems associated with the HES. However, the precise extent to which they could be overcome, would be problematic and would need to be the subject of considerable research and investigation.

Australian Bureau of Statistics

December 1998