The economic impact of gambling

A report for the
Casino Community Benefit Fund, New South Wales
Department of Gaming and Racing

Prepared by the
National Institute of Economic and Industry Research,
trading as National Economics
ABN: 72 006 234 626
416 Queens Parade, Clifton Hill, Victoria, 3068
Telephone: (03) 9488 8444; Facsimile: (03) 9482 3262
Email: admin@nieir.com.au

July 2003

While the National Institute endeavours to provide reliable forecasts and believes the material is accurate, it will not be liable for any claim by any party acting on such information.

Foreword

In March 2000 the National Institute of Economic and Industry Research (NIEIR) completed a study entitled *The Economic Impact of Gambling*. This study was commissioned by, and published by, the Victorian Casino and Gaming Authority. It included a comparison of levels of gambling expenditure in the states and territories of Australia, and an assessment of the economic impact of gambling in Victoria. This included preliminary estimates of the impact at the Local Government Area (LGA) level.

NIEIR subsequently applied for a grant from the Casino Community Benefit Fund to finance an update of this report and the application of the methodology developed in the report to New South Wales. It was also intended to develop the methodology as it applied at the LGA level, so that the geographic pattern of the impacts of gambling could be described more fully than in the Victorian report. The grant was awarded in 2001.

The present report fulfils the purposes of the grant. As compared with its Victorian predecessor, less space is devoted to methodological issues (though the methodology is fully described), and more space to the calculation of impact at the LGA level.

NIEIR is grateful to the Casino Community Benefit Fund for financing this research. However, the views expressed are entirely those of the authors.

Craig Shepherd
Ian Manning

Contents

Contents (cont.)

Contents (cont.)

List of tables

List of tables (cont.)

List of tables (cont.)

List of tables (cont.)

List of figures

Executive summary

This report identifies the impacts of gambling in New South Wales by considering the net income effects of the activities undertaken as a result of gambling, the benefits, and the activities foregone and costs incurred by the gambling expenditure. The report finds that gambling in New South Wales has a net benefit to the income of New South Wales households of $1.035 billion per year[1], or $8.47 per household per week.

Within the overall stimulus however there is considerable difference in the impact on the 174 different Local Government Areas (LGAs). As expected there are also considerable differences between the impacts of gambling between households. The following results can be drawn from this report:

- inter-regional transfer of activity and incomes is broadly consistent with the movement of incomes towards more economically advantaged regions:
    - whilst most regions benefit, the wealthier regions get wealthier through gambling and the poorer regions fall relatively further behind;
    - the Local Government Area with the worst estimated impact is Nundle at -$14.60 per household per week;
    - the Local Government Area with the highest positive impact is the New South Wales/Victorian border community of Corowa with $65.0 per household per week. Communities situated on the border of Victoria or Queensland, with strong clubs and hotels, continue to receive strong stimulus from gambling; and
    - excluding border communities the majority of the top 20 benefiting regions are among Sydney's wealthier Local Government Areas;
- evidence in the report supports the fact that gambling for most households represents an inter-temporal transfer to consumption at the expense of wealth creation;
- there is significant interpersonal transfer of wealth and income between gamblers and non-gamblers. The latter receive indirect benefits from gambling without suffering from its costs; and
- we estimate that there were 71,708 problem gamblers[2] in 2000-01 in New South Wales. They lost on average over $27,000 each and created an additional community cost of $7,700 each or $576 million in the State.

---

[1] For detailed NSW state impact tables, see Chapter 9.

[2] See Chapter 6.

1. Introduction

Not only is New South Wales (NSW) Australia's largest State, and Sydney Australia's only genuine global city, the people of NSW are also the nation's largest gamblers. Gambling duties or taxes are a vital source of funding to State government and the industry directly employs over 35,000 people.

The industry is shadowed by the looming issue of problem gambling. Put simply, between 1 and 2 per cent of the adult population, depending on the definition, incur significant difficulties and costs from gambling. Gambling gives pleasure to many but extracts a significant amount of pain from a few. From a public policy perspective we often seek to minimise the negative impacts on the few without sacrificing the benefit to the many. This report provides evidence of the size and distribution of the benefits as well as identifies the costs and their distribution.

These aims raise important methodological questions.

1.1 What would the NSW economy look like without gambling?

This report asks two exceedingly hypothetical questions: what would the economy of NSW look like without gambling? and, more interesting, what would the regional economies of NSW look like in the absence of gambling? These questions are hypothetical for at least two reasons.

First, NSW without gambling is impossible to imagine. If legal gambling were banned, there would be an increase in illegal gambling along with the associated repression costs, including inevitable corruption. There might also be an increase in near-gambling activities, such as stock exchange and property speculation. Neither illegal gambling nor near-gambling are taken into account in our assessment. Alternatively, if the population spontaneously gave up gambling, it is difficult to believe that there would not also be major changes in priorities affecting other elements in its consumption patterns. However, in assessing the impact of gambling we compare NSW as it is with a NSW in which people do not gamble but their other economic preferences remain as now.

Second, in the economic tradition known as comparative statics, we disregard the costs of getting from here to there. If perchance the population of NSW were to give up gambling, there would be considerable disruption before the new non-gambling economy emerged. We ignore these transition costs.

In this study we estimate the impact of gambling using purely NSW data. An alternative route would be to compare NSW with an otherwise similar economy in which people gamble much less. Such a comparison was possible in the early 1990s, when Victoria was a low-gambling state, but now the low-gambling state is WA. Comparisons between NSW and WA are less easy, due to disparities of size and economic structure. When NIEIR compared the economies of NSW and Victoria in the early 1990s, the differences which could be explained by the impact of gambling were similar to the impacts identified in the present study – mainly less saving in NSW, poorer housing and a more active club life for a wider range of the population.

Given the unreality of the estimates, do they have any practical application? The usual claim for comparative static studies is that they indicate the direction of change. If gambling increases further, we can expect an intensification of the estimated effects; if it declines, a reduction. This claim is at best a first approximation, since it disregards transition costs. Perhaps the strongest interpretation which can be put upon the results of this study is that they provide systematic identification of the economic effects of gambling at both the state and local government area (LGA) levels, and estimate the balance between these effects.

1.2 Approaches to the estimation of incomes generated and incomes foregone through gambling

The effects of gambling occur on both sides of household budgets. On the one side, gambling households incur expenditure, which means that they incur the cost of alternative expenditures foregone. On the other side, households (including both gambling and non-gambling households) receive incomes from employment in the gambling industry, and from capital invested in the industry. This means that they forgo alternative employment or investments. In addition to the household receipts, governments receive taxes from gambling, which allows them either to increase their expenditures or reduce alternative taxes. If the cash flows are traced through the economy, there are also further, indirect effects on both sides of the household ledger. More gambling means more employment in poker-machine manufacture, and less in whatever industries people would have spent their money on in the absence of gambling.

At this point we encounter economic theory. Neoclassical theory assumes that, provided markets are allowed free play, resources are always fully employed. This assumption severely restricts the scope for employment effects from gambling, since it means that, if people did not spend their money on gambling, they would spend it on something else which would be equally employment-generating. From a broader, shall we say post-Keynesian perspective, there is no need to challenge the proposition that alternative expenditures will generate employment, but the assumption that they will be equally employment-generating is very dubious, particularly in small local economies like LGAs. In this study we do not assume that employment will be the same with and without gambling. It is a matter for practical investigation whether it is less or more. These methodological issues are more fully discussed in NIEIR's previous report, *The Economic Impact of Gambling.*

The contribution of the present report to the assessment of the impact of gambling lies in its estimates of jobs and other incomes generated, balanced against its estimates of jobs and other incomes foregone. It does not include any original research on problem gambling, though it recognises that this is a serious cost of the widespread availability of gambling opportunities. In Chapter 6 we summarise the work of the Productivity Commission on problem gambling, this in turn being a summary of the work of numerous researchers. Our purpose in including this summary is to derive an economic cost for problem gambling and information useful in plotting its geographic pattern. We include these estimates in the costs of gambling alongside the costs of alternative expenditures foregone.

1.3 Incomes generated from gambling

Incomes generated by gambling expenditure include direct employment in clubs, pubs and other venues and profits generated in the industry. From the Census we know the LGA of residence of gambling-industry workers, but we do not know their incomes. (These incomes are collected at the Census but are not cross-tabulated by LGA for confidentiality reasons.) The census also provides the LGA of employment of gambling-industry workers, and its Journey to Work tables provide a good link between the two. From our knowledge of venue revenues and cost structures, we estimated the earnings of gambling-industry workers

working in each LGA, and distributed these earnings to the residents of the LGA of the venue and neighboring LGAs according to Census Journey to Work statistics. Profit incomes generated in locally-owned clubs and pubs were estimated to accrue largely to households in the LGA of the venue and its neighbors, partly in the form of cross-subsidies to entertainment services. Profit incomes from corporate-owned venues were distributed to households across the state, and interstate, according to patterns of dividend income.

Using National Economics' local-area input-output models, we also estimated incomes generated indirectly by the local expenditure of incomes earned in the gambling industry. A further source of indirect income generation is gambling taxation, which we assumed to generate employment in state services. This was allocated to LGAs in proportion to state service provision.

These processes are described in more detail in Chapter 3, 4 and 5.

1.4 Expenditures foregone to finance gambling

To estimate alternatives foregone, it is first necessary to estimate gambling expenditures by the residents of each LGA. Unlike the employment returns, we do not have a friendly census to tell us the number of gamblers resident in each LGA, but from venue returns we know the amount spent on the major forms of gambling at outlets in each LGA. We do not know the geography of expenditure for lotteries or lotto, and were forced to assume that this is an add-on to the main types of gambling.

1.4.1 Allocating gambling expenditures to LGA of residence

A first step was to estimate gambling by interstate and overseas tourists, and subtract this amount from the venue returns. This subtraction was significant only in the border shires and the casino. We then used gravity models calibrated for retail expenditure to allocate the gambling expenditure recorded in each LGA between the residents of that LGA and its neighbors. Gravity models work on the principle that, the nearer the club, the more likely one is to gamble there. This was done separately for each venue type.

We then divided gambling expenditure by residents into expenditure by problem gamblers and expenditure by non-problem gamblers. The reason for doing this was that the alternatives foregone by problem gamblers are much more drastic than those foregone by non-problem gamblers. We relied on the Productivity Commission's estimates of the economic costs of problem gambling.

1.4.2 Problem gamblers

To estimate alternatives foregone by LGA, it was necessary to estimate the proportion of gambling revenue in each LGA derived from problem gamblers. We assumed that problem gamblers do not participate in lotteries, lotto or keno, but are responsible for 10 per cent of casino revenue, 22 per cent of racing revenue and 38 per cent of gaming machine revenue. The number of problem gamblers in each LGA was estimated in relation to gambling opportunity, as measured by gaming machine density. In estimating gambling expenditure by problem gamblers we assumed that gamblers who start out rich have more to lose, so that expenditure per problem gambler will be higher in wealthy LGAs.

1.4.3 Non-problem gamblers

Despite criticism as to its accuracy, our main source for the expenditure foregone by non-problem gamblers was the ABS Household Expenditure Survey (HES). It is easy to check the HES against the national gambling statistics and prove that gamblers compress the truth when talking to ABS interviewers. There is a large shortfall in HES spending on gambling compared with estimates from venue returns. Some but not all of the shortfall will be due to the lies told by problem gamblers, and to the non-representation of problem gamblers in the survey. However, even allowing for the absence of problem gamblers, there is a shortfall in HES gambling spending.

Despite the shortfall in admitted expenditure, the proportion of total households recorded as spending on gambling in the HES tallies well with the proportion recorded in independent surveys: it is not a social disgrace to admit to gambling, however disgraceful the actual amount may be. Accordingly, we rely mainly on comparisons of the spending patterns of gambling and non-gambling households to quantify the expenditures foregone through gambling.

Comparison of the household budgets of non-gamblers and non-problem gamblers indicates that the expenditures foregone to finance gambling include the following.

- Gamblers' expenditure on housing, particularly home ownership, is significantly less than non-gamblers.
- Non-problem gamblers may not go into debt to the same extent as problem gamblers, but they save less than non-gamblers. This results in their having fewer financial assets and accordingly income tax is a less significant item in their budgets.
- Though some expenditure items are complementary to gambling (notably alcohol, tobacco and eating-out), general retail expenditure is foregone.

In so far as lower home purchase and saving lead to constrained circumstances later in life, gamblers may come to regret their past expenditure patterns. We do not take any such regrets into account.

The treatment of expenditures foregone is described in more detail in Chapter 7.

1.5 The geography of expenditures foregone

Taking expenditures foregone by both problem and non-problem gamblers together, we estimate that a third of gambling expenditure is financed by housing construction foregone, a bit under a quarter by financial asset accumulation foregone, a similar amount by retail purchases foregone and the rest by debt accumulation and income tax savings. (These last, due to lower asset-holding, provide a small offset to the taxes paid as part of gambling expenditure.)

Expenditures foregone to finance gambling were allocated to the residents of LGAs item by item using NIEIR's *SpendInfo* models of household expenditure at the LGA level. Gambling debts were accumulated mainly by problem gamblers, and were assumed to be most severe in low-income LGAs and also in LGAs where people were already heavily indebted on housing mortgages. Retail sales foregone were also assumed to be highest, in relation to income, in low-income LGAs. By contrast, wealth accumulation foregone (both housing and financial assets) was assumed to be highest in high income LGAs.

As with the indirect effects of income generated by gambling, we used National Economics' local-area input-output models to estimate incomes foregone indirectly by the local diversion of expenditure to gambling. This includes foregone activity in the manufacturing of retail items and inputs to construction.

This process is described in Chapter 8.

1.6 The balance of incomes generated and incomes foregone

Once all this was done, it was a simple matter, for each LGA and for the state as a whole, to take income generated by gambling and subtract both the cost of alternatives foregone and the cost of problem gambling. As might be expected for an industry which absorbs nearly four per cent of household disposable income, the amounts on both sides of the ledger were large: $6.4 billion a year positive impacts as against $5.4 billion negative impacts and problem gambler costs. We were left with net income generation of $1 billion a year, reported in Chapter 9.

Why is it that, even after allowing for the economic costs of problem gambling, the industry is estimated to generate considerably more income for NSW than the incomes which would have been generated from the expenditures foregone? The answer has two aspects.

- Gambling has very low import content, even at the LGA level. It therefore tends to generate local incomes. Spending with higher import content generates incomes interstate and overseas.

- Saving does not directly generate incomes. Gambling reduces household savings, and therefore generates income.

These answers precipitate us into the heart of macroeconomic debate. Starting with the savings effects, if it could be guaranteed that an increase in household savings would necessarily result in the accumulation of real capital, further offsets to the income generation effect of gambling would be appropriate. Gambling, along with other consumption expenditure, would then be carried out at a cost to future incomes which is not taken into account in our calculations of the cost of foregone expenditure. Similarly, to the extent that the gambling industry absorbs resources which would otherwise have been devoted to export production, the significance of its generation of local incomes is reduced.

In the approach of neoclassical economics, the assumption is that both these forms of crowding-out occur, and the net benefit of the industry is therefore smaller than estimated. But is this, in practice, the case? Due to the weakness of investment demand, the Reserve Bank has been deliberately encouraging households to increase their spending and run down their savings. NIEIR's point of view is that Australia would be much better off if it invested more, and financed more of this investment from its own savings; however this would require a total re-casting of economic policy. In the meantime, gambling can be credited with generating more income than the alternatives foregone. It is a paradox that, so long as economic policy is cast in neoclassical mode, our Keynesian analysis of the costs and benefits of gambling is appropriate.

1.7 The geography of net benefits

An important aspect of the report is its coverage of the geographic impact of gambling. The main findings are as follows.

- There is significant variation in levels of gambling expenditure per household, with the highest levels in the outer Western suburbs of Sydney. In relation to income, expenditures are also high in a number of rural LGAs.
- Problem gambler costs are generally high in LGAs with high gambling expenditure, as are the direct costs of expenditures foregone.
- However, LGAs with high gambling expenditure tend to reap an offsetting benefit in terms of jobs generated.

Overall, there is a tendency for metropolitan LGAs to receive net benefits, with a much more patchy distribution in the rest of the state. Much of the net benefit in the metropolitan area reflects the distribution of profits from gambling, and also administration and supporting manufacturing.

These geographic patterns are more fully described in Chapter 8.

1.8 Trends over time and interstate comparisons

The report begins with a description of trends in gambling expenditure in NSW and the other Australian states and territories. The importance of the subject is emphasised by the increase in expenditure which has occurred over the past decade. In 1975-76 households in NSW spent nearly three per cent of their disposable incomes on gambling, a rate considerably higher than in the other states, with the result that NSW was responsible for 62 per cent of the legal gambling carried out in Australia. By 2000-01 expenditures had risen to 3.9 per cent of disposable income, but spending in most other states had nearly caught up – the main laggard was Western Australia, with expenditures of a mere 1.7 per cent of household disposable income (up from less than 1 per cent in 1975). Despite this catch-up, which shrank the NSW share of total Australian legal gambling to 41 per cent, the premier state still has the highest level of gambling as a proportion of income.

2. Trends in gambling turnover in New South Wales and Australia

Our previous study, *The Economic Impact of Gambling,* includes a statistical history of legal gambling activity in Australia from 1983 to 1998. The main conclusions from this were as follows.

- Over the period gambling expenditure increased, particularly in those States where new gambling opportunities were introduced, and at the times when they were introduced.
- The upwards trend in gambling expenditure was accompanied by a downwards trend in the household savings rate.

Coupling these two observations together generated a hypothesis that the provision of increased gambling opportunity was a cause of the decline in the household savings rate. The study concluded that this hypothesis could be neither proved nor disproved from the time-series data, since various other types of household expenditure also increased, and could also have been responsible for the decline in the savings rate. The question also arose as to whether the decline in the household savings rate was something to worry about. We will return to these questions later in this report.

In the present report we extend the time series to run from 1974 to 2001, and provide greater detail on expenditure by type of gambling.

2.1 Gambling expenditures in Australia over the last 25 years

A National Statistical Data Bank on racing and gaming is maintained by the Tasmanian Gaming Commission (TGC), and updated from returns submitted by all state and territory governments. These statistics cover legal, regulated and in general tax-paying gambling throughout the country. They do not cover:

- informal gambling, including private wagers and permitted but non-taxpaying raffles and the like organised by charities; or
- illegal gambling.

The reported statistical trends cover legal, regulated gambling. Total gambling activity is greater than this by an unknown (and unknowable) amount. Trends in legal, regulated gambling may differ from trends in total gambling due to the behavior of this unknown component. The outstanding trend of the past fifteen years has been the increase in legal, regulated gambling activity. It is possible that the growth in total gambling has been somewhat less, due to countervailing trends in informal and illegal gambling, but impossible to gauge how much less.

The TGC offers three definitions of the financial extent of gambling activity:

- turnover (total amounts wagered);
- expenditure (turnover less winnings); and
- government revenue from gambling.

In a study concerned with the impact of gambling on household finances, the relevant measure is expenditure. This includes both taxes and payments to the operators of the gambling facility, which in turn are used to pay wages, profits and other expenses, sometimes including cross-subsidies to other aspects of venue operation. Expenditure on gambling does not include associated charges, such as lottery selling agents' commission or venue membership fees.

The four major types may be defined as:

- racing, almost entirely horses and greyhounds, with gambling conducted by the off-course TAB, on-course totalisators and bookmakers;
- gaming machines (excluding those operating in casinos);
- casinos (including all forms of gambling conducted under the casino roof); and
- all other gambling including lotteries, lotto, instant lotteries, pools, and keno. Minor gaming is also included in states which collect data on raffles, bingo, lucky envelopes and the like.

2.1.1 1974-75 to 1984-85

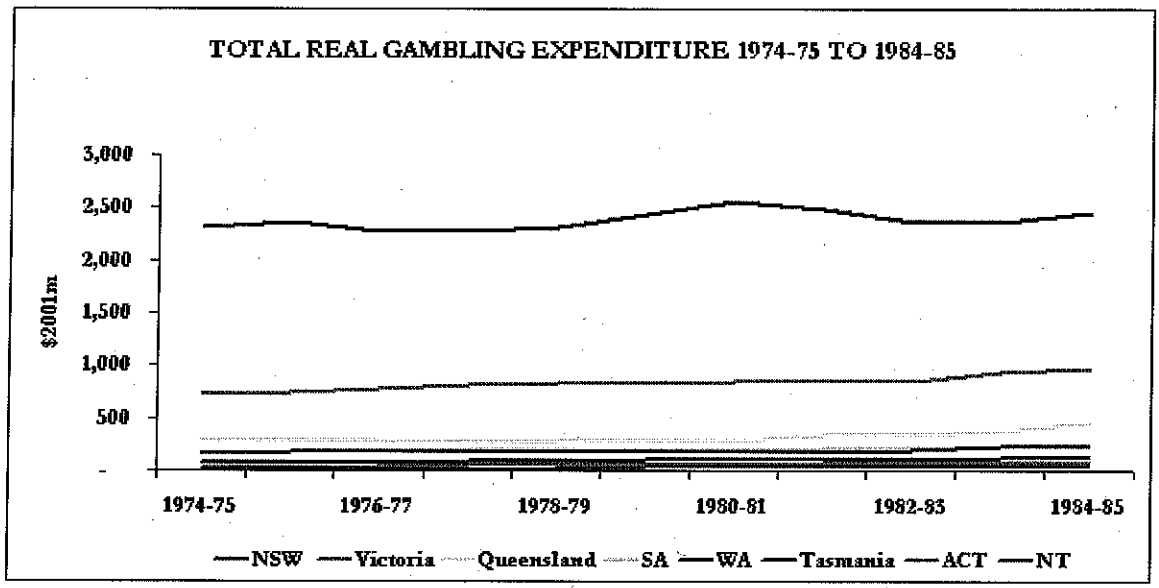
We begin this study in the mid-1970s – a convenient date, representing the end of the post-war period of rapid economic growth and the end of the era of full employment.

During the decade from 1974-75 to 1984-85, gambling expenditures were relatively stable. They fluctuated a little from year to year, but after adjustment for inflation they grew by about 24 per cent (Table 2.2). This meant that expenditure per adult (person aged 18 and over) grew very little (about 3 per cent) (Table 2.3). Given that incomes were growing during this period, this implies that gambling expenditure was declining in relation to incomes. In 1974-75 gambling accounted for 1.74 per cent of household disposable income nation-wide, falling to 1.68 per cent in 1984-85 (Table 2.4).

Table 2.1 Gambling expenditure 1974-75 to 1984-85

Year	Nominal $m	Real $2001m	$2001 per person	% of disposable income
1974-75	757.1	3,711.1	401.7	1.74
1975-76	883.6	3,830.0	407.7	1.72
1976-77	995.2	3,790.6	396.7	1.71
1977-78	1,104.1	3,840.6	394.6	1.72
1978-79	1,236.4	3,974.8	400.7	1.70
1979-80	1,411.8	4,118.8	407.3	1.75
1980-81	1,592.5	4,250.7	411.7	1.73
1981-82	1,781.5	4,303.1	407.5	1.71
1982-83	1,924.5	4,169.1	386.6	1.68
1983-84	2,140.8	4,346.5	396.1	1.66
1984-85	2,361.1	4,596.1	411.6	1.68

Table 2.2	Total real gambling expenditure 1974-75 to 1984-85 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1974-75	2,314	718	293	158	163	63	20	0	3,729
1975-76	2,372	740	286	170	176	65	21	0	3,830
1976-77	2,269	782	277	178	171	76	37	0	3,791
1977-78	2,270	809	271	185	174	82	49	0	3,841
1978-79	2,315	838	286	199	173	96	53	14	3,975
1979-80	2,436	838	288	202	168	106	54	27	4,119
1980-81	2,551	840	286	202	174	107	59	31	4,251
1981-82	2,491	871	330	212	180	113	62	43	4,303
1982-83	2,370	845	333	208	200	110	64	39	4,169
1983-84	2,360	930	367	231	225	121	72	41	4,347
1984-85	2,445	975	463	239	230	125	80	38	4,596
Growth (%)	6	36	58	52	41	100	303	N/A	23



During this period NSW was the state with by far the highest gambling expenditures, both in total and per household. The small decline in expenditures as a proportion of household disposable income at the national level was due entirely to a more significant decline in NSW. In all the other states and territories the proportion increased gently (Table 2.3). The declining proportion in NSW may have been partly due to money illusion, which occurs when people fail to adjust their cash expenditures for inflation.

Table 2.3	Gambling expenditure, percentage of household disposable income 1975-76 to 1984-85 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1975-76	2.93	1.22	0.92	0.87	0.95	1.14	0.56	-	1.72
1976-77	2.82	1.28	0.90	0.92	0.94	1.31	1.02	-	1.71
1977-78	2.78	1.31	0.88	0.98	0.94	1.41	1.26	-	1.72
1978-79	2.68	1.32	0.87	1.00	0.91	1.59	1.32	0.63	1.70
1979-80	2.79	1.32	0.88	1.02	0.87	1.72	1.28	1.21	1.75
1980-81	2.82	1.27	0.82	0.99	0.86	1.70	1.33	1.29	1.73
1981-82	2.66	1.30	0.90	1.05	0.86	1.81	1.38	1.79	1.71
1982-83	2.60	1.26	0.92	1.03	0.93	1.76	1.42	1.61	1.68
1983-84	2.49	1.30	0.96	1.03	1.05	1.88	1.49	1.58	1.66
1984-85	2.49	1.32	1.18	1.03	0.97	1.86	1.51	1.37	1.68

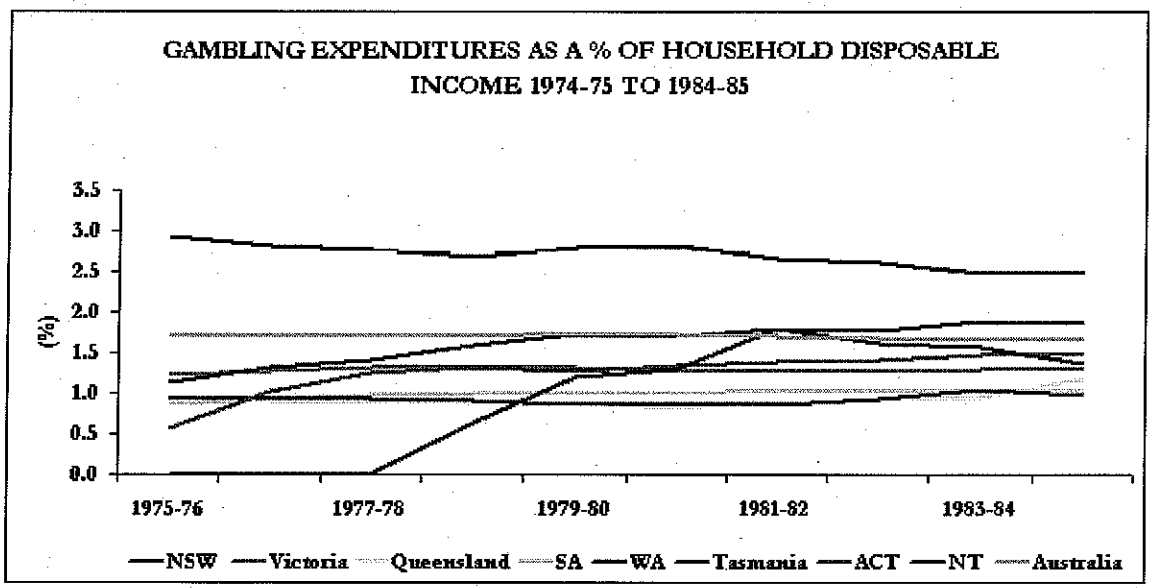


Table 2.4	Total real racing expenditure 1974-75 to 1984-85 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1974-75	630	536	236	98	135	29	20	0	1,683
1975-76	618	502	230	100	142	30	21	0	1,645
1976-77	573	490	220	100	139	31	19	0	1,570
1977-78	616	470	210	97	143	32	19	0	1,585
1978-79	628	445	215	89	143	30	17	9	1,576
1979-80	654	430	211	90	134	30	16	8	1,573
1980-81	644	432	213	85	139	33	16	8	1,568
1981-82	649	417	224	85	139	32	16	8	1,570
1982-83	603	418	220	85	131	28	15	7	1,507
1983-84	624	455	240	98	141	29	15	8	1,609
1984-85	671	469	257	105	144	32	16	8	1,701
Growth (%)	7	-12	9	7	7	10	-19	N/A	1
% of state	27	48	56	44	63	25	20	20	37

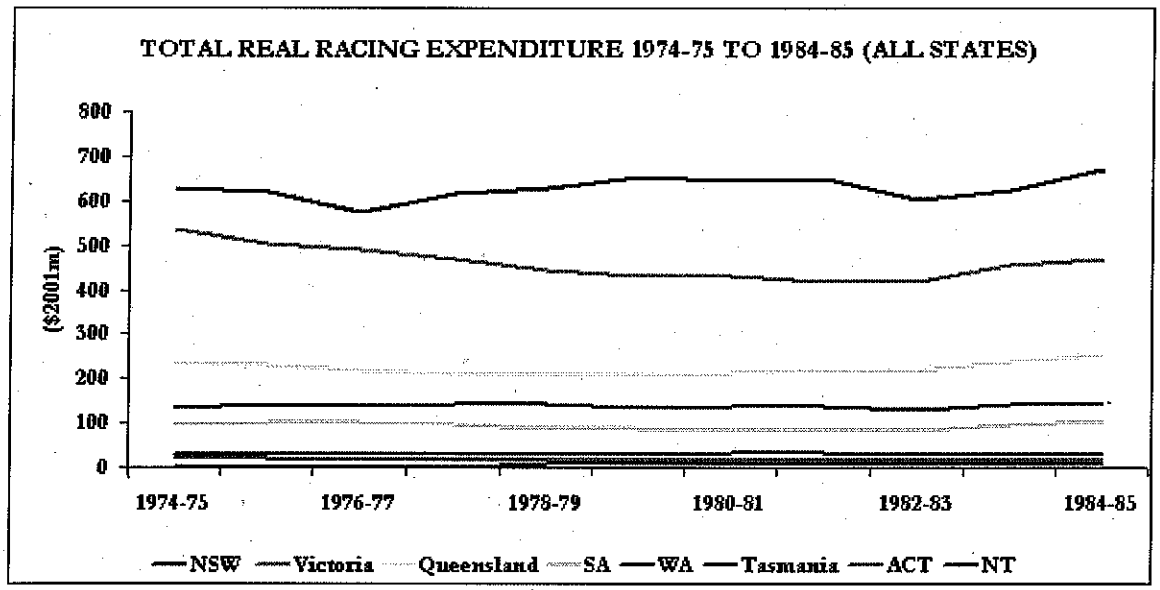


Table 2.5	Total real gaming machine expenditure 1974-75 to 1984-85 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1974-75	1,535	0	0	0	0	0	0	0	1,535
1975-76	1,567	0	0	0	0	0	0	0	1,567
1976-77	1,518	0	0	0	0	0	14	0	1,532
1977-78	1,480	0	0	0	0	0	24	0	1,504
1978-79	1,505	0	0	0	0	0	27	0	1,531
1979-80	1,526	0	0	0	0	0	28	0	1,554
1980-81	1,608	0	0	0	0	0	32	0	1,640
1981-82	1,551	0	0	0	0	0	33	0	1,585
1982-83	1,388	0	0	0	0	0	36	0	1,424
1983-84	1,365	0	0	0	0	0	43	0	1,408
1984-85	1,397	0	0	0	0	0	49	0	1,446
Growth (%)	-9.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-5.8
% of state	57.1	0.0	0.0	0.0	0.0	0.0	60.9	0.0	31.5

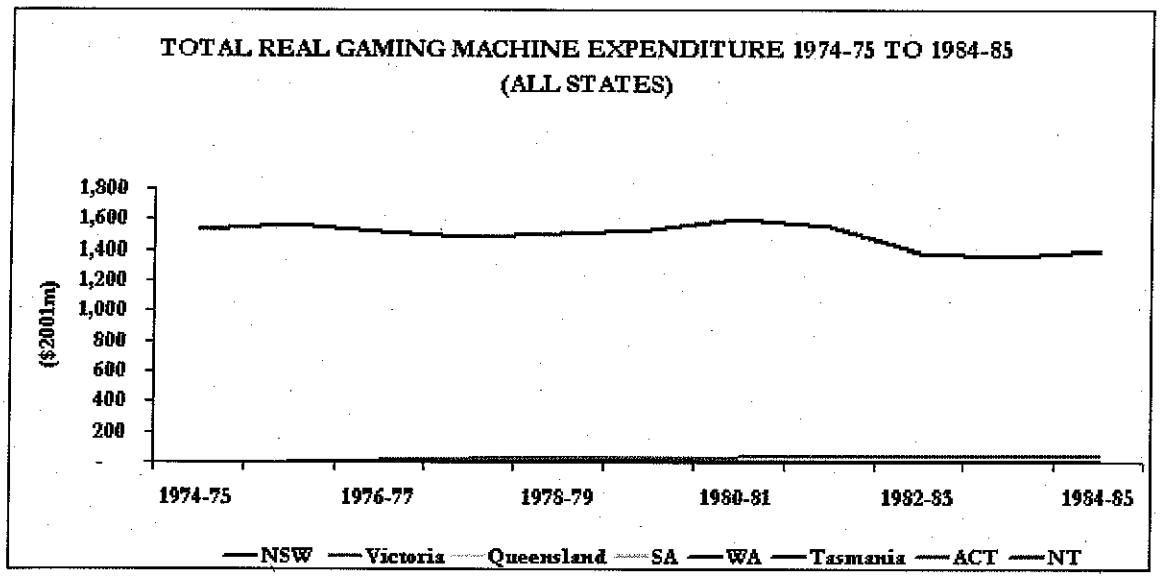


Table 2.6	Total real casino expenditure 1974-75 to 1984-85 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1974-75	0	0	0	0	0	30	0	0	30
1975-76	0	0	0	0	0	29	0	0	29
1976-77	0	0	0	0	0	30	0	0	30
1977-78	0	0	0	0	0	29	0	0	29
1978-79	0	0	0	0	0	33	0	0	33
1979-80	0	0	0	0	0	32	0	14	46
1980-81	0	0	0	0	0	31	0	16	48
1981-82	0	0	0	0	0	34	0	26	60
1982-83	0	0	0	0	0	38	0	23	61
1983-84	0	0	0	0	0	44	0	27	71
1984-85	0	0	0	0	0	46	0	23	68
Growth (%)	N/A	N/A	N/A	N/A	N/A	55	N/A	N/A	132
% of state	N/A	N/A	N/A	N/A	N/A	36	N/A	59	1

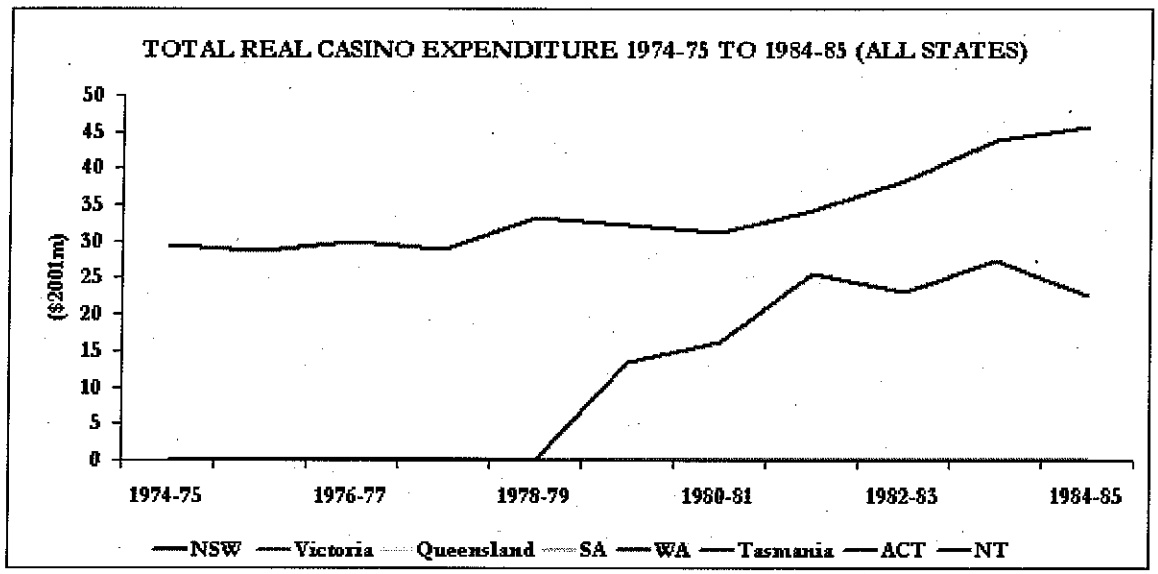
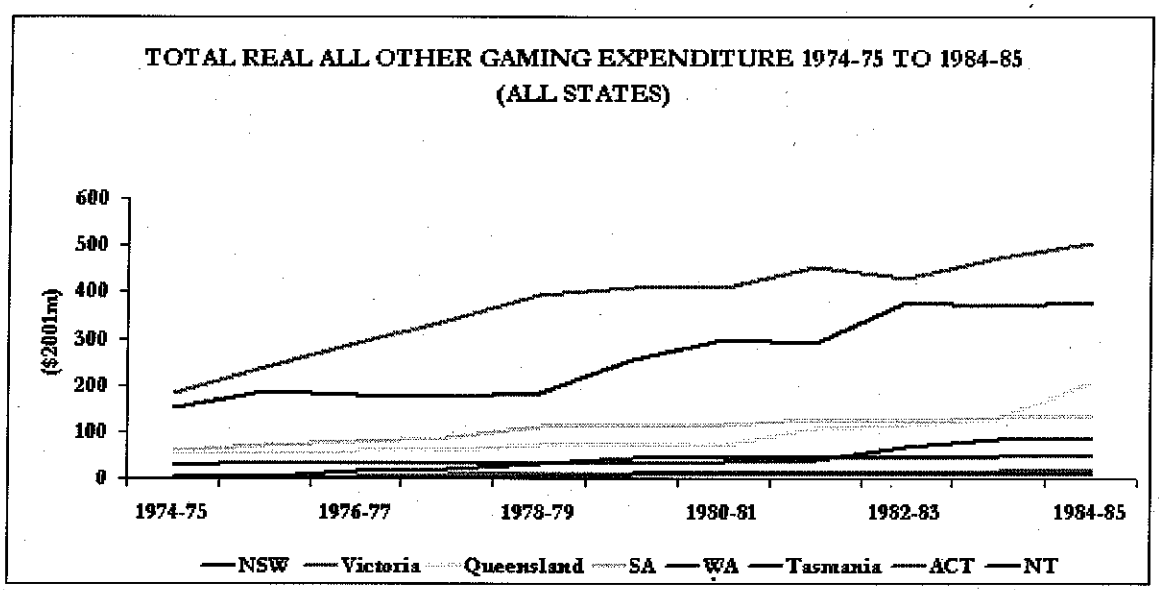


Table 2.7	Total real all other gaming expenditure 1974-75 to 1984-85 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1974-75	150	182	57	60	28	5	0	0	482
1975-76	186	237	56	70	34	6	0	0	590
1976-77	179	292	58	79	32	15	5	0	658
1977-78	174	339	62	88	32	22	7	0	723
1978-79	182	393	72	110	31	32	10	5	835
1979-80	255	407	77	112	34	43	10	6	945
1980-81	299	408	73	117	35	43	12	8	996
1981-82	291	454	107	127	41	47	13	8	1,089
1982-83	379	427	113	122	69	43	13	8	1,176
1983-84	371	475	127	133	84	48	14	6	1,259
1984-85	377	506	206	135	86	48	15	8	1,381
Growth (%)	152	177	260	126	202	962	N/A	N/A	187
% of state	15	52	44	56	37	38	19	21	30



Contributing to the low rate of growth in per-capita inflation-adjusted spending, the fortunes of the four major types of gambling varied over the period. From 1975 to 1985 the adult population grew by 21 per cent. Adjusting for inflation:

- expenditure on racing changed very little (a decline from 1975 to 1981 was subsequently reversed);
- expenditure on gaming machines decreased by 6 per cent (expenditure fluctuated around a declining trend which bottomed in 1986);
- expenditure on casino gambling remained low, since the only casinos were in Tasmania and (from 1980) the Northern Territory; and
- expenditure on all other gaming nearly tripled.

This was, indeed, the decade of the lottery and its offshoots. Instant (scratch) lotteries were introduced in all states and territories, and in several states there were other forms of innovation in lotteries and similar consultations.

In all states except NSW, and nationally, real expenditure on racing declined from 1976 to 1981. By 1985 expenditure had recovered to 1975 levels, being slightly ahead in all states except Victoria, where it was still well below the level of a decade before.

NSW was the only state with gaming machines in 1976. Clubs in the Australian Capital Territory (ACT) installed their first machines in 1977, but in 1985 NSW and the ACT were still the only jurisdictions with machines. In sharp contrast with the following decade, real expenditure on gaming machines in Australia (i.e. in NSW and the ACT) declined by 5 per cent over the decade, or by 24 per cent per adult. This is common with a product or service which is maturing in the market. In NSW few new gambling options were presented in the period. There would also have been some money illusion in this period in which there was constant moderately high inflation. For a service such as gambling, which is highly discretionary for the majority of gamblers, nominal expenditure may be increased significantly but still lag behind increasing real wealth and nominal wage growth. Money illusion may also be expected for a service which does not have an explicit unit price. Customers take time to shift from the 20 cents to the $1 machines.

Over the decade the revenue of the Hobart casino increased more or less in line with the population of Tasmania. However, by the mid-1980s the casino sector was stirring, with Western Australia (WA), South Australia (SA) and Queensland adding casinos, and Tasmania and the Northern Territory (NT) adding second casinos.

2.1.2 1984-85 to 1990-91

Over the next six years (1985 to 1991) real gambling expenditure grew by 37 per cent, or by 21 per cent per adult. Expenditure rose in relation to household disposable income from 1.68 per cent to 2.06 per cent, with increases in all states except Victoria and Tasmania.

Table 2.8	Total real gambling expenditure 1985-86 to 1990-91 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1984-85	2,445	975	463	239	230	125	80	38	4,596
1985-86	2,459	969	538	300	278	124	84	47	4,799
1986-87	2,484	976	581	332	340	122	80	63	4,978
1987-88	2,539	1,011	628	344	369	125	92	59	5,168
1988-89	2,882	1,011	685	374	445	132	107	70	5,706
1989-90	2,882	1,062	720	390	508	135	114	40	5,851
1990-91	3,078	1,072	874	401	538	137	120	69	6,289
Growth (%)	25.9	9.9	88.6	67.6	134.4	9.4	49.2	80.8	36.8

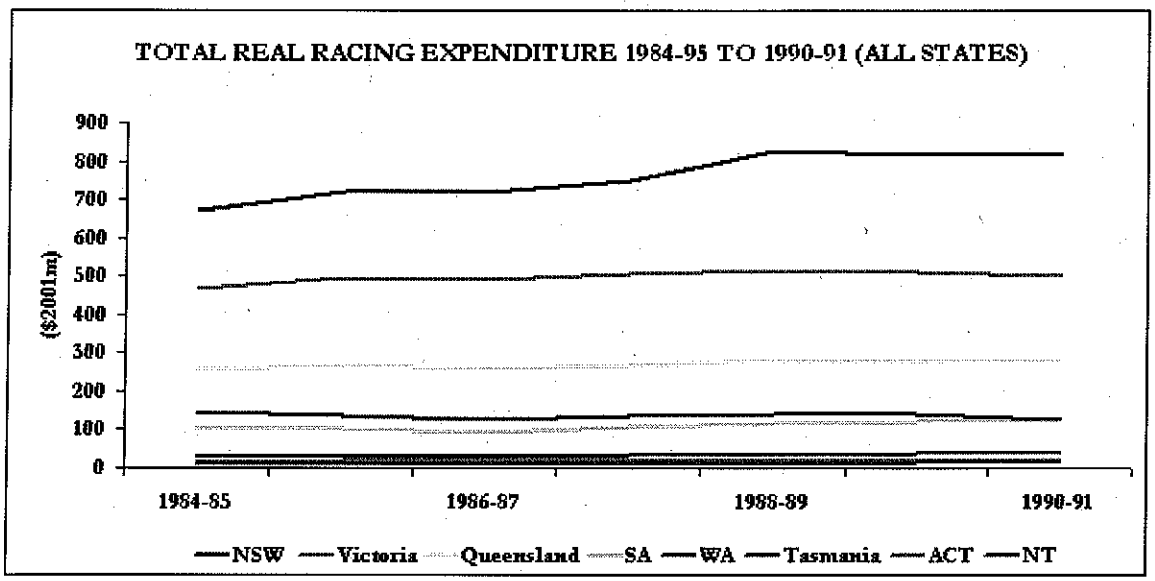


Table 2.9	Total real Australian per capita gambling expenditure 1984-85 to 1990-91
Year	$2001 per capita
1984-85	412
1985-86	422
1986-87	429
1987-88	436
1988-89	471
1989-90	473
1990-91	499

Table 2.10	Gambling expenditure, percentage of household disposable income 1984-85 to 1990-91 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1984-85	2.49	1.32	1.18	1.03	0.97	1.86	1.51	1.37	1.68
1985-86	2.46	1.28	1.37	1.28	1.16	1.83	1.47	1.62	1.73
1986-87	2.52	1.28	1.48	1.45	1.45	1.86	1.42	2.25	1.81
1987-88	2.47	1.30	1.57	1.52	1.48	1.90	1.58	2.23	1.82
1988-89	2.68	1.27	1.59	1.60	1.66	1.96	1.82	2.62	1.93
1989-90	2.63	1.27	1.57	1.61	1.88	1.90	1.89	1.44	1.91
1990-91	2.80	1.29	1.92	1.68	2.05	1.92	1.93	2.56	2.06

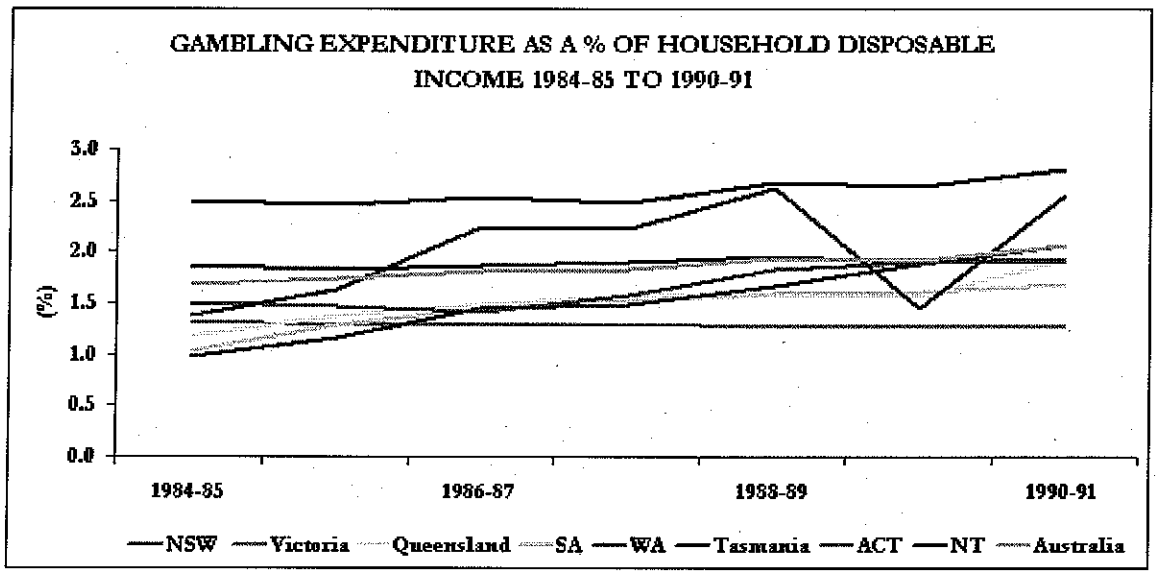


Table 2.11	Total real racing expenditure 1984-85 to 1990-91 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1984-85	671	469	257	105	144	32	16	8	1,701
1985-86	719	494	268	101	138	33	20	8	1,780
1986-87	720	493	256	92	127	31	19	9	1,747
1987-88	748	507	268	105	135	34	20	11	1,827
1988-89	826	515	282	116	140	36	20	11	1,947
1989-90	815	512	278	122	141	39	20	13	1,940
1990-91	824	499	278	121	129	39	20	14	1,923
Growth (%)	23	6	8	15	-10	23	24	77	13
% of state	27	47	32	30	24	28	17	20	31

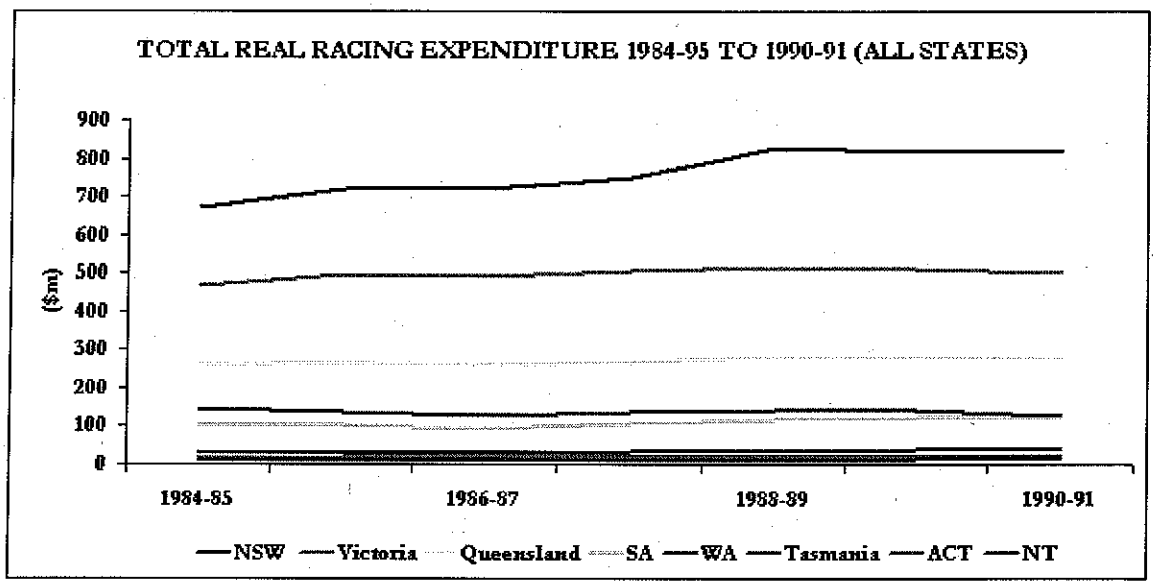


Table 2.12	Total real gaming machine expenditure 1984-85 to 1990-91 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1984-85	1,397	0	0	0	0	0	49	0	1,446
1985-86	1,359	0	0	0	0	0	50	0	1,409
1986-87	1,401	0	0	0	0	0	47	0	1,448
1987-88	1,461	0	0	0	0	0	59	0	1,520
1988-89	1,740	0	0	0	0	0	74	0	1,814
1989-90	1,765	0	0	0	0	0	81	0	1,845
1990-91	1,950	11	0	0	0	0	86	0	2,047
Growth (%)	40	N/A	N/A	N/A	N/A	N/A	75	N/A	42
% of state	63	1	0	0	0	0	71	0	33

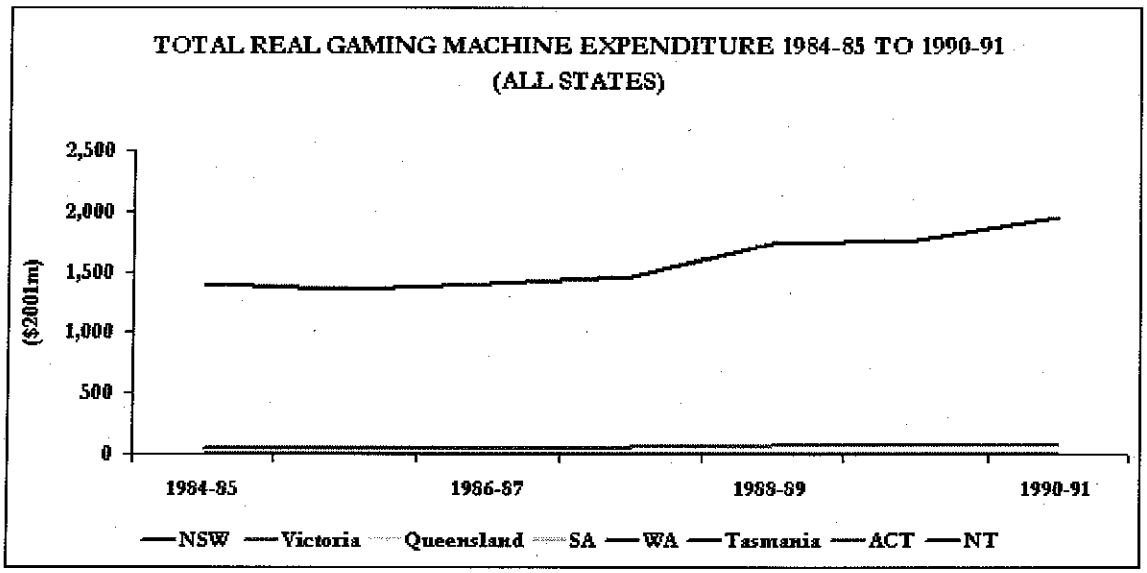


Table 2.13 Total real casino expenditure 1984-85 to 1990-91 by state

Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1984-85	0	0	0	0	0	46	0	23	68
1985-86	0	0	86	58	64	46	0	29	283
1986-87	0	0	153	90	120	47	0	44	454
1987-88	0	0	181	93	117	49	0	38	478
1988-89	0	0	204	107	161	57	0	47	576
1989-90	0	0	214	109	195	55	0	16	589
1990-91	0	0	215	109	236	56	0	44	659
Growth (%)	N/A	N/A	N/A	N/A	N/A	22	N/A	94	865
% of state	N/A	N/A	25	27	44	41	N/A	63	10

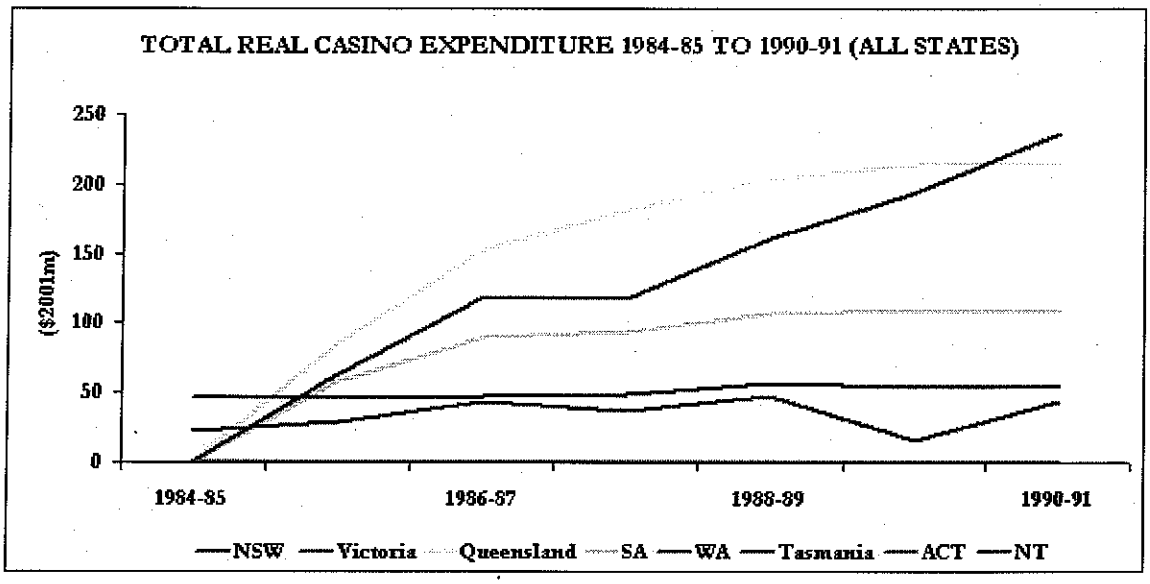
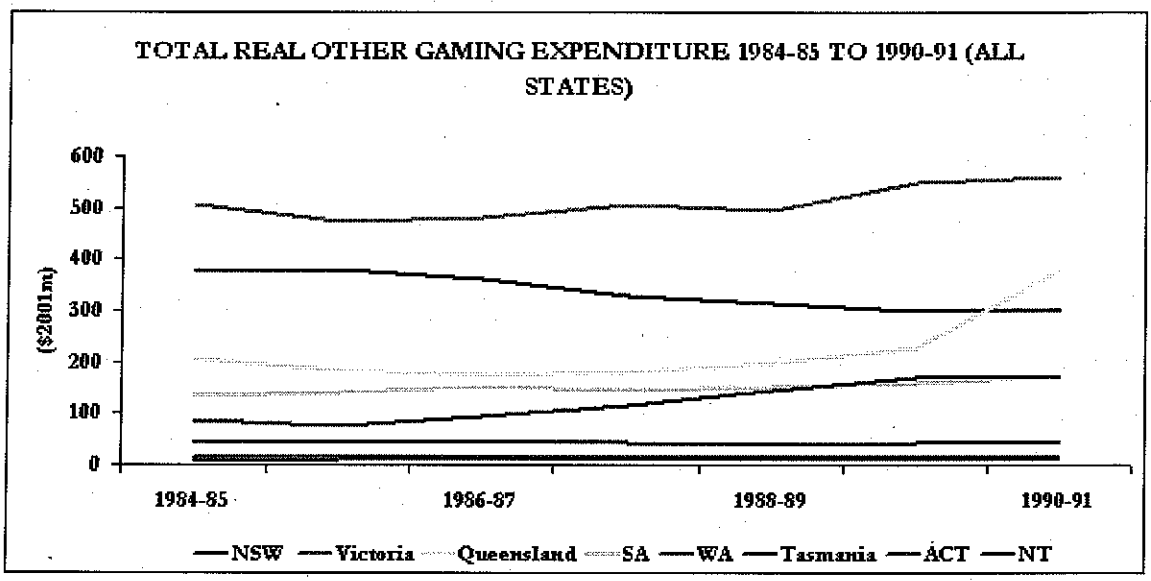


Table 2.14	Total real all other gaming expenditure 1984-85 to 1990-91 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1984-85	377	506	206	135	86	48	15	8	1,381
1985-86	381	475	184	141	77	45	15	10	1,327
1986-87	363	482	172	150	92	44	14	11	1,328
1987-88	330	504	179	145	117	42	14	11	1,343
1988-89	316	496	199	151	144	40	13	11	1,369
1989-90	302	550	228	158	171	42	14	11	1,477
1990-91	304	562	381	172	173	43	14	12	1,660
Growth (%)	-19	11	85	28	101	-11	-6	43	20
% of state	10	52	44	43	32	31	12	17	26



From 1984-85 to 1990-91 the following trends were significant.

- Real racing expenditure fell slightly per adult: increases in NSW and Queensland offset decreases elsewhere.
- Gaming machines, which were still confined to NSW and the ACT, staged a revival, with a 50 per cent increase in real expenditure from the low point of 1986.
- Casino expenditure went from very little to 10 per cent of national gambling expenditure. Nearly all of this was expenditure in the new casinos.
- Expenditure on other gaming (lotteries etc) continued to increase nationally, and particularly in Queensland and WA. However, in NSW it actually declined, partly offsetting the increase in gaming machine expenditure.

2.1.3 1990-91 to 1995-96

The five years from 1991 to 1996 saw a major increase in gambling expenditure. Australia-wide, the increase was 70 per cent in real terms, or around 60 per cent per adult. As a proportion of household disposable income, gambling expenditure increased from 2.06 per cent to 3.02 per cent, with increases in all states and territories.

Table 2.15 Total real gambling expenditure 1990-91 to 1995-96 by state

Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1990-91	3,078	1,072	874	401	538	137	120	69	6,289
1991-92	3,174	1,112	955	396	542	147	128	71	6,525
1992-93	3,339	1,355	1,199	407	626	144	158	69	7,298
1993-94	3,491	1,805	1,447	425	751	151	198	72	8,340
1994-95	3,821	2,450	1,449	549	798	159	207	77	9,511
1995-96	4,181	2,829	1,671	659	838	165	201	106	10,649
Growth (%)	36	164	91	64	56	20	68	53	69

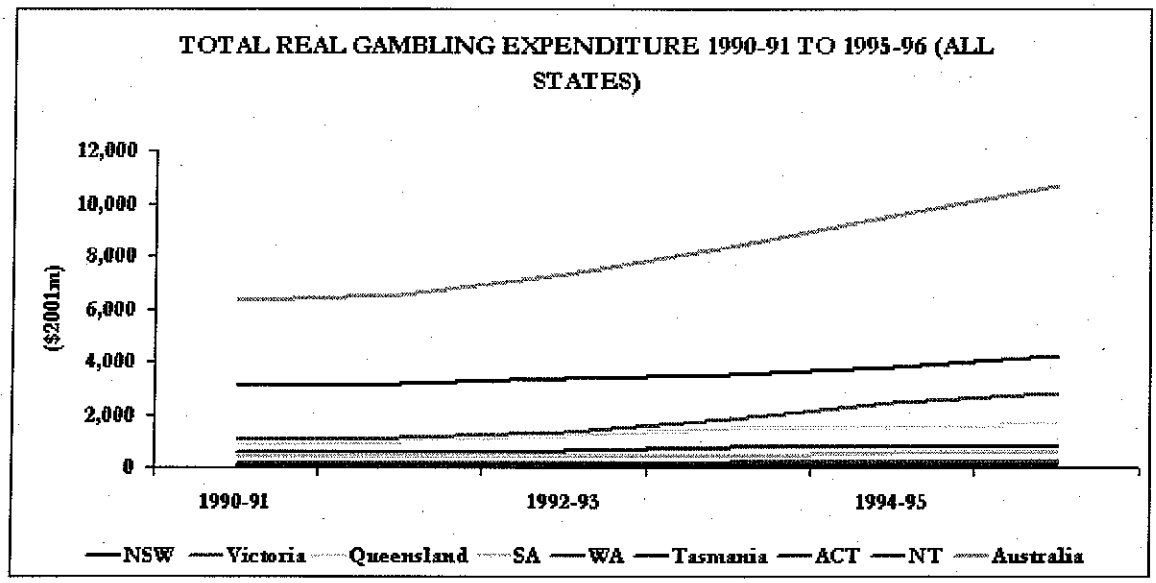


Table 2.16 **Total real Australian per capita gambling expenditure 1990-91 to 1995-96 by state**

Year	$ per household
1990-91	499
1991-92	509
1992-93	562
1993-94	634
1994-95	714
1995-96	788

Table 2.17 **Gambling expenditure, percentage of household disposable income 1990-91 to 1995-96 by state**

Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1990-91	2.80	1.29	1.92	1.68	2.05	1.92	1.93	2.56	2.06
1991-92	2.83	1.34	1.94	1.61	1.94	2.00	1.96	2.48	2.08
1992-93	2.93	1.60	2.31	1.64	2.15	1.93	2.30	2.48	2.27
1993-94	2.98	2.11	2.74	1.62	2.47	2.05	2.67	2.39	2.53
1994-95	3.14	2.77	2.60	2.08	2.51	2.08	2.69	2.43	2.77
1995-96	3.33	3.11	2.93	2.43	2.54	2.13	2.64	3.20	3.02

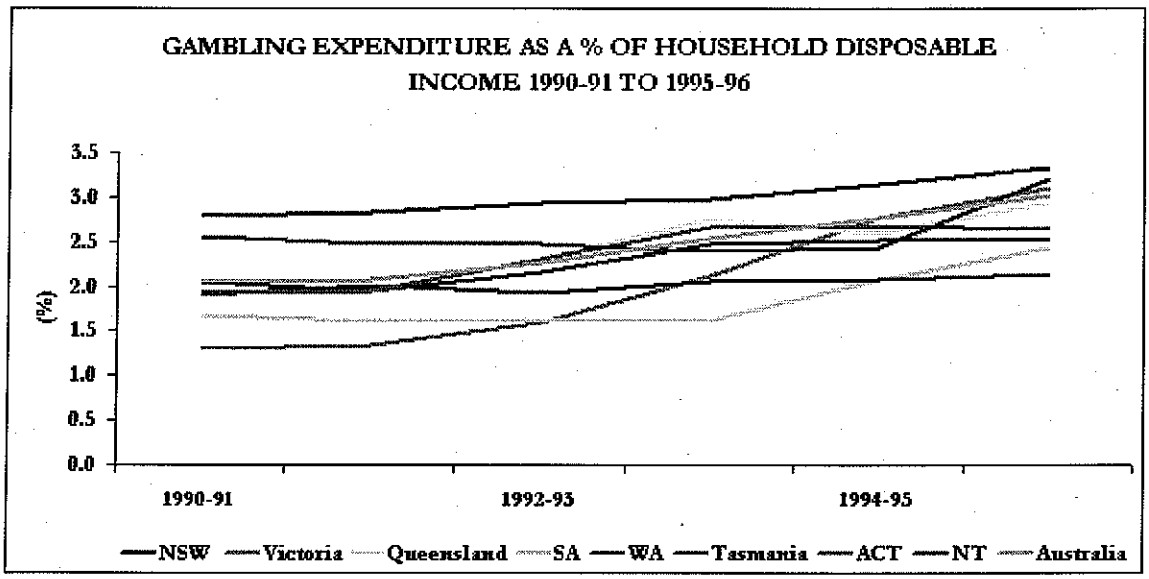


Table 2.18 Total real racing expenditure 1990-91 to 1995-96 by state

Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1990-91	824	499	278	121	129	39	20	14	1,923
1991-92	801	497	290	115	124	43	20	15	1,905
1992-93	742	505	294	116	134	41	21	15	1,867
1993-94	712	490	370	117	149	42	20	15	1,915
1994-95	772	475	302	111	148	41	18	17	1,884
1995-96	723	476	292	100	152	39	20	17	1,821
Growth (%)	-12	-5	5	-17	18	1	1	29	-5
% of state	17	17	17	15	18	24	10	16	17

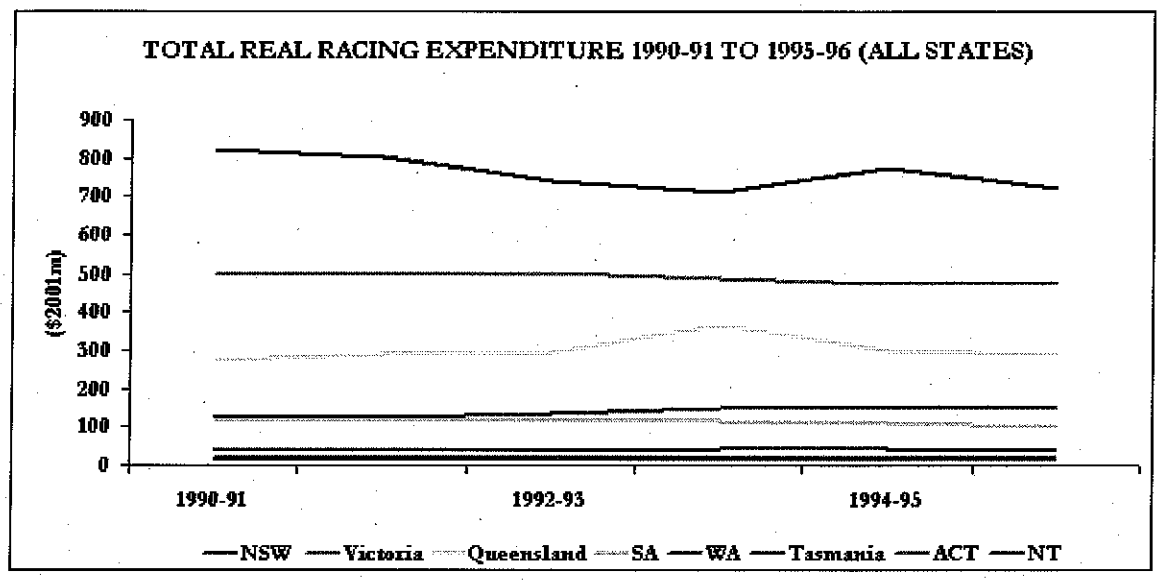


Table 2.19	Total real gaming machine expenditure 1990-91 to 1995-96 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1990-91	1,950	11	0	0	0	0	86	0	2,047
1991-92	2,027	40	34	0	0	0	92	4	2,197
1992-93	2,206	311	292	0	0	0	95	4	2,909
1993-94	2,333	813	405	0	0	0	119	4	3,675
1994-95	2,568	1,053	454	215	0	0	126	4	4,419
1995-96	2,668	1,387	579	355	0	0	131	7	5,127
Growth (%)	37	12000	N/A	N/A	N/A	N/A	53	2,213	150
% of state	64	49	35	54	0	0	65	7	48

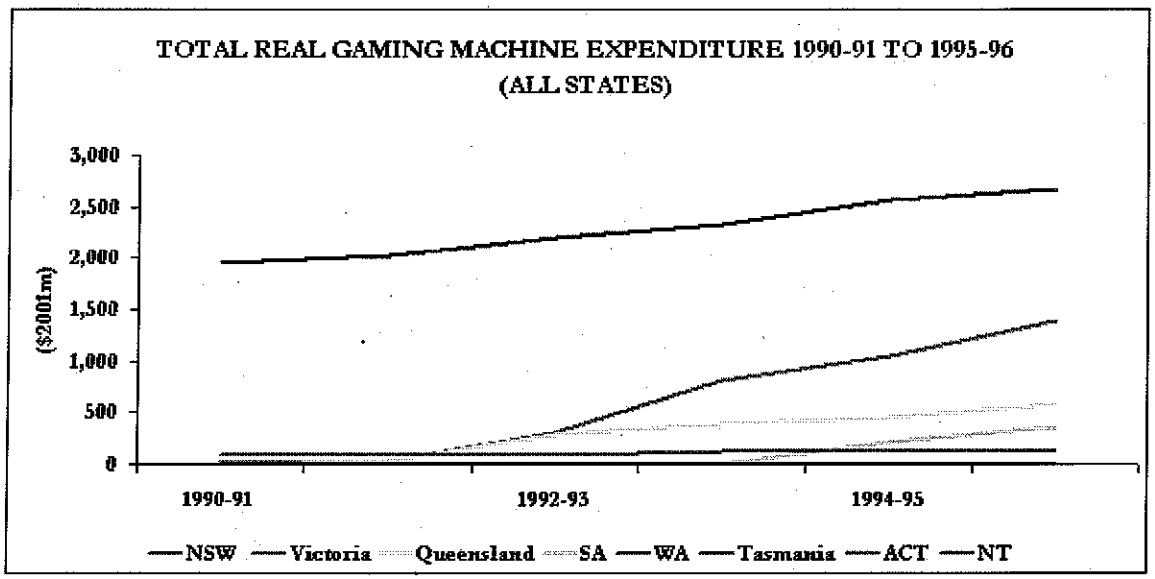


Table 2.20	Total real casino expenditure 1990-91 to 1995-96 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1990-91	0	0	215	109	236	56	0	44	659
1991-92	0	0	230	109	249	59	0	40	687
1992-93	0	0	237	122	319	59	26	37	800
1993-94	0	0	275	139	424	66	41	40	985
1994-95	0	415	294	97	458	68	46	43	1,421
1995-96	311	546	414	85	478	69	33	65	2,001
Growth (%)	N/A	N/A	93	22	102	25	N/A	48	204
% of state	7	19	25	13	57	42	16	61	19

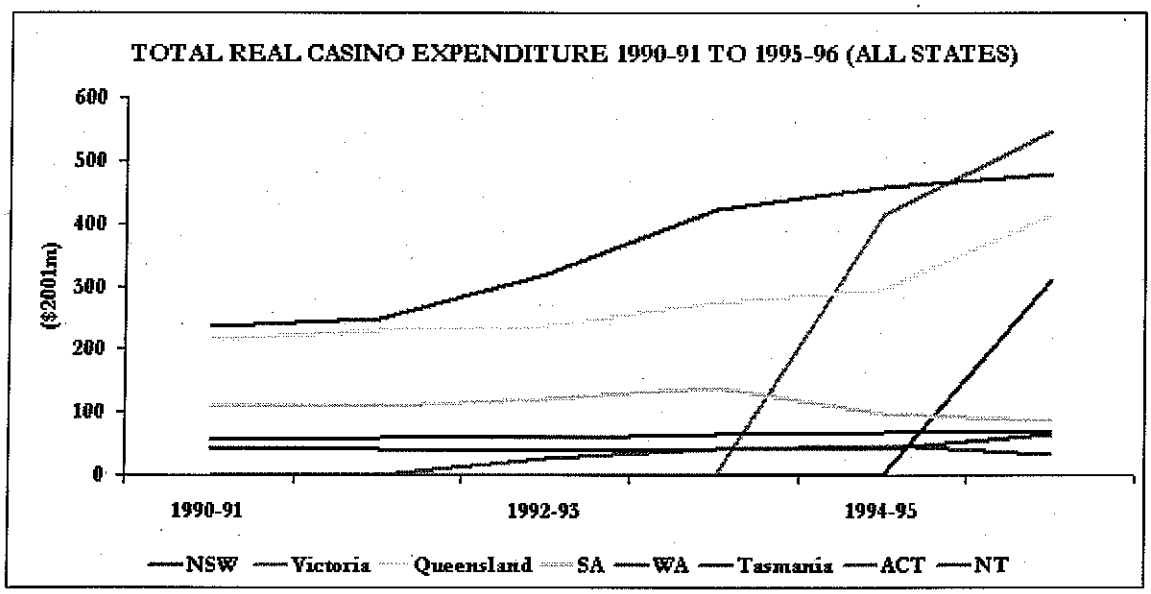
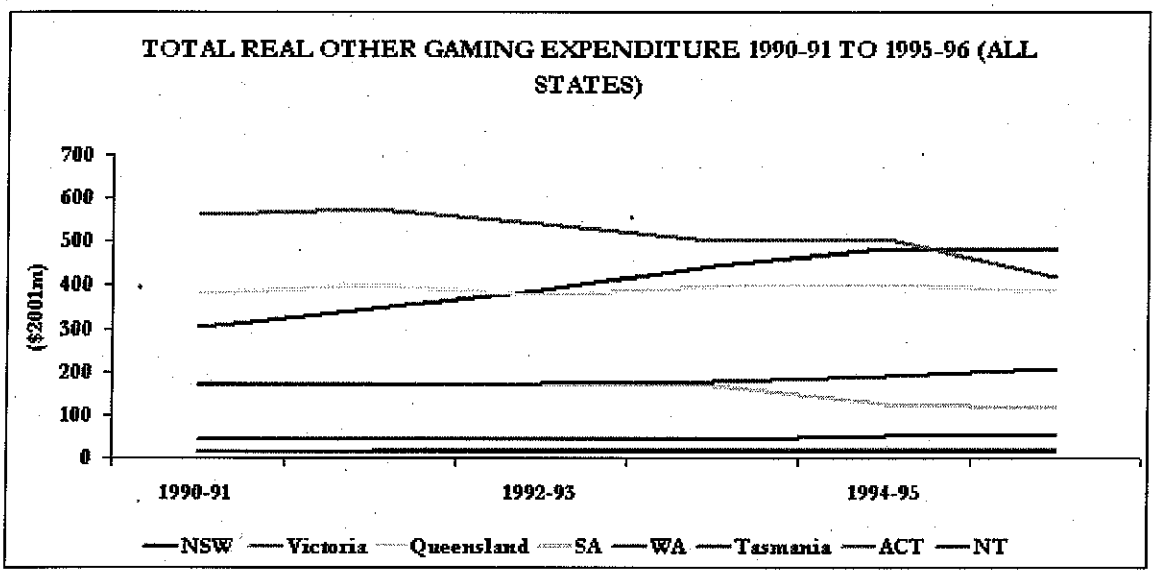


Table 2.21	Total real all other gaming expenditure 1990-91 to 1995-96 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1990-91	304	562	381	172	173	43	14	12	1,660
1991-92	346	575	401	172	169	45	16	12	1,736
1992-93	391	539	377	169	173	45	16	13	1,723
1993-94	445	502	396	169	179	43	18	13	1,765
1994-95	482	506	400	126	191	50	17	14	1,786
1995-96	479	419	386	118	208	56	17	16	1,700
Growth (%)	57	-25	1	-31	20	32	21	40	2
% of state	11	15	23	18	25	34	9	15	16



The increase in gambling from 1990-91 to 1995-96 was due to a tripling of expenditure in casinos and a 2.5 times increase in expenditure on gaming machines. Expenditure on racing declined and expenditure on other gaming (lotteries etc) rose slightly in real terms.

The surge in gaming was associated with the introduction of casinos and/or gaming machines in states and territories which had previously not had them. The two exceptions were WA and Tasmania, where no increase in the range of facilities occurred. The rate of increase in gambling expenditures in Tasmania, at 22 per cent, was the lowest in the country, and the WA rate of increase was below average at 58 per cent.

NSW added a casino to its range of gaming facilities, but in the context of all gambling in the state this was a relatively modest venture – by 1986 it had attracted only 7 per cent of the state's total expenditure on gambling. Nearly two thirds of the net increase in gambling expenditure in the state was due to increased spending on gaming machines, as against less than a third from the casino. An offset was provided by racing, which declined in NSW more than in the other states, while other gaming increased its take.

The ACT provides a parallel case, in which a casino, introduced into a gambling economy dominated by gaming machines, failed to make much impact. In the NT the reverse applied; here gaming machines were introduced into a gambling economy in which casinos were already well-established, and also accessible to most of the population. Here the gaming machines failed to make much impact. In these three jurisdictions the increase in gambling expenditure over the five-year period was similar to WA, that is, 50-65 per cent.

In addition to the NT, two states which already had casinos introduced gaming machines. The most spectacular introduction was in SA, where by 1996 gaming machines were receiving 54 per cent of total gambling expenditure. Spending on the other three types of gambling declined, and the increase in gambling expenditure in the state was around 66 per cent, not very different from the states where the newly-introduced opportunities captured a smaller proportion of the market. In Queensland gaming machines captured less of the total market (only a third) without diversion of patronage from the other forms of gambling. Indeed, expenditure on casinos and racing increased, sending total gambling expenditure up by 92 per cent.

The star performer over the five years was Victoria, which introduced both a casino and gaming machines, having previously had neither. By 1996 the casino and gaming machines were together harvesting more than two thirds of Victorian gambling expenditure. Gaming machines accounted for three quarters of the net increase in Victorian gambling expenditure, and the casino for a bit less than a third; there was a small offset from reduced expenditure on other gaming (lotteries etc) while expenditure on racing remained constant. Overall, Victorian gambling expenditure increased 2.65 times in real terms.

2.1.4 1995-96 to 2000-01

From 1996 to 2001 national gambling expenditure increased by 33 per cent, a reduction from the heady days of the mid-1990s but still a per-adult increase of around 24 per cent. Expenditure on racing was steady, and expenditure on other gaming (lotteries etc) declined by 5 per cent. The winners continued to be gaming machines (up 60 per cent) and casinos (up 26 per cent).

Table 2.22	Total real gambling expenditure 1995-96 to 2000-01 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1995-96	4,181	2,829	1,671	659	838	165	201	106	10,649
1996-97	4,348	3,024	1,699	702	768	176	187	103	11,007
1997-98	4,967	3,505	1,934	760	767	195	196	111	12,435
1998-99	5,537	3,745	2,162	801	700	213	217	123	13,499
1999-00	5,835	4,001	2,138	837	695	222	222	139	14,089
2000-01	5,884	4,178	2,166	844	656	232	227	151	14,337
Growth (%)	41	48	30	28	-22	41	13	43	35

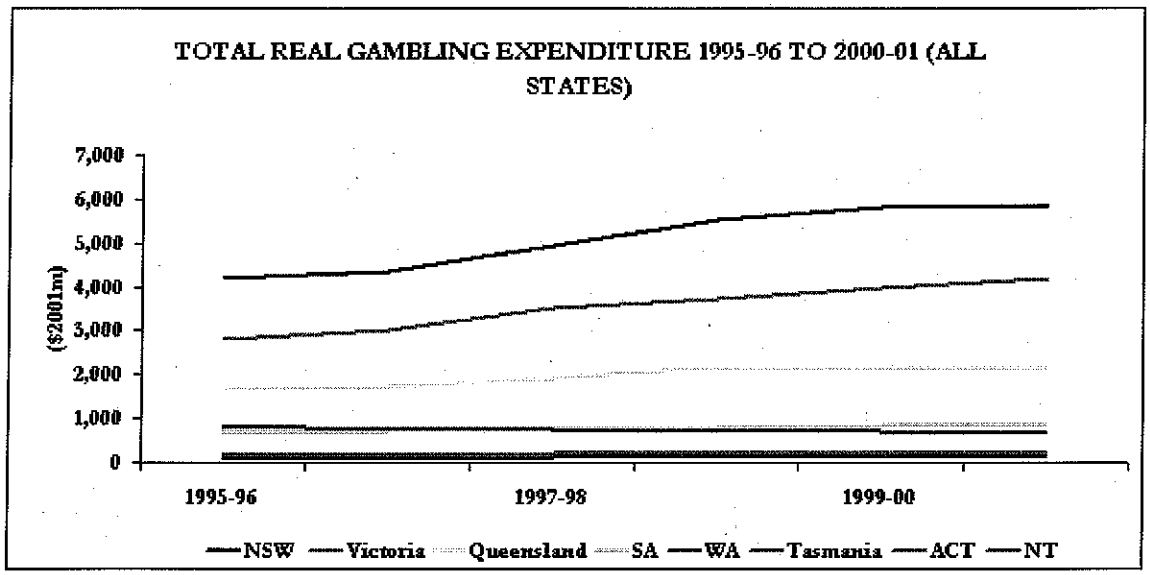


Table 2.23	Total real Australian per capita gambling expenditure 1995-96 to 2000-01 by state
Year	Value ($m)
1995-96	788
1996-97	803
1997-98	895
1998-99	958
1999-00	987
2000-01	989

Table 2.24	Gambling expenditure, percentage of household disposable income 1995-96 to 2000-01 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1995-96	3.33	3.11	2.93	2.43	2.54	2.13	2.64	3.20	3.02
1996-97	3.30	3.22	2.80	2.58	2.27	2.22	2.38	2.94	3.00
1997-98	3.65	3.58	3.12	2.72	2.19	2.41	2.58	3.08	3.28
1998-99	3.89	3.62	3.28	2.86	1.90	2.56	2.68	3.05	3.39
1999-00	3.98	3.73	3.19	2.96	1.80	2.69	2.72	3.53	3.44
2000-01	3.87	3.78	3.12	2.92	1.67	2.77	2.67	3.71	3.39

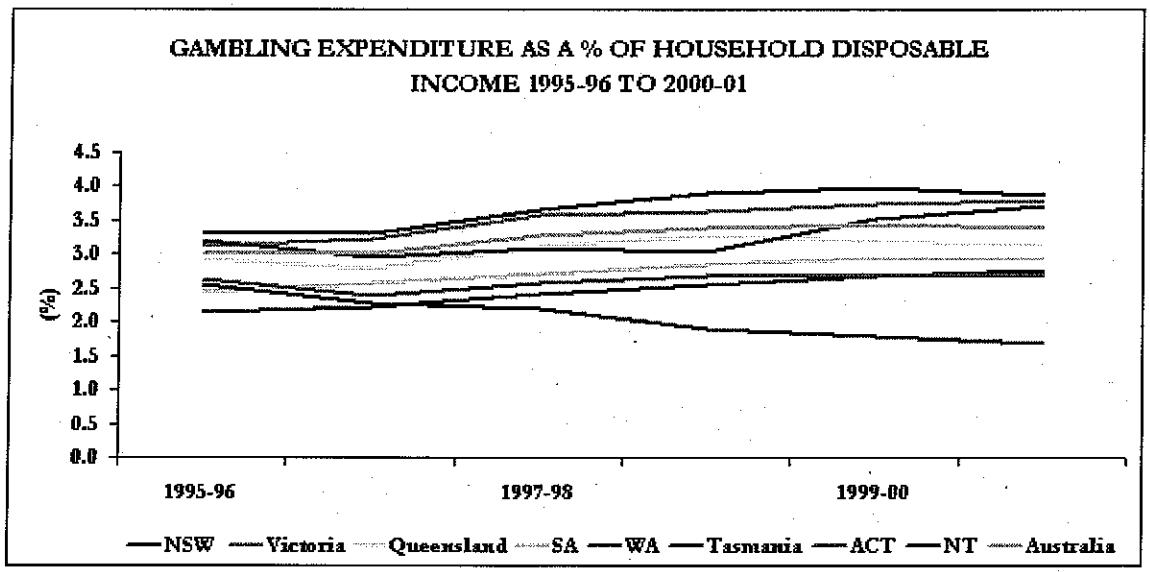


Table 2.25	Total real racing expenditure 1995-96 to 2000-01 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1995-96	723	476	292	100	152	39	20	17	1,821
1996-97	736	465	290	104	151	36	21	20	1,823
1997-98	689	474	289	114	162	35	21	20	1,804
1998-99	729	494	295	116	168	32	23	22	1,879
1999-00	719	486	266	113	169	30	20	24	1,827
2000-01	697	527	245	110	164	29	23	25	1,819
Growth (%)	-4	11	-16	10	8	-26	15	42	0
% of state	17	19	15	17	20	18	12	23	17

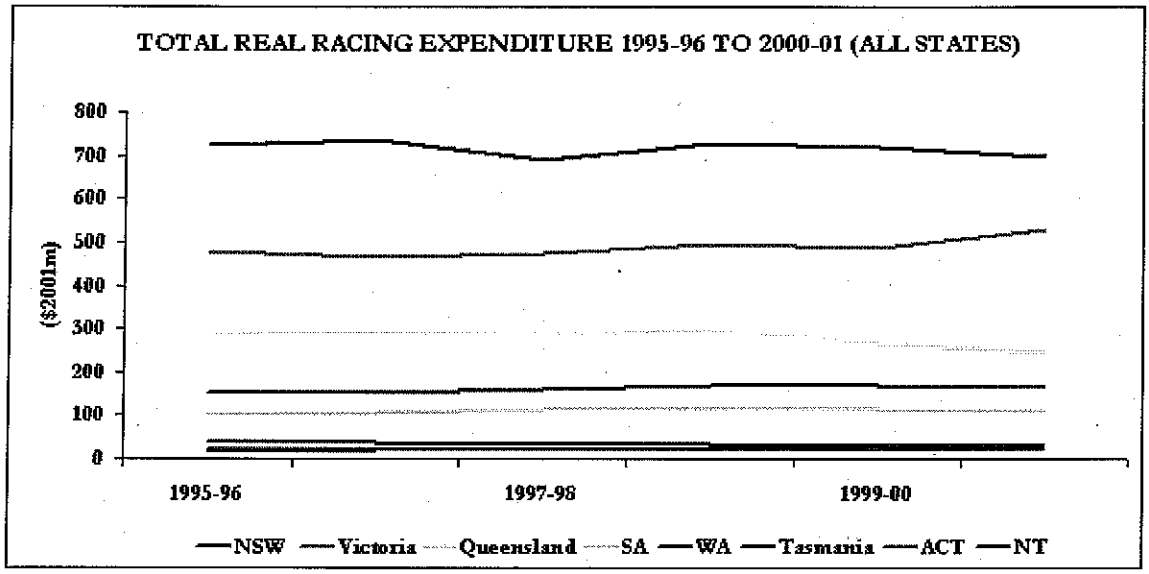


Table 2.26 Total real gaming machine expenditure 1995-96 to 2000-01 by state

Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1995-96	2,668	1,387	579	355	0	0	131	7	5,127
1996-97	2,729	1,599	558	400	0	6	131	17	5,440
1997-98	3,283	1,880	661	433	0	26	140	22	6,445
1998-99	3,785	2,121	822	480	0	43	160	26	7,438
1999-00	4,115	2,301	924	515	0	64	166	28	8,113
2000-01	4,119	2,366	1,014	543	0	81	168	28	8,320
Growth (%)	54	71	N/A	N/A	N/A	N/A	28	294	62
% of state	99	84	61	82	0	49	83	26	78

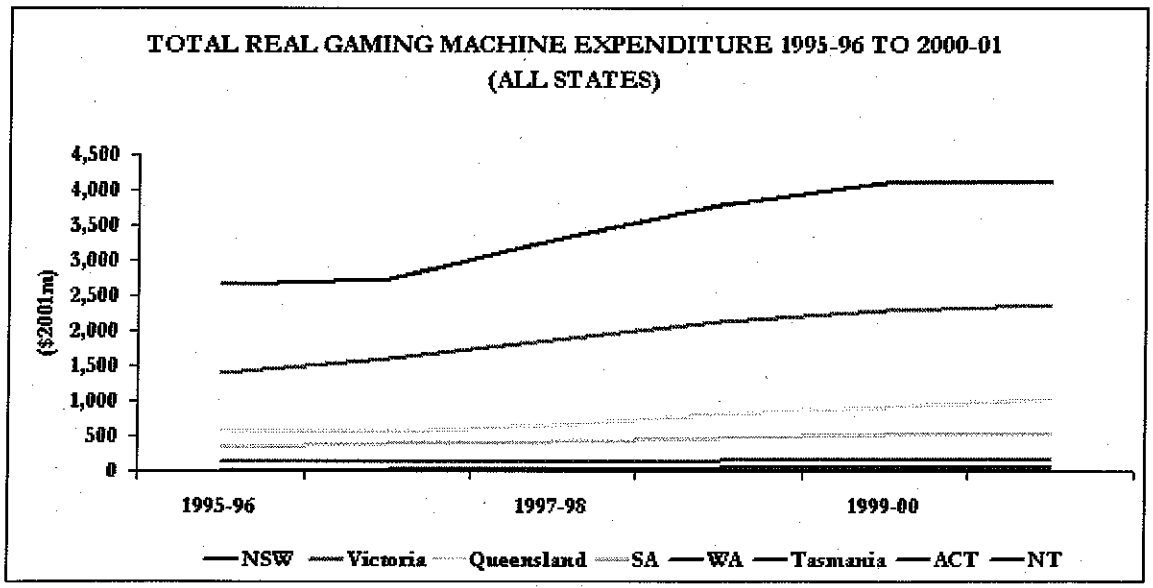


Table 2.27	Total real casino expenditure 1995-96 to 2000-01 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1995-96	311	546	414	85	478	69	33	65	2,001
1996-97	397	636	475	78	412	82	20	50	2,149
1997-98	490	815	514	83	394	83	19	52	2,452
1998-99	521	784	518	83	310	89	18	59	2,381
1999-00	516	873	563	80	306	82	19	66	2,504
2000-01	529	946	543	81	281	76	18	69	2,543
Growth (%)	N/A	N/A	31	-5	-41	10	N/A	6	27
% of state	13	33	33	12	34	46	9	65	24

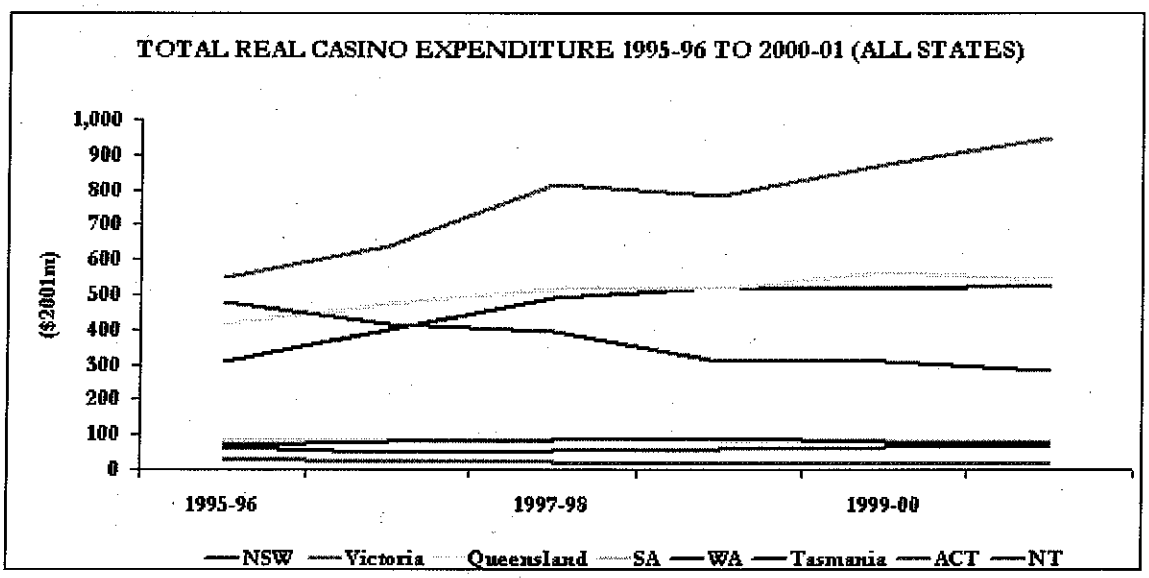
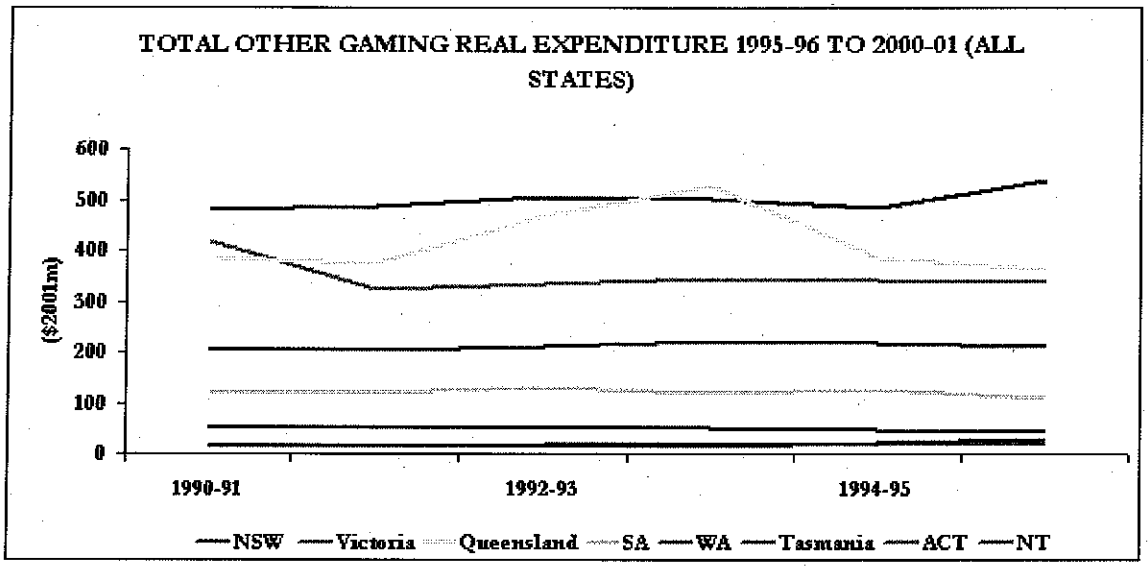


Table 2.28	Total real all other gaming expenditure 1995-96 to 2000-01 by state								
Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
1995-96	479	419	386	118	208	56	17	16	1,700
1996-97	485	324	376	120	204	52	16	15	1,594
1997-98	504	336	469	130	211	51	17	17	1,734
1998-99	501	347	527	122	221	49	17	16	1,801
1999-00	485	341	386	129	220	46	17	21	1,644
2000-01	538	339	365	110	211	45	17	29	1,655
Growth (%)	12	-19	-5	-7	2	-19	0	78	-3
% of state	13	12	22	17	25	28	9	27	16



Expenditure as a proportion of household disposable income increased from 3.02 per cent to a peak of 3.5 per cent in 1999-2000, falling away slightly to 3.31 per cent in 2000-01. This falling away may have reflected the inflation peak which occurred during this year as a result of the introduction of the GST.

The state which diverged most markedly from national trend was WA. Here there were no gaming machines outside the casino. In the course of the five years, gambling expenditure fell by around a quarter, so that by 2001 real gambling expenditure in the state has fallen back to early 1990s levels. The casino bore the brunt of the decline, with revenues down by over 40 per cent, somewhat offset by a revival of interest in racing. During the five-year period gambling as a percentage of household disposable income fell from 2.54 per cent to 1.64 per cent.

The other two jurisdictions in which casino expenditure declined were SA and the ACT, while in Tasmania and the NT casino expenditure was fairly constant. Tasmania was the only state to introduce major new gambling opportunities during the five years – it introduced gaming machines, and the result was a net increase in gambling expenditure of 38 per cent. In SA, the NT and the ACT increases in gaming machine expenditure more than offset declines in casino activity, and the increase in gambling expenditure overall was between 11-25 per cent.

The outcome for NSW was an increase a little above national average – 38 per cent. By far the greater part of this increase was due to gaming machines, though the casino made a small contribution (13 per cent). Expenditure on racing declined marginally.

As in the previous five years, Victoria recorded the country's highest rate of increase in gambling expenditures, 46 per cent – modest compared with the previous five years. As in NSW, gaming machines were the major contributor, but the casino was relatively important, accounting for 30 per cent of the increase. Racing expenditures increased marginally, and other gaming fell.

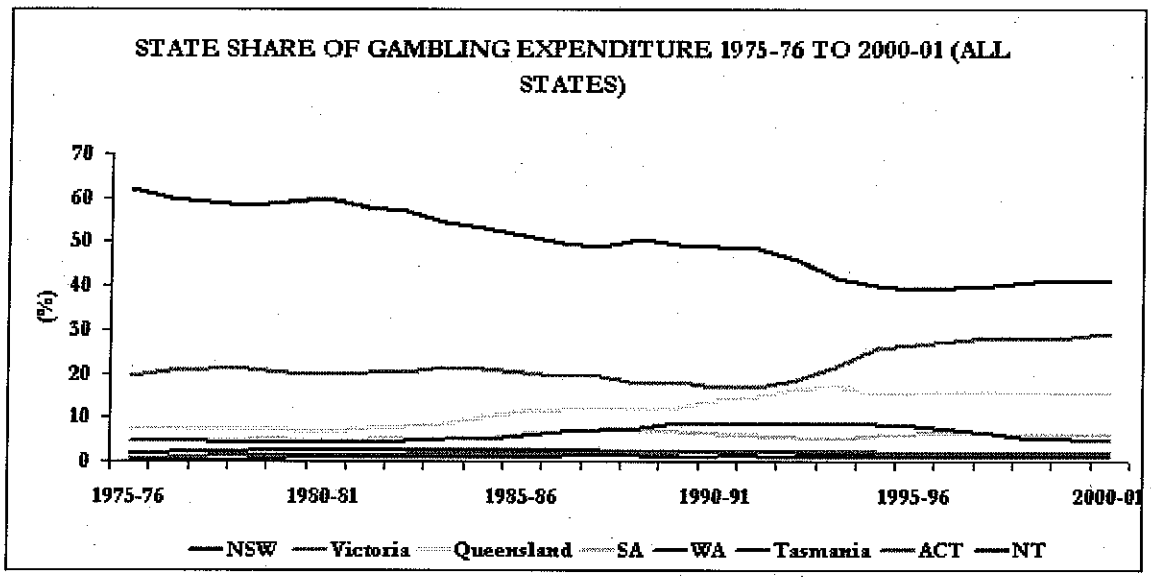
As a proportion of household disposable income, gambling fell in WA (as noted above), was fairly constant in Queensland and the ACT, and rose in the other jurisdictions.

2.2 State shares

State shares of receipts from the various forms of gambling include revenue from interstate and overseas, and exclude residents' spending interstate. It is believed that the revenues of the major casinos include a significant overseas component, estimated at around 20 per cent subject to fluctuation. It is probable that the Asian financial crisis in the late 1990s resulted in a reduced take from overseas patrons.

Table 2.29 State share of real gambling expenditure 1975-76 to 2000-01

Year	NSW	VIC	QLD	SA	WA	TAS	ACT	NT
1975-76	61.9	19.3	7.5	4.4	4.6	1.7	0.6	0.0
1980-81	60.0	19.8	6.7	4.8	4.1	2.5	1.4	0.7
1985-86	51.2	20.2	11.2	6.3	5.8	2.6	1.8	1.0
1990-91	48.9	17.0	13.9	6.4	8.6	2.2	1.9	1.1
1995-96	39.3	26.6	15.7	6.2	7.9	1.5	1.9	1.0
2000-01	41.0	29.1	15.1	5.9	4.6	1.6	1.6	1.1



For many years NSW had strong interstate revenues from gaming machines, from ACT residents up to 1977 and from cross-border traffic from Victoria, Queensland and SA up to the introduction of machines in those states. There is now relatively little net interstate traffic to play gaming machines – population centres in WA, the only state without machines, are scarcely within driving distance of any other state. However, casinos in tourist locations are likely to draw revenue from interstate as well as overseas. The following paragraphs refer to where the money was recorded as spent (which is generally where it was taxed), rather than the residence of the spender.

In 1975-6 NSW, the only state with gaming machines, was responsible for 62 per cent of gambling expenditure in Australia. As other states diversified their gambling opportunities, the NSW share fell to a low of 39 per cent in 1996. It has since stabilised at around 40 per cent.

Victoria's share in 1975-6 was 19 per cent. This rose a little over the next decade, reflecting Victoria's leadership in the development of other gaming (lotteries etc), but by 1991 the development of casinos in the other states had reduced Victoria's share to 17 per cent. The acquisition of both a casino and gaming machines raised Victoria's proportion of gambling from well below its share of the national population to somewhat above, at 27-29 per cent.

Over the 25 years the Queensland share of national gambling expenditure doubled, from 7 per cent to 15 per cent. South Australia's share rose a little, while Western Australia's rose, then fell back. The other three jurisdictions account for about 5 per cent of the market in total, with the Tasmanian share falling gently, and the NT and ACT shares rising.

2.3 Market share

The pattern of expenditure growth coupled with the introduction of new gambling opportunities has changed the relative significance of the four major modes of gambling. Over the past 25 years, at the all-Australia level:

- casinos went from less than 1 per cent of total gambling expenditure to 18 per cent;
- racing declined steadily from 43 per cent to 13 per cent;
- other gaming (lotteries etc) rose from 15 per cent to 28 per cent during the period when lotteries were the major innovators in gambling, but has since fallen back to 17 per cent; and
- gaming machines increased their proportion of the take from 40 per cent to 58 per cent. The gaming machine proportion of 40 per cent in 1975-6 was remarkable, given that the machines were only operating in NSW. With the relative success of lotteries in the decade from 1975 to 1985 the gaming machine proportion fell back to 29 per cent, but from 1986 onwards it has grown steadily.

The spread of casinos from Tasmania to all states and territories, and the spread of gaming machines from NSW to all jurisdictions except WA, has standardised the range of gambling opportunities available in each state and territory. Expenditure patterns have tended to converge in consequence. However, substantial interstate divergences of pattern remain.

- Expenditure in the ACT is dominated by gaming machines, with the lowest proportions in Australia on each of the other three main modes of gambling.
- At the opposite extreme, WA has no gaming machines (except in its casino). It therefore has the highest proportions of expenditure on each of the three other major gambling modes, racing, casino and other gaming.
- Though it has gaming machines, the NT resembles WA in its low expenditure on these machines and the relative prominence of its casinos, other gaming and racing.
- As in the ACT, expenditure in NSW is dominated by gaming machines, but NSW is also noted for racing activity. It has low expenditures on casino and other gaming.

- Queensland is notable for its low expenditure on racing. This is all the more remarkable because, 25 years ago, 80 per cent of Queensland's gambling was on racing. Apart from this low proportion, Queensland gambling is diversified.

- The remaining two states, Victoria and SA, also have diversified gambling.

Exceptions to the general increase in the proportion of gambling funds spent through casinos have been:

- a fall in the casino proportion in Tasmania from 1976 to 1981, as new lottery opportunities were introduced; and

- falls in SA from 1991, and in WA, Tasmania, the ACT and NT from 1996, probably reflecting reductions in interstate and overseas gaming at these casinos.

There are only two exceptions to the relative decline of racing:

- slight relative gains in NSW during the early 1980s (the period when gaming machines were losing market share); and

- a gain in WA in the five years to 2001, brought about mainly by the falling popularity of the casino.

Within the racing sector the general trend has been for the TAB to increase its share of expenditure at the expense of the on-course totalisator and bookmakers – though bookmakers have increased their share of the racing take in Victoria.

In the states and territories where gaming machines are recent introductions, they have gained market share since introduction, though the share has yet to equal that in NSW. In NSW the proportion of expenditure through gaming machines was squeezed during the peak years for lotteries, around the mid 1980s, but has since recovered. The casino appears to have taken trade from racing rather than from gaming machines. However, in the ACT the introduction of the casino was associated with a temporary fall in the dominance of gaming machines.

In general, other gaming (lotteries etc) boomed during the mid 1980s but has since become less important. The two recent exceptions are:

- WA, where other gaming has maintained its take while the casino lost trade; and

- the NT, the only jurisdiction to have adopted sports betting and interactive gambling with any enthusiasm.

Within the other gaming sector, lotto has gained market share at the expense of lotteries, and (where introduced) keno has gained at the expense of the rest. Over the past decade instant lotteries have been in decline. Pools never captured much market share, and in general they are also in decline.

There are many examples of the introduction of new gambling opportunities in the eight jurisdictions. The rate of increase in expenditure on a new mode of gambling is necessarily rapid as it begins the process of market penetration from a zero base. However, as market penetration rises the rate of growth falls away. For purposes of comparison, the initial period of rapid growth may be defined as the number of years over which expenditure growth exceeds 15 per cent a year. Over the jurisdictions which have introduced new opportunities, the following is the median duration of this initial period.

- Lotto: three years.
- Instant lotteries: one year.
- Pools: one year.
- Keno: three years.
- Gaming machines: five years.
- Casino: three years.

Factors affecting the rapidity with which a new type of gambling gains market acceptance include:

- the time taken to set up a sales network – innovations like instant lotteries make use of an existing network of sales outlets, while gaming machines spread gradually;
- marketing efforts; and
- the internal diversity of the type of gambling; hence its ability to generate new forms of excitement and entertainment. Casinos are adept at this. The considerable diversity of gaming machines depends more on the wide variety of venues in which they are installed rather than on any major diversity of machine types, though the machines have a wonderful cosmetic diversity.

2.4 Overall trends

This account confirms the relationship between legal gambling opportunities and expenditure. In all states and territories the introduction of new gambling opportunities has increased total gambling expenditure, though there is evidence that some of the money spent at the new facilities has been transferred from other forms of legal gambling. Where no new facilities are introduced, there is some evidence that gambling expenditure falls away, as it has been doing recently in WA and did over the 1970s in NSW.

During the 1970s, because of its club-based poker machines, NSW was Australia's gambling state – at least in so far as legal gambling was concerned. There was less opportunity to introduce new opportunities in NSW than in the other states, and to a considerable degree the story of gambling in the past 25 years has been one of catch-up by the other states and territories. However, even in NSW there were notable increases in opportunity including the spread of gaming machines into hotels, an increase in permitted machine numbers and the introduction of Star City casino. Gambling as a percentage of total household expenditure increased from around 2.5 per cent to a little short of 4 per cent. In NSW, as interstate, this increase was associated with the increased gaming opportunities, both gaming machines and the casino. Expenditure on racing and lotteries was fairly constant.

The increase in gambling opportunities reflected government decisions, and these in turn responded to a change in values, particularly a strengthening belief that individuals should not be hindered in spending their money in whatever way they like. This belief underlay not only of the removal of previous prohibitions on gambling, but other trends such as the extension of retail trading hours and the political popularity of tax cuts, which allow individuals to spend their own money rather than have the government spend it for them. Belief that people should be able to spend their money as they like also underlies the normative side of economics, and means that economic assessments of de-regulation are likely to be favourable.

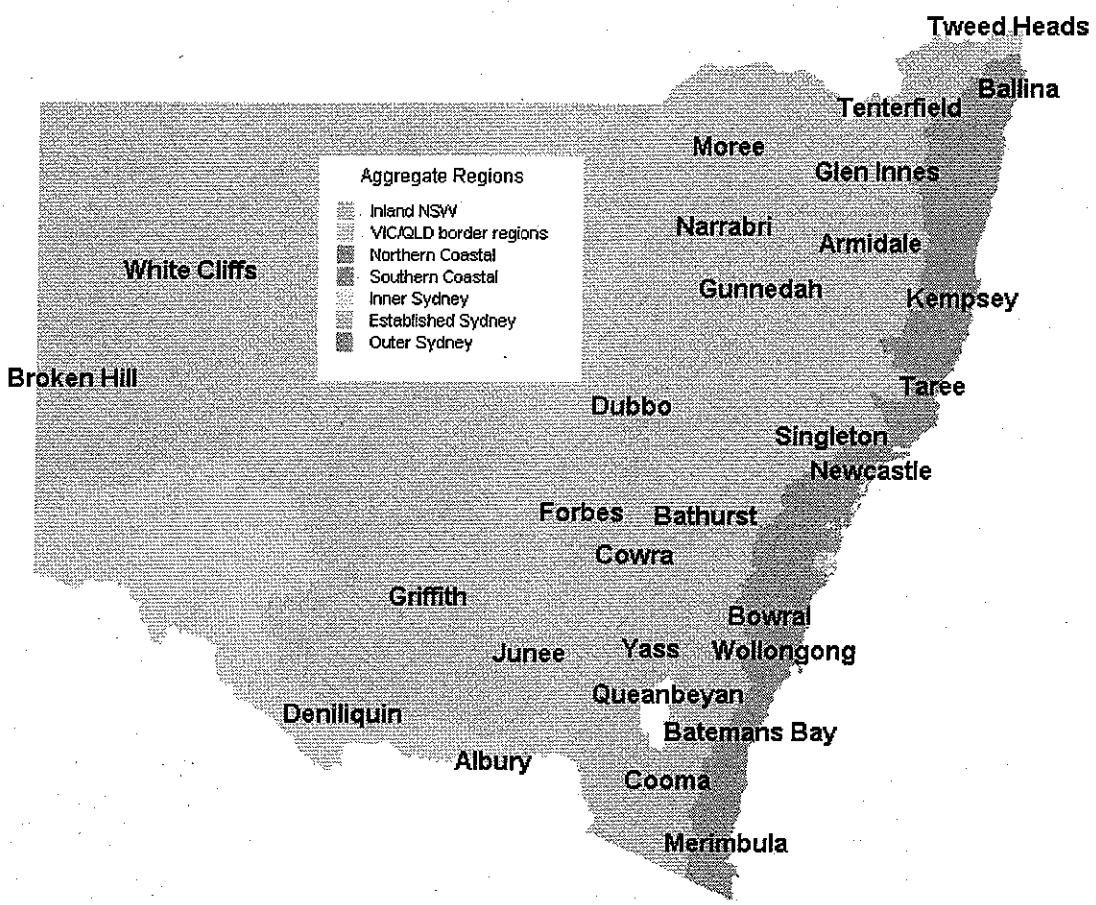
Despite its deliberate bias in favour of consumer sovereignty, economics recognises that there are limits. One of these limits arises where a product or service is addictive, and may lead to long-run personal harm. It is recognised that gambling is associated with immediate harm to problem gamblers and their families. Even when people are not problem gamblers, they may live to regret that they spent on entertainment rather than (say) education or asset accumulation. In Chapter 6 we consider problem gambling, while at the end of the report we ask whether the increase in gambling is likely to have long-run bad effects. However, there is a great deal to be done to trace the direct and indirect effects of gambling before we can usefully address these major questions. An important possibility is that these effects may differ, not only by household type (obviously the effects are different for gambling and non-gambling households) but by geographic area. We therefore turn to calculating the regional incidence of gambling across NSW.

3. Regional distribution of activity in pubs[3] and clubs

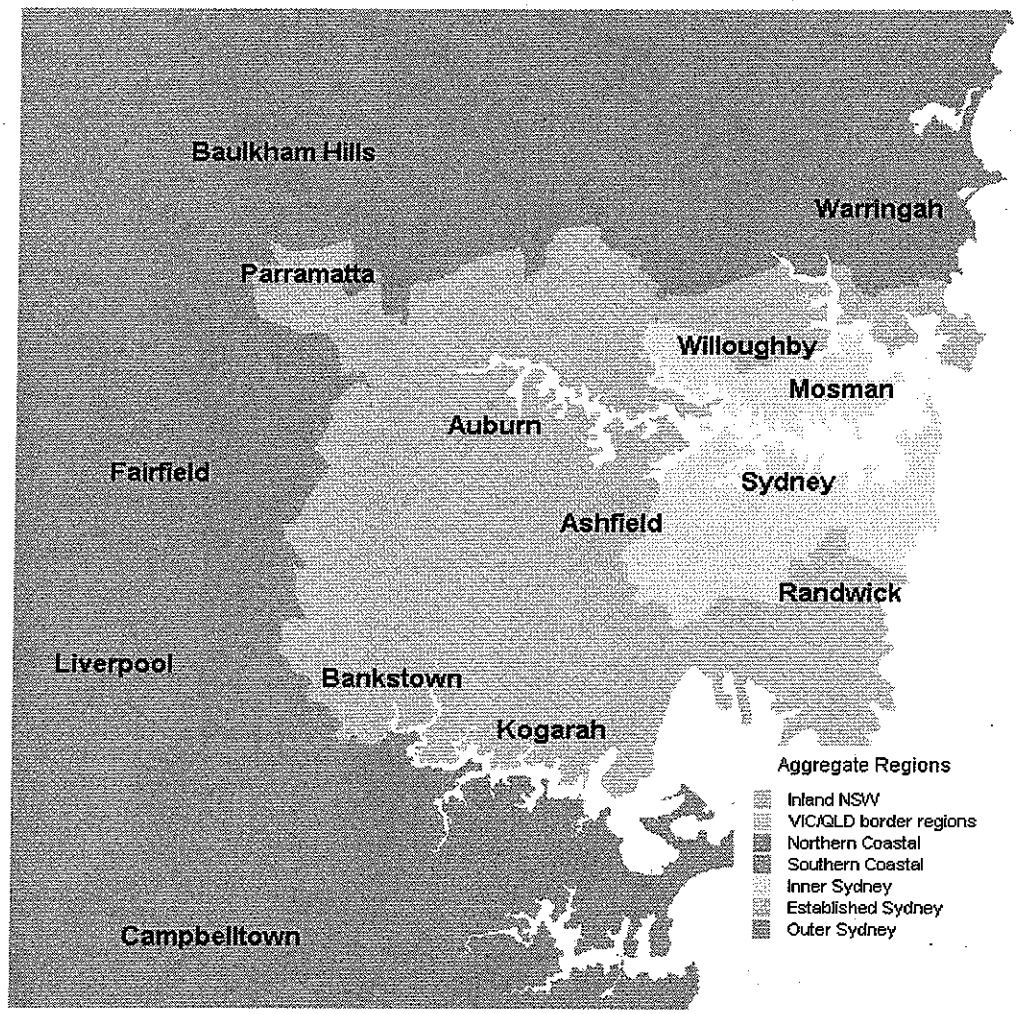
3.1 Introduction

This chapter highlights the regional differences across NSW in machines, venues, profitability, turnover and taxation contribution. The distribution of expenditure is crucial in determining local area impacts for it is this activity which represents the positive contribution of gambling expenditure to local economic activity.

To highlight the regional differences the chapter utilises a regional aggregation, as well as tables of highest and lowest performing local government areas.



[3] As with colloquial usage patterns the terms pubs and hotels are used interchangeably.



3.2 Distribution of gaming venues

Table 3.1 Distribution of gaming venues in NSW by region, 2000-01

Region	No of Clubs	No of Pubs	Population, ERP 2000
Inland (excluding border regions)	368	640	864,274
VIC/QLD border regions	64	90	169,828
Northern Coastal	323	348	1,215,557
Southern Coastal	124	107	457,154
Inner Sydney	96	336	486,890
Established suburban	236	149	1,258,151
Outer Sydney Suburbs	211	171	2,033,138
Total NSW	**1422**	**1841**	**6,484,992**

Table 3.1 highlights the following.

- Although the outer Sydney suburban region has the highest estimated population (61% higher than the next region), its number of gaming venues ranks 4th behind the Inland region, Northern Coastal and the Established suburban regions.
- The inland region of NSW represents the largest area by land mass and consequently has the largest number of both clubs and pubs.
- The Northern Coastal region, with its emphasis on lifestyle and recreation and being a key retirement and holiday destination ranks 2nd in terms of the concentration of clubs and pubs.

Table 3.2 Distribution of gaming venues per capita in NSW by region, 2000-01[4]

Region	Clubs, per 10,000 persons	Pubs, per 10,000 persons	Total venues per 10,000 persons
Inland (excluding border regions)	4.26	7.41	11.66
VIC/QLD border regions	3.77	5.30	9.07
Northern Coastal	2.66	2.86	5.52
Southern Coastal	2.71	2.34	5.05
Inner Sydney	1.97	6.90	8.87
Established suburban	1.88	1.18	3.06
Outer Sydney Suburbs	1.04	0.84	1.88
Average NSW	**2.19**	**2.84**	**5.03**

Table 3.2 shows the following.

- The Inland region has the greatest number of venues per 10,000 persons, followed by VIC/QLD border and then the Inner Sydney region.
- The Outer Sydney region has the smallest number of both clubs and pubs per 10,000 persons. This region has experienced rapid population growth and new pubs and clubs have not been built at a rate commensurate with this growth. Instead, existing pubs and clubs have expanded and the size of the clubs in the outer suburbs tends to be very large. This is shown in Table 3.3.

[4] Department of Gaming and Racing database.

Table 3.3	Largest venues in NSW by machine numbers		
Rank	Largest venues	Machines	LGA
1	Penrith Rugby League Club	1,167	Penrith
2	Rooty Hill RSL Club	776	Blacktown
3	Bankstown District Sports Club	735	Bankstown
4	Bulldogs League Club	649	Canterbury
5	Western Suburbs Leagues Club	566	Ashfield
6	South Sydney Junior Rugby League Club	564	Randwick
7	Mt Pritchard & District Community Club	554	Liverpool
8	Western Suburbs (Newcastle) Leagues Club	554	Newcastle
9	Mingara Recreation Club	539	Wyong
10	Twin Towns Services Club	539	Tweed
11	Revesby Workers Club	500	Bankstown
12	Parramatta Leagues Club	491	Parramatta
13	St Marys Rugby League Club	466	Penrith
14	Club Marconi, Social Rec. & Sporting Centre	463	Fairfield
15	Seagulls Rugby League Football Club	463	Tweed
16	Blacktown Workers Club	458	Blacktown
17	Eastern Suburbs Leagues Club	454	Waverley
18	City Tattersalls Club	437	Sydney
19	Commercial Club	425	Albury
20	Central Coast Leagues Club	411	Gosford

Of the top eight largest venues within NSW, five are located within the Established Suburban or Outer Sydney regions and are associated with Rugby League Clubs. One may expect that a significant proportion of the patrons of the large venues in the Established Suburban region actually live in Outer Sydney.

Only two of the top ten venues within NSW are situated outside either the Established Suburban or Outer Sydney regions. These are the Newcastle and Twin Towns Services Club.

Tables 3.4 and 3.5 show the distribution of clubs and pubs across various Local Government Areas within NSW.

Table 3.4 shows those municipalities with the highest and lowest concentration of clubs. Lake Macquarie and Wollongong on the South Coast rank 1 and 2 respectively in terms of the number of club premises. In both of these, an established blue-collar workforce is being supplemented by lifestyle oriented households. There are 11 LGAs without any clubs

Table 3.5 lists the highest and lowest rankings of hotels throughout NSW LGAs. There are nine LGAs without any gambling venue hotels. None of these municipalities have gambling venue clubs, so accordingly there are nine municipalities without gambling venues.

Table 3.4 Ranking of highest and lowest numbers of club premises per LGA in NSW

Rank	Local Government Area	No of club Premises
1	Lake Macquarie	52
2	Wollongong	41
3	Newcastle	40
4	Sutherland Shire	28
5	Canterbury	26
6	Randwick	26
7	Fairfield	25
8	Rockdale	25
9	Shoalhaven	25
10	Warringah	25

Rank	Local Government Area	No of club Premises
164	Conargo	0
165	Copmanhurst	0
166	Evans	0
167	Gunning	0
168	Holbrook	0
169	Mulwaree	0
170	Murrurundi	0
171	Nundle	0
172	Pittwater	0
173	Severn	0
174	Windouran	0

Table 3.5 Ranking of highest and lowest numbers of hotel premises per LGA in NSW

Rank	Local Government Area	No of hotel Premises
1	Sydney	120
2	South Sydney	80
3	Newcastle	60
4	Leichhardt	44
5	Marrickville	38
6	Lake Macquarie	37
7	Wollongong	33
8	Maitland	30
9	Wagga Wagga	30
10	Blacktown	24

Rank	Local Government Area	No of hotel Premises
165	Lane Cove	1
166	Conargo	0
167	Copmanhurst	0
168	Evans	0
169	Holbrook	0
170	Mulwaree	0
171	Murrurundi	0
172	Nundle	0
173	Pittwater	0
174	Windouran	0

3.3 Distribution of machines

Table 3.6 Distribution of gaming machines in NSW by region, 2000-01			
Region	Clubs	Pubs	Total
Inland (excluding border regions)	8,377	5,311	13,688
VIC/QLD border regions	6,130	913	7,043
Northern Coastal	15,985	4,386	20,371
Southern Coastal	6,712	1,460	8,172
Inner Sydney	5,197	5,730	10,927
Established suburban	14,814	3,602	18,416
Outer Sydney Suburbs	17,946	3,867	21,813
Total NSW	**75,161**	**25,269**	**100,430**

Table 3.6 highlights the distribution of gaming machines among the seven defined aggregate regions. The Outer Sydney suburbs, Established suburban and Northern Coastal have the highest number of gaming machines.

Table 3.7 Gaming machines per person in NSW by region, 2000-01			
Region	Club machines per 10,000 persons	Pub machines per 10,000 persons	Total machines per 10,000 persons
Inland (excluding border regions)	96.9	61.5	158.4
VIC/QLD border regions	361.0	53.8	414.7
Northern Coastal	131.5	36.1	167.6
Southern Coastal	146.8	31.9	178.8
Inner Sydney	106.7	117.7	224.4
Established suburban	117.7	28.6	146.4
Outer Sydney Suburbs	88.3	19.0	107.3
Average NSW	**115.9**	**39.0**	**154.9**

Table 3.7 shows that the highest concentration of gaming machines per 10,000 persons was the VIC/QLD borders region. This would be a hangover from the days of cross-border patronage. Though the pokie-buses no longer bring loads of patrons from Melbourne and Brisbane, the lavish facilities financed in the days of high cross-border traffic have inhibited the growth of competition in towns on the other side of the border, particularly in Victoria where several sets of twin towns face each other across the Murray. In these areas New South Wales facilities still attract significant local cross-border patronage. Inner Sydney and the established suburban regions rank second and third.

Table 3.8 Ranking of highest and lowest numbers of Club Machines per LGA

Rank	Local Government Area	No of club Machines
1	Fairfield	2870
2	Penrith	2653
3	Lake Macquarie	2474
4	Wyong	2409
5	Bankstown	2337
6	Wollongong	2309
7	Tweed	2137
8	Newcastle	2081
9	Blacktown	2077
10	Canterbury	1958

Rank	Local Government Area	No of club Machines
154	Boorowa	25
155	Tumbarumba	25
156	Jerilderie	24
157	Tallaganda	23
158	Bombala	20
159	Carrathool	13
160	Yarrowlumla	13
161	Brewarrina	12
162	Yallaroi	12
163	Hunter's Hill	10

Table 3.9 Ranking of highest and lowest numbers of hotel and club machines per LGA

Rank	Local Government Area	No of hotel Machines
1	Sydney	2099
2	South Sydney	1302
3	Newcastle	792
4	Marrickville	728
5	Leichhardt	637
6	Blacktown	572
7	Wollongong	553
8	Lake Macquarie	511
9	Parramatta	468
10	Bankstown	449

Rank	Local Government Area	No of hotel Machines
156	Tallaganda	15
157	Coolamon	14
158	Gunning	14
159	Jerilderie	14
160	Pristine Waters	14
161	Bingara	12
162	Merriwa	12
163	Manilla	10
164	Gloucester	9
165	Lockhart	9

Tables 3.8 and 3.9 show the distribution of gaming machines across local government areas within NSW.

Table 3.8 shows those regions with the highest and lowest concentration of club machines. Fairfield, which includes Club Marconi and Penrith which includes Panthers and St Mary's Rugby League club rank 1 and 2 throughout NSW. The ten local government areas with the smallest number of club machines do not include those without clubs.

Table 3.9 lists the top and bottom ten local government areas in terms of the number of machines located in hotels. The nine local government areas without hotels have not been included. The municipalities with the smallest number of hotel machines are predominantly rural.

3.4 Distribution of turnover

Table 3.10 Distribution of gaming machine turnover in NSW by region, $m per year 2000-01

Region	Clubs	Pubs	% Pubs
Inland (excluding border regions)	2,230	1,254	36.0%
VIC/QLD border regions	1,630	216	11.7%
Northern Coastal	4,593	1,254	21.4%
Southern Coastal	2,139	448	17.3%
Inner Sydney	1,907	3,088	61.8%
Established suburban	6,634	2,968	30.9%
Outer Sydney Suburbs	7,889	2,674	25.3%
Total NSW	**27,021**	**11,902**	**30.6%**

Table 3.11 Distribution of gaming machine turnover in NSW by region, $m per year 2000-01

Region	Total	% of turnover	% population
Inland (excluding border regions)	3,484	9.0%	13.3%
VIC/QLD border regions	1,846	4.7%	2.6%
Northern Coastal	5,847	15.0%	18.7%
Southern Coastal	2,586	6.6%	7.0%
Inner Sydney	4,995	12.8%	7.5%
Established suburban	9,602	24.7%	19.4%
Outer Sydney Suburbs	10,563	27.1%	31.4%
Total NSW	**38,922**	**100.0%**	**100.0%**

Tables 3.10 and 3.11 show the distribution of turnover by region, split between clubs and pubs. The outer Sydney suburban region has the highest turnover among all regions as would be expected given the region has the highest number of gaming machines. Total turnover for this region represents 27.1 per cent of the total state turnover. This compares with a regional population which represents 31.4 per cent of the total state population.

Across New South Wales as a whole the proportion of gaming machine turnover recorded in pubs is a little more than 30 per cent. However, there are significant differences in this proportion by region, reflecting the history of the introduction of gaming machines in New South Wales, and particularly the early period when machines were allowable in clubs but not in pubs. In the Victorian/Queensland border regions clubs are completely dominant, reflecting their rapid growth in the heady days of cross-border patronage. The opposite

extreme is Inner Sydney, where pubs have over 60 per cent of the trade. Here there were so many established pubs that club growth was limited, even in the days when the clubs had the advantage of gaming machines and the pubs were without machines. The other regions are closer to State average, with pubs relatively successful in the established suburban and inland regions, and clubs in the regions of recent population growth on the coast and in the outer suburbs.

Not only is the Inner Sydney region unusual in the high proportion of turnover taking place in pubs; it also has a high level of turnover in relation to population. It has 12.8 per cent of state turnover but only 7.5 per cent of total state population. *Prima facie* this highlights a level of dependence on the use of gaming as a recreational activity in this region. However, it is likely that many of the patrons live in the established suburban and outer suburban regions, not to speak of tourists from interstate and overseas.

Table 3.12 Ranking of highest Club and Pub turnover per LGA

		Club			Hotel
Rank	Local Government Area	Turnover	Rank	Local Government Area	Turnover
1	Fairfield	1,403,160,395	1	Sydney	1,235,463,253
2	Penrith	1,192,671,045	2	South Sydney	578,972,420
3	Canterbury	1,076,749,958	3	Fairfield	416,560,115
4	Bankstown	1,063,662,656	4	Blacktown	413,387,114
5	Blacktown	1,003,585,965	5	Marrickville	399,163,571
6	Liverpool	812,801,476	6	Liverpool	369,057,132
7	Parramatta	795,938,668	7	Parramatta	364,773,069
8	Wyong	782,154,217	8	Canterbury	363,548,476
9	Rockdale	755,112,385	9	Bankstown	334,453,957
10	Wollongong	751,400,074	10	Randwick	300,502,851

Table 3.12 lists the top 10 LGAs in respect of hotel and club turnover.

3.5 Distribution of profits

Table 3.13 Distribution of profits (expenditure) in NSW by region, $m per year 2000-01

Region	Clubs	Pubs/Hotels	Total	% pub losses
Inland (excluding border regions)	237	136	372	36.6
VIC/QLD border regions	182	24	206	11.7
Northern Coastal	510	136	647	21.0
Southern Coastal	230	49	280	17.5
Inner Sydney	199	326	525	62.1
Established suburban	676	312	987	31.6
Outer Sydney Suburbs	815	288	1,102	26.1
Total NSW	**2,849**	**1,271**	**4,119**	**30.9**

Table 3.14 Distribution of profits (expenditure) per capita in NSW by region, $ per year 2000-01

Region	Clubs	Pubs / Hotels	Total
Inland (excluding border regions)	274	157	431
VIC/QLD border regions	1,074	141	1,215
Northern Coastal	420	112	532
Southern Coastal	504	107	612
Inner Sydney	408	670	1,078
Established suburban	537	248	785
Outer Sydney Suburbs	401	141	542
Average NSW	**439**	**196**	**635**

Profits in gaming are very closely related to turnover. Tables 3.13 and 3.14 show that the most profitable regions correspond with the regions with the highest turnover. The four most profitable regions, (in order of decreasing profitability) are the outer Sydney suburbs, the established suburban areas, Northern Coastal and Inner Sydney.

In terms of profitability per capita, VIC/QLD borders is the most profitable whereas the outer Sydney suburbs ranks second last. The borders and Inner Sydney are the regions most affected by tourist and other non-resident expenditure.

Table 3.15 Ranking of highest club and lowest club profit per machine per LGA

Rank	Local Government Area	Club Profit per machine	Rank	Local Government Area	Club Profit per machine
1	Liverpool	63,150	154	Strathfield	19,058
2	Canterbury	52,643	155	Lachlan	18,897
3	Parramatta	51,901	156	Scone	17,745
4	Fairfield	51,344	157	Bogan	16,717
5	Blacktown	48,884	158	Ku-ring-gai	14,421
6	North Sydney	48,203	159	Coonabarabran	12,657
7	Rockdale	47,569	160	Cabonne	12,297
8	Randwick	47,521	161	Blayney	11,528
9	Bankstown	46,812	162	Kyogle	10,662
10	Holroyd	46,317	163	Coolah	10,186

Table 3.16 Ranking of highest and lowest hotel profit per machine per LGA

Rank	Local Government Area	Hotel Profit per machine	Rank	Local Government Area	Hotel Profit per machine
1	Canterbury	121,818	156	Coonamble	13,801
2	Fairfield	120,321	157	Glen Innes	13,463
3	Rockdale	110,936	158	Maclean	13,417
4	Burwood	110,841	159	Blayney	13,311
5	Willoughby	97,685	160	Corowa	12,851
6	Hurstville	94,944	161	Hume	12,821
7	Liverpool	92,820	162	Berrigan	12,785
8	Auburn	92,282	163	Tenterfield	12,512
9	Strathfield	91,005	164	Hay	12,494
10	Ryde	90,546	165	Crookwell	12,332

Tables 3.13 and 3.16 rank club and hotel profitability per machine by Local Government Area. The numbers can be interpreted to mean that on average in the City of Liverpool, the average machine generates $63,150 profit whereas in the Holroyd council, the average machine generates $46,317 profit. This is significantly higher than in the lower ten regions with Coolah for instance averaging only $10,186 profit per machine.

Turnover, and hence profit, per machine is generally higher in hotels than in clubs. The highest levels of turnover per machine are generally in the Established and Outer suburbs, though there are some suburban municipalities where the turnover of club-based machines is relatively low. In the Inland region turnover per machine is generally relatively low, in both pubs and clubs.

3.6 Distribution of duty

Table 3.17 Distribution of gaming machine duty (tax) in NSW by region, $m per year 2000-01

Region	Clubs	Pubs/Hotels	Total
Inland (excluding border regions)	28	24	52
VIC/QLD border regions	26	5	30
Northern Coastal	68	26	94
Southern Coastal	31	10	41
Inner Sydney	29	80	108
Established suburban	100	83	183
Outer Sydney Suburbs	123	74	198
Total NSW	**405**	**302**	**707**

Table 3.18 Distribution of gaming machine duty (tax) per person, $ per year 2000-01

Region	Clubs	Pubs / Hotels	Total
Inland (excluding border regions)	32	28	60
VIC/QLD border regions	152	27	179
Northern Coastal	56	21	78
Southern Coastal	68	21	89
Inner Sydney	59	163	222
Established suburban	79	66	146
Outer Sydney Suburbs	61	37	97
Total NSW	**63**	**47**	**109**

Duty raised from gaming machines is proportional to turnover and profit. Tables 3.17 and 3.18 show the distribution of duty from each of the regions, split between clubs and pubs/hotels. The outer Sydney suburbs and established suburban areas, in addition to having the highest gaming machine turnover also pay the highest level of duty. The VIC/QLD border regions have the lowest turnover and also pay the least duty. On a per capita basis, Inner Sydney ranks the highest in terms of duty paid while the Northern Coastal region pays the least.

Table 3.19 Ranking of highest and lowest club duty per machine per LGA

Rank	Local Government Area	Club Duty per machine	Rank	Local Government Area	Club Duty per machine
1	Liverpool	9,906	154	Strathfield	1,174
2	Canterbury	8,018	155	Lachlan	1,125
3	Fairfield	7,982	156	Scone	996
4	Parramatta	7,861	157	Bogan	799
5	Blacktown	7,619	158	Coonabarabran	521
6	North Sydney	7,204	159	Ku-ring-gai	475
7	Holroyd	7,189	160	Kyogle	411
8	Bankstown	7,164	161	Blayney	261
9	Randwick	7,004	162	Cabonne	134
10	Rockdale	6,982	163	Coolah	17

Table 3.20 Ranking of highest and lowest hotel duty per machine per LGA

Rank	Local Government Area	Hotel Duty per machine	Rank	Local Government Area	Hotel Duty per machine
1	Canterbury	34,174	156	Glen Innes	1,821
2	Fairfield	33,767	157	Corowa	1,769
3	Rockdale	30,771	158	Gundagai	1,767
4	Burwood	30,281	159	Harden	1,745
5	Willoughby	26,239	160	Tenterfield	1,705
6	Hurstville	25,992	161	Hume	1,697
7	Liverpool	25,370	162	Hay	1,668
8	Auburn	25,340	163	Crookwell	1,611
9	Holroyd	24,572	164	Blayney	1,608
10	Ryde	24,459	165	Berrigan	1,600

Tables 3.19 and 3.20 show the distribution of club and hotel duty per machine. There is a close relationship between turnover and duty.

3.7 Performance per machine, regional variation

Table 3.21 Average gaming machine turnover per machine in NSW by region, $per day 2000-01

Region	Clubs	Pubs / Hotels	All machines
Inland (excluding border regions)	729	647	697
VIC/QLD border regions	729	648	718
Northern Coastal	787	783	786
Southern Coastal	873	840	867
Inner Sydney	1,005	1,477	1,252
Established suburban	1,227	2,258	1,428
Outer Sydney Suburbs	1,204	1,895	1,327
Total NSW	**985**	**1,290**	**1,062**

Table 3.22 Average gaming machine profit per machine in NSW by region, $per day 2000-01

Region	Clubs	Pubs / Hotels	All machines
Inland (excluding border regions)	77.4	70.0	74.5
VIC/QLD border regions	81.5	71.6	80.2
Northern Coastal	87.5	85.3	87.0
Southern Coastal	94.1	92.2	93.7
Inner Sydney	104.7	156.1	131.6
Established suburban	124.9	237.0	146.9
Outer Sydney Suburbs	124.4	203.8	138.5
Total NSW	**103.8**	**137.8**	**112.4**

Tables 3.21 and 3.22 highlight the greater turnover per machine in the Sydney metropolitan area compared to the provincial cities and country. The top three ranked regions are the established suburban areas, the outer Sydney suburbs and Inner Sydney while the Inland region has the lowest turnover per machine.

State-wide the average turnover per machine is greater in pubs and hotels than in clubs, but this reflects the position in the three Sydney regions. Outside Sydney, pub/hotel machines tend to have lower turnover per machine than club machines.

In terms of profitability per day, the order of each LGA corresponds to the same order as turnover per machine; that is those machines with the highest turnover are also the most profitable.

Table 3.23 Ranking of highest and lowest club turnover per machine per LGA

Rank	Local Government Area	Club Turnover per machine	Rank	Local Government Area	Club Turnover per machine
1	Liverpool	585,592	154	Byron	175,472
2	Canterbury	549,923	155	Gunnedah	169,261
3	Randwick	502,207	156	Strathfield	167,002
4	Parramatta	501,853	157	Scone	154,361
5	Fairfield	488,906	158	Ku-ring-gai	130,100
6	Blacktown	483,190	159	Coonabarabran	114,983
7	Rockdale	465,257	160	Cabonne	113,733
8	Leichhardt	463,819	161	Blayney	109,072
9	Baulkham Hills	459,388	162	Coolah	93,981
10	Bankstown	455,140	163	Kyogle	92,478

Table 3.23 shows the club turnover per machine. Once again turnover per machine in the major centres such as Liverpool is a lot higher than the majority of the municipalities. Combined with a very high number of machines this results in enormous levels of revenue in such municipalities.

Table 3.24 shows the top ranking LGAs in terms of hotel turnover and turnover per machine. The pattern again favours major centres.