INTRODUCTION
This paper considers the experience gained as a result of applications for increases in the gaming machine threshold in two venues in the Fairfield local government area (LGA). Fairfield is a Band 3 area and any increase requires a Class 2 Local Impact Assessment (LIA). The applications that are referred to in this paper were made by Mt Pritchard Community Club (Mounties) for an additional 60 Electronic Gaming Machines (EGMs) and Fairfield Hotel for an additional 7 EGMs. The Independent Liquor and Gaming Authority (ILGA) made determinations on both applications in 2013. Both applications were refused.

CONTEXT OF FAIRFIELD LGA
Fairfield Local Government Area is in south west of Sydney located between Parramatta, Liverpool and Penrith. In the SEIFA index, Fairfield LGA is ranked as the most disadvantaged area in Sydney and the 3rd most disadvantaged area in NSW.

Fairfield LGA is a very attractive location for EGMs. In 2012, 4% of the poker machines in NSW were located in Fairfield. In 2012, these EGMs made 7.6% of the total gaming machine profit in NSW. During 2012 the average profit derived from EGMs in hotels in Fairfield was $188,140, while the average profit per EGM in hotels in neighbouring LGA, Holroyd, was $73,349. The average profit per EGM in hotels across New South Wales was $71,957.

Profit in this discussion is the amount of revenue after winnings. It is the amount gamblers lose and the amount used to estimate the Gaming Machine Tax.

ASSESSING DETRIMENT AND BENEFIT
Unquantifiable and Quantifiable Impacts
The central issues and main areas of debate and consideration in the applications centred on:
- Methodology to used estimate revenue and profit from the additional EGMs
- Rate of problem gambling attributed to the additional EGMs
- Methodology used in community consultation and validity of results
- Length of time to be used to assess detriment against benefit
- Impact of additional EGMs on problem gambling in a market with a high density of EGMs
- Nature of the benefits offered (Youth Centre, improved harm minimisation and donations to community organisations)

ILGA considered and assessed evidence for the claimed impact on each item and the acceptance or rejection of the claims was directly linked to the validity of the evidence and/or the methodology used. In most cases evidence was in the form of academic or commissioned research to prove a macro claim supported by evidence or ‘hard’ data from financial records, analysis of usage times, ABS, ILGA data and testimony from experts with accepted credentials.

These central issues relate mainly to quantifiable data. The determinations of each application resulted from an assessment of quantifiable detriment against benefit.

In both determinations, ILGA relied on the findings of the 2010 Productivity Commission in relation to the fact that there is a significant level of unquantifiable detriment from Problem Gambling. However no unquantifiable detriment or benefit was included in the assessment which led to the final determinations although ILGA noted that the applications were in the context of a highly disadvantaged community.

Community Support for Applications
Both applicants argued public support or at least, lack of opposition for their proposals. Both applications included surveys that appeared to support an increase of poker machines. ILGA noted support from individuals and organisations, but these did not appear to influence the determination. Evidence of positive impact of the proposal was presented as in the case of the Street University and Noffs Foundation. This evidence primarily was a statement from the Attorney General’s department
which stated that they believed the Street University had reduced the level of crime, followed by an estimation of the cost of:

- The crimes usually committed as a result of problem gambling
- The cost of the incarceration of juveniles

In each application, the people and organisations supporting the proposals were overwhelmingly direct beneficiaries of financial donations that formed the proposal.

**Length of time to estimate “overall community benefit”**

The legislation clearly states a LIA2 can only be approved if there is an ‘overall community benefit’ but it is silent on the length of time used to make this assessment. Mounties argued that detriment should only be assessed over a 1 year period while Uniting Care Mental Health argued for a 10 year period. Fairfield Hotel argued that a 3 year period was reasonable. In the final determination of the Mounties’ LIA, The Authority decided that 5 years was an appropriate length of time for this assessment.

**Methodology for estimating quantifiable detriment**

ILGA accepted that an appropriate method of estimating quantifiable detriment was to use the percentage of profit contributed by problem gambling. ILGA notes that this is ‘conservative’ and that The Productivity Commission acknowledges that quantifiable detriment is not only caused by problem gambling. The two key elements that were subject for debate over quantifiable detriment were:

- profit
- percentage of profit contributed by problem gamblers

Estimating profit has primarily been through actual profit in previous years. The actual profit from EGMs at individual venues is not publicly available. Council used an estimation based on average profit for EGMs in hotels in the LGA to develop the argument in response to Fairfield Hotel’s application.

Estimating the percentage of profit contributed by problem gamblers was hotly debated in both applications. Each applicant argued that problem gambling would only contribute 15% of revenue despite the Productivity Commission Report 2010 estimating the rate to be between 22% and 60%. The arguments put forward by one or both of the applications for a rate of 15% were:

- Ubiquitous EGMs in the area
- Unused capacity in current supply of EGMs
- Large /upmarket venue results in lower risk of problem gambling
- Additional machines would attract gamblers from other venues and not increase in gambling
- Additional machines would be used by casual, recreational gamblers
- Market maturity
- A probable fall in problem gambling over time

ILGA appears to have determined the rate of profit derived from problem gambling based on the strength of the harm minimisation strategies and the market maturity.

Mounties was assessed to have a ‘superior’ system of harm minimisation. This was supported by independent assessment from Bet Safe and a rate of 22% was agreed by The Authority. Fairfield Hotel did not have independent verification of harm minimisation and had a short operating history so was assessed at a rate of 41%. Analysis of harm minimisation strategies at venues is critical.

Market maturity is the argument based on adaptation of communities to the presence of EGMs over time. Comparison of the percentage increase in average profit between the LGA and NSW over time was used to demonstrate that the market in which the venues operated was not mature. This means that additional machines at these venues will result in additional harm from gambling despite the ubiquitous number of machines already being available.

Average gaming machine profit in hotels in the Fairfield LGA increased by 32.2% from 2008 to 2012 ($142,269 to $188,140) while the NSW increase in the same time period was 13.3%. In clubs,
average gaming machine profit in Fairfield in 2006 was $73,500 and $44,802 in NSW. In 2011 Fairfield EGMs in clubs made $84,183 profit while NSW machines made $46,624 profit each. The increase in Fairfield LGA was 14.5% compared with 4% for NSW.

Assessment of Benefit against Detriment
To demonstrate the importance of the key elements, the tables show the different estimations of detriment and benefit by the three contributors on this issue

<table>
<thead>
<tr>
<th>Mounties 60 EGMs</th>
<th>Profit per EGM per annum</th>
<th>Total profit Revenue – 5 years</th>
<th>% profit due to problem gambling</th>
<th>Quantified Detriment ($ from problem gambling) over 5 years</th>
<th>Community Benefit Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant</td>
<td>$135,894</td>
<td>$35,332,355</td>
<td>15%</td>
<td>$1,059,791 (1 year) $5,298,955 (5 years)</td>
<td>$3,500,00 (10 years)</td>
</tr>
<tr>
<td>Council</td>
<td>$135,894</td>
<td>$35,332,355</td>
<td>41%</td>
<td>$14,486,325 (5 years)</td>
<td>Final proposal not assessed</td>
</tr>
<tr>
<td>ILGA</td>
<td>$135,894</td>
<td>$35,332,355</td>
<td>22%</td>
<td>$7,773,114 (5 years)</td>
<td>$4,119,725 (5 years)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fairfield Hotel 7 EGMs</th>
<th>Profit per EGM per annum</th>
<th>Total profit – 5 years</th>
<th>% profit from problem gambling</th>
<th>Quantified Detriment ($ from problem gambling) over 5 years</th>
<th>Community Benefit Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant</td>
<td>$79,085</td>
<td>$2,767,975</td>
<td>15%</td>
<td>$415,196 $608,955</td>
<td>$4,280,935</td>
</tr>
<tr>
<td>Council</td>
<td>$188,140</td>
<td>$6,584,900</td>
<td>22%</td>
<td>$2,699,809</td>
<td>$445,855</td>
</tr>
<tr>
<td>ILGA</td>
<td>$198,723</td>
<td>$6,955,310</td>
<td>41%</td>
<td>$2,782,124</td>
<td>$930,700</td>
</tr>
</tbody>
</table>

COMMUNITY CONSULTATION
Both applications undertook surveys to seek community opinion on the acceptance of an increase in EGMs and the likely harm caused. The methodology of these surveys was challenged in submissions but there is no discourse on methodology in the determinations. Meetings were also held with stakeholders to identify issues. The adequacy of the responses to issues indentified in these meetings were raised in submissions but were not discussed in the determinations.

In the Fairfield Hotel application, The Authority took into account that a new Head Consideration, namely claiming the Gaming Machine Tax and GST payable from the additional machines as a quantifiable benefit of the application, was not included in the community consultation process. The Authority discounted this Head of Consideration due, amongst other reasons, on the grounds that it had not been canvassed in the community consultation process.

DEVELOPING SUBMISSIONS IN RESPONSE TO APPLICATIONS
Community opposition to Applications
In Fairfield, there is a reliance on submissions from larger community organisations and government agencies. Most community organisations are under resourced without the capacity to develop evidence to the level necessary to make a difference to the decision. Each organisation who provided a submission focussed on their core work. The Police presented crime data and case studies of people who have been entrapped into crimes such as property, fraud and drug trafficking as a result of problem gambling. Research about the relationship of gambling to refugee and migrant communities has been the focus of the Fairfield Migrant Resource Centre and the Fairfield Migrant Interagency while Uniting Care Mental Health focused on case studies to show the scope of the impacts faced by people affected by problem gambling. The Local Health District offered information on the global
impact of problem gambling. Council focused on demographics, and analysis of benefit and detriment. Recurrent issues raised included the level of disadvantage and the vulnerability of the particular community impacted. Overall, a fairly well balanced view of the likely impact of the proposals was achieved using local, expert opinion from the ‘front line’ and statistical analysis of proposals.

The level of disadvantage and poverty in the Fairfield LGA is significant and there is a high level of demand on community organisations. Many community organisations are reliant on money from gambling to provide services. Fairfield LGA has the highest level of ClubGrants in NSW with approximately $1.8million in Category 1. This is more than double the amount available in the LGA with the second highest level of ClubGrants. Offers of donations to community organisations are not easily refused. Ironically, many organisations feel there is a need to accept money from gambling in order to continue providing services to people experiencing hardship and disadvantage in the area.

Interestingly, a number of community based organisations provided letters, notionally supporting the Fairfield Hotel application. Other organisations were listed as beneficiaries from the proposal and were not active in submissions for or against the proposal.

REATING THE SUBMISSIONS
The submission from Fairfield Council used a wide range of data to support many aspects, however, the most influential elements appeared to be.

- Definition of the community that will be most impacted by the proposal
- SEIFA rankings at suburb and LGA level and related demographics
- Average expenditure on EGMs per adult per annum against % of income
- Average profit of EGMs in Fairfield compared to Sydney and NSW
- Increase or decrease in EGM profit over time in Fairfield and NSW.
- Calculations on expected proposed level of profit from additional EGMs nominated by the applicant.
- Amount of profit attributable to problem gambling
- Analyse the benefit offered and assess if it will benefit the community or the applicant or be a normal part of business regardless of increased machines
- Review harm minimisation regime. Check appropriate messaging and strategies for the community eg language
- Review ‘vulnerability’ of the community to problem gambling
- Calculate quantifiable benefit and detriment over 5 years
- Use unquantifiable detriments listed in the 2010 Productivity Commission Report and assess Fairfield for relative levels in each area where possible.

CONCLUSION
Refusal of the applications has meant that approximately $8.4 million per year or $41.8million over five years will not be lost on poker machines in the Fairfield LGA. This is significant in a highly disadvantaged community as this money can be directed to other purchases. The quantifiable detriment resulting from the two applications was estimated to be $10.5 million over 5 years while the community was offered a benefit estimated to be approximately $5 million for the same period. According to these estimates, the level of net quantifiable detriment to the community would be approximately $5.5 million in addition to the unquantifiable detriment if the applications had been granted.

In the determinations of the applications for additional EGMs by Mounties and Fairfield Hotel, The Authority provides an insight into their process and methodology. The Authority also made a significant decision on the length of time to be used to calculate overall positive benefit to the community. While these determinations were essentially made on the basis of a conservative estimate of quantifiable detriment, the socio-demographic composition of the community clearly provided a context for The Authority. Importantly, The Authority has demonstrated the need for evidence relating to the specific proposal, in the nominated venue and the impact of the local community to be provided rather than global or generic research and argument.