



**MONASH** University

## **Gambling with Public Policy**

**Public Policy Making in Victoria, 1991 – 2002**

Andrew Manning BA (SocSci)(Hons), MPPM

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School of Applied Media and Social Sciences  
Faculty of Arts

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## ABSTRACT

This study is about understanding how public policy is made. This is done through the lens of the political economy of gambling in the State of Victoria, Australia. The study critically evaluates a body of information relating to the introduction of poker machines in licensed clubs and hotels throughout Victoria between 1991 and 2002. Poker machines were introduced in Victoria in 1991. By 2002 gamblers were losing over \$2.33 billion annually on poker machines. The gambling industry and the State Government of Victoria receive significant dividends from the poker machine largesse. Poker machine taxes contribute over ten per cent of state budget income. Making money from poker machines was vigorously pursued by government and industry. As losses from gamblers reached new heights year upon year, civil society and apolitical interests pondered how to confront the rise in problem gambling by influencing changes to gambling policy.

A number of key government policy decisions were made between 1991 and 2002. This research seeks to understand how those decisions came into being. The social and political sciences provide the theoretical framework with which to assess the impact of elites and stakeholders on decisions. Drawing on publicly available data, including ABS statistics, available club data, and media reports, the study seeks to understand public policy making and the range of theorising that this has generated. The publicly available evidence on poker machines is examined so as to identity processes and gaps in policy theory in relation to policy making.

This study demonstrates policy making operates simultaneously on two levels. One is the illusion of policy making promoted by dominant elites; the other is the reality of how meaningful public policy is made. Both realms involve engagement in conversations, interactions and decision making. This study draws attention to a third layer of engagement that is generally hidden from formal public view, scrutiny or accountability. The challenge for stakeholders who participate in the policy process is to know which environment they are engaging in at any given time, what objectives are likely to dominate debate and as a consequence, how those deemed as less powerful stakeholders could influence the formation of dominant stakeholder policy objectives. The research findings contribute to developing recommendations for strengthening theoretical approaches to understanding how public policy is made.

## DECLARATION

The thesis contains no material which has been accepted for the award of any other degree or diploma in any university or equivalent institution and that, to the best of my knowledge and belief, this thesis contains no material previously published or written by another person, except where due reference is made in the text of the thesis.

Signature:

A solid black rectangular box used to redact the signature.

Print Name: ANDREW MANNING

Date: 21 March 2017

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## COMMONLY USED ABBREVIATIONS

- ABS** – Australian Bureau of Statistics
- ALP** – Australian Labor Party
- ANZAC** – Australian and New Zealand Army Corp
- ACA** – Advocacy Coalition Approach
- ACF** – Advocacy Coalition Framework
- AIGR** – Australian Institute of Gambling Research
- CCA** – *Casino Control Act 1991*
- CEO** – Chief Executive Officer
- CSF** – Community Support Fund
- CSR** – Corporate Social Responsibility
- CSO** – Civil Society Organisation
- DHS** – Department of Human Services
- DOJ** – Department of Justice
- DTF** – Department of Treasury and Finance
- DVC** – Department for Victorian Communities
- EGM** – Electronic Gaming Machine
- FOI 1982** – *Freedom of Information Act 1982*
- GMCA** – *Gaming Machine Control Act 1991*
- GRA** – *Gambling Regulation Act 2003*
- GPRU** – Gambling Policy and Research Unit
- GRP** – Gambling Research Panel
- GST** – Goods and Service Tax

**ICGTF** – Inter Church Gambling Task Force

**JVA** – Joint Venture Agreement

**LGA** – Local Area Government

**LGWGOG** – Local Government Working Group on Gambling

**MP** – Member of Parliament

**MAV** – Municipal Association of Victoria

**NPM** – New Public Management

**NSM** – New Social Movement

**NSW** – New South Wales

**OGR** – Office of Gambling Regulation

**RSL** – Returned and Services League

**RVL** – Racing Victoria Limited

**SMO** – Social Movement Organisation

**SP** – Short Price

**TAB** – Totalisator Agency Board

**TABCorp** – TABCorp Holdings Pty Ltd

**VCGA** – Victorian Casino and Gaming Authority

**VCGR** – Victorian Commission for Gambling Regulation

**VCOSS** – Victorian Council of Social Services

**VGS** – Victorian Gambling Screen

**VLGA** – Victorian Local Governance Association

**VRI** – Victorian Racing Industry

**VRC** – Victoria Racing Club

## **GLOSSARY OF TERMS**

Note: the following terms and accompanying definitions are provided as a guide only and are not universally accepted.

### **Consumer Protection**

Consumers and potential consumers of gambling products will be provided with sufficient education about those products to be able to form informed consent to play (Gamblers Help, 2005).

### **Corporate Social Responsibility (CSR)**

The process by which businesses take account of their economic, social and environmental impacts, and acting to address the key sustainable development challenges based on their core competences wherever they operate - locally, regionally and internationally (Department for Business Innovation and Skills, 2005).

### **DSM-IV**

The Diagnostic and Statistical Manual of Mental Disorders, Fourth Edition, of the American Psychiatric Association (DSM-IV) contains a set of questions that is used to determine whether a person is a problem gambler - see also SOGS definition. Questions include whether they are preoccupied with gambling, need to gamble more each time in order to get the desired excitement or use gambling as an escape (Productivity Commission, 1999).

### **Electronic Gaming Machines (EGM)**

‘Machines used for gaming purposes’. Commonly referred to as ‘poker machines’, ‘pokies’, ‘pokie machines’ or ‘gaming machines’. For the purpose of this study, EGMs will be referred to as poker machines that come in two main types: where the player makes no strategic decisions after starting the game, and where the player can make strategic decisions, for example, drawcard machines (Productivity Commission, 1999).

### **Expenditure**

The net amount lost by gamblers, the amount staked by gamblers less their winnings (Productivity Commission, 1999).

### **Gambling**

Staking money on uncertain events driven by chance. The major forms of gambling are wagering on racing and sports and, ... casinos, keno and lotteries (Productivity Commission, 1999).

### **Gaming**

All legal forms of gambling other than wagering — including lotteries, gaming machines, casino table games and Keno (Productivity Commission, 1999).

### **Gaming Operator**

Means the holder of a gaming operator’s licence and the declared operator, if any, of the licence (State Government Victoria, 2003).



### **Gross Profit**

Used in Australia to denote the return to the gambling operator — total wagering less prizes. Also known as gross winnings. Conversely, this is the same as the amount lost by gamblers as expenditure (Productivity Commission, 1999).

### **Gross Revenue**

Used in the United States to denote the return to the gambling operator — total wagering less prizes. Also known as adjusted gross receipts, adjusted gross proceeds, gross wager, net casino win, win, gross gaming revenue, or hold. In Australia, the equivalent term is gross profit or conversely, gambler expenditure or losses (Productivity Commission, 1999).

### **Handle**

Used in the Australian Casino Gaming Industry to describe the value of money exchanged for gaming chips (Productivity Commission, 1999).

### **Incidence (of problem gambling)**

The number of new cases of problem gambling developed over a fixed period. A measure of flow, rather than stock and compare with prevalence (Productivity Commission, 1999).

### **Interactive Gambling**

Internet gambling is a subset of a wider range of gambling forms termed Interactive Gambling. Interactive Gambling is defined as betting using a service provided over the internet, a broadcasting or datacasting service or any other content service. This includes gambling over interactive and digital television, over mobile phones or any other form of gambling that uses a communication medium such as a phone line (Gamblers Help Southern, 2005).

### **Keno**

A game where a player bets that chosen numbers will match any of the 20 numbers randomly selected from a group of 80 numbers via a computer system or ball drawn device. It is an electronic form of bingo, and is typically played in clubs, casinos and hotels (Productivity Commission, 1999).

### **Linked Jackpots and Accelerators**

Linked Jackpots refer to gaming machines that are linked together and pay out a jackpot at some point in a spending interval, such as paying out \$1000 between \$20,000 and \$30,000. Accelerators are non-linked machines that pay out a jackpot over a similar spending interval. Thus, although wins on other types of gaming machines bear no relation to the amount gambled, specific wins on linked jackpot and accelerator machines relate specifically to the amount gambled (Productivity Commission, 1999).

### **Lotteries**

Come in various forms, including Lotto, Pools and Instant Lotteries or 'scratchies'. Also see *Scratch Tickets*. Lotto is played by choosing numbers in anticipation that those numbers will be amongst the winning numbers selected randomly (Productivity Commission, 1999).

### **Minor Gaming**

The collective term given to Art Unions, Raffles, Lucky Envelopes and the like (Productivity Commission, 1999).

### **Mutuality Principle**

The Mutuality Principle is that one cannot make a profit from selling to oneself, and an amount received from oneself is not income — and therefore not subject to tax. The concept has been extended to defined groups of people who contribute to a common fund, controlled by the group for common, not individual, benefit (Productivity Commission, 1999),

### **Odds**

The average chances of winning. In racing, the odds are also an indication of the return to a gambler (Productivity Commission, 1999).

### **Outlay**

The amount of money staked or bet by gamblers. Also see *turnover* (Productivity Commission, 1999).

### **Pathological Gamblers**

Used in the United States for what is seen as a psychiatric condition, for those who score 5 or more using the DSM-IV criteria or SOGS. A DSM-IV score of 5 does not have simple equivalence to a SOGS score of 5, but tends to identify the same groups of gamblers (Productivity Commission, 1999).

### **Payout Ratio**

The average returns to a player from a given turnover (Productivity Commission, 1999).

### **Pools**

A numbers game of chance where the winning numbers are based on the results of the United Kingdom or Australian soccer matches (Productivity Commission, 1999).

### **Prevalence of problem gambling**

The total number of problem gamblers in a population. A measure of stock, rather than flow and compare with incidence. The Commission has used the South Oaks Gambling Screen, self-assessment questions and other indications by gamblers of harm to try to estimate the prevalence (Productivity Commission, 1999).

### **Problem Gambling**

Problem gambling is a continuum — some people have moderate problems and others have severe problems (Productivity Commission, 1999).

### **Recreational Gamblers**

All non-problem gamblers (Productivity Commission, 1999).

### **Regular Gamblers**

Those gamblers who engage in some form of gambling, on average, once a week other than those who are solely regular Lottery or Lotto players (Productivity Commission, 1999).

**Scratch Tickets**

A form of instant lottery and commonly known as ‘Scratchies’. A player scratches a coating off the ticket to identify whether the ticket is a winner (Tasmanian Gaming Commission, 2005).

**SOGS**

The South Oaks Gambling Screen (SOGS) is a particular set of questions that is used to determine whether a person is a problem gambler. See also DSM-IV. Questions include whether they chase losses, have problems controlling their gambling, gamble more than intended or feel guilty about gambling (Productivity Commission, 1999).

**Stake**

A betting term for amount of money wagered in the act of gambling by gamblers.

**Turnover**

The cumulative amount of money staked or wagered by gamblers, including recycled winnings (Productivity Commission, 1999).

**Venue Operator**

A holder of a venue licence which includes an approval of a venue for gaming (Victorian Local Governance Association, 2000).

**Wagering**

Legal gambling on racing and sports (Productivity Commission, 1999).

## Chapter 1

### INTRODUCTION: GAMBLING AND MAKING PUBLIC POLICY

#### Introduction

Thursday 16 July 1992 was a watershed date in the political economy of gambling in Victoria. It is the day the first poker machine gaming venue opened its doors for business at the Footscray Football Club in Melbourne's western suburbs with 105 poker machines (Childs, 1992). In approving the rollout of poker machines for Victoria, the Joan Kirner led Australian Labor Party (ALP) State Government established a legislative framework that would ensure state governments over the next 20 years received a considerable dividend, with at least one third of all revenue generated from their operation.

By June 2002, poker machine players were losing \$2.33 billion per annum in Victoria at Tattersall's and TABCorp venues. Between 1991 and 2002, Victorian State Government budgets relied on ever increasing amounts of money generated from poker machines as taxes, which came to contribute as much as 10 per cent of revenue (Doughney, 2002a). In cash terms, this amounted to \$1 billion in 2002, with taxes for all gambling activity in Victoria representing 16 per cent of state revenues that year (Doughney, 2002a).

The 1990s was a time of significant change in the provision of legalised convenience gambling options in Victoria. This period was characterised by the dominance of neo-liberalism and economic rationalism (McIntosh and Hayward, 2000). Moreover, a

number of changes in the Victorian gambling market took place including deregulation of the gambling industry by the State Government, a long-term decline in revenue within the racing industry, the construction of Crown Casino as the state's first casino in its capital city Melbourne, and the expansion of sports betting and poker machines. Indeed the Liberal-National Coalition State Government led by Premier Jeff Kennett between 1992 and 1999 heralded the Crown Casino as a new beginning for Victoria (Millar and Costello, 2001). These changes in the gambling market between 1991 and 2002 had positive and negative consequences for business, government, churches, community groups and the people of Victoria, and much of this change took place during a time of an alleged fiscal crisis in the state (McIntosh and Hayward, 2000).

The events that took place in this period prompted a reminder of an experience I had with poker machines as an eleven year old child. While travelling from Australia to the United Kingdom, my journey involved taking a ship from Fremantle in Western Australia through Indonesia and on to Singapore. On one of the ship's decks sat a solitary fruit machine, a one-arm bandit as they were called in the 1970s. It displayed three reels with all different kinds of fruit symbols and had a large chrome handle to pull downwards which would spin the reels and play the game. Being a curious and inquisitive child, I was tempted to see what would happen so a coin was deposited in the slot. The handle was pulled, the reels whirled around. Bells chimed as each reel stopped, then three oranges appeared in a row. Silver coins came streaming from the machine. To an eleven year old in the mid 1970s this was fantastic and what seemed like a fortune at the time.

The coins collected, I informed my parents about this exciting win. Surely they too would think this was wonderful. How wrong I was. There was no fanfare, only a question as to where I had got all this money from. A return to the machine for a lesson in gambling was required and it was a lesson that would resonate for a long time. I was instructed to feed the slot the entire windfall, pull the handle and watch the reels whirring around. Nothing happened. The machine took all its money back. Thinking how unfair it was, this became my first memory and a lifelong lesson about gambling. The lesson of course is that the odds of winning in gambling are such that the house always has an advantage and it is the gambler who will lose.

This youthful anecdote is not meant to set the scene for a study into the evils of gambling. Rather, the experience is conveyed to provide a context as to why a future inquisitiveness on the topic of gambling existed on my part. That context expanded in the early 1990s when as a young person in employment I encountered workplace socialisation experiences which included the occasional bet on horses or greyhounds with male friends. A TAB operated in the local hotel and it was not uncommon while socialising with work colleagues for the suggestion to be made amongst the men present to 'have a bet on the next race'. It was considered relatively harmless fun and that was essentially where any semblance of my personal gambling interest came and went. Horse racing and the prospect of winning did not capture my attention. Yet I did observe that horses and other forms of gambling did have impacts on other friends and work colleagues. At the time I didn't appreciate the circumstances and impacts that were occurring in the gambling environment, however, that inquisitive element did spur me to want to find out more.

The date of 16 July 1992, the day the pokies were introduced in Victoria throughout local pubs and clubs, changed the lives of many people I knew socially and the lives of many people in Victoria more broadly. With what seemed like the flick of a switch, people who never usually went to a hotel or a club at the end of the working week began going to such places that were now branded as ‘gaming’ venues. These were people from diverse walks of life: professional, trades, labourers, middle aged, older aged, men, women. The pokies did not discriminate because of socioeconomic circumstances as these people began spending their time sitting at the machines, pressing a button.

Eventually curiosity took over so I too played these new machines only to conclude that, unlike studying the horse racing form guide to pick a winner, there was little if any skill in pressing a button on a poker machine. In contrast to my earlier entanglement with the mechanical one armed bandit, watching electronic reels that supposedly spun before your eyes wasn’t really a game at all. The noise and energy of imitation horses galloping that intensified as the reels were about to stop proved unattractive. However, the number and range of people playing poker machines continued to swell and this aspect of participation did interest me.

What I observed and what is substantiated in this study is that gambling on Electronic Gaming Machines (EGMs) prompted an array of impacts on many Victorians, as well as being a highly visible localised presence (Doughney, 2002b). The focus of this study is on how public policy is made and it is evaluated in light of what was then a new context in the political economy of gambling: that of poker machines. To enable this evaluation, a set of narratives about the gambling industry in Victoria are provided. In addition, three case studies about the implementation of key policy acts and the

legislative effect implementation of decisions by the State Government on poker machines are examined in detail.

This frame of reference serves to guide the setting of the specific research question and subsidiary matters for consideration in this study. For clarity, the acronym EGM is generic and covers a multitude of gambling options such as venue based poker machines, on-line internet games, the Japanese ‘pachinko’ machine or phone based technology. This study is concerned with evidence contributing to an appreciation of decision making as it relates to poker machine gambling in Victoria, thus the term used herein in lieu of EGM is poker machines.

### **Research focus**

The aim of this study is to consider how public policy is made in Victoria. The question is investigated by considering how the policy agenda is disclosed in the context of seeking to understand the role, function and contribution of stakeholders when public policy on poker machines in Victoria was made in the years 1991-2002. Broadly, the approach is consistent with the general questions relating to the policy process posed by Jenkins-Smith, Nohrstedt, Weible and Sabatier (2014) by considering the role stakeholders played in public policy making by examining evidence relating to identifying, framing and implementing legislative and policy agendas for poker machines. Specifically, this study will examine finer grained detail in the form of case studies relating to public policy decisions on poker machines between 1991 to 2002 in Victoria for the purpose of understanding of how policy making occurred in this jurisdiction.



In providing a response to the research question, the role of stakeholders is examined in terms of their success or otherwise in achieving policy outcomes associated with poker machine policy settings in Victoria. Objectives for assessing success are framed from arguments and policy positions articulated by the key stakeholders in this study. O'Hara (1985) proposes that governments are motivated to legalise or change laws relating to gambling according to three factors: the need for revenue; the need for greater social control (noting the need to control crime); and the need for government to ensure legislation and the laws of society keep apace with community expectations.

This study draws on my accumulated knowledge from my on-ground professional experiences in social policy with local government and the community sector in Victoria, and on the insights derived from public policy and social theory to examine and reflect on empirical evidence relating to gambling. Consistent with the approach adopted by O'Hara (1985), academic theory and professional experience are used to consider the motivations of government to make changes and the key policy agenda settings identified as being of interest to stakeholders.

Lasswell and Kaplan (1950) remind us that in its simplest form politics is about who gets what, when and how and the interplay between the state, market and civil society shapes the way public policy is defined (Haigh, 2012). Adapting this assumption, the present study focuses our attention on the who, what, when and how of gambling as a consequence of making public policy. This study is firstly concerned to understand the extent to which the State Government as a 'coalition of interest' was successful in achieving its economic objective of establishing, building and sustaining a taxation from poker machine gambling operations. This question is examined by evaluating key

revenue measures put in place by the government, such as annual taxation revenue receipts, other levies and licence fees administered during the timeframe of this study, and qualitatively examined through literature relating to the making of policy.

Second, this study is interested to understand whether the poker machine industry, defined herein as a major stakeholder coalition, succeeded in establishing and sustaining a revenue base from poker machine operations in Victoria. This question is examined by evaluating evidence relating to annual profits and growth from poker machines for industry stakeholders during the period framing this study. Consistent with the first question, it is also evaluated through examination of literature relating to the making of policy.

The third element to canvas in this study relates to the impact civil society interests, as stakeholders without a commercial interest in gambling, had in reducing the amount of money lost by poker machine gamblers in Victoria. This question requires an examination of evidence relating to poker machine losses for the period under consideration in this study. As with the preceding questions, it is considered qualitatively through examination of literature relating to the making of policy.

Information is brought together that responds to these three questions as a means of describing what public policy is, as well as the processes that can be identified in creating policy by applying theoretical concepts from the sociological and political sciences. How public policy is managed will be considered by investigating how government policy on poker machines was created and then revised many times over during the years 1991 to 2002. Material pertinent to the legalising of poker machine gambling as a policy concern will be referred to.

Similar to O'Hara's (1985) study which documented the history of gambling in Australia, a sociohistorical methodology is used and a theoretical framework which draws on social science concepts is developed for analysing the material in this study. Indeed, this study was undertaken with a clear intent to build on and contribute to the knowledge about the history of gambling in Australia as compiled by O'Hara (1985, 1988), noting that O'Hara's interest spans the years 1788 to 1983.

A feature of this study is to discuss general theories about how policy is made. In addition to consideration of data on gambling, a qualitative evaluation of public records is made to comment on policy making. The stages policy model, the Policy Cycle, the Advocacy Coalition Framework (ACF) and the Three Factor Policy Model adapted from Shannon (1997) are key concepts used to interrogate the material identified and nominated for investigation.

Material used in this study is drawn from evidence gathered from sources available in the public domain. The material makes up a data pool of some 3000 items as records and evidence. It is critically examined to discern impacts public policy decisions had on stakeholders, as well as how policy outcomes were shaped by elites and stakeholders by tracking debates over time. A combination of industry case studies and scenarios about legislation and law making provides an evidence base for this assessment, with material about decisions relating to poker machines drawn from the years 1991 through to 2002.

This study identifies stakeholders engaged in the debates on public policy between 1991 and 2002, their commonalities as well as their differences. How these stakeholders feature in public debates is discussed with respect to policy agenda setting. Detailed accounts of the gambling industry and scenarios relating to legislation and law making

are selected to illuminate and add value to understanding the liberalising and broadening of access to convenience gambling options that occurred during the research period.

However, the present study is not simply about poker machines. Poker machines are the subtext. This story is fundamentally about the politics of power and money. In further explaining the personal motivation for undertaking this study, my work in social policy and strategy with a number of local government councils in Victoria during the 1990s and 2000 provided me with a grounded exposure as to how poker machines came to be a way for vested interests to drive selected secular agendas in seeking power and money.

Central to the discussion is an investigation into state government decisions which led to the passing of laws expressed in the form of ministerial directions, legislation and the regulation of poker machines. To do that task requires the establishment of a framework of knowledge that provides a robust appreciation of the wider Australian gambling market and an appreciation of the context from local, state, national and international sources. Of specific interest are issues of stakeholder power relations in participating, contributing and shaping government public policy formation. At the highest policy setting level, money and power were factors dominating the concern of stakeholders. This interest transcended all stakeholders regardless of the alleged motivating perspective stakeholders may have had in entering the policy debate.

The ideology surrounding the economics and generation of money for the state and commercial interests are seen as pre-eminent, irrespective of which political party was in government at any given time. Issues and debates about poker machines are

examined in the context of relevant social theory, the ‘state’ debate and the implications of these debates in forming, evaluating and changing evolving government public policy on poker machine gambling from 1991 to 2002. Therefore part of the objective of this study is to demonstrate the utility and contribution of sociology to understanding how public policy is made via the evidentiary lens of poker machines and policy making in Victoria.

### **Focus on gambling, not the gambler**

To enable a robust examination of data and to respond fully to the research question, a set of complementary questions are helpful regarding the dynamics between stakeholders and the legislative and regulatory agendas. First among them is: what prompted decision making activity in the form of legislation and regulation developed by the State Government during the 1990s? Does sufficient evidence exist to confirm that the State Government was highly dependent on the revenue from gambling taxation to fund the activities of the state? It is important for this study to know how the State Government was able to achieve fiscal solutions through gambling revenues. That is, how the government was able to maintain and grow the quantum and proportion of state revenue from poker machine gambling taxes and levies. This factor is interdependent with respect to the role of stakeholders and how stakeholder expectations were either managed, or not as the case may be, by the State Government with respect to decisions relating to poker machine gambling.

While effort is directed towards defining the terms of reference for what this study is about, it is equally important to state what this study is not about. A significant amount of the policy literature and other relevant reports such as Marshall (2005) and some of

which is highlighted in a subsequent chapter, focuses on problem gamblers and problem gambling as the subject matter for policy enquiry and decision making. However, the focus of this study is not on the ‘problem’ gambler or on understanding and explaining the individual experiences of the gambler. Much of the existing theory about gambling is framed around economics and medical science. In terms of the medicalisation of gambling, the dominant theoretical propositions are either psychological and/or psychiatric in nature for the purpose of advancing an appreciation of problem gambling. This is principally due to a great deal of attention being directed towards the individualisation of gambling and the problem gambler. The overarching theoretical frameworks considered in this study are the Biomedical Model and the Social Model of Health as the principle health frameworks used by government to set public health policy in Victoria (Department of Health, 2012).

This study does not set out to explore the efficacy of policy responses to poker machine problem gambling in the State of Victoria. Nor does this study set out to analyse whether policy decisions about poker machines are right or wrong, and the relative merits of policy decisions and impacts on stakeholders. This aspect of engaging in and discussing policy is a task for other public commentators on gambling such as Costello (1999), Hill (in VLGA, 2003) or Mayne (2005b).

Instead this study draws on print and available media records as the central data source to examine the process of policy making, but without drifting into assessing the role of the media and the media’s engagement with poker machines as a social issue. This study explores theories on public policy making, the role of stakeholders in identifying, shaping, informing, making, implementing and revising policy, and draws on the

discipline of sociology in order to develop a wider understanding about public policy processes. In this context, gambling and poker machines in Victoria are seen as a fertile subject matter for investigation of the policy making arena and decision making battleground.

In considering the focus of this study, and given my exposure to a range of other career based social policy work experiences, a variety of other public policy issues could have been used for examination, including public housing, disability support, aged care, children's services policy, education, tobacco, alcohol, illicit drugs, environmental issues, aviation and energy (Sabatier, 1988). Debates in Australian society about the enculturation of alcohol use and incidence of abuse have dimensions common to the debates outlined on poker machines.

However, gambling remains relatively under-examined, particularly from the perspective of public policy making. Aside from the Victorian Casino and Gaming Authority (VCGA) commissioned study on the history of gambling in Australia by the Australian Institute of Gambling Research (AIGR, 1999), and the occasional graduate research publication such as Birkett (2002), there are sufficient grounds to show that in the context of the State of Victoria, a gap exists in contemporary stakeholder debates in relation to poker machines and public policy.

That said, a key strength of this study is the model and tools that have been developed and used to analyse, understand and explain the policy making processes. The tools presented in this study could be adapted and used as a model to examine policy issues such as alcohol use or abuse and others mentioned above. Poker machines and gambling

have been chosen because the public policy material available from 1991 to 2002 presents such a rich field of data for investigation and because of my personal curiosity and professional interests.

The timing of this work is also considered relevant. From the outset of developing a research proposal, policy tensions were identified and the comprehensive data sources available presented a unique window into a government policy world as a new jurisdictional policy matter in the State of Victoria. As poker machines were not a legal gambling product in Victoria until 1992, the subject matter and associated data were fresh and it was an opportune time to undertake an analysis of the type put forward in this study.

### **Conceptual framework**

Issues of class, power, wealth, gender, ethnicity, the unequal distribution of resources and the role of the state have essentially been neglected in many of the arguments advanced by industry, government and civil society in relation to gambling (O'Hara, 1985). Sociology has much to offer in relation to a consideration of policy making and gambling. Nicoll (2003) identified the problematisation of the problem gambler, drawing on Bourdieu for understanding the cultural phenomenon of gambling in society. By progression, a critical perspective holds interest for the future scope of theoretical investigation in this research. In particular, attention is paid to the interaction between private troubles and public issues (Mills, 1959) and the role that civil society has in relation to agenda setting when a personal trouble is dealt with publicly as a social issue. The problematic nature of issues is of interest, including deviance as an area that lends itself to understanding gambling as an addiction (Bloch, 1951).



Goffman examined gambling as action theory, analysing the relationship between gambling, action and character as it relates to culture, social structure and experiences (Downes, 1976). For Goffman (1974), systemic principles of classification are used to explain ideas of one's immediate sense of self. Ethnomethodology has limitations in that it does not adequately consider the influence of wider social institutions. This issue is considered central to this study on policy decision making and gambling in Victoria.

It is proposed that various theories can assist in shaping an alternative understanding of the political economy of poker machine gambling in Victoria. Power, money and the role of the state is important in this study. Therefore the work of Mills (1959, 1972, 1977) is considered a useful point of reference through which to explore more fully the issues relevant to decision making and public policy on gambling. *The Sociological Imagination* (Mills, 1959) assists to “differentiate between what are merely personal troubles of particular individuals and what are the public issues which affect a series of seemingly isolated individuals as a result of their common membership of the same society” (Dwyer, 1989: 51). By way of illustrating the utility of Mills (1959), the following extract has been taken from *The Sociological Imagination*. The word ‘unemployment’ has been substituted with ‘gambling’ to demonstrate how the concept of private troubles and public issues could be adapted to Victorian debates on gambling:

... consider [gambling]. When in a city of 100,000 only one man [gambles], that is his personal trouble and for its relief we properly look to the character of the man, his skills and his immediate opportunities. But when in a [state] of [3.7] million people, [223,000] are [problem gamblers] that is an issue and we may not hope to find its solution within the range of opportunities open to any one individual. The very structure of [deviant] opportunities has [increased]. Both the correct statement of the problem and the range of possible solutions require us to consider the economic and political institutions of the society, and not merely the personal situation and character of a scatter of individuals.

The key words in the passage that resonate for this study are ‘economic’ and ‘political institutions’. These aspects will be shown to be fundamental in driving decisions about policy in Victoria on poker machines. The strength of Mills’s concept in thinking about public policy debates on gambling is that it provides a sociologically derived basis for exploring the relationship between personal/private troubles and structural/public issues. A further value in this approach is that it emphasises the experience of private troubles as symptomatic of public issues and does not individualise it as is the case with many economic and health related theories. In accepting there are limitations with these propositions, the study will also consider other relevant theories that enable an enhanced understanding of power relations in society. Material from the political sciences such as the Advocacy Coalition Framework (ACF) (Sabatier and Jenkins-Smith, 1993), the Policy Cycle (Bridgman and Davis, 1998), the stages policy model (Colebatch, 1998) and the Three Factor Policy Model (Shannon, 1997), will be referred to and referenced. Thus, a broad palette of material is used with the intention of strengthening a sociological understanding and interpretation of how public policy is made.

### **Structure of the study**

The present study is divided in to two parts. The first half of the study, Chapters 1 to 5, embody the technical apparatus of this study. Chapter 2 considers the range of literature that the topic of gambling has generated. How public policy is conceptualised in the social and political sciences is addressed in Chapter 3, while the theoretical framework for this study is outlined in Chapter 4. Finally Chapter 5 introduces the research methodology adopted for exploring information that is in the public domain or generated by the gambling organisations.

The second half, Chapters 6 to 10 focus on understanding how policy is developed by drawing on different layers of information, both quantitative and qualitative, in relation to gambling and policy making. These chapters draw on the layers so as to track key debates relating to poker machines and public policy making. Further, these chapters reflect the texture of policy making that occurred over time on this socially contentious issue. The historical context to gambling is discussed in Chapter 6 and case studies of key episodes relating to how the political economy of gambling operated from 1991 to 2002 are explored in Chapter 7. The economic dimensions and the legal and regulatory framework enacted to govern gambling in Victoria is the focus of Chapter 8. In Chapter 9 the focus shifts to individual and organisational stakeholders and their roles in policy making. Finally, Chapter 10 highlights the key findings of this study in the context of the political economy of poker machine gambling in Victoria.

## Chapter 2

### CONCEPTUALISING GAMBLING

#### Introduction

This chapter discusses some of the ways gambling is conceptualised so as to illustrate the range of theoretical concepts selected and utilised by stakeholders in Victoria when discussing poker machine gambling and gambling policy more broadly. The chapter in part responds to the challenge of how public policy is shaped, influenced and determined through stakeholder input to actions and agendas. The endeavour is to highlight how gambling is conceptualised and to explore how underlying assumptions affect and shape policy outcomes in relation to gambling.

Gambling is predominantly conceptualised through the perspectives of economics and health and then to a lesser degree through ethics and sociology. Caldwell (1985) provides an investigation of the key concepts relating to gambling in Australia. Eadington (1984) and Kwon and Back (2009) note the most frequent outcomes arising from problem gambling are legal issues, regulation, and taxes, with community impacts having lesser focus. Additionally, Orford (2011) categorises debates around gambling as being either supportive of liberalisation or restrictive on gambling and elaborates eleven subheadings to illustrate the case.

The approach in the chapter in part aligns with that of Caldwell's (1985) endeavour to provide insight into some of the ways discussion in society occurs in relation to poker

machine gambling generally. As Painter (1997) notes, one theory alone cannot adequately deal with the complexities of modern capitalism, much less the complexities of public policy and poker machine gambling. Stakeholder debates on gambling draw on different concepts and theories. Advocates of gambling policy positions are seen to alternate, gravitate between perspectives depending on the issues and the agendas being pursued by stakeholders. More than this, what is observed in relation to gambling is a contest of language; stakeholders - government, industry, community and individual - use perspectives depending upon the strengths that can be drawn out of any particular line of argument for a given issue (Hing, 2005).

### **Economics and gambling**

For an activity whose objective is to generate money, it is not surprising that the dominant theoretical paradigm for conceptualising gambling is economics (Eadington, 1984; Kwon and Back, 2009; Livingstone, 2002a; Pinge, 1996; Sargent, 2012; Svensen, 2002a & b). Economic theory seeks to understand consumerism. Economics provides a way of conceptualising gambling through a lens of wellbeing, efficiency and technological determinism. It assumes that spheres of society's operation invariably come under the scrutiny of, and are influenced by, the prevailing economic circumstances of the day. The difficult economic conditions of the 1970s and 1980s gave rise to even more strongly developed explanations of social behaviour centred on individualism (Livingstone and Woolley, 2007; McIntosh and Hayward, 2000; Orford, 2011). There are a range of economic theories, however, in this study our focus will be on those that resonate and connect with public policy relating to gambling in Victoria. In what follows economic explanations of gambling are presented through Public Choice Theory, Agency Theory, New Public Management, Utilitarian Economics and

Welfare Economics. Thus the intention here is not to present detailed summaries of these perspectives, but to present an overview of underlying assumptions and to draw attention to the types of literature that these have generated.

### *Public Choice Theory*

Public Choice Theory seeks to provide a logical, instrumentally focused rational framework for individual decision making (Howlett and Ramesh, 1995; Thompson, 1998). In the case of gambling, it assumes that individuals act according to personal choices and in accordance with what is in it for the individual (Haigh, 2012). The implementation of such views is affected by market decisions (Hodge, 1999). Advocates of Public Choice Theory adopt a utilitarian approach to gambling, so that outcomes are left to individual choice while industry is assumed to be regulated by market forces and consumer choices (Haigh, 2012). Sociologically, this theory is consistent with Structural Functionalism (Howlett and Ramesh, 1995) and further. according to Hodge (1999), Public Choice Theory is significant in shaping the political agenda for reform and this has been the case since the mid 1970s. Boston (1991) sees Public Choice Theory as being aligned with the ideology of the political right.

Thompson (1998) contends that advocates of public choice do not accept that ideas in themselves have any power, although it will become evident in this study that the consequences of applying Public Choice Theory are such that it is fundamentally about power and control. The overlap between Public Choice Theory and Biomedical explanations are discussed in a subsequent section of the chapter, suffice to say here that Public Choice Theory features strongly in arguments put forward particularly by the gambling industry to justify methods of operation. A key assumption of this theory is

that it views gambling as a recreative activity where “people ... play poker machines for fun and entertainment, and not to make money” (Fisher, 2004: 1).

The Public Choice Theory does not altogether deny inequality as a key factor influencing human action, however it does tend to underestimate the relationship between wealth and power in society (Mascarenhas, 1996). Moreover, as Mascarenhas (1996) suggests, neo-liberal ideology gravitates to public choice as it enables proponents to shift the blame for economic decline to shortcomings in the public sector and thus to rationalise the involvement of the state in the economy. What is overlooked by this perspective is the reality that not everyone can occupy a rational state of mind all of the time (Victorian Local Governance Association, 2003).

### *Agency Theory*

A related perspective to Public Choice is Agency Theory. This perspective characterises organisations as a set of buyers and sellers of services (Chan and Rosenbloom, 1998). The buyer in this case is the *Principal* and the seller is the *Agent* while the contract specifies the roles, obligations, and actions required under the agreement. According to Chan and Rosenbloom (1998), social actors are motivated solely by self interest with the focus on control and authority, which, similar to Public Choice theory is observed to be consistent with functionalist thinking (Howlett and Ramesh, 1995). The relevance of this to the Victorian experience is particularly manifest in political dialogue. The “public should have confidence in the way the Victorian jurisdiction is controlled because it is allegedly one of the most tightly controlled in the world” (Pandazopoulos, 2002: 1). In that way, the government is able to manage public perceptions of

criminality and fraud (Access Economics, 2002). Issues of criminality and fraud are recurring themes of that contributed to poker machine gambling policy debates. Thus a limitation of Agency Theory is its inability to adequately respond to social issues created by the actions of agency, that is, which are a consequence of human nature (Thompson, 1998).

### *New Public Management*

Where Public Choice Theory and Agency Theory are acknowledged as academic theories, New Public Management (NPM) developed out of managerialism. NPM is expressed by a set of principles created by managers for the purpose of being more effective (Boston, 1991). These principles include an emphasis on skill as opposed to policy, the adoption of quality systems approaches such as performance indicators, devolution of authority, the right to segment function into commercial and non-commercial entities, privatisation, adoption of private sector management techniques, embracing monetary return over personal gratification, and efficiency and cost reduction (Boston, 1991; Porter, 2011; Tiernan, 2012). The purpose of NPM is to deliver outputs, that is, products which can be counted as having defined economic value. The rise of NPM as a management approach occurred in tandem with the pervading economic political thrust of neo-liberalism. NPM was a key tool used by the Victorian Government during the Kennett Liberal-National Coalition Government era in the 1990s (McIntosh and Hayward, 2000). This is an explanation for why particular government services were provided under a unit cost model (Porter, 2011).



A limitation of NPM is a contradiction in terms of regulation. For example, privatisation as an outcome of NPM is supposed to deliver less regulation. However, thirteen pieces of legislation and regulation specifically on the management of poker machine market were enacted throughout the 1990s in Victoria. This increase in the regulatory environment around poker machines is contrary to the purist theoretical application of privatisation and NPM.

### *Utilitarian Economics*

Utilitarian Economics uses calculus as a methodological tool to provide quantifiable measures for the degree of economic activity derived by market based action. The principal measure of utilitarian economics is consumer surplus which endeavours to measure “the total amount a consumer would have paid for a quantity of a good or service and the amount they actually had to pay for that quantity” (Doughney, 2002b: 114). Utilitarian Economics can be seen in the promotion and benefits of gambling as contributing to the growth and dynamism of the economy. The methodology and measures for consumer surplus was similarly used by ACIL in a 1994 report commissioned by the Tobacco Institute of Australia (Fleer, 2003). This report suggested cigarette smoking provided a positive consumer surplus benefit to the Australian economy. A report by ACIL Consulting (2001), titled *The Impact of Gaming in Ballarat*, provides a useful example of Utilitarian Economics. The ACIL study into gaming similarly presents a case for a positive consumer surplus benefit to the economy from poker machine playing.

However, as Pinge (1996) notes, consumer surplus and its measures are flawed as proponents contend it is achievable and acceptable that a person's state of mind and wellbeing can be articulated as monetary value since these matters have a market commodity basis. Doughney (2002c) draws attention to the difficulty in defining social and human dimensions of being in a singular economic variable. Therefore Doughney (2002b: 115) argues that "economics has long had a tendency to overstep its zone of competence" in this regard.

### *Welfare Economics*

Welfare Economics is related to Utilitarian Economics, although the point of difference is that calculus is replaced as the measurement tool with the criterion of Paretian Optimality (Doughney, 2002b). Paretian Optimality is a tool that emits the idea that "well being would increase socially, when, at the limit, an individual could be made better off without making another individual worse off" (Doughney, 2002b: 142). This theoretical framework is seen to be used extensively as a basis for analysis of public policy (Howlett and Ramish, 1995). Further, the theory makes claims to be able to articulate the impact that changes to welfare provision can have on stakeholders (Hodge, 1999). The essential limitation of this theory is that it does not adequately take account of the different ways people react when subjected to the same situations. As Doughney (2002b) points out, if an individual considers that playing poker machines induces harm, nothing should or would be done by that individual as product provider, if intervention restricts or impedes the rights of another person regardless of the degree of harm actually being experienced.

What is argued here is that economic perspectives dominate policy making as a structural interest and often can be viewed to be working hand-in-hand with the gambling industry. Whereas the preoccupation with economic explanations accentuates industry and government preoccupation with profit and taxes, the medicalising of gambling is thought to counterbalance preoccupation with money by at least a genuine interest in the individual.

### **Medicalising gambling**

The medicalisation of gambling is a well developed academic arena (Walker, 1996). The perspective is represented in Victoria with both government and industry consideration of problem gambling as a public health issue. Indeed, the New Zealand Government gambling policy is framed from a medical perspective with gambling defined in statutory law as a public health policy concern.<sup>i</sup> Medicalising gambling shifts the focus of attention to science and medicine, and to doctors and patient management (Russell and Schofield, 1992).

### *The Biomedical Model*

In western society up until the 1700s, religion was the main way of making sense of health and illness (Foucault, 1989). The rise and dominance of the Biomedical Model occurred primarily through a societal acceptance of the legitimacy of the scientific basis of medical knowledge (Peterson, 1994). Today, science is the main way of understanding the world (Haralambos et al., 1996). However, Foucault (1989) argued that medical institutions constructed illnesses in order to extend the scope of its authority and power. In this sense medicine is part of the way society controls people and forces them to conform to expectations.

The fields of psychology and psychiatry dominate conceptualising of the medicalisation of gambling (Blaszczynski and Nower, 2002; Delfabro and King, 2012; Dickerson, 1987; Dickerson, 2003; Jackson et al., 2003; Ladouceur et al., 1994; Ladouceur and Walker, 1996; Schellink and Schrans, 2003). Much of the research into gambling has been and continues to be about analysing the individual and the problem gambler (Matarese et al., 2002; Schellink and Schrans, 2002).

The focus of the medicalisation of gambling is agency, it is the ‘problem gambler’ and the development of tools that assist to screen or assess the extent to which a person may have a problem with gambling (Hing and Breen, 2008). For instance, it is estimated that there are twenty five different psychological tools for measuring individual problem gambling (Sullivan, 2006). The Victorian Gambling Screen (VGS) is an example of one such tool founded on the assumption that gambling is a medical issue (Gambling Research Panel, 2001). The VGS was a tool commissioned by the Victorian Casino and Gaming Authority (Gambling Research Panel, 2001) and developed by a team of psychiatry and clinical epidemiology experts for the purposes of clinical application.

The Biomedical Model thus claims that problem gambling is an addiction that can be treated in much the same way as addiction to substances can be treated. Curing the addiction will restore the person to a position of homeostasis. The basic flaw in the Biomedical Model and its exclusive individualising of gambling is that it does not adequately deal with the broader social ramification of human action, in this instance on the impacts of the problem gambler’s behaviour on family, work, friends or community (Illich, 1977). Reflecting on this in the context of the medicalisation of daily life, Illich

(1997) argues that the unnecessary intrusion of the medical profession into ordinary life events reduces human freedom and the ability to self-care. In other words, the biomedical profession has made people dependent on experts, thereby reducing their ability to take control of their own body and health.

Yet doctors generally only form a small proportion of the health field and “affect a society’s health status only in a very limited way” (Russell and Schofield, 1992: xi). The Biomedical Model deals with the issues at the source when a gambler presents for treatment. It overlooks broader systemic issues such as the promotion of gambling in the media or society as attractive or fun, which is often the case in the Australian setting. A concern with the Biomedical Model is a growing awareness of the shortcomings and fallibility of scientific medical knowledge. Changes in diagnosis and management of diseases over time, based on new discoveries, is an indication of the imperfect and the evolving state of medical knowledge.

### *Social Model of Health*

Perhaps a more useful or applicable model for this study on gambling to the Biomedical Model is to consider gambling from the Social Model of Health, also referred to as the New Public Health Model. It is based on the World Health Organisation’s definition of health as “a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.” (Germov, 2002: 13).

The focus of the Social Model of Health is on:

the traditional public health concerns of sanitation, hygiene, and clean air and water, [and] ... the social, cultural, behavioural, and politico-economic factors that affect people's health. The main aim of the Social Model of Health is to promote equality of health outcomes for a society. The model directs attention to the prevention of illness through community participation and social reforms that address living and working conditions. (Germov, 2002: 15)

This perspective on gambling extends the Biomedical Model by addressing the wider social dimensions of gambling beyond individual agency. The point of difference is that the Social Model of Health is framed by the key principle of harm minimisation, that is, any legal or illegal activity is not judged or necessarily condoned (Brown & Brown, 1999). Therefore, in responding to the implications of such activity, sociologically it is seen that policy should be directed at both structural and agency measures to minimise the harm caused to the user or affected parties (Borrell, 2002; Savin, 2002). Aspects of the Social Model of Health have been adopted in policy in Victoria. For instance, in 2002 the Victorian Local Governance Association (VLGA) developed a framework for preparing local government policy on gambling. The framework was based upon the Municipal Public Health Plan, developed by the Victorian Government's Department of Human Services, which applied the Social Model of Health to health planning. A slight point of departure that should be highlighted is that this plan used the term 'harm reduction' rather than 'harm minimisation'.

The concept of 'harm reduction' is used in situations where there is a lack of scientific proof about the likely consequences of an activity. In order to illustrate the importance of this difference, the following explanation from work undertaken by the Gambling Research Panel (GRP) is enlightening.

The Gambling Research Panel explains:

the harm-reduction approach ... acknowledges the freedom of individuals to pursue their own preferences, provided that no harm eventuates as a result of that pursuit. It also acknowledges that the origins of many disruptive behaviours are still hard to identify with any scientific certainty, and that their reversal is a difficult to achieve goal. Under those circumstances, minimisation of consequences is seen as the principal goal, because the behaviour cannot be eradicated. (Gambling Research Panel, 2001)

The emphasis here is that an aspect of judgement exists in relation to behaviour whereas in harm minimisation, that judgement layer is removed and in its place, greater emphasis is placed on structural responses to issues (Delfabro and King, 2012). A criticism levelled at the Social Model of Health in relation to gambling is that it potentially signals an abrogation of responsibility for the structural issues that arise from the social circumstances and environments that sanction gambling as legal. Nicoll (2003) refers to the notion of the problematising of the problem gambler. That is, it is convenient for the gambling industry and government to locate problem gambling issues as the domain of the individual which is a similar observation to the individualism expressed in Public Choice Theory. The reduction approach however challenges that view by drawing on the pre-cautionary principle which requires that an absence of scientific certainty is not an acceptable reason for inaction in relation to addressing risk (State Government of Victoria, 2008). In this way, the reductionist approach places greater responsibility at a structural level on decision makers to not allow activity if uncertainty exists in relation to possible harm to the individual.

### **Ethical dimensions of gambling**

An emerging area for conceptualising gambling focuses on ethical considerations. The literature on gambling and ethics as it relates to public policy debates is limited in

comparison to the economics and health literatures. In an Australian gambling context, Doughney (2002b), Black and Ramsay (2003) and van Hooft (2006) provide some useful insights into an ethical perspective.

### *Moral Realism*

*The Ethics of Gambling: Guidelines for Players and Commercial Players* (Black and Ramsay, 2003) was commissioned by the Victorian gambling industry provider, Tattersall's. The perspective adopted by the authors is labelled as Moral Realism. This questions whether gambling can be a humanly fulfilling activity to pursue. Importantly, Black and Ramsay (2003: 201) focus on "whether a person's gambling is rational and reasonable, rather than in their motivations" for gambling.

Moral Realism has similarities to the functionalist informed Public Choice Theory in the sense that advocates dismiss as unimportant any form of emotional or spiritual dimension when assessing and commenting on human thought and action. The limitations of this approach are consistent with Public Choice Theory. That is, it shifts the blame for ethical decline to shortcomings in the person, thus rationalising a limitation in the involvement of the state.

### *Fiduciary Ethics*

Written a year earlier and although not referenced in the Black and Ramsay (2003) paper is Victorian economist James Doughney's work *The Poker Machine State: Dilemmas in Ethics, Economics and Governance* (2002b). Here Doughney examines a broad range of arguments on how gambling is conceptualised. Doughney develops an



argument based on economics, ethics and governance for greater intervention on the part of government with respect to public policy making on poker machine gambling. In particular, Doughney insists that the role of government is to ensure a Fiduciary Ethical approach to social responsibility. Counter to the view expressed by Black and Ramsay, Doughney (2002b) is critical of any government that knowingly permits a product into the marketplace which has the potential to cause harm. According to Doughney (2002b: 5),

the Victorian government ... (is) obliged to reduce drastically the amount people lose on poker machines ... It is objectionable for governments knowingly to cause, profit from, ... activities that inflict avoidable harm on members of the community.

He goes on to say:

It is wrong to use people as a means towards some other, lesser, 'goods' or ends such as power, money, and so on. (2002b: 40)

While Doughney is an economist, the language and concepts utilised here – community, harm, power and exploitation – are often associated with critical sociology. Such terms are canvassed later in this chapter when gambling is conceptualised sociologically.

### *Virtue Ethics*

Briefly, van Hooft (2006) advances the proposition that ethics can inform public policy thinking from the vantage point of understanding Virtue Ethics. Van Hooft's sense of Virtue Ethics is consistent with Fiduciary Ethics. Gambling is conceptualised in terms of the internalisation of values. Having the capacity to *act* on ethical virtue is as important as internalising the values, even if they are unstated. To illustrate, a person may harbour racist thoughts which makes the person a 'lesser' person, even though they

may not externalise such thoughts in speech or action. Values proposed under Virtue Ethics which may inform public policy making include integrity, social justice, responsibility and caring.

The value of drawing attention to the different perspectives on gambling is they tell us a great deal about policy, how it is generated and why arguments are constructed in a particular way. Economic explanations assist our understanding of how money circulates in society and provide a rationale as to why and how such transactions can occur in a free and democratic society. Depending upon the particular focus of the theory being examined, these perspectives or points of view permit an understanding of such flows in either a macro- or micro-societal way. However, as noted above, economic explanations tend to exclude judgements about personal values, fail to take into consideration the role of the individual (Haigh, 2012), and, as Doughney (2002b) points out, generally tend to ignore or overlook that which the perspective cannot adequately measure, including such things as the social, cultural, and ‘spiritual’ dimensions of human existence. Similarly, the social consequences of gambling on the community are either ignored or glossed over.

The value of the biomedical approach is that it purports to provide a value neutral, scientifically grounded understanding of gambling. At one level its focus on the individual is a welcomed alternative to economic explanations; at another level the perspective so individualises gambling that ‘the problem’ becomes decontextualised as if individuals operate in a social vacuum. Biomedical explanations of gambling, in other words, assume that gambling is a value neutral activity and that ‘the problem’ of

problem gambling is that some people are vulnerable to negative consequences as a result of participation in it. This approach of seeing gambling as neutral activity is challenged by McMillan (2006) who proposes that policy making is a value laden activity and that any process in creating material in the name of such activities should be transparently acknowledged and explained according to the assumptions made and the implications of values as they impact on any activity undertaken.

Similarly, the harm reduction approach of the Social Model of Health is limited for not adopting a 'precautionary' approach to the market introduction of gambling products (Victorian Local Governance Association, 2003). Harm reduction accepts the freedom to introduce measures and then address problems as they arise. In this way it is distinct from pre-cautionary approaches that assume if there is uncertainty about a product and its impacts, the product should either be withheld from the market until tested and evaluated for consumer safety purposes (VLGA, 2003).

The importance of medical explanations of gambling is that they alert us to realities that not everyone is the same, that some people are more vulnerable and susceptible to problematic gambling behaviour than others, and draw attention to the role of psychological and psychiatric factors as underpinning social action. The dominance of psychological and psychiatric explanations on gambling research in Victoria is readily illustrated by the fact that the Victorian Government's gambling research during the latter part of the study period was administered by the University of Melbourne's Problem Gambling Research and Treatment Centre. Yet an approach that simply

focuses on the medicalisation of gambling overlooks structural issues and does not adequately deal with issues of power and social relations.

The value in briefly exploring ethics, even though the literature here is limited in comparison to economics and health, is because it offers a line of enquiry and discussion often associated with church leaders and theologians (Black and Ramsay, 2003; Caldwell, 1985). Black and Ramsay, for example, have a theological background and many of the community advocates considered in Chapters 7 through to 10 are from or align with church based organisations. A strength of ethical perspectives is that a significant proportion of the community consider it entirely appropriate to describe policy making in terms of ethics and morality. This conceptualising of gambling has attracted the ‘wowsers’ label, that is “wowsers, we only want social evils remedied” (Millar and Costello, 2001: 14). Other labels, such as anti-gambling crusaders (Kearney, 2007), are given by gambling industry advocates as a means of discrediting views or arguments assembled by drawing on this perspective.

An appreciation of these different perspectives allows an understanding about how arguments are constructed and advanced from an ethical standpoint. It also prompts recognition that there may be common ground between the various theoretical constructs of economics, health and ethics in the guise of public choice, medical and moral realism. That is, each assumes that the individual is able to make rational, reasonable decisions and capable of exercising choice (Black and Ramsay, 2003).

### **Sociological perspectives on gambling**

Sills (1968) contends that sociological interest in gambling behaviour concerns the control exercised over individuals and society, as well as matters relating to law and illegal gambling. In the late 1970s, Downes (1976) lamented the fact that there have been “remarkably few sociological attempts to account for gambling” (Downes, 1976: 12). Since that time, however, a range of sociologically focused studies have considered gambling as social behaviour (Cosgrave, 1996). Many of these studies had an American focus (Aasved, 2003) and tended to view gambling as institutionalised deviant behaviour (Sills, 1968) and risk (Cosgrave, 1996). Frey (1984) suggests that these early sociological studies had adopted either a macro-functionalist or macro-Marxist orientation with the goal of achieving social equilibrium.

Devereux (1949) is an early pioneer who applied a structural-functionalist perspective to gambling behaviour in post-Second World War America. Rejecting the pathologising of gambling behaviour, Devereux applies a Parsonian framework to locate gambling in the context of deviance and, drawing on concepts associated with deviance, endeavoured to argue that gambling behaviour promoted social cohesion. Along similar lines Bloch (1951: 266) viewed gambling as dysfunctional activity that “interferes with the normal assumption of responsibility which organised society compels”. A feature of functionalist analyses is conceptualising gambling as a release for people from the pressures of life, a form of escapism (Frey, 1984). Thus gambling is perceived as contributing to society by providing citizens relief from the tensions of life and in a manner that is socially acceptable and undertaken in a manner supported by government (Frey, 1984). As Thomas (1900: 750) notes, gambling provides the place for “securing all the pleasure-pain sensations of conflict activity with little effort and no drudgery”.

At another level, functionalism conceives gambling also as performing a boundary maintaining role, by reinforcing the values of society in much the same way that prostitution does. That is to say, it reinforces and maintains the values and ethics of society by inducing guilt at its boundaries of participation, thus ensuring individuals model socially acceptable behaviour. In effect a structural functionalist view of gambling enables individuals to engage with the economic and value systems of society but through a practice that is bounded, controlled and socially legitimate (Frey 1984).

Other sociologists with a micro-theoretical interest focus on the social psychological aspects of gambling behaviour and activities associated with gambling as interaction (Cosgrave, 1996). Goffman (1967) is typical of this outlook and views the risk taking aspects of gambling as demonstrating human endeavour that is valued in western culture. Goffman contends that people gamble because there is insufficient action and variety in their everyday lives to keep them challenged and stimulated (cf. Bloch, 1951). In this sense gambling can be thought of as positive action that provides escape from routine and the boredom of modern society. Goffman goes so far as to argue that gambling contributes to testing a person's character and abilities and thus promotes mental toughness, courage and presence of mind. These positive assessments of gambling are echoed by Scodel (1964) who sees gambling as a safety valve activity for the middle class, and by Wen and Smith (1976:191) who contend that gambling activities demonstrate "self reliance, independence and decision making which are less available in their other roles".

What is important in these assessments is the fact that the interest in gambling is not so much about the way it is undertaken but more with how the activity manifests in an individual's 'front-stage' persona. As Downes (1976: 14) explains, gambling is an "action [that] celebrates self determination via the revelation of character under stress". From a symbolic interaction perspective gambling becomes a means of allowing individuals to participate in risk-taking activities in controlled situations (Frey, 1984). In contrast to the medicalisation of gambling that stigmatises the activity and those who take part in it, interactionism removes the moral and negative assessments both from gambling and the gambler (Downes, 1976).

Sociologists who embrace a Marxist-conflict outlook present a variation to the above by not only removing the blame from gambling and the gambler, but actually attributing to structural-organisational forces that seek to exploit (Frey, 1984). A Marxist focus on economics and capitalism translates into a concern for the alienating aspects of society and the fact that more often than not gambling becomes a means for government and/or capitalist industry to exploit individuals and the community. As Frey (1984:112) explains, for the Marxists gambling represents an "effort by elites to manipulate and exploit the masses of a society". Echoing Veblen's 1899 thesis, Wen and Smith (1976) are of the view that social class and gambling are positively related. In the colonial Australian era, this situation is observed by O'Hara (1987). The political legitimisation of gambling is perceived as the sanctioning by government of legalised population manipulation in such a way that gambling behaviour is necessarily a diversionary behaviour to consume human energy, thus distracting the individual's attention away from undertaking pursuits that are potentially political in nature. According to this perspective legalised gambling serves to engender false consciousness in the exploited

by creating an environment for emotional excitement in the false hope that luck would deliver financial security and deliverance from poverty. A Marxist interpretation of gambling can be premised on the belief that it serves the economic and political needs of the system by providing “alongside religion and sport ... an opiate of the masses” (Frey, 1984: 112).

Sociologists do not overlook issues relating to problem gambling. Bloch (1951), for one, considers gambling as a form of addiction. Located in the social psychological realm,

[Problem gambling occurs when] the individual consistently and continuously neglects his important duties and obligations to his family, employer and the community for the sake of gambling. (Bloch, 1951: 219)

Similarly Sills (1968: 58) argues that an addicted gambler is much like an alcoholic, a “waste for society”. Newman (1972) claims that those from low socio-economic backgrounds are more vulnerable to gambling, although he held short of nominating problem gambling as a class based issue. Canadian sociologists Perrier and McMullan (2004) are more prescriptive in labelling problem gambling as a class based issue, and Keith (2004: 1) argues that “spending on gambling ...[is] most likely to affect the finances of people with less income, less education and the elderly”. Reith’s (2007) work on gambling explores the problematic nature of consumption, particularly the risky or addictive aspects of gambling, and the manner in which certain products and their consumption is regulated by ideological and material forces. Reith links gambling with drug addiction through a focus on forms of risk taking activity. The above selection is not exhaustive, but is sufficient to make the point that even those



sociologists who do focus on problem gambling are much more likely to attribute the ‘problem’ to socio-structural factors than to blame the individual.

### **Australian sociological perspectives on gambling**

Not surprisingly the topic of gambling has also had input from sociology in Australia. Caldwell (1985) provides the first documented Australian response to conceptualising gambling as a concern for sociology. Caldwell draws on a range of sources to discuss gambling from the dimensions of ethics, psychology and economics. Indeed, many of the contributors in Caldwell’s (1985) edited collection articulate a sociological perspective on gambling. Others include Jamrozik (1998) who explores gambling as a social problem from an Australian context. Jamrozik does not directly interrogate government public policy on gambling, however, he does attempt to grapple with policy actions on gambling from the perspective of describing its manifestation as a social problem. To that end Jamrozik describes the negative social impacts of gambling, noting that the problem gambler and problem gambling are the “negative residue of [a] ... dominant value set” (Jamrozik, 1998:105) controlled by the actions of those in positions of power. One way of achieving the residualist agenda, according to Jamrozik, is through government commissioning of social research to tackle problem gambling while ensuring there is little, if any, scrutiny of the dominant value set that created the problem in the first place (Jamrozik, 1998). It is this point which has contributed to the motivations for this study and to inform the objectives framing the research.

Other Australian sociologists who address the issue of gambling include Borrell (2003) who views it as a state sponsored action in contrast to poverty, unemployment, child welfare and housing which, she argues, result from societal inequalities. The concept of

the ‘problematisation of the problem gambler’ is addressed by Nicoll (2003) who draws on the work of Pierre Bourdieu to explore the cultural phenomenon of gambling in Australian society. Nicoll (2003) examines gambling by applying concepts associated with Queer Theory and Critical Race and Whiteness Theory to illuminate and prompt thinking that extends beyond the social psychological realm into a macro-structural context.

The value of the sociological literature on gambling is that it provides a welcome contrast to the dominant perspectives that are either preoccupied with economic returns from gambling and thus tend to ignore impacts on the individual and society, or medicalise problems associated with gambling by focusing almost exclusively on the problem gambler. It is also worth noting that an assumption that remains uncontested is the idea that playing Electronic Gaming Machines is largely a working class pursuit (Doughney, 2002b).

## **Conclusion**

The brief overview of the literature presented in this chapter has drawn on a small sample of the proliferation of studies and range of theorising that has been generated on the subject of gambling. The chapter has shown that the literature may be grouped into three broad theoretical groups: economic explanations, biological-medical explanations, and explanations or perspectives oriented to the social. The literature indicates that notwithstanding their differences, there is a surprising convergence across three perspectives, particularly in relation to how they conceive the individual actor in relation to gambling. Economic explanations, for example, ultimately attribute blame to

the individual for turning an otherwise ‘neutral’ activity into a problem. The medicalising of gambling automatically attributes any problems associated with the behaviour to individual pathology and thus view problem gambling as a pathological disorder. With the exception of the more recent literature, much of the earlier sociological literature linked problem gambling with deviance. Parsonian influence functionalist claims that gambling is functional to all healthy societies is quickly drowned out by a preoccupation, even by sociologists, with the addictive, compulsive and socially destructive aspects of gambling behaviour. Indeed, a newcomer to the literature on gambling could be tempted to ask whether the theoretical perspectives emerged from understanding social and psychological aspects of gambling behaviour, or, more likely, that the social practice of gambling generates a range of behaviours that can be drawn upon to support existing theoretical interests and biases. The literature review suggests that much additional work needs to be undertaken on this important topic.

More importantly, for the present study, this chapter also draws attention to the fact that most of the gambling literature makes only passing reference to policy making. This oversight or failure to address policy in relation to gambling highlighted by Jamrozik (1998) is an issue that merits further consideration and thus underpins the focus of the present study. The next chapter focuses more specifically on understanding theoretical thinking that underpins policy making. It does this by reviewing literature pertinent to policy making and identifying strengths and limitations of different types of policy models relating to gambling.

## Chapter 3

### MAKING PUBLIC POLICY

#### Introduction

Whereas the previous chapter focused on mapping the broad contours of the literature on gambling, the present chapter has a similar undertaking but focusing more specifically on the literature relating to public policy and decision making. The literature is extensive so an exhaustive study of the literature is beyond the scope of this chapter. The focus is on examining material from the perspectives of the social and political sciences. The chapter seeks to provide an understanding of how policy is conceived as well as how it is applied.

The chapter presents an overview of the range of understandings and definitions key actors in gambling debates have been identified as utilising in some form or another when contributing to public policy. The chapter also seeks to demonstrate the contribution of sociology to this area of study along with the perspectives of law and legislation relating to public policy by governments. A further section critically examines the contribution of the political sciences to understanding public policy.

Finally the concepts of the *Policy Cycle*, the *stages policy model* and *Policy Continuum* are discussed as important conceptual propositions in developing this understanding. In effect the chapter explores the decision making processes in relation to gambling by considering the role of other stakeholders in public policy making.

## **The Language of policy making**

It should come as no surprise that there is no shared understanding among both advocates and critics as to the meaning of key concepts used to communicate issues and concerns in relation to gambling, including concepts such as ‘policy’, ‘social policy’, ‘public policy’. Definitions set the parameters and define the scope of subsequent discussions (Porter, 2011). Definitions of concepts inform how questions are asked, what issues are debated, how it should be analysed, what evidence is drawn upon to support positions adopted, and ultimately the conclusions reached. For example, Abercrombie (1998), Marshall (1988) and Reading (1977) either fail to define or simply assume that readers already have a common understanding, or offer only limited descriptions, of the terms policy, public policy and social policy. Considine (1994) does not actually define policy but instead provides a description of how it works. Considine (1994: 2) states that “policy is the continuing work done by groups of policy actors who use available public institutions to articulate and express the things they value”.

Reading (1977) and Howlett and Ramesh (1995 ) note the association that policy is an activity undertaken by governments; policy consists of a series of “aims and course of action followed by a government, organisation or individual” (Reading 1977: 154). It can also be defined as a general rule “guiding decision making”, “limiting discretion of subordinates” and “establishing ultimate goals” (Reading 1977: 154). These examples illustrate departures in thinking over whether policy is only about institutions or something that can be applied to a spectrum of stakeholders from individuals through to governments.

Some authors consider policy as “the competition for power and influence among ... individuals and group interests” (Head and Bell, 1994: 26). Marston (2004: 1) offers that policy represents a place for “contested public discourse involving political choices and administrative decisions about the appropriate division between public and private responsibility for our collective and individual wellbeing”. In other words, Head and Bell (1994) and Marston (2004) touch on the fact that policy is contestable; what is promulgated as policy advice is value laden and carries assumptions regarding the likely reactions of those affected by policy (Waller, 1992). Wildavsky (1979) points to the fact that there is a duality to thinking about policy in that it is both about process and product. In that sense policy can be understood from the perspective of describing decision making procedures and conversely from the perspective of what is produced as the output of the process, that is, the policy itself.

In essence public policy “is about what governments do, why and with what consequences” (Fenna, 2004: 21). It is “an interdisciplinary exercise ... drawing on cognate disciplines such as philosophy, history, geography, economics and sociology, and those further afield such as environmental science” (Fenna, 2004: 21). Porter (2011) contends that in its simplest form policy is what governments do to understand where they want to be so that they can make decisions about how to spend money or direct resources and tell the public this is what they are doing with their taxes.

Of course no single individual discipline has monopoly of the concept of public policy; the concept cuts right across academic lines of demarcation (Fenna, 2004). Cochran and Malone (2005: 40) propose that public policy can be considered simply as the “study of

government decision and actions designed to deal with a matter of public concern”. In that sense public policy exists at the confluence of politics, economics and social science. In other words, it is the study of behaviour, competition for resources, and outcomes. Public policy is purposive as a form of government control and is usually expressed as a law, a regulation or an order. These are all tools usually developed after policy is formed (Porter, 2011). In this way, governments are able to exercise a legitimate means of intervening when there is a view that the market has failed. As a result, public policy should equally be conceptualised as the “actual action taken” (Cochran and Malone, 2005: 40).

Marshall (1998) suggests defining social policy is problematic. Combining the two words is seen as being at odds since policy is concerned with notions of direction and action while social policy is commonly aligned with government policy to the exclusion of economics or environmental policy positions. Moreover, Fenna (2004) specifies that social policy “is about altering the patterns of distribution inherent in the market economy, ... it is quite possible that one comes at the expense of the other” (Fenna, 2004: 21). Social policy is seen in the context of the welfare state, for example, housing, health or unemployment. There is a gap in these definitions in the sense that ‘social’ is about setting the direction of human social systems and not necessarily dependence on the state for direct resourcing or service provision.

In this study the term policy is taken to mean public policy. Thus public policy is the role of government. Drawing on Fenna (2004) and Cochran and Malone (2005) policy is defined as an interdisciplinary matter concerned with the study of government

decisions and actions in addressing any given issue of public concern and the consequences resulting from those actions.

### **Models of public policy**

Just as the literature on gambling is voluminous so are the approaches and thinking in relation to public policy. In some respects there are as many approaches as there are researchers and theorists writing on the topic and it would take an inordinate amount of effort and time for an individual to catalogue and explain the variations in thinking. Because of limitations of space, the intention in this chapter is to group some of the different mindsets in relation to policy making evident in the research literature and public debates. For this study the different approaches are grouped into three broad categories, each focusing on the social, legal and political respectively.

#### *Social model of public policy*

Analysis of public policy is dominated by thinking about how political and organisational decision making occurs (Marston, 2004). Marston (2004) argues that theory on policy making is limited at best and most of it is concerned with population studies. Sociologically derived theories of public policy are either rationalist or critical in genesis (McConnell, 2012). This is relevant to this study since the theoretical interest for investigating policy matters is from an institutional and stakeholder perspective. Functionalist approaches tend to be reflected in the political science literature. An understanding of the key theoretical propositions in respect of the public policy literature relating to policy studies and the law will be outlined in subsequent parts of this chapter.



Positivist approaches are concerned with achieving a rational, evidence based methodology to policy creation and management (Marston, 2004). The contribution of the social sciences is to nominate material that is acceptable as the evidence, much of which is generated by tools such as statistics, surveys, questionnaires and social impact assessment reports (McConnell, 2012). Marston (2004) argues that positivist thinking objectifies human beings and assumes that decision making is based on rational, technical and instrumental means. An example of the positivist approach to policy is Miliband's critique of liberal democracy in Marston (2004). According to Marston (2004), Miliband typifies the instrumentalist approach by his preoccupation with explaining policy outcomes in terms of activities involving the state and elite corporate interests. The limitation here is a lack of accounting for qualitative measures of human needs such as the emotional, spiritual, relational and physical, together with language.

A further layer of understanding as to the state and elite corporation on policy making can be gleaned by considering Marxist interpretations of policy. In Head and Bell (1994) Poulantzas's view of Marxist theory of public policy is that policy matters need to maintain a clear analytical reference to the role of class and economic capital interests to properly understand policy making. Critical theory analysis and assessment of social policy seeks to distinguish between positivist thinking, or the objective non-interventionist mode, and one where the emphasis is on struggle and transformation. A counter view is that inquiry using a critical theory lens on social policy continues to be limited and inconsistent in its impact (Marston, 2004).

In Gramsci's (in Marston, 2004: 18) theory of hegemony, the analysis and interpretation of the interaction between "class, gender, race, ethnicity" and culture found traction alongside its common interest with the Frankfurt School for understanding culture, ideology and language. However, Head and Bell (1994: 305) assert that there is "no such thing as a distinctively Marxist analysis of state action (or for that matter) one that is simply reducible to class politics or to the economic imperatives of capital". As a result, an opportunity exists for a synthesis of theoretical constructs that recognise societal or class pressures, state power and autonomy, and for the application of such knowledge to understanding policy making and its implementation (Head and Bell, 1994).

Elite Theory is driven by the principle objective of describing how power is distributed, exercised and concentrated in society (Berger, 1974). Elite Theory as a general approach, and more specifically the work of C. Wright Mills (1977), will be canvassed later. The reason for discussing Elite Theory briefly here as a distinct line of dialogue at a later point in this study a deeper exploration of the concepts of policy making, analysis and the relationships and roles of elites in such dynamics that is derived from political science can be developed (Bottomore, 1976). In saying that, the line of discussion with respect to elites addresses the dimensions of synthesis that Head and Bell (1994) describe.

### *Public Policy as Law*

Consideration of public policy in terms of law from a sociological perspective is also relevant. The intention here is to consider law and by progression, legislation and

regulation, as a product and as an output of the policy decision making process of government from a structural perspective.

Durkheim considered law as a social phenomenon (Bottomore, 1976; Hunt, 1978). He examined social cohesion as resultant from solidarity by moral means (Swingewood, 1984) and proposed that unity of inequality is possible. Yet rather than being fatalistic about the advancement of industrialisation like Marx, society for Durkheim is merely being reconstructed in a different way. Instead of the individualistic and evil notion of capitalist society, there is an opportunity to free individuals from isolation by promoting interdependence via the increased division of labour. Durkheim perceives pre-industrial agrarian society as suffocating in its uniformity of thoughts and experiences of life at the expense of individuality (Grint, 1993).

The theme here is in relation to moral obligation and not materialism. Moral obligation is imposed as social norms in order to achieve an organic stability of society (Giddens, 1971; Giddens, 1986). Norms associated with law and language require the individual to be an “active agent as well as a passive recipient of social influences” (Giddens, 1971: 72). Society provides authority to the individual to be and know themselves (Aaron, 1967). According to Hunt (1978), Durkheim’s analysis of the law is as a social fact that is symbolic of all that is social in society. The law then acts to reproduce social solidarity (Johnstone, 1995).

Societies at different points of development are seen from least developed to more advanced in terms of their mechanical and organic dimensions of social solidarity. In a

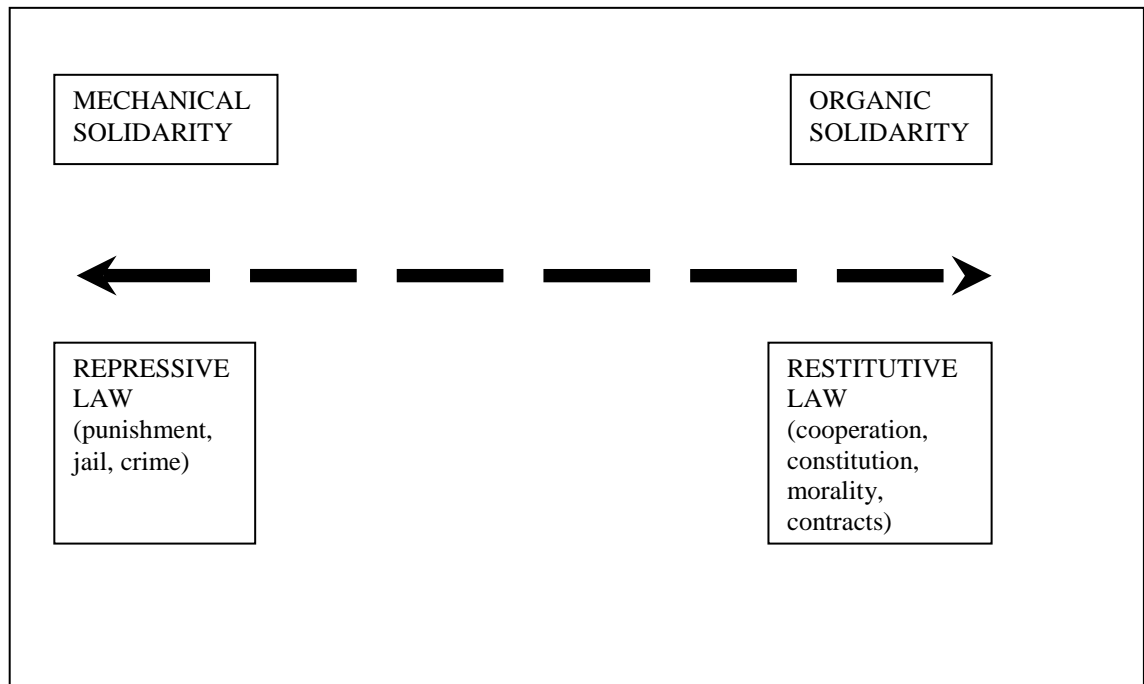
simple society, collectivism is dominant. In advanced society, individualism is dominant and will give rise to differential values and increasing tolerance (Johnstone, 1995). In these solidarity settings the law becomes a reflection of all the distinct value sets that exist in society. That is, the law becomes a tool for monitoring and maintaining social cohesion (Hunt, 1978). In order to understand solidarity, Durkheim constructed a view of law as being at the repressive end of a spectrum of repression and restitution. Repressive law is characterised by punishment and is identified in terms of crime where violation of the law results in sanctions to the individual.

The area relevant to this study is Restitutive Law as it deals with restoring society to a normal existence by modifying relationships that exist in society. Restitutive Law can be identified in constitutional, procedural and civil law (Hunt, 1978). Interestingly, it is Restitutive Law that provides for a higher evolutionary order of the division of labour in society. Restitutive Law can be a mechanism for increasing specialisation of subject matter and ultimately of laws that control by positive co-operation (Hunt, 1978). Any society, depending upon its stage of evolution and what is required to maintain social solidarity, will operate somewhere on a continuum between the two poles of law. Figure 3.1 illustrates this continuum.

A functionalist view of law has utility for this study. The spectrum shown in Figure 3.1 helps to describe a response by the state to a given issue. That is, the evolutionary development of the state as either mechanical or organic will prompt an appreciation of how a response in law may be fashioned for a particular issue. The relevance for this study is how legislation and regulation relating to gambling are created and recreated,

by who and to what end are needs met. Responses in the form of laws provide a window into appreciating how decision making on gambling occurs.

Figure 3.1 Durkheim's Model for Law and Social Solidarity



Source: Hunt (1978)

Weber's (in Walton, 1976) interest in law is structurally bound, grounded as it is in comparative studies of legal institutions in England and Europe. Law is constructed as a two part typology: irrational and rational and for each type there is a formal and substantive system (Hunt, 1978). The formal system is guided by internally driven norms and the substantive system by externally driven norms. For this study, political values align with this approach (Hunt, 1978). To illustrate, the formal rational, legal ideal type dominates as the bureaucracy, a predictable product of a fully advanced capitalist society (Walton, 1976). The bureaucracy is a source of authority in society, an ideal type that bestows a sense of legitimacy (Swingewood, 1984). To be sure, the role

of the bureaucracy is of central concern to this study as to date “it has not been a major feature of policy process theories” (Nowlin, 2011: 54).

Interest in the role of the bureaucracy is not solely limited to that of the judge as a centre for administering and dispensing legal authority. For this study, Weber’s thinking about the law as a process of legal thought and how the law dominates or influences society, can reasonably be applied to other figures in bureaucracies such as senior executive administrators, clergy, politicians or academics (Rheinstein, 1969). Formal rational law applied to the making of law in this context is achieved by the application of policy by the dominant power (Rheinstein, 1969). This is the policy making of the bureaucracy (Walton, 1976). It is the bureaucracy which will be highlighted as a key stakeholder in decision making throughout Chapters 6 to 10 in this study.

With respect to economics and capitalism, Hunt (1978) contends that Weber considers the function of law is to ensure the conduct of economic activity, as the law is there to serve the interests of capitalism (Hunt, 1978). The degree of legal subservience to economics is largely dependent upon the power expression of capitalist interests, for as Rheinstein (1969) notes, modern business demands a prompt and predictable legal system and therefore one that is underpinned by strong coercive power to ensure the delivery of such predictability. Weber’s view of law is relevant to this study in so much as it offers a framework for understanding relationships between stakeholders, processes of policy setting and law making itself. In terms of domination, the rational, legal ideal type provides the highest evolution of the social processes of law making (Parkin, 1982). It is legitimised by the conscious action of law through the administration of the

bureaucracy so that social obedience comes not from the individual, as in traditional society, but from the constructed system (Hunt, 1978).

A Marxist view of law is to consider how society is capable of change due to political revolution and industrial capitalism (Collis, 1994). Marx commented on academic issues and theoretical problems as well as debating moral values resulting from capitalism's exploitation of working people. According to Mills (1959), Marx's work is an indictment on perceived injustices created by capitalism, in that he believed "you are exploited and you are going to be exploited as long as capitalism prevails ... capitalism is the system that exploits you" (Mills, 1959: 15).

While Marx did not provide a theory of law, Marxist ideas are relevant to understanding law (Hunt, 1976; Hunt, 1981; Andreski in Podgorecki and Whelan, 1981). For Marx "laws are framed to protect and further its ruling class interests" (Haralambos, 1985: 14). There are three levels to a Marxist outlook which are described as oppositional or critical, class character of law and a substantive analysis of legal phenomena. The critical or oppositional view considers law as the embodiment of class inequality. Marxism provides a basis for understanding this with its focus on class dimensions of inequality and exploitation, as well as on processes surrounding political and ideological domination (Hunt, 1981).

The Marxist class characteristic of law is underpinned by a set of systemic assumptions regarding the nature of law including law as representing social value consensus, law as a manifestation of the values necessary for maintaining social order and protecting

dominant social values, and law as an instrument of mediation between competing interests (Hunt, 1981). The critical perspective holds that law is an agent for ensuring conflict in order to achieve the preservation of dominant interests. In this study the dominant interests are conceptualised as elite interests (Hunt, 1981). Importantly, a Marxist analysis provides insights into the law in terms of coercion and repression, and in terms of social control as a consequence of western life. Further, Marxism points to the relationship between the state and the law as being one where the law is an instrument of the state's doing and thus the doing of ruling class (Hunt, 1981).

A substantive analysis of legal phenomena sees the law as being the product of theory with concrete analysis (Hunt, 1981). This approach draws together the relationships between forms of law and their impacts on the social, economic and political elements of society. It is useful to highlight that the line of enquiry begins with the action in law itself and then proceeds to a discourse framing the social relations by which the action is defined. This framework sets out a sociopolitical context to understand processes that have meaning and importance for the relations they create (Hunt, 1981). Moreover, substantive analysis of legal phenomena draws attention to the impact theory has on legislation (decision) making.

Of note is that the construction of law can in part be understood with reference to the theories of Functionalism, Weberianism and Marxism. That is not to say that the law is only understood in this way. There are other concepts to consider that fit with theories of Functionalism, Weberianism and Marxism such as power, elites or dominant interests, class, repression, ideology, relations necessary for the reproduction of interests, and social control. It is important to note that each concept is not treated the



same, or has equal weight or emphasis of importance, in the material just referenced. However for this study there is value in illustrating common concepts so that they can be linked to subsequent concepts that deal with the Advocacy Coalition Framework (ACF), elite theories and public policy processes in subsequent chapters.

### **Perspectives of political sciences on public policy**

Attention is now directed to public policy knowledge gained from a political science perspective. The focus is on public policy processes, and specifically the Policy Cycle, the Policy stages model and the Policy Continuum. Formative political science and theory about public policy is built upon a tradition that focused on government structure and process (Kingdon, 1995). As Mascarenhas (2001) notes, problems in themselves do not have boundaries, even though disciplines do. In acknowledging the shortcoming inherent in traditional political science thinking about policy, Nagel (1986) points to a discernable change from the 1970s as both the political and social sciences elevated their attention to using the policy studies approach to understanding the decision making methods and rationales of governments. The policy studies field emerged in the 1970s to become a field in its own right within political science. To further build on Dunn's (1994) model of decision making, the interest in this section is the component that deals with public policy and stakeholders and the *process* of how policy is formed from a political science perspective (Kingdon, 1995).

In contemporary terms, the study of public policy theory has been referred to as being something akin to a primeval policy soup (Kingdon, 1995). The policy soup is characterised by understanding policy communities (Davis, 1993). Ideas float around in

the policy world which are then worked on by specialists so that the wider public is guided into accepting policy direction (Kingdon, 1995). Policy studies are generally described by four approaches. These are specific issue based policy studies, policy studies in general, policy analysis, and policy processes (Hogwood and Gunn, 1984; Koven, 1994; Nagel, 1986). While some alternatives to this structure are offered, such as Koven's (1994: 540) preference for "cross national policy comparison", the majority of policy study material can be categorised into those four areas. Those identified as being associated with driving the development of each of the foci include Dye et al. (1992), Nagel (1986), Weiss (1972) and Wildavsky (1979). For any given policy type, theories adopt either a top-down or bottom-up methodology for examining policy factors. In some theories, a combination of both is applied, particularly those that utilise institutional models and acknowledge the role of the bureaucracy in policy making (Shannon, 1997).

Dye et al. (1992) are concerned for the sequential analysis of specific issues and their work is associated with the generation of policy modelling. Of note, Dye et al. (1992) describe policy models from the perspective of elite action consistent with the line articulated by Mills in this respect. In other words, policy is seen as resulting from group action, as institutionalism and as process driven. Koven (1994) distinguishes the shortcomings of Dye et al. (1992) by a lack of clarity and decisiveness as to why one model applies to one set of circumstances but another model can apply in another set of circumstances. Having said that, much is to be gained from the Dye et al. (1992) discussion of policy in terms of the role of elites because their model provides a useful tool for organising and assessing policy information in small, manageable parcels of advice. This lends itself more easily to microanalysis and detailed evaluation.

Policy studies models can be divided in two categories of liberal and Marxist (Head and Bell, 1994). While a review of Marxist perspectives is provided in the part of this chapter concerned with sociological approaches to public policy thinking, liberalist approaches to public policy assess competition for power and influence where it has an acknowledged impact on individuals and groups. Within the liberal approach are the various streams of Classical Pluralism, Pluralism and Policy Communities, Radical Pluralism, and Public Choice and Economic Liberalism. Discussion on Public Choice Theory is provided in Chapter 2 in terms of its concern with economics, health, ethics and sociology.

Pluralist thinking is concerned with policy being shaped by the influence of actors involved in the public process of policy making. Proponents of the classical version of pluralist thinking see the potential for power inequality yet are satisfied that policy outcomes are the result of many inputs from public life. Therefore, no one secular interest can dominate an outcome and the system is therefore democratic (Head and Bell, 1994). Lindblom (1992) describes policy change as a game involving power which involves incremental change due to group interaction, negotiation, reasoning and compromise. As with any theory, pluralist thinking is not without its critics. Head and Bell (1994) assert that the political process is not always open or transparent and that the dominant western economic interests are difficult to challenge. Indeed, Head and Bell (1994) suggest there is little evidence to prove the case for political parties themselves being truly democratic and moreover, the economic interests of the state are far from clear in classical thinking.

In terms of Pluralism and Policy Communities, policy making comes from institutional relationships between government, state organisations and interest groups (Head and Bell, 1994). This is decentralised decision making where policy is not made in parliament, but in places outside parliament. Policy is created from the relationships formed in these circles are characterised as “preferred operating procedures” (Head and Bell, 1994: 281). The policy community approach attaches little importance to the role of group power, status or will. Further, the policy community does not deal well with how advisory groups can influence one circumstance but not a similar circumstance in a different setting. In essence, this approach lacks consistency and rigour.

Lindblom’s (1992) other interest is Radical Pluralism. Distinct from the ‘muddling through’ approach, Radical Pluralism is concerned to understand the making of public policy as a result of large corporations exercising economic power to achieve outcomes in line with the needs of the corporation, essentially because policy makers aim to ensure that business interests are protected. Lindblom contends that the state and business have a common need to see that large corporates continue to be profitable. As Head and Bell (1984: 283) note, to “ignore the basic interests of big business is to court electoral disaster.” A criticism of Radical Pluralism is that it is not foolproof as there are many examples of policy making being the outcome from influences other than just capital interests.

If the view is taken that Policy Analysis is a social science discipline that uses various information sources to understand and define policy problems (Dunn, 1994), then the focus for Policy Analysis is policy action (Hogwood and Gunn, 1984). Dunn (1994: 12) suggests that Policy Analysis is an applied social science in its own right because it

utilises “reason and evidence to clarify, appraise and advocate solutions for public problems”. Analysis approaches are concerned with applying techniques of statistical modelling, scientifically grounded methods and experimental design options (Koven, 1994).

Nagel (1986) contends that Policy Analysis developed out of the need for a methodology that is capable of considering issues associated with the action of the capitalist economy in America. Nagel (1986) suggests the field of analysis can be further broken down into four parts: economic, quality of life, social fabric, and international fabric (Nagel, 1986). As a field of inquiry, Policy Analysis addresses weaknesses in a policy system. Policy Analysis is about understanding process and what constrains process by organisations and their operating circumstances (Jenkins-Smith, 1988). Importantly, identifying weaknesses allows the identification of problems which in turn become the subject matter and justification for why government examines a given issue.

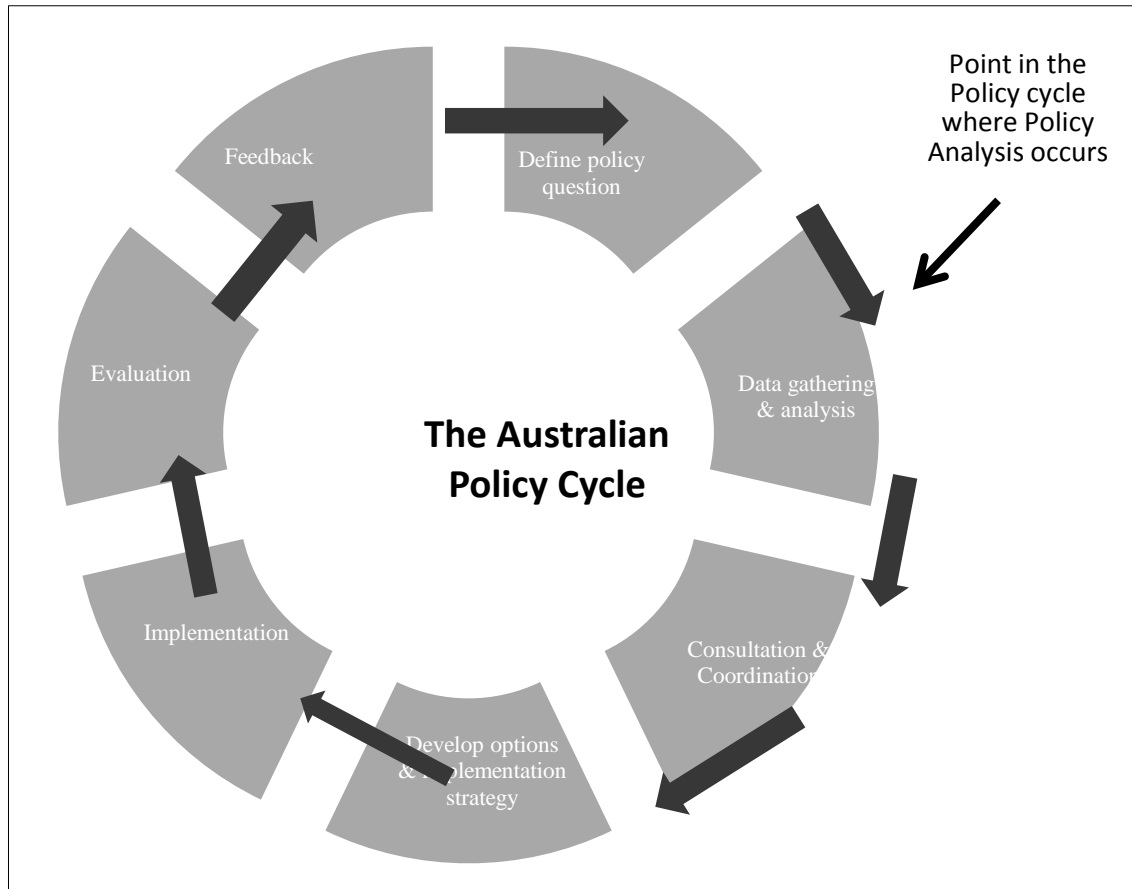
Dunn (1994) contends that within Policy Analysis there exist differing levels of policy analysis. These are institutional analysis, political analysis and systems analysis, which is the streamlining and improving of procedures. Bridgman and Davis (2004) describe Policy Analysis in the Australian context as the domain of the public service as a tool for bringing together a range of relevant material for decision makers to then use in making judgments about particular issues. Therefore policy analysis is the means for generating policy instruments and a primary example of such instruments are laws and legislation (Bridgman and Davis, 2004).

Policy Analysis is also seen as a discrete component of the Policy Cycle and not a methodology in its own right (Bridgman and Davis, 2004). The critical objective of the analytical task is to derive learning from failure so that government can rescind policy measures as and when required (Daneke, 1982). Within Policy Analysis is the contention that policy networks exist through linking policy actors, social categories and social coalitions (Kenis and Schneider, 1991). This is an important point because of the similarity to the network concept (Kenis and Schneider, 1991) with the policy subsystem in the Advocacy Coalition Framework (ACF) that will be canvassed in a subsequent section of this study (Sabatier and Jenkins-Smith, 1993).

The cycle of policy analysis stands in contrast to the Policy Cycle used to describe the overall policy process defined by Colebatch (1998)<sup>ii</sup>. Figure 3.2 depicts Bridgman and Davis's (2004) understanding of the role and 'place' of Policy Analysis in the Policy Cycle. The limitations of policy analysis are acknowledged by Bridgman and Davis (2004) even though they are proponents of this work. Observation prompts the question of whether decision making can be clearly delineated in terms of accepting, or otherwise, that the steps a decision will traverse are sequential.

Bridgman and Davis (2004) accept that policy analysis relies upon linear, rational thinking to assess policy issues. Further, analysis relies on making judgments that are value free. The notion of value free input into policy making will be an important point to elaborate on, particularly in light of the role of 'policy brokers' in the ACF.

Figure 3.2 The Policy Cycle



Source: Bridgman and Davis (2004)

Bridgman and Davis (2004) acknowledge that rational approaches are rarely encountered in real life and that the rational approach, while attractive and influential in political circles (O'Maley, 2007), is, for primarily expediency reasons, unrealised. Yet in accepting these limitations, Bridgman and Davis (2004) are of a view that the analysis approach forces policy makers to be systematic and sequential. The visual 'loop' of the cycle and its activity spheres, compels the public service bureaucrat to provide some justification for favoured policy options (Bridgman and Davis, 2004). Analysts of policy analysis are required to merge aspects of social, economic and ethical thinking as well as being openly receptive to operating in an uncertain policy world. This is why the literature is of interest in relation to gambling (Daneke, 1982). Part of

the approach to uncertainty is the importance of including planning for succession and termination of policy (Hogwood and Gunn, 1984).

The next layer to consider is in relation to policy process and an appreciation of policy process as Implementation Theory (Wildavsky, 1979). Implementation Theory is about who, how and why policy is enacted (Schofield, 2001). Wildavsky (1979) merges distinctions between driving policy analysis and implementation by claiming the two realms are intimately linked. The importance of this to process is the discussion surrounding the merits of formulation, implementation and evaluation. Wildavsky views policy in terms of who the participants are, what theories of decision making are relevant, and what decision making criteria are relevant to understanding the process of policy making.

The process of decision making is of central interest to this study as it is in process that description and understanding of how a decision is made can be obtained. There is much to be gained from this line of enquiry in developing a theoretical approach for this study that has reference to understanding policy processes. In particular Anderson's (1979) interest in policy process from a critical perspective of policy formulation, implementation and evaluation assisted to inform the work of Sabatier (1991) and Jenkins-Smith (1988) and the development of the ACF.

Advancing the Policy Cycle concept of Bridgman and Davis (2004) outlined in policy analysis, it is also contended that in the Australian public service and at the political level, the policy process can be seen as a discrete cycle. As a cycle it is seen there are clearly defined steps on the decision making journey, that is, a policy process journey.

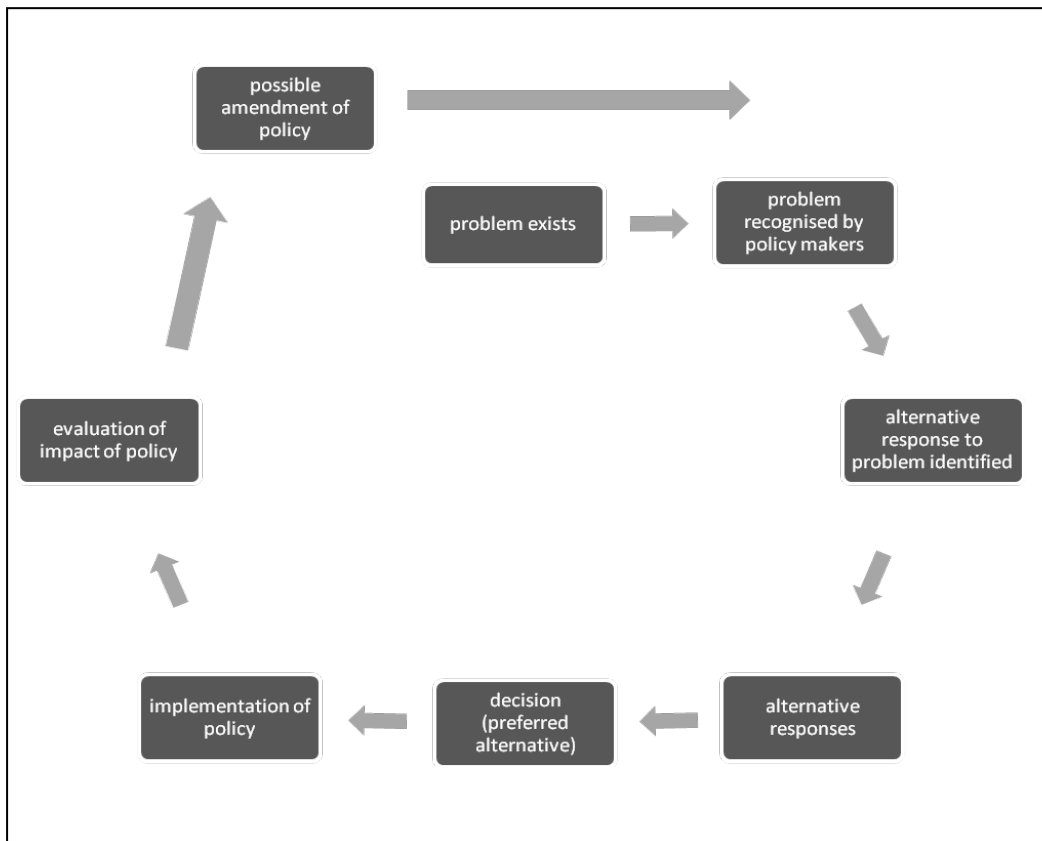


The roles and responsibilities of major stakeholders are considered to be predictable. That includes predictable roles for elites, Civil Society Organisations (CSOs), New Social Movements (NSMs), Social Movement Organisations (SMOs), business and corporate entities, academics, politicians and the public service.

Ripley (1985) and Rourke (1984) extend an understanding of the policy process by mapping and describing the role of the bureaucracy. This map describes the benefits and disadvantages of having the bureaucracy assume an actor role in policy making and implementation. While not specifying or dealing with issues of when or where a process issue begins and ends, their model is useful because it provides a tool for giving weight to possible functions the public service may contribute to decision making and decision making processes.

In contrast to the Policy Cycle, Colebatch (1988) considered the Policy Stage or Cycle Model of the Policy Process, shown as Figure 3.3. The model is useful for describing elements that make up the policy process. Colebatch asserts there is little in the way of critical analysis of lineal, rational modelling, however Colebatch does acknowledge the concept provides a reminder that policy is as much about an outcome, the product, as it is about a process.

Figure 3.3 The 'Stage' or 'Cycle' Model of the Policy Process



Source: Colebatch (1988)

Notwithstanding this there are gaps in understanding factors impacting on policy process that are apparent. These include limitations in illustrating a robust understanding of the role and function of stakeholders in decision making, the limited capacity for any clear account of whether a problem comes through internal or external influences, a limited knowledge with respect to how alternatives to problems are generated, and an understanding of the circumstances or point in the cycle at which entry to the process proper takes place. To embrace the stages model would require an acceptance that there are clearly definable steps on the path to making policy. Similar to the Bridgman and Davis (2004) Policy Cycle, the stages model also assumes that problems can be identified by a demarcated beginning and end point. The stages model suggests that problems do not exist until policy makers recognise a topic or subject

matter as a problem. The model is simplistic as it suggests issues can be neatly packaged up as matters for systematic handling. It is also flawed by assuming that a neat delineated exit point for policy resolution exists, where a problem is resolved and thus no longer a problem. Some public policy problems like poverty and housing remain, having never being adequately solved (Marston, 2004). So like the starting point, the exit point of the stages model is fairly arbitrary in that little evidence is provided to describe who or under what circumstances a matter is signed off as having exited the cycle.

At this point there is utility in reiterating the importance of avoiding confusion about interchangeable uses of the terms cycle and loop. Each cycle applies a system process to understanding how matters are managed and dealt with. Having said that, Walker et al. (2001) refer to the concept of a Policy Loop. Davy, Jennings and Strassner (2007) propose that rather than conceive of a cycle involving problem definition to problem solution, the policy system ought be conceptualised as a continuum of action, that is, policy is an ongoing project which involves tasks that may occur at any time depending on the matter under consideration. Regardless of whether it is the Policy Cycle, loop, stages or continuum, these concepts help to contribute to an understanding of tasks that may occur in the process of policy making. In addition, the Walker et al. (2001) model shows a considerable resemblance to the policy cycle and the continuum, particularly in terms of its structure and the elements nominated for explaining policy processes.

In utilising systems thinking, Schofield (2001) distances the systems approach to policy making by contending a preferred approach is the Advocacy Coalition Framework (ACF) model developed by Sabatier and Jenkins-Smith (1993). As Shannon (1997)

points out, the ACF incorporates the concept of the policy subsystem or policy domain as integral to explaining the concept of the policy process (Jenkins-Smith et al, 2014). The ACF deals with policy making as a dynamic, evolving, complex web of events rather than a neat 'in/out', step wise process. The theoretical approach to the ACF is further explored in Chapter 4.

### **Power in relation to public policy**

Elite theories view power as concentrated, that it is inevitable and that concentration of power in contemporary societies is unchangeable (Sargent, 1991). The earliest articulation of a theory about elites is by Mosca and Pareto (in Bottomore, 1976; Haralambos, 1985). This section considers matters in the context of Dunn (1994) in relation to public policy, elites and stakeholders. In locating this line of enquiry with regards to Dunn, it coincides with that area that is the intersection between public policy, elites and stakeholders.

Mosca and Pareto provide a counter view to Marxism by rejecting the socialist ideal as ideological rather than objective in describing social conditions (Haralambos, 1985). In Zuckerman (1977), Mosca and Pareto are considered to take a functionalist perspective in so much that society must be comprised of two parts, a ruling minority and the ruled, and that this structure is an inevitable condition for the proper functioning of society (Zuckerman, 1977). The exercising of power is the prerogative of a small group of select people (Bottomore, 1976; Kornhauser, 1974). Further, this classical view of elite theory offers that the economic conditions of the day would not affect or alter the certainty of elite rule (Haralambos, 1985). Classical elite theory presents a generalist

theory of how power is distributed, exercised and concentrated in society. Berger's (1974) sense is such that every person in society will encounter power exercised as a consequence of contact with the political system.

Democratic elitism is when the bureaucracy, the embodiment of the rational-legal system, tightly controls the participation of the masses in the political processes (Giddens, 1986). Finer (1984) considers the operation of elites as purposive simply because human beings are purposive. In this way, Giddens (1986) proposes that elites are similar to the concept of class discussed by Sargent (1991). Mills (1972) uses class and elite interchangeably and acknowledges the linkage between the concepts.

This prompts a link with the work of C. Wright Mills' (1977). Douglas (1973) regards *The Power Elite* as internationally influential and informative on how elites manifest control through the power structures of society. Before unpacking Mills's work, it is important to acknowledge and provide a number of qualifying statements in relation to the significance and relationship of Mills's work to this study.

To begin, Mills (in Douglas, 1973: 20) stresses that *The Power Elite* is not about describing "epochs of human history and in all nations, a creative minority, a ruling class, an omnipotent elite (as) shaping all historical events". Mills locates the work in a specific historical time, the 1950s, and a specific geography, the United States of America, and the circumstances of the power relations as evidenced to him in this setting. In that sense, the utility of exploring *The Power Elite* is to ascertain what ideas may be extracted that are of potential use to this study. For example, the notion that "the

power to make decisions of national and international consequence is now so clearly seated in political, military and economic institutions” (Mills, 1972: 18). Mills argues that local decision making is of little real value, importance or consequence in the broader sense of social functioning.

Mills (1977: 274) is of the view that business and government have reached a new era of explicitness, in so much that “the two cannot be seen clearly as distinct worlds” and “the military structure is now in considerable part, a political structure ... virtually all political and economic actions are now judged in terms of military definitions of reality”. To reiterate, this view of elite was geographically and historically bound, however, it is the lessons in understanding who makes the important decisions and how those decisions are arrived at which contributes to this study.

To understand the dynamics of power as it relates to Mills, four of Kornhauser’s (1974) elements – changes, operation, bases and consequences of the structure of power – are of relevance. In relation to the structure of power, Mills (1972) accepts power is exercised by a diversity of persons, organisations, government officials and so forth all the time, yet real power, the exercising of assertive decision making, lies solely within a tightly knit triangle of dominance, that is, the top government executives, military officials and corporate directors (see also Kornhauser, 1974). Douglas (1973: 51) notes this power structure is not a single group “but it is unified and its unity is maintained by intermarriage, elite private schools, social clubs, cliques and churches”. Those outside this power structure, people who exist in mass society, are conceived of as little more than a fragmented set of impotent individuals. Kornhauser (1974) notes that the

structural application of power in American society is subject to change over time. Further this elite group gained ascendancy by evolving over time to be dominant due mainly to events that occurred as a result of World War 2 and events afterwards involving America (Kornhauser, 1974).

An important proposition is the operation of power itself. That is the question of what is meant by exercising important power as distinct from unimportant or fringe matters. Kornhauser (1974) argues that the powerful elite are the only ones that determine important public policy. It is the elite who dictate policy and ensure policy is implemented with the objective of maintaining and enhancing the interests of the three spheres of elite: the government, corporations and the military. There is a lack of accountability in so much as policy occurs largely in a backstage environment, away from public scrutiny. The role of the mass media, actors in carrying out the requirements of the elite, is to ensure manipulation of the masses and suppress attention to decisions of real policy (Kornhauser, 1974).

To further an understanding of the structure of power, Mills (1977: 8) contends it is formed from the:

interlocking of economic, military and political structures. If there is government intervention in the corporate economy, there is corporate intervention in the government process. In the structural sense, this triangle of power is the source of the interlocking directorate that is most important for the historical structure of the present.

Further, power is translated into action when “the three sets of structural trends are seen at their point of coincidence” (Haralambos, 1985: 276). This coincidence is manifest in the sharing of similar values and beliefs which then provides a “basis for mutual trust and co-operation” (Haralambos, 1985: 276).

Kornhauser (1974) analyses the consequences of the structure of power and identifies that the elite exists to maintain the power structure in society and enhance and develop the interests of these stakeholders. An outcome is that the concentration of power precipitates a “decline of politics as public debate” (Kornhauser, 1974: 356). The general populace has lost interest and is therefore less passionate about political issues, and by progression they are less concerned with the public policy debates of the day. Further, by concentrating power in the hands of the unseen few, there is less accountability and transparency in the carriage of important decision making.

Mills is not without his critics. Douglas (1973) forthrightly says there is insufficient documentation to prove the theory. Indeed Dahl (1969) and Haralambos (1985) argue that all Mills has shown is that the elite have the potential for control and that Mills has failed to demonstrate how actual control is achieved. An additional shortcoming is that to measure the effectiveness of power, one needs to analyse how the elite experience constraints on their decision making. If as Mills suggests there are few constraints on the elite, then there can be little empirically derived evidence to demonstrate decision borders and therefore the power elite as a theory becomes questionable (Kornhauser, 1974). Indeed, because power is not a commodity that can be counted like the beans of an abacus, little if any attention has been given to defining power such that it can be independently measured and therefore compared or benchmarked (Douglas, 1973).

Interestingly Mills (1977) contends that meaningful decisions are those that have an increasingly international context and impact. Decisions of domestic and local places have limited importance to the powerful in society. Such local decisions are no more



than a concession to the powerless as a means of subjugation and dislocation from the important matters of the day. It is a way of keeping mass society occupied and otherwise oblivious to the control efforts being played out in people's lives.

In a further illustration of the shortcoming with respect to how impacts are measured, Sargent (1991) notes that Mills's work deals explicitly with the American environment and when attempts are made to locate this theory in an Australian context, the factors surrounding power are not as clear or obvious. At the other extreme, Western (1983: 64) identifies work by Higley (1979) that indicates elites do operate in high order decision making capacities in Australian organisations and that these elites are "sufficiently powerful to enable them to influence or to upset the determination of national policies regularly and seriously."

Notwithstanding the limitations cited, theories of elites are valuable for understanding power, how to measure it, its structure and its application for achieving a desired outcome. Putting aside the pessimism inherent in Mills's work, there is a clear opportunity to examine the evidence considered in this study by rising above and looking at what happens outside the triangular power interest dynamic and interchanging the actors for those relevant to decision making in respect of the gambling data that has been collated in this study.

### **Stakeholder theories**

The final section of this chapter briefly considers Stakeholder Theories in relation to the impact of stakeholders on agenda setting, public policy making and decision taking. So

far this chapter has concerned itself with how the law is constructed in a society and what concepts are identified and nominated as being relevant to this study in thinking about the law. Those concepts are linked to thinking about theories of elites in terms of exercising control over decision making and policy setting. In articulating some of the identified shortcomings of elite theory, it is evident that it did not adequately address the role of all actors.

For completeness, it is appropriate to examine literature that deals with the roles and impacts of other non-elite stakeholders in the policy and decision making process of government. To note as shown earlier, these stakeholders are rejected by elite theory proponents as being irrelevant or of little consequence to real decision making. For consistency with the approach, the realm in which material is canvassed in light of Dunn (1994) is in relation to elites as stakeholders.

Pluralism asserts that power is diversified across society and that no one person, organisation or elite holds sway (Dahl, 1969). Pluralism acknowledges that not every person in a society is able, or for that matter *interested*, in participating in the political processes of the day. As a consequence, pluralism suggests that the interests of the citizenry are represented by leaders active in civil society and decision making. It is the case that individuals and groups can “possess very different natures” as a consequence (Pierce and Miller, 2004: 34). Distinct from elite theories which have a platform that assumes some unity amongst the elites, pluralist interests are not necessarily a unified group, nor do they necessarily have common interests (Dahl, 1969) and according to Pierce and Miller (2004) the factor that distinguishes participation rates in events is the

emotional attachment associated with the issue, not necessarily the material component. As a further illustration, Dahl's (1969) analysis of democracy and power in the American city of New Haven found that power is not confined just to the coincidence of an elite few. Haralambos (1985) further indicates that in assessing this particular study by Dahl, no evidence of a ruling elite can be substantiated.

McDougal et al. (1967, in Kornhauser, 1974) conceive of veto groups as having significant input to shaping decisions in civil society (Kornhauser, 1974). Rather than a finite and definable elite as the case with Mills, McDougal et al. (1967) direct our attention to a middle structure of power that is dispersed across portfolio interests. An additional aspect of this layer is that through its diversity of stakeholders, it provides for a balance of viewpoints on matters. In this way, power has a plurality to it (Douglas, 1973) as the various elites compete for ascendancy and success in decision making. In terms of power structure, McDougal et al. (1967) see the manipulation of power as an impact of how each of the diverse elites tolerates one another.

As an illustration, Social Movement Organisations (SMOs) are examined by Guigni, McAdam and Tilly (1999) and Della Porta and Diani (2002). SMOs are defined as an "interaction between a specific set of authorities and various spokespersons for a given challenge to authorities" (Della Porta and Diani, 2002: 7) and they operate at the margins or fringes of politics. Burstein (2002) identifies, in a meta-analysis of published data on SMOs, that they can have measurable impacts on policy making and decision taking in so much as they contribute to the re-election potential of political parties. Outside of that hypothesis, the analysis directs attention to the situation that SMOs have

less impact on public policy outcomes than political organisations. This shortcoming in relation to the impact of SMOs is illustrated most clearly later in this study in terms of the analysis of non-government organisations in shaping public policy outcomes on gambling.

## **Summary**

This chapter sought to present an overview of different approaches or conceptions of public policy. When any one perspective is outlined alongside others, what stands out is that the thinking about policy is dominated by structural concerns, that is, a desire to reduce complex social behaviours into discrete, clearly defined and recognisable actions. Of course, this reductionism stems from a desire to advance understanding of policy making as a science. However, the exercise also confirms that the variations in outlook often point to peculiarities of individual disciplines; legal perspectives tend to focus on legal processes, the political sciences focus on underpinning political action in the same way that the social sciences tend to highlight the human and community aspects of interaction. In a sense, if we didn't fully recognise it already, the examination of different approaches to policy and policy making serves to confirm that no one perspective presents the total picture, and that any effort to grasp social policy in its wholeness will invariably entail appropriating explanations and understandings from each of the disciplines.

In this sense, as the chapter has shown, the concept of the Policy Cycle is beneficial for highlighting components involved in policy making. The Policy Cycle permits an appreciation of the mechanics or means by which elements of the policy process

manifest themselves in how policy is managed from inception to the implementation and evaluation stage. These process elements associated with Policy Cycle will be evident in the case study material on policy making in relation to poker machine gambling. The Policy Cycle is important because it draws attention to social actors. Its value is in demonstrating how to appreciate the tasks associated with policy making and how one may examine the role of elites, stakeholders, businesses and corporations, the state, NSMs, CSOs, SMOs and so on, as part of a staged, sequential model. The value of the Policy Continuum is that it further builds on the logic associated with the Policy stages model and the Policy Cycle while accounting for the case that policy making is an ongoing process of development, refinement, revision and evaluation. However, all models have been shown to have limitations in dealing adequately with the role of power and the way power is exercised through elite action.

The overview presented in this chapter gives pointers and direction toward developing a model about the policy process that is informed by both theoretical and practical constructs and which considers the role of stakeholders in policy making on poker machine gambling in Victoria. The next chapter seeks to outline an approach to policy making by drawing on different theories on gambling and policy making.

## Chapter 4

### **PROPOSAL FOR ANALYSING PUBLIC POLICY MAKING**

#### **Introduction**

This chapter is concerned with building a framework that enables analysis of documentation and data for the purpose of understanding public policy making. This chapter considers in detail the Advocacy Coalition Framework (ACF) and applies this knowledge in setting out a theoretical framework for evaluating how public policy is made.

The first part of this chapter involves a review of literature including an appreciation of the strengths and limitations of the ACF from international experience, a detailed assessment of the elements which comprise the ACF and a review of some of the known Australian research that has utilised the ACF. The second part of the chapter seeks to distil the information presented in the first part of this chapter in advancing the framework that will be used in evaluating how public policy is made.

#### **The Advocacy Coalition Framework**

The Advocacy Coalition Framework (ACF) that is also referred to as the Advocacy Coalition Approach (ACA), is validated by over thirty years of academic investigation, evaluation, testing and detailed revisions by academics (Sabatier and Jenkins-Smith, 1993) and applied as an evaluative framework internationally by over 100 studies (Jenkins-Smith et al, 2014; Nowlin, 2011; Petridou, 2014) . The theoretical framework

seeks to provide a robust method for testing and assessing the content of documentation available in the public domain for the purposes of gathering evidence about elite belief (Schofield, 2001). In general terms, the framework is accepted as providing a comprehensive model of the policy process (Sabatier and Jenkins-Smith, 1993). The theoretical basis of the ACF involves an extension of the policy process models (Colebatch, 1988; Bridgman and Davis, 2004). The principle difference between the ACF and the work of authors like Colebatch (1988) and Bridgman and Davis (2004) is that the ACF offers a model which describes how policy issues are experienced in a variety of system settings or policy subsystems / domains. The model permits assessment of policy issues and settings under a range of environmental contexts, such as operating concurrently, at differing times and in different geographies. The ACF model does not make specific reference to power or how power is used in policy processes and policy making (Shannon, 1997) and this is possibly one of its theoretical limitations.

A key aspect of the ACF model is it accepts that stakeholders and elites develop an ability to learn skills in agenda setting by experiencing policy outcomes. Sabatier and Jenkins-Smith (1993) refers to this process of learning by doing as Policy Oriented Learning. The degree of Policy Oriented Learning that occurs is mediated by a range of other variables and factors. Of particular interest to this study is the view that bureaucrats are ostensibly “the agents of learning, ... not the politicians” (Grin and Loeber, 2007: 203). All the same, Sabatier and Jenkins-Smith (1993) argue the ACF presents a “testable, concise, viable, causal theory of policy change” (Shannon, 1997: 34) because it is developed around a theoretical structure built on discernable variables and a set of twelve hypotheses which are summarised and presented as Table 4.1.

It is shown in Table 4.1 that the ACF is based on four core assumptions developed around time, system, stakeholders and beliefs (Weible et al, 2011). The model uses these assumptions to describe hypotheses about how policy is both made and changes over time. Using the hypotheses, Shannon (1997) developed a tool for evaluating policy change and it is this tool that has been adapted for the purpose of investigating policy change on gambling in this study.

Broadly, the characteristic of each of the assumptions can be described. The first assumption (*time*) is that policy change requires a decade or more of evidence to be gathered and evaluated in order to fully determine a position and comprehend a policy issue (Jenkins-Smith et al, 2014). The second assumption (*system*) contends that the most useful unit of analysis for understanding policy change is a policy subsystem (Jenkins-Smith et al, 2014). The third assumption (*stakeholders*) is that when identifying stakeholder interests, researchers should be receptive to considering the contribution of broader interests such as journalists, researchers, policy analysts and actors at all levels of government active in policy formulation (Jenkins-Smith et al, 2014). The fourth assumption (*beliefs*) concerns public policies and programs as belief systems (Schofield, 2001).

In elaborating on each assumption, Sabatier and Jenkins-Smith (1993) claim that policy change is an iterative process best understood by applying a macro-perspective to changes in policy. By examining a quarter of a century or more of material, changes in policy making and impacts on policy are discernable, including trends and anomalies (Considine, 1994; Lindblom in Sabatier and Jenkins-Smith, 1993; Weible et al, 2011;



Weiss, 1972). Lindblom (1992) argues that discernable change in policy are perceptible by small shifts of change. However, short term perspectives are likely to underestimate the impact of stakeholders on measurable policy change (Mazmanian, 1983; Sabatier, 1988). At least a decade is necessary to capture the evidence, cumulative impacts and changes to policy. This view is supported by Australian studies that use the ACF model (Morrow, 2004; Shannon, 1997) and is echoed in the first of the twelve ACF hypotheses (Sabatier and Jenkins-Smith, 1993).

To understand how policy is made, the ACF says that for any given policy issue, two spheres of activity need to be understood. They are the external system factors that act as constraints or enablers, and the policy ‘actor’ realm, which is the *policy subsystem* proper. The policy subsystem is shown in Figure 4.1. The policy subsystem is interchangeably referred to as a *policy domain* by other authors in discussing the ACF (Roberts, 1994). The overall structure of the ACF is comprised of two sets of exogenous, that is, externally originating variables which are described by Sabatier (1991) as being either stable or dynamic.

The ACF advances that the stable factors rarely change within a coalition. These factors include indicators such as cultural values, constitutional rules and natural resource access. For a diagrammatic representation of the model’s structure and how its key elements are represented and linked, refer to Figure 4.1. The methodological tools of the ACF assist in answering whether these factors enable or constrain stakeholder input in terms of the policy process of decision making.

Table 4.1      ACF Assumptions and Hypotheses

| Assumption  | Hypothesis  |
|---|---|
| TIME - a decade perspective to understanding process changes is required  | Hypothesis 1 - On major controversies within a policy subsystem when core policy beliefs are in dispute, allies and opponents tend to be rather stable over a decade  |
| SYSTEM - the most useful aggregate unit of analysis for understanding policy change is a policy subsystem                                       | Hypothesis 2 - Actors within an advocacy coalition will show substantial consensus on issues pertaining to the policy core  |
|   | Hypothesis 3 - An actor (or coalition) will give up secondary aspects of his or her belief system before acknowledging weaknesses in the policy core  |
|   | Hypothesis 4 - The policy core (basic attributes) of a governmental program in a specific jurisdiction will not be significantly revised as long as the subsystem advocacy coalition that initiated the program remains in power within that jurisdiction – except when the change is imposed by a hierarchically superior jurisdiction   |
|   | Hypothesis 5 - The policy core (basic attributes) of a governmental action program is unlikely to be changed in the absence of significant perturbations external to the subsystem, that is, changes in socioeconomic conditions, system wide governing coalitions or policy outputs from other subsystems.   |
| STAKEHOLDERS - broadening an appreciation of stakeholders in policy domains; journalists, researchers, policy analysts and actors in government | Hypothesis 6 - Elites of purposive groups are more constrained in their expression of beliefs and policy positions than elites from material groups.  |
|   | Hypothesis 7 - Within a coalition, administrative agencies will usually advocate more centrist positions than their interest group allies.  |
| BELIEFS - policy can be conceptualised as belief systems  | Hypothesis 8 - Policy Oriented Learning across belief systems is most likely when there is an intermediate level of informed conflict between the two coalitions. In such situations it is likely that: (1) each coalition has the technical resources to engage in such a debate; and (2) the conflict is between secondary aspects of one belief system and core elements of the other or alternatively, between important secondary aspects of the two belief systems. |
|   | Hypothesis 9 - Problems for which accepted quantitative data and theory exist are more conducive to Policy Oriented Learning across belief systems than those in which data and theory are generally qualitative, quite subjective, or altogether lacking.  |
|   | Hypothesis 10 - Problems involving natural systems are more conducive to Policy Oriented Learning across belief systems than those involving purely social or political systems because, in the former, many of the critical variables are not themselves active strategies and controlled experimentation is more feasible   |
|   | Hypothesis 11 - Policy oriented learning across belief systems is most likely when there exists a forum that is: (1) prestigious enough to force professionals from different coalitions to participate; and (2) dominated by professional norms.   |
|   | Hypothesis 12 - Even when the accumulation of technical information does not change the views of the opposing coalition, it can have important impacts on policy – at least in the short term – by altering the views of policy brokers or other important governmental officials.  |

Source: adapted from Sabatier and Jenkins-Smith (1993)

Dynamic variables are more likely to change over a decade or more. They are characterised as changes to economic conditions, changes in political governance, impacts as a result of decisions by other policy subsystems, and shifts in public opinion (Shannon, 1997). The framework for evaluating how gambling policy is made is presented later in this chapter as Table 4.3 and the framework draws on an interpretation of the stable and dynamic variables so as to contribute to understanding whether the relevant factors enable or constrain decision making.

The second assumption of the ACF is system. The “most useful aggregate unit of analysis for understanding policy change ... (is) a policy subsystem, i.e. actors from a variety of public and private organisations who are actively concerned with a policy problem or issue” (Sabatier, 1988: 131). It is within this unit that an advocacy coalition exists. Coalitions or groups of common interests operate within a subsystem or domain. These groups are defined as being elites for the purposes of describing the public policy process. Of note is that the elite group as defined in the ACF is a different entity to that of elites conceptualised in Elite Theory (see Chapter 3). According to Sabatier (1988), an elite is a group comprised of persons or groups with common interests who subscribe to a particular view. These interests may be active in debates on policy where there is a basis for some engagement among groups for mutual benefit. Sabatier does not make claims as to the power of persons or groups in an elite with respect to formal impact on policy articulation.

The ACF provides a useful structure for evaluating public documents that simultaneously highlights the role of organisational and individuals as stakeholders in decision making (Sabatier and Jenkins-Smith, 1993). The most significant features of Sabatier and Jenkins-Smith's (1993) 12 point summary is that it highlights the contributions of key actors in public policy debates. However, more than this, it draws attention to the fact that there is a direct relationship between the status of the protagonists in the debate and their capacity to determine policy outcomes. The Sabatier and Jenkins-Smith (1993) ACF model suggests that the specific issue being considered is relegated to the background and it is the relative power of the respective parties to influence decision making that features in policy making.

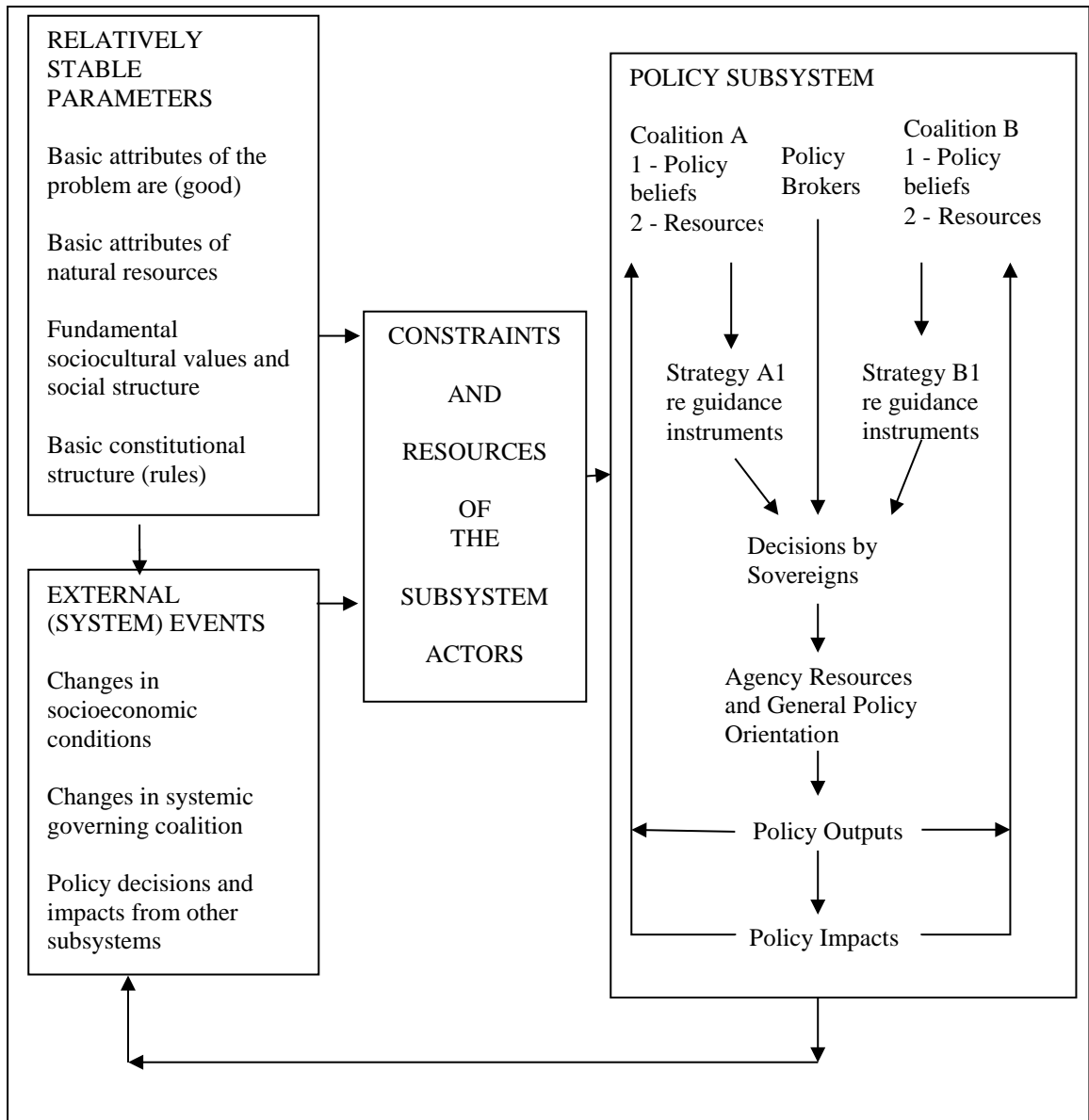
The third assumption relates to stakeholders. Sabatier and Jenkins-Smith (1993) explain that policy domains are likely to engage policy actors that operate across all levels of society, government and private interests. As an example, two decades of peer reviewed research constitutes sufficient grounds to confirm that government officials and bureaucrats have a significant role in determining the translation of policy into deliverable action (Sabatier and Jenkins-Smith, 1993). This view is supported broadly by Kingdon (1995) and in specific detail by Heintz (1988) in examining energy policy debates in the context of evaluating the utility of the ACF to explain elite impacts on policy.

The ACF proposes that for advocacy coalitions to advance policy issues and achieve outputs consistent with the values of the advocacy coalitions and/or stakeholders, policy brokers operate in parallel to the actions of advocacy coalitions. Policy brokers are shown in Figure 4.1 as part of the subsystem and comprise individuals or groups that

almost universally emanate from within the public service. Their role is to broker or facilitate negotiation and compromises among the advocacy coalitions on a given issue to ensure a decision is made. Policy brokers are seen to take an objective, apolitical position on issues. Whether this claim is realistic or not is difficult to independently assess as the scan of ACF literature does not shed sufficient light on, or analyse, this claim in detail (Grin and Loeber, 2007). However, the role of policy brokers in a policy domain needs to be evaluated in relation to the evidence base contained in the case study material examined in this study. For the ACF model, the role of policy brokers is concerned with achieving an outcome in the context of enabling and constraining factors relevant to their sphere of influence.

Fundamental to thinking about policy and elites is the need to understand advocacy coalitions as clusters formed around common belief systems, the fourth assumption of the ACF model. Individuals come together to build coalitions (Pierce and Miller, 2004) and so it is the formation of a coalition under a belief system which can be expressed through stable and unstable parameters. Diagrammatically these parameters are shown in Figure 4.1 and are described as either enabling or constraining, and each coalition operates and is guided by collective action in response to common belief characteristics (Shannon, 1997). The exception to the model are the policy brokers. That said, belief systems are seen to be the glue around which actors form coalitions, either loosely connected or actively coordinated in terms of formally agreed strategy implementation. The purpose in presenting Figure 4.1 here is to illustrate the elements that comprise the policy process model described by the ACF. It schematically sets out the relationships considered necessary for policy issues to proceed and nominates a unique role for policy brokers in particular.

Figure 4.1 Advocacy Coalition Framework Of Policy Change



Source: Sabatier (1991)

As Shannon (1997: 39) notes, “coalitions are formed by individuals who show a significant degree of coordinated activity over time and share basic common values, causal assumptions and problem perceptions”, and “coalition ability to influence outcomes will be dependent upon resources such as money, expertise, number of supporters and legal authority”. It is suggested that actors within coalitions gravitate to

seeking some form of relationship on a continuum spanning informality through to rigid legal contract along with other actors who are aligned to ensure policy outcomes are achieved and that these outcomes are consistent with the belief system.

It is in the context of the belief system that the case for one of the ACF's most important propositions emerges, that of Policy Oriented Learning. Policy Oriented Learning is concerned with understanding how advocacy coalitions change and evolve their belief systems and methods of engagement on policy as a consequence of lived or witnessed experience. As Haigh (2012) notes, it is through a collective approach to learning that change in core position on policy issues occurs. The structure and components for how belief systems within a policy domain are conceptualised and the degree a belief system for a coalition may be changed as a result of Policy Oriented Learning, is expressed through three dimensions: deep core, policy core, and secondary aspects. According to Grin and Loeber (2007) for each dimension, the ACF provides guidance on how each belief set can be understood and how each belief set may alter. Beliefs can be described by characteristics, scope, willingness or weakness to change, and expressive components. To illustrate, deep core policy beliefs are framed by axiomatic beliefs that apply across all policy systems. These beliefs are unwavering and can be observed in social contexts such as religion and law. In relation to the policy core dimension it is characterised by standardised approaches for stakeholders to implement so as to maintain core values. Values can change over time, however change requires a major challenge to status quo or upheaval of some form. In terms of illustrating how policy core beliefs can be understood, there are a further two sub layers to consider being, basic rules as instruction and, rules that have developed through an evolutionary process.

The third dimension is secondary aspects of belief systems. Secondary aspects are instrumental in nature as they are the actions that enable policy to be implemented. It is in the area of secondary aspects that evidence of change is more likely to be present. Governments and administrations focus on this dimension because change can be effected through legislation and policy making, that is, the decision making instruments available to the elected sphere for the purpose of exercising power (Sabatier and Jenkins-Smith, 1993).

These guidelines serve to validate the twelve hypotheses, the nature of Policy Oriented Learning and how advocacy coalitions work in response to the relationships described in Table 4.1. It is the twelve hypotheses that are put forward for consideration in this study.

### **Further adaptation of the ACF**

In accepting the ACF provides a framework for describing how advocacy coalitions operate (Jenkins-Smith et al, 2014), a refinement and development of the ACF to enable better use of the model can be drawn from Shannon's (1997) approach. While it has been explained that Sabatier and Jenkins-Smith (1993) constructed the ACF on the basis of time, system, stakeholders and beliefs, clarity and ease of interpretation can be grasped by grouping the twelve ACF hypotheses around five themes. Jenkins-Smith et al (2014) highlight the value for researchers in applying the ACF as a framework, hence encouraging its adaptation. Thus a further alternative involves thinking about advocacy coalitions, thinking about policy change, thinking about Policy Oriented Learning across coalitions, thinking about differences among interest groups, agencies and



researchers within coalitions and, thinking about the role of Policy Oriented Learning in policy change.

In relation to thinking about stakeholders, hypotheses 1 and 2 point to questions that enable consideration of both structural and agency dimensions of stability of coalitions and actors and how stakeholders may act in a given circumstance (Grin and Loeber, 2007). When thinking about aspects of policy change, the corresponding ACF hypotheses can be seen in 4 and 5. Hypotheses 4 and 5 consider policy core issues and direct our attention to the difficulties associated with governments changing the basic attributes of a policy realm. This is intimately associated with institutional thinking and conflict (McConnell, 2012). The next grouping considers thinking about how Policy Oriented Learning may occur within elite coalitions and the corresponding grouping of ACF hypotheses from Table 4.1 are 6 and 7. These hypotheses provide a tool to consider how and under what circumstances, elite groups may act and/or evolve as a consequence of learning by experience and how government elites in particular do not value uncertainty, rather they seek policy certainty (Pierce and Miller, 2004). Policy Oriented Learning comprises a fourth grouping and considers thinking about how stakeholders act and how such acts are influenced by social factors. This group corresponds with hypotheses 8, 9, 10 and 11 and sociologically, this can be evaluated in some form through consideration of various Stakeholder and Elite Theories such as Dahl (1969), Della Porta and Diani (2002), Haralambos (1985) and McDougal et al (1967). The final aspect is essentially to pose a question as to whether all potentialities have been considered in the policy change process.

I have sought to reorganise the hypotheses in this way to provide a further clarity and ease of analysis of policy change and it is this categorisation that I will consider in evaluating the evidence in this study. While the ACF hypotheses help describe the nature of policy processes, it is the themes that provide a basis for describing the role and contribution of advocacy groups to decision making. Further, this approach provides a reasonably logical way of evaluating Policy Oriented Learning and I contend has merit accordingly. This adapted approach provides a structure for applying theoretical knowledge in relation to evidence derived from primary documentation sources gathered from the public domain. This is the methodology for collecting evidence examined in this study.

However, the ACF is not without its critics (Schofield, 2001). A number of international studies have applied the ACF to case studies, for example, examinations of Canadian education (Mahwinney, 1993), airline deregulation (Stewart, 1993) and California water politics (Munro, 1993) and proposed refinements to the model. These studies in particular are cited by Sabatier and Jenkins-Smith (1993: 23-24) such that subsequent editions of the ACF sought to address concerns regarding a lack of knowledge about policy brokers, political advisors and public servants by incorporating a component in the model that specifically describes the internal structure of policy subsystems (Fenger and Klok, 2001; Sabatier and Jenkins-Smith, 1994).

### **Advocacy Coalition Framework – an Australian view**

The ACF is the result of North American academics thinking about policy making in a North American context. Case studies cited by Sabatier and Jenkins-Smith (1993) in subsequent revisions to their model, were studies of policy scenarios that occurred in

their home region. A question for this study is whether the ACF model, developed as it was in a particular geography with its particular model of government and civil society in mind, is translatable to a different geography with a different model of government and civil society, that is, from a North American to an Australian social context (Weible et al, 2011).

To begin, there is a shortage of Australian studies applying the ACF in a field setting. At the time of assembling the evidence for this study, two unrelated Australian studies were identified, hence the focus for this study (Sabatier, 2008)<sup>iii</sup>. In the first, University of Tasmania PhD student Elizabeth Shannon (1997) examined feminism and equality of pay by investigating data generated from Irish and Australian sources between 1969 and 1996. The second is by Ann Morrow (2004) from the University of Melbourne who applied the ACF to study educational disadvantage in Australia. Both are relevant to the present study. Morrow (2004) is comfortable with the ACF and its ability to assist in explaining shifts in major policy positions in the Australian education sector over more than a decade. Morrow (2004: 24) disagrees with Sabatier and Jenkins-Smith in respect of the “contribution made by constellations of material interests, for example, business or recipients of government funding to the stability of policy making.” She raises a concern in that Sabatier asserts material interests are insufficient to maintain coalition bonds over a significant timeframe. Morrow (2004) reflects that Sabatier’s view is that only fundamental core values expressed as policy core will sustain coalition bonds and thus maintain a coalition’s adherence to a belief system. Having said that, Morrow (2004) does not offer an alternative explanation or view.

A limitation in building on Morrow's (2004: 10) study is that it "does not include a 'stand alone' literature review". In its place, Morrow (2004: 10) makes the case for approaching the review of relevant literature by weaving material into the report "as issues arise in the course of developing the thesis argument". This makes Morrow's approach to articulating a theoretical framework difficult to evaluate. As Morrow's (2004) study lacks a chapter focused on discussing and analysing key theoretical literature, little real argument about tangible modifications or revisions can be utilised when applying the ACF to an Australian policy scenario.

Shannon's (1997) study provides a structured evaluation and subsequent tailoring of the ACF model. It is of value for examining public policy because it extends a general understanding of the ACF and presents a synthesis of key learning from feminist policy studies relevant for Australia. The extension is seen in Shannon's (1997) 'Three Factor Policy Model on the Influence of Feminism on Policy'. Now referred to as the Three Factor Model, it considers revisions to the ACF hypotheses by setting out an approach for interpreting evidence in relation to feminist policy. This model describes the system as comprising three primary elements, the political, social and economic systems. Each system is elaborated on through structural and dynamic factors which are then considered in light of implications for policy.

As an illustration, the Australian political system is seen to comprise structural factors such as the Australian Constitution and how the various layers of government and legal structures exercise power in their jurisdiction. In relation to dynamic factors, the model alerts us to consider changes that occur due to political election cycles, the changing

nature of the politics of the different political parties as well as other externalities such as international policy making or events. The implications for policy provokes consideration as to whether there is appropriate participation of stakeholders in policy making by those who are able to reflect, and in this case it is Shannon's model that considers feminist issues, as women's interests.

The second part of the Three Factor Model relates to thinking about national social system matters. Relevant structural factors are the social values and strengths of institutions and whether they can be changed by other stakeholders influence. Shannon considers there is a constrained policy grouping that this dimension would apply to and poses the question as to whether this is exclusionary of women and their real interests. The third factor comprising Shannon's Three Factor Model is the economic system. Structurally, Shannon sees economic in terms of resources and how those resources are organised in either public or private ownership and control. Dynamically, economic resources can be assessed through the level of control exercised by government or corporate entities and, similarly to social policy implications, economic considerations will only apply and be relevant to a selected policy domain.

By adapting Shannon's interpretation of the ACF and subsequent reasoning and applying it to the Australian policy experience, the opportunity presents to translate the Three Factor Model to an evaluative structure for the ACF and policy on poker machine gambling in Victoria. The validity for this approach is expressed by Weible et al (2012: 351) who contend it is entirely appropriate to interpret "the ACF as an actual framework that supports multiple theoretical areas of emphasis". Essentially, 'national' is replaced

with ‘state’ and references to ‘women and women’s issues’ are replaced with that of ‘gambling and gambling issues’. To demonstrate, Table 4.2 applies Shannon’s (1997) Three Factor Model as the basis for outlining this proposition. Table 4.2 also contains a series of questions in relation to implications for gambling policy which will be used to guide an examination of the policy case studies in this study. These questions are a direct adaptation of Shannon’s questions regarding the influence of feminist policy. In terms of the political system, the adapted approach will consider if there is representation of social and economic stakeholder interests in framing gambling policy. In relation to the social system, a question is posed whether policy matters transacted in this realm are constrained to specific social policy concerns such as problem gambling and whether this framing meets the expectations of all stakeholders. The economic system considers gambling from the viewpoint of financial returns to vested interests and the framing of policy interests accordingly as taxation policy and licensing arrangements. Overall, by drawing on Shannon’s translation of the ACF into an Australian social and policy context in the form of the Three Factor Model and to a lesser extent that of Morrow, it is reasonable to conclude that with appropriate tailoring in this study, the ACF does provide a sensible model for testing and evaluating policy making in an Australian setting.

### **Thinking about policy measures**

To enable responses to the questions regarding implications for gambling policy listed in Table 4.2, it is important to develop measures that assist in the evaluation of the role of elites and stakeholders on public policy. A key element of the adapted Three Factor Model for gambling policy is, as Burstein (2002) elaborates on, related to the role and influence of New Social Movements (NSMs), Social Movement Organisations (SMOs)

and other community based Civil Society Organisations (CSOs) on gambling policy. Burstein (2002) contends that evidence does exist to show how stakeholders influence government policy and action. This position is counter to the proposition put forward by Mills (1977) who was dismissive of the role of non-elite entities in relation to real decision making. What is not agreed is the degree of impact that NSMs, SMOs and CSOs have on dimensions of decision making and consequently how power can be measured.

Burstein (2002) notes the problematic nature of the language used to describe impact, that is, terms such as 'augment' and 'increase' are used. The imprecise definition of terms makes it difficult to assess performance of stakeholders with regards to substantive impacts on decision making. Again, the challenge is to find a way to measure power and changes in decision making in respect to exercising power. Della Porta and Diani (2002) contend that power has the potential to be measured in terms of public policy impact. Della Porta and Diani propose that impact can be evaluated by thinking about decision making by segmenting it into phases. These phases are identified as: issue emergence, writing and applying new legislation, and analysis of the effects of public policy in changing the conditions of those targeted by action (Della Porta and Diani, 2002). This approach to describing decision making by three phases is consistent with the policy analysis model nominated by Bridgman and Davis (2004) and the concept of the Policy Cycle.

Table 4.2      Systemic Factors, State Receptivity and Implications for Gambling Policy in Victoria

| State Systems | Structural Factors   | Dynamic Factors  | Implications for Poker Machine Policy  |
|---------------|--|--|--|
| Political     | The centrality and complexity of the Victorian Constitution; the structure and relative powers of the elected government and the appointed judiciary.                | Altered by changes through the electoral cycle; party politics, sub-national and international factors.  | Political system will always be important but is there an adequate representation of social and economic interests in final policy articulation?   |
| Social        | Fundamental sociocultural values and social structures: the relative strength and institutionalisation of secular or religious beliefs and development of pluralism. | Modified by changes in public opinion: in particular the effects of NSMs, SMOs and CSOs as against 'new right' or religious traditionalist groups; sub-national and international factors. | Social system will only be crucial to some policy areas (e.g. problem gambling policy). Does it realistically reflect elite or stakeholder experiences?  |
| Economic      | Natural physical and human resources. The concentration and composition of private capital.  | Distribution and development of state resources; the degree of corporatism and centralisation; sub-national and international factors.   | Economic system will only be crucial to some policy areas (e.g. EGM taxation policy, EGM licensing rights) inasmuch as policy does not limit or reduce economic returns to the state or gambling elites. |

adapted from Shannon's (1997) Three Factor Policy Model on the Influence of Feminism on Policy



The value of being able to track and assess the influence of stakeholders on policy with measurable indicators is also recognised by Shannon (1997). Shannon advocates the use of quantitative measures. However, the main issue in applying the ACF to policy is that more often it is qualitative material that is the primary data source chosen for indicators (Pierce et al, 2014). It follows that nominating and assessing measurable indicators does not require one to follow by rote the quantitative data model advocated by Sabatier and Jenkins-Smith (1993). If that is the case scholars should be at liberty to either embrace or reject the quantitative data methodology of the ACF (Shannon, 1997). With that in mind an example of indicators measured against the ACF by Shannon (1997) on feminist policy issues encompasses areas such as the presence and spread of coalitions, an acceptance of disciplinary tenets, an achievement of policy that is consistent with the disciplinary tenets and the impact of policy broadly.

As noted with the ACF and Shannon's Three Factor Model as well as prior consideration of the Power Elite, Elite and Pluralist Theories, no definitive agreement exists with regard to the concept of how power is measured. The Della Porta and Diani (2002) model for structuring an approach to indicators has its critics too because the model makes no provision for dealing with any unintended consequences identified due to policy action (Burstein, 2002). Burstein (2002) also makes the point that even if there is a view that NSMs, SMOs and CSOs have little or no impact on policy, perhaps the case exists to indicate that more work is required on how these groups can be broadly represented in theory. Notwithstanding this view, the challenge for this study is to define measurable indicators that can be assessed.

### **Public policy making – a framework for evaluating evidence**

This chapter has been concerned with some of the relevant material, issues, discussion, concepts and theories about public policy making. Ideas in relation to the Policy Cycle, stages model and the Policy Continuum were considered in Chapter 3 and shown to capture the interrelational macro-scale dynamics between policy making, legislation and law making, as well as the impacts of elites and stakeholders in decision making. These models were discussed in detail and are referenced again to establish an explicit link between key material highlighted about policy in the literature review, discussion of the ACF and the Three Factor Model now presented. By examining relevant sociological and political science literature on public policy, definitions of important key terms used in this study were established. This establishes an understanding of the perspective and circumstances surrounding any given aspect of policy making as it is discussed in this study.

Chapter 3 considered some theoretical concepts about public policy from the sociological and political sciences. The objective was to validate the theoretical framework used to interpret the material analysed herein in relation to public policy making. Ultimately, the focus was refined to nominate the field of policy study devoted to understanding policy process as the key matter for examination. This chapter moves forward by considering the work of Shannon (1997) and it was drawn upon to assist understanding the ACF in an Australian policy context. The ACF by Sabatier and Jenkins-Smith (1993) is identified as an important theoretical model for evaluating policy material. Indeed the value of the ACF is not in its prescriptive nature, but ought be seen as a “framework” for interpreting data (Weible et al, 2011: 351). Shannon’s (1997) study was explored in greater detail to provide an Australian policy context to

the potential application of the ACF model to gambling as an Australian policy concern. By unpacking thinking about policy making, a comprehensive range of theoretical material is highlighted in order to describe an appreciation of the sociology of law, elites and stakeholders. Evidently, there is no agreement on how policy is created, how policy is managed, how policy decision making occurs, or for that matter, how policy is formally evaluated.

It is important robust theory is used to assess policy processes in this study. It must also provide a means to craft criteria for examining the manner of decision making for public policy. Criteria must be capable of assessing the impact of elites on policy decisions, particularly as it applies to policy measures relating to the legal sanctioning of poker machine gambling, as that is an important methodological consideration for this study. The task requires measures which can be used to evaluate the case study material in relation to the theoretical propositions discussed in the literature review. Indicators to assess policy need an explicit relationship to the definitions used for the key issues being explored in this study. The definition of public policy adopted in this study is that policy is *an interdisciplinary matter concerned with the study of government decisions and actions in addressing any given issue of public concern, and the consequences resulting from these actions.* The underlined text is what I contend are the key dimensions needed to properly understand public policy. This view is made in the context of the body of literature reviewed and in light of the structural elements defining the ACF model and the Three Factor Model.

Shannon (1997: 51) nominates four measures as the presence and spread of coalitions, acceptance of disciplinary tenets, achievement of policy consistent with the disciplinary tenets and, the impact of policy. For consistency with the ACF and Shannon's work in an Australian policy evaluation setting, the indicators for this study are likewise adapted from Shannon's study. As a consequence, the indicators I have developed are: 1 - is the presence and role of coalitions observable and discernable in policy? 2 - are policy tenets expressed as outcomes accepted by stakeholders? 3 - can the expression of policy making be clearly identified as an output of a given disciplinary dominance? and, 4 - can the consequences or impacts of the policy process be tracked? These indicators align with the questions used for assessing the role and contribution that stakeholders make towards policy making.

The approach adopted for the present examination of policy making in relation to electronic gambling is now summarised as Table 4.3. This table represents a sweeping up of preceding knowledge and is set out as a proposal for evaluating how gambling policy is made. The information presented in this table refines explanations about Shannon's feminist policy analysis and are used to evaluate evidence presented in the case studies and data discussed in subsequent chapters. The policy evaluation framework in Table 4.3 will guide how I consider policy making by directing attention to the key issues considered relevant in making judgements about the impact of stakeholders in the policy process.

Table 4.3      A Proposal for Evaluating how Gambling Policy is Made

| <b>State Systems</b> | <b>Structural Factors</b>   | <b>Dynamic Factors</b>  | <b>Implications for Poker Machine Gambling Policy</b>  | <b>Measures to assess the process of policy decision making</b>   |
|----------------------|---|---|--|---|
| Political            | The centrality and complexity of the Victorian Constitution; the structure and relative powers of the elected government and the appointed judiciary. | Altered by changes through the electoral cycle; party politics, sub-national and international factors. | Political system will always be important but is there an adequate representation of social and economic interests in final policy articulation? | 1. Is the presence and role of coalitions observable and discernable in policy?<br>2. Are policy tenets expressed as outcomes accepted by stakeholders?<br>3. Can the expression of policy making be clearly identified as an output of a given disciplinary dominance?<br>4. Can the consequences or impacts of the policy process be tracked? |

Source: adapted from Shannon (1997)

Table 4.3 A Proposal for Evaluating how Gambling Policy is Made (continued)

| State Systems | Structural Factors   | Dynamic Factors   | Implications for Poker Machine Gambling Policy   | Measures to assess the process of policy decision making  |
|---------------|--|---|--|---|
| Social        | Fundamental sociocultural values and social structures: the relative strength and institutionalisation of secular or religious beliefs and development of pluralism. | Modified by changes in public opinion: in particular the effects of NSMs, SMOs and CSOs as against 'new right' or religious traditionalist groups; sub-national and international actors. | Social system will only be crucial to some policy areas (e.g. problem gambling policy). Does it realistically reflect elite/stakeholder experiences?   | <ol style="list-style-type: none"> <li>1. Is the presence and role of coalitions observable and discernable in policy?</li> <li>2. Are policy tenets expressed as outcomes accepted by stakeholders?</li> <li>3. Can the expression of policy making be clearly identified as an output of a given disciplinary dominance?</li> <li>4. Can the consequences or impacts of the policy process be tracked?</li> </ol> |
| Economic      | Natural physical and human resources. The concentration and composition of private capital.  | Distribution and development of state resources; the degree of corporatism and centralisation, sub-national and international factors.  | Economic system will only be crucial to some policy areas (e.g. EGM Taxation Policy, EGM licensing rights) inasmuch as policy does not limit or reduce economic returns to the state or gambling elites. | <ol style="list-style-type: none"> <li>1. Is the presence and role of coalitions observable and discernable in policy?</li> <li>2. Are policy tenets expressed as outcomes accepted by stakeholders?</li> <li>3. Can the expression of policy making be clearly identified as an output of a given disciplinary dominance?</li> <li>4. Can the consequences or impacts of the policy process be tracked?</li> </ol> |

Source: adapted from Shannon (1997)

## Summary

The Advocacy Coalition Framework and the Three Factor Model are tools adapted in some form in this study to enable evaluation of how gambling policy is made.

Public policy making has previously been described by issues based policy studies, general policy studies, policy analysis and policy processes. This study benefits from making reference to appropriate material from the political sciences. In general, the political sciences have regard to scientifically derived evidence to substantiate theoretical propositions. The field does concern itself with attempting to understand the motivations, processes and needs of the state in creating and managing policy for decision making. Of the models previously highlighted in Chapters 3 and 4, it is shown that the Advocacy Coalition Framework and the Three Factor Model provide a valuable basis to evaluate material relevant to this study. This is because both models have been empirically derived and in the case of the ACF, substantiated over time as well as refined as a result of identified shortcomings.

Chapter 3 also noted the Policy stages model as being beneficial for understanding the different elements that make up policy making. Further, the Policy Cycle and Policy Continuum permit an appreciation of the layers of activity that comprise the policy process. If these models hold true, it will be evident from the study data on policy making that the cycle process elements are present when tracking and mapping policy making from inception to implementation and evaluation. The ACF is important as it demonstrates how different groups can be assessed in contributing to decision making. However, these approaches fail to deal adequately with the role of power and the way power is manifest in elite actions.

Gaps associated with the processes framing the Policy Cycle, stages model and Continuum have been canvassed previously and prompted a view that there is utility in taking advantage of a more complex modelling approach. This chapter is concerned to provide an extended understanding of the public policy process and the various models to investigate and conceptualise them. This extended knowledge is represented in the ACF. By applying the ACF in the context of the Policy Cycle, stages model and Continuum, a concept was then nominated as being useful for an Australian policy application in this study. This is the Three Factor Model. Yet I emphasise that no single sociological theory can adequately describe gambling as a policy concern, as is the case with feminism and the feminist studies perspective in Shannon's (1997) study. Morrow's (2004) study on educational disadvantage in Australia is on the surface consistent with the methodology adopted for this study, however, the presentation of literature and argument in that work makes it difficult to make direct comparisons. Thus, in an Australian policy setting there is a limited body of academic material to draw upon. That said, the ACF does have a record of extensive international case study exposure.

A suite of conceptual models on the role of elites and stakeholders has been discussed sociologically as well as from a political science perspective. The preceding chapter discussed theories of law and law making and highlighted issues of power, elite and control. Aggregating that information with this chapter, enables an ability to harness the propositions outlined and build a theoretical construct to consider the role of stakeholders in the policy making process for poker machine gambling in Victoria.



In the next chapter, the methodology and the framework for evaluating how gambling policy is made, are brought together for the purpose of investigating, assessing and reporting on the case study and data relevant to this study.

## Chapter 5

### RESEARCH METHODOLOGY

#### Introduction

This chapter outlines the research methodology used to investigate policy making in relation to the introduction of electronic gaming machine gambling in Victoria. The decision to explore policy making, of necessity, means that the research methodology is oriented toward understanding social and political processes and as this is a sociological study, sociological concepts are the primary point of reference used to guide and structure the methodology. To achieve this task the present study uses four individually distinct but related research methodologies: narratives as accounts of policy development and implementation, case studies of specific gambling legislative activities, the relevant legislation governing the introduction of electronic gaming machines, and annual statistics which provide detail about income generated from gambling. In seeking to achieve the required level of scientific robustness, the methodology in this study applies both qualitative and quantitative tools (Pierce et al, 2014) so that a multi layered approach is applied to addressing the research question. Moreover, this approach is to ensure integrity of analysis as a requisite need that a study such as this “must involve transparent methods of data collection and analysis and the potential to develop or test pertinent theories within a research design that offers explanatory leverage” (Weible, Siddiki and Pierce, 2011: 499). This chapter introduces each of these methodologies and their application to the study of policy making with this methodological guidance in mind.

Telling the story about policy making makes it simpler to understand the policy process.

The narrative lends itself to telling a story and is used in this study in Chapter 6.

Narratives are used in this study as the means to outline historical facts regarding the evolution of the gambling industry in Victoria. In order to develop an analytical extension of the narratives, case studies about policy acts are developed in Chapter 7. The policy acts in Chapter 7 represent the key decision making circumstances of when, how and who was involved in achieving certain objectives directly related to poker machines.

The policy acts set out in Chapter 7 provide a mechanism to evaluate what motivates government, industry and civil society as stakeholders to make change. The case studies consider whether the State Government was successful in achieving its economic objective of taxation from poker machines, whether the poker machine industry succeeded in growing a revenue stream from poker machines and, whether non-commercial stakeholders influenced reductions in poker machine gambling losses. These matters are investigated, discussed and evaluated in this study in order to understand the policy making process.

## **Research context**

For over 50 years successive Victorian state governments resisted establishing an economic market for Electronic Gaming Machines (EGMs). However, that changed in 1991 when the Victorian government introduced legislation approving the development of a new economic entity for the state. The decision to establish a new gambling economy in the form of a marketplace for poker machines was political. Prior to 1991,

there was no history of poker machine policy except for one of *no policy*. Thus this particular policy innovation represents a unique opportunity to gather material in relation to the process of public policy making.

From an Institutional perspective, public policy generally is the domain of governments (McConnell, 2012) and this ultimately serves to delineate the boundaries of the present study. All Australian states and territories have a history of public policy making in relation to gambling, its management, administration and taxing, as gambling has traditionally been a state and territory responsibility. This study focuses specifically on the introduction of policies that paved the way for the introduction of electronic gaming machine gambling in Victoria. There are three reasons for limiting the research focus to Victoria. First, the poker machine industry in the State of Victoria is a recent phenomenon. Second, the literature review revealed a gap in research in relation to policy making and poker machines within this defined geographic context and thirdly, the constraints of research time and scope of the study. In view of the fact that the primary goal of the research being undertaken is not to critique the merit of decisions made in relation to policy on gambling itself, but to evaluate the *processes* of decision making and to identify stakeholders and their agendas in those processes, the approach taken to this study is considered sensible.

### **Case studies, legislation and statistics**

Case studies for sociological purposes are not merely historical facts that have been sequentially stitched together just because it is expedient to do so (Ragin and Becker, 1997). An event is not a case in itself yet event history is an acceptable data source for

scientific enquiry into policy making (Pierce et al, 2014). On its own, an event is just a historical phenomenon (Wievorka, 1997). Wievorka (1997) asserts that case studies need to be defined by parameters of space and time which is consistent with the ACF. In this view, space is defined by the characteristics of the political economy, and time by the need to place events in a long-term perspective (Sabatier and Jenkins-Smith, 1993).

The value of this approach is that a long-term advantage can be obtained to assess stability over time for any given analysis and a case study is an opportunity to discover knowledge about a larger phenomenon that may be occurring (Wievorka, 1997). For this study, it is about providing knowledge that could also be applicable more broadly to understanding policy decision making processes of government and the role of elites and stakeholders in such matters.

Case studies are purposive. “Substance is king” (Meier in Pierce and Miller, 2004: 50) so it is the view that case studies can be utilised to evaluate and test the efficacy of different concepts and theoretical models of public policy for the purposes of commenting on decision making processes. A case study lends itself to contributing knowledge about individual, social, organisational and political phenomena (Yin, 1984). Yin (1984) argues different research strategies are suited for different purposes and contends that the case study is a preferred method over experimentation and historical analysis, particularly when seeking to know ‘how’, ‘why’ and ‘where’. Case studies become the mechanism “to illuminate a decision or set of decisions; why they were taken; how they were implemented and with what result” (Schramm, 1971: 22-23). Thus, the case study methodology as a general observation lends itself to examining

processes and the relationship to this study is evidently the process of decision making that manifests as public policy.

The case studies, in a sense, are theoretical constructs developed by drawing on publicly available data. The method for compiling the case entails the stitching together of facts to create a story germane to creating a poker machine economy in Victoria. The case studies are developed by drawing on relevant information, including State Government Hansard records, media reports and academic publications, that inform an understanding of the processes used to arrive at policy decisions. By drawing together qualitative and quantitative information, and subjecting the material to content analysis, it is possible to “develop a fuller, richer set of observations.” (Pierce and Miller, 2004: 50)

Finally, the case studies in Chapter 7 and the narratives that precede them in Chapter 6 enable the researcher to tell the various stories, the intricacies and nuances, about public policy making in the realm of poker machine gambling in much greater detail than could be compiled through data from other tools such as surveys. The narratives set out in Chapter 6 as the scene setting material and the case studies presented in Chapter 7 will be subject to a quantitative assessment for the purposes of identifying patterns of commonality. The qualitative (narrative) material will be discussed in the context of results derived from quantitative assessment.

A key focus of this study is consideration of the laws that sanction gambling expressed as legislation, regulation and ministerial directions. It is regulation that Lowi (1972) sees as an aspect of control by government bridging both organisation and individual

behaviour. As a rich data source, this material is the formal expression of government policy and it represents the outcome of a product of the decision making process. This data has legal effect as statute so it is through these legal instruments that one can reflect on the impact and influence of stakeholder interests in forming policy. Sociologically this data set is of interest in terms of attempting to understand the nexus between structural action and the influence of agency on the policy outcome.

In addition, Chapter 8 provides detailed statistics as a means of providing tracking and comparing policy impact and illuminate an understanding of the efficacy of stakeholder efforts. Key statistics considered in this study include taxation revenue to government, gambling turnover and player losses. Beyond the financial layer of information considered in this study, Chapter 9 utilises a quantitative analysis to illustrate how stakeholders contributed and participated in debates relating to gambling policy making.

Thus the purpose of the approach outlined is to provide an evidence base to comment on the efficacy of theoretical and conceptual ideas expressed variously in the Power Elite, the Advocacy Coalition Framework and the Three Factor Model by distinguishing the structural compared to agency elements (Grin and Loeber, 2007). The three policy acts presented in Chapter 7 represent separate but interrelated decision making episodes that define the first tranche of poker machine policy delivery in the political economy of gambling. The use of an extended time period is a related factor to how the case studies will be prepared so as to ensure methodological consistency with best practice approach to case study investigations.

Figure 5.1 adapted from Yin (1984, 1993), presents a diagram of the steps and logic used to gather evidence and evaluate it in this study. Given that the material used to compile and write the narratives and the case studies is that which is available in the public domain, ethics approval was not necessary as investigations did not involve or necessitate any interviews with stakeholders identified during the course of the research program. Indeed interviews with stakeholders were considered to be an unreliable data source, relying as it were on the interviewees ability to back-cast made more so by the intervening time between the events and the assembly of this study.

### **Selecting narratives and case studies**

Consistent with the methodological and epistemological recommendations regarding what constitutes the selection of sound tools for sociological enquiry as framed by Yin (1984), four narratives and three case studies are documented in this study. This information is set out in Column 3 of Figure 5.1. While the focus will be on decision making events in Victoria between 1991 and 2002, the narratives and case studies highlight significant inputs and events that contributed to the creation of a new political economy of poker machine gambling.

The four narratives of the political economy of gambling presented in this study are:

Narrative 1 - The Totalisator Agency Board (TAB)

Narrative 2 - Tattersall's

Narrative 3 - Crown Casino

Narrative 4 - The Victorian Racing Industry



The case studies are:

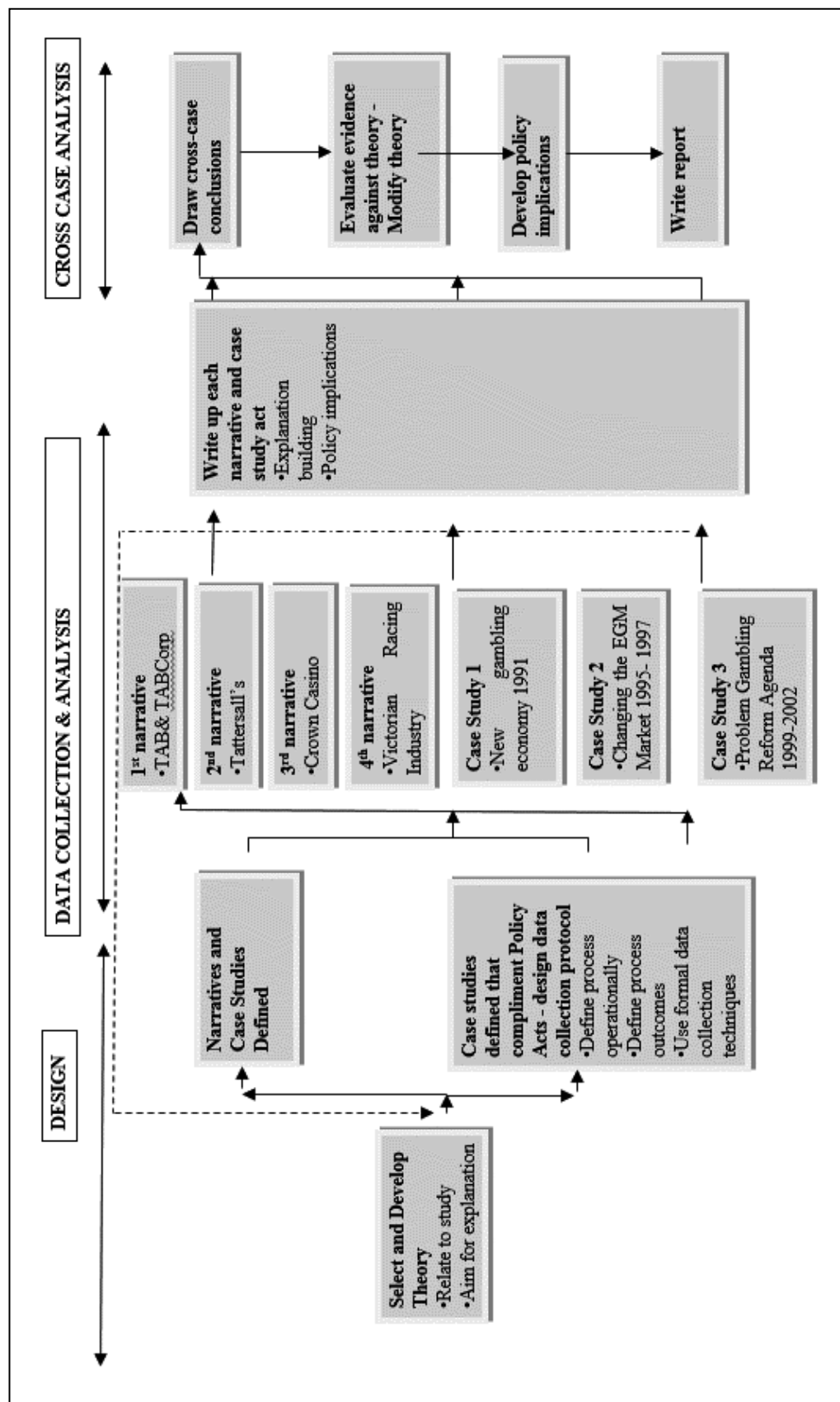
Case Study 1 - The legislative foundation for the political economy of poker machine gambling

Case Study 2 - Economic constraints on the poker machine market 1995 – 1997

Case Study 3 - The problem gambling reform agenda between 1999 and 2002.

The three case studies reflect major decisions or milestones in facilitating the political economy of poker machine gambling that manifested as government policy and ultimately as law and the approach to framing this task is shown in Column 4 of Figure 5.1. Content analysis of documents in the public domain will enable an examination of policy making (Pierce et al 2014). It is these case studies, when combined with the four narratives regarding the evolution of the major industry stakeholders, that will form the nucleus for examining the political economy of poker machine gambling in Victoria. The data collection timeframe is considered a factor that is central to the case study methodology. That is, the case study material spans a period of eleven years and not a short context. The subsequent task of evaluation and recommendations, as shown in Column 5 of Figure 5.1, is considered in the subsequent chapters culminating in Chapter 10 that considers findings associated with the study.

Figure 5.1 The Approach to Writing Narratives and Case Studies



adapted from Yin (1984 and 1993)

### *Narrative 1 – The Totalisator Agency Board (TAB)*

The first narrative details information about key industry stakeholders as contributors to the political economy of poker machine gambling. This narrative is about the building of a major poker machine industry stakeholder that ultimately came to become the company TABCorp Holdings Pty Ltd. The TABCorp story is grounded in the history of a state government owned enterprise, the TAB. The TABCorp story is important because TABCorp was one of two commercial entities authorised by the Victorian Government to provide, monitor and profit from the provision of licensed poker machines in Victorian hotels and clubs.

Details of how the TAB was established and the circumstances of its evolution into a privatised company are presented in Chapter 6 in order to illustrate the important place the TAB and its evolutionary company TABCorp, as a market provider of gambling product and consequently, as a taxation revenue generator for the State Government. It will be shown in Chapter 7 that TABCorp was a very active player in the deployment and growth of poker machines and revenue generation. In this way TABCorp was able to garner a position of power for itself as a central contributor to policy discussions on gambling.

### *Narrative 2 – Tattersall's*

Equally, but distinct from the TABCorp narrative, the story of Tattersall's is important from the perspective of Tattersall's being the other duopoly provider of poker machines to licensed clubs and hotels in Victoria. The importance of Tattersall's is that its story is multifaceted. Its roots were in pre-Federation gambling in Australia before it grew to be

a major market provider of gambling products in Victoria. Chapter 7 will show that Tattersall's was recognised by the Victorian Government as a reliable provider of taxation revenue and as such it cemented a relationship with successive governments, which essentially attracted a measure of power that the company utilised to ensure business growth and profits as well as being a player in the public policy debates on gambling.

### *Narrative 3 – Crown Casino*

The story of building the state's first and only casino is conveyed in Chapter 6 because of the politics surrounding the decision making, which ultimately manifested in the legislation concerning the casino. The casino legislation not only concerned itself with how a casino would be regulated, but it was also the legal instrument that stipulated how the poker machine market for hotels and clubs would be constrained. Moreover, it should be recognised that debates on the political economy of poker machine gambling cannot be considered fully if they are in isolation from how poker machines were operated by TABCorp and Tattersall's, because the Casino had authorisation from the State Government for 2500 machines.

When this number is compared to the maximum of 105 machines that could be installed in a hotel or club, the role of the Casino as a contributor to public debates on gambling policy is seen as a significant factor that must be acknowledged.

#### *Narrative 4 – The Victorian Racing Industry*

The fourth narrative to complete the stakeholder story in Chapter 6 regarding major industry stakeholder groups is, like the Tattersall's story, one built on an understanding of the history and power of the racing industry in Victoria. It will be shown that the racing industry was a key player in the creation and funding of poker machines in Victoria and it profited from their operation.

The racing industry connection is certainly intimately tied to the TAB and TABCorp but the racing industry will be shown to be a major influential player in the roll out of the political economy of poker machine gambling in Victoria. The industry will be shown to have secured itself a significant vested interest in the profit generation of poker machines and it is how this interest contributed to public debates on gambling that forms a key piece of the political economy of gambling in Victoria.

#### **CASE STUDY 1 - THE LEGISLATIVE FOUNDATION FOR THE POLITICAL ECONOMY OF POKER MACHINE GAMBLING**

Case Study 1 considers the creation of a new gambling economy in Victoria expressed through the *Gaming Machine Control Act 1991* (GMCA) and the *Casino Control Act 1991* (CCA). This case study marks significant events in the creation of a new economy for Victoria based on the introduction of electronic gaming machines. Creating this new economy was a key decision of the successive Cain ALP, Kirner ALP and Kennett Liberal-National Coalition governments in Victoria.

While there were events prior to 1991 that served to give impetus to a policy agenda for poker machines – for example the replacement of John Cain as Premier of Victoria who opposed poker machines and a casino with Joan Kirner who supported poker machines and a casino – the decision making process for establishing a new economy based on poker machines gained momentum in 1991 with the development of comprehensive legislation in the form of the GMCA and the CCA.

Events surrounding the passing of these two important pieces of legislation witnessed the roll out of the electronic gaming machine industry and the creation of the state's first legalised casino, which included an allocation of 2500 poker machines as part of its licence.

Moreover, the GMCA provided the legal instrument to allow for the operation of the Tattersall's and TAB duopoly, along with the creation of a market for 45,000 EGMs available to pubs and clubs and 2500 EGMs for the new casino as well as a new suite of government taxes and levies such as the levy on hotel operated machines for the purposes of generating income to operate the Community Support Fund (CSF). Originally, it was expected the gaming legislation would approve access to 60,000 machines but the market allocation was downgraded to 45,000 and this number was expected to meet market saturation within two years of availability (AIGR, 1999).

The selection of this case study is important as it sets the market dynamics for the creation of a new economy based on poker machine gambling in Victoria, and thus set the tone with respect to compiling knowledge about decision making processes through

a lens of key events. Further, the events that established the new political economy of poker machine gambling will be shown to have continued flow on influence on subsequent policy decisions in Case Studies 2 and 3.

## **CASE STUDY 2 - ECONOMIC CONSTRAINTS ON THE POKER MACHINE MARKET, 1995 TO 1997**

Case Study 2 considers the changing EGM political and economic market between the years 1995 and 1997. The central decision making event that will frame this case study involves an announcement by Premier Jeff Kennett in December 1995 that a moratorium would be invoked by way of government intervention in the poker machine market. The moratorium constrained the legislated licence availability to the market of the approved 45,000 machines, which was downgraded to 27,500 machines and excluded the Crown Casino licence for 2500 machines. The moratorium was articulated into law through the issuing of a ministerial direction as empowered under the GMCA in May 1996. It is the ministerial directions as a legal instrument of government that was used to formally change the permissible number of poker machines available to the industry for market deployment by the authorised duopoly of Tattersall's and TABCorp.

Other salient information that will be coupled to this decision making episode is the Kennett Liberal-National Coalition election to state government in October 1992.

Addressing state debt through the privatisation of government assets and services was a key policy agenda of this government. As discussed later in Chapter 7 in relation to the selected case studies of gambling in Victoria, the government pursued an agenda to privatise the state owned enterprise, the TAB to form TABCorp Holdings in 1994.

It will be discussed that the notable agenda linked to the privatisation of the TAB was for the government to change the economic marketplace for poker machines by restricting access to the number of licences for hotels and clubs. This change in policy position by the government should not be assessed in isolation as there were a series of moratoriums invoked as ministerial directions throughout 1994 and 1995. These moratoriums controlled the number of available licences in the context of the wholly approved poker machine numbers set out in the CCA, legislating a ceiling of 45,000 machines with a corralled allocation of 2500 machines to Crown Casino. These ministerial directions provided a gradual ramping up of licensing access from 10,000 to 20,000, then from to 22,000, to 25,000, and finally to 27,500 machines, providing for a total approved number of 30,000 machines available statewide for deployment (VCGA, 1999).

### **CASE STUDY 3 - PROBLEM GAMBLING REFORM, 1999 TO 2002**

Case Study 3 examines the problem gambling reform agenda implemented by the government between 1999 and 2002. This case study will be framed around the decision making event defined as the State Government's *Problem Gambling Reform Agenda*. Announced in 1999 by the incoming Bracks ALP Government, the policy of problem gambling reform represented delivery on a series of pre-election commitments by the Victorian branch of the ALP.

The policy announcements of the new government comprised measures including banning minors from a gaming floor, capping the number of gaming machines permitted in a defined geographic area, introducing advertising restrictions and smoking



bans, making personal counselling available, disbanding the VCGA, creating a new board for VCGR, banning \$100 note acceptors on EGMs, limiting EGM bets per spin to \$10, displaying odds of winning on EGMs, and making it a requirement for clubs to provide community benefit statements (Pandazopoulos, 2003a). It must be noted that banning cigarette smoking within licensed venues was originally announced as a health policy measure, not a gambling policy measure (Minister for Health, 2003). However, as discussed later in this study, the emphasis by government did change once the ban was introduced, with the claim that smoking bans were a gambling reform measure once the measure was seen as a possible contributor to reducing problem gambler expenditure (Minister for Gaming, 2003).

These policy measures will be examined from the perspective of stakeholder interaction on the various elements from a decision making context. As is consistent with the approach in this study, these measures will not be evaluated from the perspective of discussing the efficacy or otherwise of them. The timeframe by which the problem gambling reform agenda will be tracked will be 1999 to 2002, as that is the term of the government who implemented this policy. In effect, the November 2002 state election forms the bookend to conclude the case study investigations.

### **The limitations of narratives and case studies**

Each narrative and case study is written in a form that has a common element being relevant historical events documented in publicly available material including those contained in Hansard records, media articles, research reports and papers, statistics, government reports, journal articles, conference proceedings, audio visual material,

online news website data, industry papers and media releases. A full inventory of case study material was compiled to support this study. This material is used to create a story about an element identified as important to the political economy of poker machine gambling in Victoria. Largely, the material is drawn on to describe events sequentially and in a manner seen to contribute to an understanding of decision making by the government of the day for the purposes of defining policy.

Hansard records selected from Government archives relate to the carriage of legislation on poker machine gambling. Records which cite gambling but are the purview of legislation not relating to gambling are excluded from the data pool. Additionally, content analysis of Hansard records of the proceedings of various committees were not researched because committee proceedings are not authorised to approve law and exist for other investigative purposes. That said, the search of Hansard produced a data pool of over 1000 pages of official parliamentary records on legislation specific to poker machine gambling.

In terms of print media, articles used for the purpose of informing the preparation of the three case studies were drawn from those published in the Fairfax broadsheet publication, *The Age* newspaper, contained in the Factiva database held by Monash University. Articles in sister publications to *The Age*, such as *The Sunday Age*, other supplements, *The Weekly Times* and regional newspapers, were excluded from the quantitative analysis due to the low numbers of articles contained in the search database. The Factiva database contained a comprehensive suite of articles from *The Age* for search purposes from 1991 to 2002.

A comparison search for articles was made using the tabloid newspaper, the *Herald Sun*, as the other major daily metropolitan newspaper in Victoria, however, the Factiva database was only available for the years from 1997 to 2002 for this publication so a complete record for comparison purposes was not available. It should be noted that other media databases held by Monash University were also assessed for suitability, for example Media Scan, but none were deemed as returning a sufficiently comprehensive data pool as Factiva.

A print media reference pool approaching 2700 articles was compiled by using an initial filtering of the Factiva database. The database was subjected to a content analysis process whereby each article was searched for by year to contain any of the key words 'gambling', 'gaming', 'poker machines' or 'EGMs'. The data pool was manually refined to remove articles deemed irrelevant or inconsequential, such as subject matter on computer gaming or reporting of international gambling matters which did not relate to the Victorian policy making context. The pool was then subjected to a further three layers of refinement. The second layer of refinement was to identify the number of incidences where legislation or policy on poker machine gambling was discussed in the print media. The search terms 'legislation', 'regulation', 'Goods and Services Tax (GST)', 'policy', 'policy reform' and 'law' were used to map periods of activity.

The third layer of review was to assess the level of activity in the public realm of government, industry, civil society representatives and academic institutions. The fourth layer involved mapping the level of reported activity by individual stakeholders from the four sectors just described. Each article was evaluated for the identification of

individuals as stakeholders contributing to public policy debates. Those who appeared regularly were recorded and the number of incidences determined. An example of an assessment of one print media article is provided in Figure 5.2. The data for each item considered was then translated into a spreadsheet and aggregated by year under headings consistent with the adapted Three Factor Policy Model presented in Table 4.3 in Chapter 4.

As a consequence, the quantitative analysis produced from the data mapping was used for the purposes of identifying trends or patterns of commonality. The mapping provides a gauge on the level of policy debate occurring in the public arena. The mapping exercise was not designed to be a media study (or a study of the media either) and it was not designed to provide definitive results of every event of every word spoken by stakeholders about poker machine gambling. Such an approach would be unrealistic. Rather, the results of the quantitative analysis should be assessed for what they are, which is an indication of trends and/or patterns of public debate on poker machine gambling.

In determining that the study would draw upon historical evidence, it is important to highlight the limitations of this approach as well as investigating the utility of content analysis of publicly available documentation to assist shaping this report.

Figure 5.2 Example of a print media article layered assessment utilising the adapted Three Factor Model

**TAB, Racing And Government Gambling For High Stakes**  
 agee000020011031dp7g00h1l  
 News; Opinion  
 Sue Neales  
 921 Words  
 16 July 1993  
 The Age  
 14  
 English  
 Copyright of John Fairfax Group Pty Ltd

They're racing for the TAB, but will the winner be getting a prize? SUE NEALES reports.

IT WAS not what the former Premier, Sir Henry Bolte, and the TAB's first chairman, Sir Chester Manifold, had in mind when they formed the TAB in 1961. A highly public wrestle between the TAB's joint founders, the racing industry and the Government, would have been inconceivable by their standards of unity and joint purpose.

Yet this week, Victoria has been subjected to claim and counterclaim as the industry, the Government and TAB itself locked horns in the lead-up to the sale of the TAB by the Government.

The Government appears to want the TAB, with its \$2.6 billion annual turnover, to be sold to the public on the stock exchange for between \$600million and \$1 billion. A report from independent consultants Arthur Andersen, commissioned by the Government's privatisation unit, recommended the sale of TAB shares to the public as offering the best returns to the Government.

The racing industry, which relies on its funding for horse racing, the greyhounds and trotting meetings, is not so sure. It is concerned that it will lose its powerful say in the running of the TAB - and, more importantly, its access to 3.5 per cent of TAB racing turnover, worth \$90 million last year.

\* Complicating what might at first appear to be a dispute about power and money - and naturally they both lie at its heart - is the complex TAB ownership question.

The Government says it owns the TAB as a Government business enterprise and is free to sell it or restructure it as it sees fit. It also wants to retain its access to an average 6.5 per cent of TAB turnover, which contributed \$169 million last year to hospital funding and general revenue.

The Government tacitly acknowledges that the racing industry, through its initial establishment funding of the TAB, has the right to income, but not ownership of the betting agency, as decreed under the current Racing Act.

But the racing industry believes that it, even more than the Government, owns the TAB. And not just because of its original funding in the Manifold foundation days, but because it has continually put new capital, or foregone annual revenue from the TAB, to fund the authority's expansion and new business.

The confusion and conflict between the Government and the racing industry has come to a head in the past two years, with the decision by the former State Labor Government to allow poker machines in Victoria.

When the TAB was granted the licence to be one of two operators of electronic gaming machines, the racing industry contributed more than \$30 million to the TAB to help it fund its new gaming venture.

Racing industry executives claim this decision was taken to provide them with insurance for the future. With surveys showing that about 27 per cent of gambling is non-discretionary, it was

Figure 5.2 Example of a print media article layered assessment utilising the adapted Three Factor Model (continued)

assumed that as Victorian moved further into its gaming-led recovery featuring casinos, poker machines, Keno and Tabaret, that race betting turnover and racing attendances would fall.

By locking into a slice of the gaming action, the racing industry said it was ensuring a guaranteed income with which to fund races and prizemoney into the next century.

The problem with that claim, according to the TAB chairman, Mr Peter Scanlon, is that the realities of betting in Victoria have overtaken their legislative framework in the past year. Gambling is now a totally different industry from the days when the TAB reigned supreme over horse racing - and that is exactly why he says urgent restructuring, preferably privatisation, is needed to transform the TAB into a modern corporation.

Unfortunately lost in the confusion of the debate are fundamental questions about the TAB and the racing industry. Neither has been subjected to any real pressures to be commercially efficient and cost-effective. The TAB's Government-given monopoly has led to an organisation which cannot fail to make money - even the way the odds are set provides for 16 per cent of all bets to be retained by the TAB.

Government legislation gives it five per cent of turnover to run its business, regardless of performance. No risk is involved, nor incentive for the TAB to do its job better.

The new corporate board running the TAB wants to tackle these problems. It was hardly surprising that Mr Scanlon raised the spectre of a financial crisis facing the TAB this week to ensure that the Government and the racing industry got the message that it was quite happy about privatisation.

The racing industry has virtually been handed its \$80 million to \$90million of operating income from the TAB on a platter, with few questions asked about whether racing is run in the best possible way.

It is easy to hear loud complaints about waste in the racing industry.

The \$50 million spent by the Victoria Racing Club upgrading Caulfield was viewed by many as excessive. Prizemoney - \$13,000 for a midweek win and \$25,000 for a Saturday race - is high by world standards.

And with racing attendance numbers falling, the wisdom of having a multitude of country race tracks close to each other would have to be increasingly in doubt.

The question now is whether the racing industry will use the opportunity provided by restructuring of the TAB to get its own stable in order.

*industry certainty*

*Stakeholders*

- Government
- Racing industry
- TAB

*Key issues / policy tenets*

- revenue
- privatisation
- legislation
- power
- money
- business / industry
- risk

*\* Scanlon*

*X no CSO/NSM reps*

Figure 5.2 Example of a print media article layered assessment utilising the adapted Three Factor Model (continued)

Table 4.3 A Proposal for Evaluating how Gambling Policy is Made

| State Systems | Structural Factors  | Dynamic Factors   | Implications for Poker Machine Gambling Policy   | Measures to assess the process of policy decision making  |
|---------------|---|---|--|---|
| Political     | The centrality and complexity of the Victorian Constitution; the structure and relative powers of the elected government and the appointed judiciary. | Altered by changes through the electoral cycle; party politics, sub-national and international factors. | Political system will always be important but is there an adequate representation of social and economic interests in final policy articulation? | <p>1. Is the presence and role of coalitions observable and discernable in policy? <i>Liberal National Coalition ✓</i></p> <p>2. Are policy tenets expressed as outcomes accepted by stakeholders? <i>Expressed as power ✓</i></p> <p>3. Can the expression of policy making be clearly identified as an output of a given disciplinary dominance? <i>Yes economic ✓</i></p> <p>4. Can the consequences or impacts of the policy process be tracked? <i>Joint Venture Agreement ✓</i></p> |

Source: adapted from Shannon (1997)

Figure 5.2 Example of a print media article layered assessment utilising the adapted Three Factor Model (continued)

| State Systems | Structural Factors   | Dynamic Factors   | Implications for Poker Machine Gambling Policy   | Measures to assess the process of policy decision making   |
|---------------|--|---|--|--|
| Social        | Fundamental sociocultural values and social structures: the relative strength and institutionalisation of secular or religious beliefs and development of pluralism. | Modified by changes in public opinion: in particular the effects of NSMs, SMOs and CSOs as against 'new right' or religious traditionalist groups; sub-national and international actors. | Social system will only be crucial to some policy areas (e.g. problem gambling policy). Does it realistically reflect elite/stakeholder experiences?   | 1. Is the presence and role of coalitions observable and discernable in policy? <i>yes ✓</i><br>2. Are policy tenets expressed as outcomes accepted by stakeholders? <i>NO X</i><br>3. Can the expression of policy making be clearly identified as an output of a given disciplinary dominance? <i>yes ✓ economics</i><br>4. Can the consequences or impacts of the policy process be tracked? <i>yes ✓ ACFI Policy cycle</i> |
| Economic      | Natural physical and human resources. The concentration and composition of private capital.  | Distribution and development of state resources; the degree of corporatism and centralisation, sub-national and international factors.  | Economic system will only be crucial to some policy areas (e.g. EGM Taxation Policy, EGM licensing rights) inasmuch as policy does not limit or reduce economic returns to the state or gambling elites. | 1. Is the presence and role of coalitions observable and discernable in policy? <i>yes ✓</i><br>2. Are policy tenets expressed as outcomes accepted by stakeholders? <i>yes</i><br>3. Can the expression of policy making be clearly identified as an output of a given disciplinary dominance? <i>yes ✓ economics</i><br>4. Can the consequences or impacts of the policy process be tracked? <i>yes ✓ TAB → Tabcorp</i>      |



The integrity of information available as evidence by which to construct each case study needs to be commented upon. Shannon (1997) highlights the difficulty in adopting the Advocacy Coalition Framework methodology by rote so in addition to the caveats regarding the print media and Hansard data pools discussed prior, there are two additional aspects pertinent to the utility of this material as evidence. In respect of information that is in a written form, whether print media articles or government records, by default one must rely on the accuracy of the printed word to adequately and appropriately reflect the intentions of the persons concerned recording the material or writing about certain events. The use of Hansard records maintained by the Victorian Government is one way of providing some check and balance between what is reported in the press, as Hansard is at best a verbatim record of political dialogue made in the parliament.

The other aspect relates to what is *not* represented or is absent from dialogue in the public domain. One needs to consider whether there has been any filtering of messages especially when data is presented as fact or position on any given matter. Equally, it is acknowledged that there is a likelihood some material pertinent to this study may not be available in the public domain. In Victoria, the relevant statute law is the *Freedom of Information Act 1982* (FOI Act).

The FOI Act provides an exemption to the release of documentation if it is deemed to be part of Cabinet material. Specifically, the FOI Act exempts the public release of any document if it is deemed that it is either “an official record of any deliberation or decision by Cabinet; a document prepared by a Minister or on his or her behalf or by an

agency; a briefing to the Minister; and/or any document which would show how a decision was made by the Cabinet” (State Government of Victoria, 1982: 46).

It is the public service, the bureaucracy, which is responsible for preparing material for use by ministers and the Cabinet. Reports, briefings, advisory notes and the like could be identified as being exempt from public release due to the criteria imposed on Cabinet material. As a consequence, it would be reasonable to deduce from the FOI exemption criteria that there may be a body of material prepared by officers in departments of the Victorian Government’s public service which could have been of interest to the case studies. In the context of the Victorian government, it is an unknown factor. It is this missing stakeholder element that I will discuss when referring to the findings of this study in Chapter 10.

Barriers to releasing information under FOI in Victoria by governments could be construed as merely a mechanism to protect material which is economically sensitive or important, that is, material which would be commercially confidential. The strategy of using the argument of ‘commercial-in-confidence’ is not isolated to government, and would equally apply to commercial/industry stakeholder interests as well.

In an historical sense, it is also important to ensure coverage of the following particular aspects related to gambling. This includes questions such as why did gambling receive a lesser level of government policy interest before 1990s and why there was such a rapid expansion of gambling economic opportunities in the 1990s. Additionally, in terms of legislation, why was there such a high level and rapid change in the years 1991 to 2002?

Moreover, linkages need to be made to consider whether these two questions are interrelated and if so, in what ways? Furthermore, an assessment that includes some level of interpretation by the researcher needs to be pursued to document how changes in the way the role of government altered in terms of how it governed. Additionally, how can explanations in the growth in importance of gambling for state revenue be justified and at what social cost? Can it be put down to an official response and an unofficial response? Just what power politics were in play during this time?

Methodologically, this study will use the combined media and Hansard data pool of some 3700 separate but related items as evidence compiled through the years 1991 to 2002 for the purpose of unpacking the various voices of policy on the political economy of poker machine gambling. This study will focus on the intersections that occurred in terms of the role of the state, the gambling industry and other commercial sector interests, civil society, and academic interests in the processes of policy making. Making sure that the study is clear about the differences between definitions of the problem is absolutely crucial. This study is concerned with the policy making process and decision making circumstances about poker machine gambling policy in Victoria as the material to reflect on policy making. This will be continually reinforced throughout the study to ensure clarity at all times, given that the objective for research contrasts to the majority of interdisciplinary literature which focuses on gambling in terms of ‘problem gambling’, the ‘problem gambler’ and the ‘problem of gambling’.

Chapter 6 will now assemble and review the key information as it relates to each of the four narratives for their significance to policy making in the political economy of poker machine gambling in Victoria.

## Chapter 6

### EVOLUTION OF A GAMBLING INDUSTRY

#### Introduction

Gambling is firmly entrenched in the Australian psyche. Legitimate and illegitimate gambling, a bob each way on the horses or a game of two-up by returned service personnel on ANZAC Day continue to be part of an identity forged from colonial attitudes and experiences (O'Hara, 1985). Gambling in Australia grew in part by an almost anti-establishment sentiment that arose especially from within a working class environment.

Four key stages in the history of gambling in Australia are identified (AIGR, 1999). This history began with the European settlement and colonisation period from 1788 to 1900, then moved to a select legislative environment from 1900 to 1940, and was followed by a gambling market whose growth was underpinned by a receptive government system from the end of the second World War to 1970. An extended period of commercialisation, privatisation, competition and an expanding market for gambling products occurred between 1970 and into the 1990s.

These four stages are useful for grasping an appreciation of the evolution of the gambling industry in Australia. In Victoria, these circumstances were: the creation and growth of Tattersall's from the beginning of the 20th century; the legislation to administer the operations of the TAB and TABCorp (Collyer et al, 2001); the building

and operating of Crown Casino as a significant force in the gambling market; and the Victorian racing industry emerged to grow and prosper as a major stakeholder. The creation of TABCorp and the building of Crown Casino occurred in the 1990s. Indeed, the TAB, Tattersall's, Crown Casino and the Victorian Racing Industry are considered central factors in the establishment and expansion of the poker machine industry in Victoria.

This chapter introduces the key actors in the political economy of poker machine gambling in Victoria between 1991 and 2002. The narratives detailed in this chapter focus on the key gambling organisations in Victoria. The narratives aim to provide an understanding of the factors that shaped the poker machine industry in Victoria. The narratives in themselves are not presented as definitive and do not attempt to describe every detail of every event that transpired. They provide a tool for illuminating and amplifying key issues or points salient to the development of policy.

The history of gambling in Victoria, and indeed more broadly of Australia, provides a fascinating point of reference when considering the evolution of Australian society post Federation in 1901, from its harsh colonial and convict heritage to a society of egalitarianism and affluence (AIGR, 1999). There is value in documenting briefly the salient events and detail of that history. These historical events and detail are outlined as they serve to inform an understanding of the social and policy dynamics present during the study period. Therefore, this chapter is designed in part to provide base information on the historical context of legal gambling activity and government control over gambling in the State of Victoria.

### **The Victorian gambling industry**

The 1983 Connor Inquiry into the proposal for a casino (Connor, 1983) and the parallel 1983 Wilcox Inquiry into poker machines for Victoria (Wilcox, 1983) both rejected the need for either a casino or poker machines as gambling products for Victoria. However, both reports recommended strict controls in the event that any future government chose to license, supervise or control casinos and poker machines (Schilling, 1994).

Notwithstanding the recommendations of the Connor (1983) and Wilcox (1983) Inquiries, in 1990 the Premier of Victoria, Joan Kirner, announced that two gambling products would be introduced – electronic gaming machines and a casino (Schilling, 1994). This decision signalled a significant change to legalised gambling in Victoria and the ways in which the gambling industry would be regulated through legislation. In addition, the construction of the state's first casino took place alongside the introduction and proliferation of poker machines throughout the state. These changes had many consequences for the state, and at this time the development of internet and multimedia gambling options also gained momentum.

Of the forms of gambling noted, the introduction of poker machine gambling or pokies is the one form of gambling that had far reaching and a highly visible presence for many Victorians. In order to comprehend the extent of how significant an impact industry regulation and privatisation in the gambling industry had on the gambling market, it is pertinent to document the breadth of the gambling industry that existed in Victoria before 1991 and then from 1992 to 2002 as part of the evidence informing this study.

### THE TOTALISATOR AGENCY BOARD (TAB)

The *pari mutuel* system of wagering was invented by Oller in 1872 (O'Hara, 1988). Oller's objective was to remove bookmakers from the betting process. The totalisator, or *tote* as it came to be known, was a hand held calculating machine invented in New Zealand and the *pari mutuel* system involved pooling all money wagered on a given race event and then dividing a proportion of the pooled amount to each winning share, less amortisation for operator expenses and profit. Oller's totalisator required a considerable number of people to administer and manage the system and was costly to run.

Race clubs identified this machine, the *tote*, as an attractive way to remove bookmakers from profiting from betting at race tracks, thereby securing a monopoly over race track betting activity. The tote was their strategy to contribute to prize money on races (O'Hara, 1988).

The first oncourse totalisator began operating in Melbourne in 1931 (Haig, 1985b). These totalisator services were generally conducted by racing clubs and clubs themselves appointed third parties, that is, independent contractors, to operate the service. The club and the State Government each received 5 per cent of the turnover from the totalisator (Haig, 1985b).

The Totalisator Agency Board (TAB) was built on the earlier model introduced in the hand held device, and created as a public corporation with the specific task of providing 'offcourse' betting for horse racing under the Victorian Government's *Racing Act 1958*.

The TAB was seen as a model for how to operate a public sector (government based) totalisator system. Other states soon followed the Victorian path (Collyer et al., 2001). The TAB wagering system began operations on 11 March 1961 and in 1963 the coverage was extended to Sydney, Adelaide and Brisbane race meetings. In 1966 the TAB introduced offcourse totalisator services for greyhound racing, as well as other betting permutations on the horses such as the double, quinella, trifecta, quadXtra and quadrella systems in addition to its core win and place bet system.

By 1971 the TAB had introduced same day pay out services on winning bets. Sports betting services commenced in 1977. Between 1980 and 1984, the TAB began to further roll out a number of service enhancements to betting. These included approximate dividend broadcasts on radio and dividend displays at TAB agency outlet sites, providing after race pay outs of dividend winnings, and extending the allowable betting time on a race up to the race start time on Victorian metropolitan, selected Victorian country and selected interstate race events (TABCorp, 1994).

In 1985 the TAB opened the first PubTAB agency that is, a TAB betting service within a premise licensed to sell alcohol. Sky Channel television broadcasts of racing events began in 1988 and fixed odds sports betting came into operation in 1990. Between 1986 and 1994, the TAB acquired the rights to operate oncourse totalisator services at the majority of Victorian race courses. By 1992-1993, the TAB had in operation 618 retail outlets throughout Victoria in both licensed and un-licensed premises which were predominantly located in retail precincts or strip shopping locations. By 1993, the TAB operated oncourse services at 83 race tracks in Victoria as well as through two



telephone betting services located in Melbourne. The TAB provided betting services for 3204 race meetings in 1992-1993 and the total turnover from wagering at these racing events was \$2.478 billion in the full financial year 1992-1993 (TABCorp, 1994: 31-34).

An activity not accounted for in the TAB turnover data is the operation of the SuperTAB. The SuperTAB is a totalisator that combined the betting pools from the Australian Capital Territory (ACT), Western Australia (WA), South Australia (SA) and Tasmania with the betting pools from Victoria. A benefit of combining the pools from the five jurisdictions is to create a larger tote pool and thus deliver better win/place odds and dividends for bettors. In 1992-1993 the turnover from the SuperTAB was \$1.076 billion and the TAB received a commission of 0.0625 per cent on pooled bets for its role in managing and administering the totalisator. The SuperTAB turnover is in addition to the \$2.478 billion tote turnover for the TAB in Victoria (TABCorp, 1994: 31-34).

With the approval of the Kirner ALP Government, on 29 November 1990 the Victorian TAB opened what is in reflection a poker machine style outlet in Victoria. Tabaret began operating as a gaming venue at the Rialto building on the corner of King and Collins Streets in Melbourne. Tabaret used card based games that were similar to traditional 'poker machine' type games in use at interstate gaming venues (Tattersall's, 2006).

The poker machine gaming division of the TAB commenced on 16 July 1992 (TABCorp, 1994). The TAB was granted one of two gaming operator licences for

Victoria in April 1992 under the *Gaming Machine Control Act 1991*. The second approved operator was Tattersall's. The gaming licence permitted the TAB to operate 50 per cent of the total allowable gaming machines which was initially approved at a ceiling of 45,000 machines under the *Casino Control Act 1991*. The TAB's first gaming venues under this licensing regime began operating on 16 July 1992 at the Footscray Football Club and the Dorset Gardens Hotel, Croydon.

Within the space of two months the TAB had achieved an initial market rollout to 16 venues with 1335 poker machines (Table 6.1). An important factor in the development of the poker machine economy was the Gaming Machine Control Act (see Chapter 7) that had capacity to authorise gaming on licensed premises where alcohol could be purchased and consumed. This is in contrast to offcourse wagering which historically was conducted in unlicensed premises such as retail outlets and sub-agencies. The introduction of gaming machines on licensed premises began to alter with the advent of the Pub-TAB in the late 1980s.

Table 6.1 Victorian TAB Gaming Machine Distribution as at 31 August 1992

|                        | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 6                | 5      | 586                | 444    |
| Country Victoria       | 3                | 2      | 190                | 115    |
| Subtotals              | 9                | 7      | 776                | 559    |
| Total                  | 16 venues        |        | 1335 machines      |        |

Source: VCGA Annual Report 1991/1992, State Government of Victoria (VCGA, 1992)

Table 6.2 Victorian TAB Gaming Machine Distribution as at 30 June 1993

|                        | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 20               | 36     | 1569               | 2721   |
| Country Victoria       | 11               | 13     | 448                | 680    |
| Subtotals              | 31               | 49     | 2017               | 3401   |
| Total                  | 80 venues        |        | 5418 machines      |        |

Source: VCGA Annual Report 1992/1993, State Government of Victoria (VCGA, 1993)

The following year witnessed a further expansion of machines to clubs and hotels in Victoria. By mid 1993 poker machine numbers had reached 5418 distributed across 80 club and hotel venues (Table 6.2). Table 6.1 and Table 6.2 highlight a discernable preference for securing poker machines in metropolitan hotels. It will be noted in subsequent chapters that hotels consistently returned greater profits to operators over other venues and consequently were more lucrative to operators.

By June 1994 the TAB gaming division had installed and operated 3244 machines in 71 licensed clubs and 3720 machines in 73 hotels, making a total of 6964 poker machines at 144 licensed clubs and hotels throughout metropolitan Melbourne and country Victoria. Of these machines, 5075 were installed in 94 venues in metropolitan Melbourne, with more than 20 per cent of these located in 19 venues in the central business district and inner suburbs of Melbourne including Collingwood, Carlton and North Melbourne. Country TAB venues accounted for approximately 20 per cent (1148) of machines with the majority of these being located in Geelong, which had 399 machines in six venues and Ballarat with 266 machines in seven venues (TABCorp, 1994).

Table 6.3 Victorian TAB Gaming Machine Distribution as at 30 June 1994

|                        | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 39               | 55     | 2096               | 2979   |
| Country Victoria       | 32               | 18     | 1148               | 741    |
| Subtotals              | 71               | 73     | 3244               | 3720   |
| Totals                 | 144 venues       |        | 6964 machines      |        |

Source: TABCorp (1994: 42) *Prospectus TABCorp Holdings Pty Ltd*, Melbourne.

Prior to the introduction of poker machines, the TAB represented a significant revenue generator for the Victorian Government from wagering services. However, by 1988 the TAB contributed over \$1 billion to the Hospitals and Charities Fund as prescribed under the Racing Act (Collyer et al., 2001). Now there was a noticeable shift in the source of acknowledged profits for the TAB from wagering to gaming in a relatively short space of time. There was particularly significant growth and rise in revenue and profitability from gaming in the two years from 1992 to 1994, compared to wagering which show only a “moderate revenue growth” (TABCorp, 1994: 9). Moreover, the 1994 TAB corporate data shows that 20 venues delivered 36 per cent of the business’s total gaming revenue. In other words, a small number (14 per cent) of venues generated over one third of all gaming revenue for the TAB.

The venues that generated the greatest profits for the TAB were sixteen hotels and four clubs. Nine of these venues contained the maximum legally permissible number of machines (105). The five most profitable hotels for the TAB for revenue raising were the Excelsior Hotel in Thomaston, the Highpoint Shopping Centre in Maribyrnong, the Seaford Hotel in Seaford, the Rosstown Hotel in Carnegie and the Prince Mark Hotel in

Berwick. The five most profitable clubs for the TAB for revenue raising were the Victorian Amateur Turf Club (VATC) in Caulfield, the Moonee Valley Racing Club (MVRC) in Moonee Ponds, the Victoria Racing Club (VRC) in Flemington, the Doga Club in Melbourne's CBD and the St Kilda Football Club in Moorabbin (TABCorp, 1994: 43). The profitability of the TAB was built on large suburban hotel venues, horse racing and Australian Football League (AFL) club venues. Gaming turnover grew by over 160 per cent in the financial year 1993-1994 and profit likewise grew by 165 per cent in the same period (TABCorp, 1994: 59).

Regardless of this economic reality, the political climate of the 1990s was such that the TAB as a state owned and operated enterprise came onto the political radar as part of an agenda for privatisation and as a cash raising opportunity through asset sales by the Liberal-National Coalition Government of the day. As early as February 1993, the State Government was publicly discussing the potential for privatising the TAB (Neales, 1993a). This important part of the TAB gambling story is commented on in the examination of the Victorian political environment later in this study and it too will be seen as part of the picture informing the selection of the nominated timeframe for this study.

### **TABCORP HOLDINGS PROPRIETARY LIMITED**

With a change of government in Victoria from the ALP to the Liberal-National Coalition in September 1992, TABCorp Holdings Pty Ltd was established as the new publicly owned company for gaming and wagering. The Liberal-National Coalition Government granted TABCorp the sole licence to provide offcourse totalisator betting

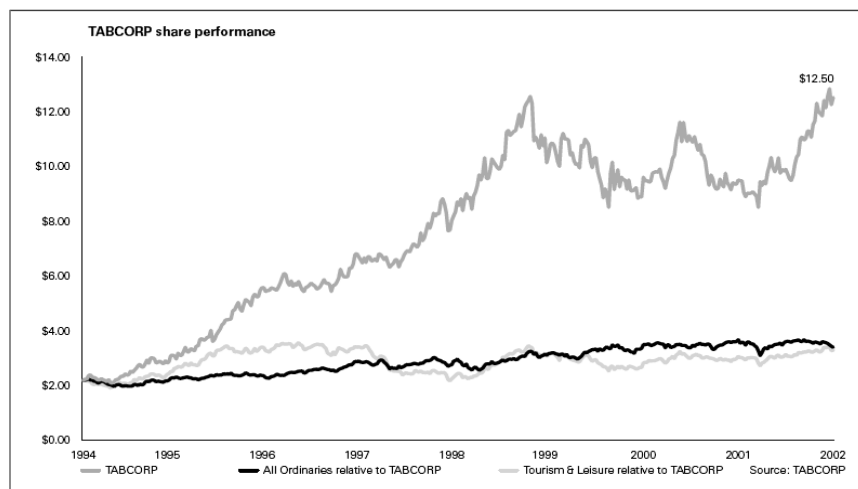
in Victoria on thoroughbred, harness and greyhound racing events conducted in Australia and New Zealand. As mentioned earlier, the Liberal-National Coalition Government granted TABCorp one of the two gaming operator licences and the licence would be valid for a period of eighteen years. Under the *Club Keno Act 1993*, TABCorp was granted one of the two licences to conduct Club Keno games in licensed venues.

The Government incorporated TABCorp Holdings on 13 April 1994 and from 25 May 1994 companies created by the racing industry entered a long-term agreement with TABCorp for wagering services. Legislation for the operation of TABCorp was passed on 2 June 1994 under the *Gaming and Betting Act 1994*, and on 28 June 1994, TABCorp was granted the licences to conduct the gambling activities and businesses of the TAB. TABCorp shares were listed on the Australian Stock Exchange in August 1994 at the institutional subscription price of \$2.25 per share (minimum purchase 50,000 shares) and \$2.70 per share (minimum purchase 500 shares) for members of the Australian public.

From the revenue raised through the share offer, TABCorp furnished \$77.8 million to the Victorian Government for all of the businesses operated by the TAB, as well as a fee of \$597.2 million for the acquisition of its Victorian wagering and gaming licences. These licences would be valid for eighteen years and an openly publicised condition of the licences were that upon expiration, TABCorp was entitled to participate in any tendering process for new licences. TABCorp would also be entitled, successful or not in the tendering, to receive a sum equal to the lesser of the sum paid for the licences or a benchmark sum. The benchmark sum was defined as being not greater than 115 per cent

or 85 per cent of the amount paid by TABCorp for the first licence issue (TABCorp, 1995).

Figure 6.1 TABCorp Share of Performance, 1994-2002



Source: TABCorp Annual Report (2002)

In its first year of operation TABCorp had 40,000 shareholders and approximately 24 per cent of the issued capital was held by overseas institutions. By the end of the 1994-1995 financial year, the value of TABCorp shares had risen to \$2.91, an increase of 30 per cent in the ten and a half months since trading commenced (TABCorp, 1995). In its first year of operation, TABCorp returned a fully franked share dividend of 14.5 cents per share on the back of a net company after tax operating profit of \$63.4 million and TABCorp paid \$247.8 million in gambling taxes from all operations to the Victorian Government (TABCorp, 1995: 5). By the end of 2002, the value of TABCorp shares had increased by over 300 per cent to \$12.50 (Figure 6.1) with an annual fully franked dividend return of 63 cents per share (TABCorp, 2002).

One of the conditions arrived at between the Victorian Government and the racing industry for the transfer of gambling business from the TAB to the publicly listed TABCorp was the creation of a Joint Venture Agreement (JVA) between TABCorp and Vic Racing (TABCorp, 2006). Vic Racing was a company formed by stakeholders in the racing industry, and the JVA entitled this company to a 25 per cent interest in the conduct of gambling activities by TABCorp. Technically, the JVA required TABCorp to accumulate a pool from all operations and that pool was owned 75 per cent by TABCorp and 25 per cent by Vic Racing. Dividends and costs for running gambling activities were paid from this pool and profits divided up on the basis of the pool ownership ratio. Six persons formed a management committee to oversee this pool. They comprised three each from TABCorp and Vic Racing, with the CEO of TABCorp to assume the role of chairperson.

The JVA would only terminate if TABCorp no longer had the authority to hold wagering and gaming licences under the relevant Act (TABCorp, 1994: 49). The financial return on this agreement to Vic Racing was \$134.4 million in its first year of operation. This revenue went directly to the racing industry through the corporate entity Vic Racing (TABCorp, 1995: 27).

A further dimension of the relationship between TABCorp and Vic Racing relates to the establishment of yet another company, Racing Products Victoria. Between these three entities, a Racing Program Agreement and Product Supply Agreement were made. The Racing Program Agreement required the operation of an annual race meeting program



in Victoria by members of the principal racing body in Victoria (the VRC). For operating this program, the racing bodies would receive \$50 million annually.

The Product Supply Agreement involved racing bodies supplying all information required to operate totalisator services in Victoria, and for this service the providers would receive a fee of 18.8 per cent of tote turnover on racing less dividends and costs. The Product Supply Agreement also required the racing bodies to implement a marketing plan for the promotion of racing, and for this activity they would receive a fee of \$2.5 million per annum. All of the fees received for these activities would be indexed from 1997-1998 by being linked to growth in offcourse totalisator turnover on racing, less dividends paid. TABCorp estimated that the value of the fees under the Joint Venture Agreement, Product Supply Agreement and the Racing Program Agreement to the racing industry would be approximately \$132 million in its first full year of operation from 1994 to 1995 (TABCorp, 1994: 49).

TABCorp's commercial focus was the Victorian domestic gambling market and that ostensibly is the basis of its genesis from the legacy of the former Victorian TAB. Throughout the period of this present study, TABCorp remained one of the two entities that operated non-casino based gaming machines in Victoria. Data on the placement of poker machines supplied by the Victorian Commission for Gambling Regulation (VCGR, 2011) indicates TABCorp's swift deployment of machines once the State Government had issued instructions in the form of ministerial directions on the permissible number of machine licences.

Table 6.4 TABCorp Gaming Machine Distribution as at 30 June 1996

|                        | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 64               | 90     | 3274               | 5004   |
| Country Victoria       | 72               | 39     | 2519               | 1269   |
| Subtotals              | 136              | 129    | 5793               | 6237   |
| Total                  | 265 venues       |        | 12,066 machines    |        |

Source: Victorian Commission for Gambling Regulation (2011)

On 28 August 1995 the State Government determined that the new ceiling of 25,000 on licences for poker machines, that is, 12,500 each for TABCorp and Tattersall's. By 30 June 1996, TABCorp had essentially reached its market capitalisation with 12,066 poker machines. The placement of machines by venue type and location (Table 6.4) suggests an emphasis on placing machines in the more profitable locations, that is, metropolitan Melbourne hotels rather than community based club venues.

With a further round of changes to the ceiling on the number of poker machine licences issued under ministerial directions on 28 May 1996, an increase of 2500 extra licences was confirmed. The data on the placement of poker machines by TABCorp (Table 6.5), reveals that the company had essentially completed the roll out of available machine capacity by 30 June 1999 with a total of 285 club and hotel venues sharing in 13,702 operating machines. The two notable exceptions are the acquisition of Star City Casino in Sydney and the merger with the Queensland based Jupiter's Limited.

Table 6.5 TABCorp Gaming Machine Distribution as at 30 June 1999

|                        | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 70               | 94     | 3856               | 5612   |
| Country Victoria       | 78               | 43     | 3009               | 1225   |
| Subtotals              | 148              | 137    | 6865               | 6837   |
| Total                  | 285 venues       |        | 13,702 machines    |        |

Source: VCGA (1999)

Star City Casino is located on Darling Harbour Sydney and was acquired as a business by TABCorp on 14 October 1999 (TABCorp, 2000). Star City operates in the state jurisdiction of New South Wales and TABCorp issued 65.4 million additional shares to partially fund its acquisition. This took the number of shareholders in TABCorp from 40,000 to 61,000 in that year on the back of net borrowings in the order of \$880 million. As at June 2000, Star City operated 1500 gaming machines and 210 gaming tables and accounted for 4 per cent of total NSW gaming machine expenditure. This is compared to the fact the casino had only 1.5 per cent of the NSW machine market numbers (TABCorp, 2000).

The merger with Jupiter's Limited in November 2003, while technically outside the research timeframe, is none the less an important event in TABCorp history, and built upon its previous casino business expansion into New South Wales. On 10 January 2003, TABCorp publicly announced that merger discussions were taking place with Jupiter's Limited (TABCorp, 2000: 46). Four years later, the merger with Jupiter's Limited delivered ownership of three casinos and accompanying hotels in Queensland on the Gold Coast, Brisbane and Townsville, as well as gaming monitoring operations

in Queensland and Keno in Queensland and New South Wales. This expansion provided TABCorp with a significant business enhancement to its product portfolio through access to other gambling markets in Australia besides its core Victorian jurisdictional licences.

Table 6.6 TABCorp Gaming Machine Distribution as at 30 June 2002

|                        | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 67               | 95     | 3920               | 5833   |
| Country Victoria       | 75               | 34     | 2901               | 1129   |
| Subtotals              | 142              | 129    | 6821               | 6962   |
| Total                  | 271 venues       |        | 13,783 machines    |        |

Source: VCGA Annual Report, 2001/2002, (VCGA, 2002)

TABCorp was created in the first instance to provide the Victorian economy and consumer market with gambling services as a non-statutory agent. It was also a source of expanding tax revenue for government and operating funds for the racing industry. Within a decade the company had expanded into gambling markets outside its original ambit. At the end of the 2002 financial year (Table 6.6), the roll out of the number of poker machines permitted under the state gaming licence for TABCorp was consistent with the information for machine placement as at June 1999.

The economic value that TABCorp had acquired is perhaps no better represented than in the following data summary from TABCorp's 2002 Annual Report, which provides comprehensive evidence to illustrative the growth in dollar value to shareholders and the State of Victoria. The TABCorp data confirms that its profit in 2002 (after tax) was up 39.0 per cent from 2001 to \$261.0 million, it was able to pay a final dividend of 32

cents per share fully franked, its dividend value increased from 51 cents from 2001 to 63 cents in 2002, its earnings per share was up 38.7 per cent from 2001 to 70.0 cents, and TABCorp's net operating revenue was up 6.6 per cent from 2001 to \$1933.1 million. TABCorp's wagering profit before interest and tax rose 21.9 per cent to \$63.9 million from 2001, gaming profit before interest and tax increased 5.7 per cent to \$230.8 million, the Star City Casino profit before interest and tax increased 41.1 per cent to \$158.5 million, and its net company debt was reduced by \$165.4 million to \$650.1 million.

By 2002 TABCorp had grown to a level where it was fundamentally a different economic entity to that of the original TAB from the 1950s. TABCorp grew from a concern that serviced horse racing interests in Victoria to becoming a major national corporate entity with significant gambling market assets, operations and interests in racing, casinos, club and hotel gaming throughout eastern Australia. In terms of outgoings, shareholder equity increased from 15.1 per cent to 20.7 per cent and taxes on gambling paid by TABCorp businesses was approximately of \$770.4 million for the financial year 2001-2002.

### **TATTERSALL'S**

In contrast to the reasonably comprehensive material available on the operation of the Victorian TAB and the subsequently publicly listed company TABCorp Holdings, less is known about the intricacies of the corporate operations of Tattersall's. Tattersall's was established in 1881 by George Adams, whose first venture into gambling was the running of a public sweep on a horse race called the Sydney Cup. A publican at the time, Adams introduced totalisator and sweepstake betting on horse races (O'Hara,

1988). Encouraged by the Tasmanian Government and the Van Diemen's Bank in 1895, Adams relocated sweepstakes and lottery operations from Sydney to Hobart, with a brief interlude in Queensland. It was not until 1897 that Adams was able to conduct his first horse racing sweepstake in Tasmania.

From 1904, Tattersall's moved to operate under the provisions of the estate that George Adams made before his death. These provisions set out how Tattersall's would conduct business as a trust and it continued to operate in this way for over one hundred years. The operation of the trust also provided for the original workers' families to inherit some of the proceeds from the business and it further allowed the board to operate a company structure that was not required to provide corporate governance information in the public domain (Tattersall's, 2004). It was not until 2005 that Tattersall's company structure changed to become the publicly listed company Tatts Group Limited.

Throughout the period from 1900 to the 1960s, Tattersall's operated sweepstake activities and marketed these products across Australia. After initially being banned from operating in Victoria during the late 1800s and early 1900s, Tattersall's moved its operational headquarters from Hobart to Melbourne. Tattersall's move to Victoria was partly motivated by its objection to the Tasmanian Government's efforts to raise more tax from Tattersall's gambling activities, as well as the fact Tattersall's were granted a licence to operate a regular lottery in Victoria (Cathcart and Darian-Smith, 1996). Mainland Australia was considered to have a more congenial government environment and an acceptance of gambling with Australian state jurisdictions publicly stating that

gambling was a source of state revenue rather than a subject for prohibition (O'Hara, 1988).

From 1972 the Victorian Government granted the rights to Tattersall's to operate 'Tattslotto', a once per week televised lottery draw which rapidly became a popular national form of gambling (VCGA, 1999). It was based on a numbers game which had become popular in Europe in the 1960s and the methodology for conducting the game was not greatly changed by Tattersall's. As a gambling activity, Tattslotto involved drawing of seven balls numbered one to forty from a barrel. Dividends were paid out on various combinations of at least four numbers with regular jackpots of over \$1 million. This type of lotto encouraged other state-based lottery activity with the expansion of products over the next decades such as Mid Week Lotto, Powerball and OzLotto, with many other Australian states and territories besides Victoria entering into agreements with Tattersall's to conduct such lotteries (O'Hara, 1988).

Tattersall's introduced another product into the Victorian market in the 1980s with a scratch card style lottery ticket. However, the 1990s proved pivotal to Tattersall's business interests by securing its most profitable gambling product with the introduction of poker machines. Along with the TAB, Tattersall's was granted a gaming licence to operate poker machines in Victoria. Like its direct industry competitor the TAB, from June 1992 Tattersall's commenced a rapid roll out of poker machines. In two months, Tattersall's was able to place 1360 machines in 25 venues (Table 6.7). By 30 June 1993, Tattersall's had secured a market reach of 113 venues with 4370 machines (Table 6.8).

Table 6.7 Tattersall's Gaming Machine Distribution as at 31 August 1992

|                        | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 10               | 6      | 550                | 433    |
| Country Victoria       | 6                | 3      | 241                | 137    |
| Subtotal               | 16               | 9      | 791                | 570    |
| Total                  | 25 venues        |        | 1360 machines      |        |

Source: VCGA Annual Report 1991/1992, (VCGA, 1992)

Table 6.8 Tattersall's Gaming Machine Distribution as at 30 June 1993

|                        | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 43               | 33     | 1452               | 1992   |
| Country Victoria       | 22               | 15     | 480                | 446    |
| Subtotal               | 65               | 48     | 1932               | 2438   |
| Total                  | 113 venues       |        | 4370 machines      |        |

Source: VCGA Annual Report 1992/1993, (VCGA, 1993)

This rapid expansion occurred in terms of both the quantum of machines and venues so that by the end of February 1994, Tattersall's had further expanded its deployment and venue reach with a total 182 venues housing 6650 machines. That expansion continued so that by June 1994, the deployment figures had increased to 194 venues Victoria wide and 7347 machines (Table 6.9), an increase of nearly 3000 machines on the previous year's market reach.



Table 6.9 Tattersall's Gaming Machine Distribution as at 2 June 1994

|                        | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 81               | 50     | 2602               | 2842   |
| Country Victoria       | 41               | 22     | 1163               | 740    |
| Subtotal               | 122              | 72     | 3765               | 3582   |
| Total                  | 194 venues       |        | 7347 machines      |        |

Source: VCGR (2007)

The ministerial directions of 28 August 1995 lifted the number of gaming licences to 25,000 and of that, 12,500 were allocated to Tattersall's. By 30 June 1996, Tattersall's had achieved a market profile with 11,254 poker machines (Table 6.10). In contrast to the TAB, which had an emphasis on placing machines in metropolitan hotel environments, the figures for Tattersall's suggest a relatively even split between venue type and by location.

Table 6.10 Tattersall's Gaming Machine Distribution as at 30 June 1996

|                        | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 96               | 75     | 3929               | 4628   |
| Country Victoria       | 45               | 34     | 1378               | 1219   |
| Subtotal               | 141              | 109    | 5407               | 5817   |
| Totals                 | 250 venues       |        | 11,254 machines    |        |

Source:Victorian Commission for Gambling Regulation (2011)

With a further round of licence increases Tattersall's had essentially reached its full market capacity by 30 June 1999 (Table 6.11). What is interesting to observe is that

while the number of operational licences reached a peak by the middle of 1999, the number of venues operating machines remained relatively stable from the mid 1990s onwards. The inference here is that profitable venues sought to increase the number of poker machine licences for a given venue, while at the same time less profitable venues were either reduced or removed from the poker machine market.

Table 6.11 Tattersall's Gaming Machine Distribution as at 30 June 1999

| Area                   | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 104              | 85     | 4787               | 5521   |
| Country Victoria       | 50               | 36     | 1981               | 1298   |
| Subtotal               | 154              | 121    | 6768               | 6819   |
| Totals                 | 275 venues       |        | 13,587 machines    |        |

Source: VCGR (2007)

Tattersall's operated lotteries under government licences in four Australian jurisdictions, and had the right to conduct gaming activities in five Pacific Island nations. In effect Tattersall's had become one of Australia's highest value gaming businesses with a turnover exceeding \$14.5 billion (Tattersall's, 2004). Alongside its growing business, Tattersall's had a "lottery retail network consisting of 916 retail outlets [that employed] another 3,000 Australians in small business. Tattersall's gaming network [consisted] of 261 hotels and clubs in Victoria [and they] employ[ed] directly or indirectly an estimated 13,000 people" (Tattersall's, 2004: 1). The pokies provided much of the revenue stream that supported Tattersall's expansion. In the three years from 1999, Tattersall's moved some of its machines to different clubs and hotel venues.

Table 6.12 Tattersall's Gaming Machine Distribution as at June 2002

|                        | Number of Venues |        | Number of Machines |        |
|------------------------|------------------|--------|--------------------|--------|
|                        | Clubs            | Hotels | Clubs              | Hotels |
| Metropolitan Melbourne | 97               | 84     | 4687               | 5606   |
| Country Victoria       | 48               | 36     | 2033               | 1291   |
| Subtotal               | 145              | 120    | 6720               | 6897   |
| Totals                 | 265 venues       |        | 13,617 machines    |        |

Source: VCGA (2002)

The data detailed in Tables 6.8 and 6.12 suggest that by 2002 Tattersall's market share and business model was remarkably similar to TABCorp's, although Tattersall's had supply contracts with more metropolitan Melbourne clubs. Tattersall's supplied 97 venues in the metropolitan area, compared to TABCorp's 67 clubs. The opposite was true in country Victoria where Tattersall's had 48 contracts with club venues compared to TABCorp's 75 contracts.

Regardless, the relative proportion of poker machines by venue type and location remained reasonably consistent for Tattersall's when assessed against its market model established in the early phase of the industry. Of note was Tattersall's deployment of machines as being similar to the speed of machine rollout by TABCorp and market expansion occurred swiftly following government approval for additional machine licences.

While these observations point to some degree of commonality between the Tattersall's and the TAB/TABCorp poker machine story, the key point of divergence between the two organisations is in relation to corporate governance. Unlike TABCorp, Tattersall's

was not a publicly listed company on the Australian Stock Exchange and consequently Tattersall's was not required to disclose in the public realm those individuals or entities who received financial dividends from Tattersall's operations. Setting aside public knowledge as to who the staff of the organisation and members of the Tattersall's board of trustees were, public information in relation to the beneficiaries of the Tattersall's Trust was either based on conjecture or disclosed by choice of the beneficiary. Anti-gambling activists such as Tim Costello (1999) and Royce Millar (1999) made a particular issue of the organisation's non-disclosure of profits.

### **CROWN CASINO**

In contrast to the Tattersall's and TABCorp operations that focused on providing localised gambling operations in relatively small hotel and club venues, the establishment of Crown Casino signalled a major shift for Victoria in the way the gambling economy was structured. The casino represented a fundamentally different approach to gambling from what Tattersall's and TABCorp offered, both in terms of product (table games, poker, sports betting) and scale (2500 poker machines in one venue compared to maximum of 105 machines in a club or hotel). It is noteworthy that until the early 1990s, most Australian states did not legalise casino gambling. Tasmania was the point of difference with the Wrest Point Casino which first opened in 1973 (O'Hara, 1985). Therefore, in addition to the diverse range of changes in gambling that occurred in Victoria in the 1990s, one change relevant to this study was the State Government's agreement to licence the state's first casino.

In 1994 a temporary Crown Casino commenced trading at the World Trade Centre building on the northern banks of the Yarra River in Melbourne from 30 June 1994 to 8

May 1997 and it was licensed to operate 1300 poker machines and 200 table games. Promoted by the former Premier of Victoria, Jeff Kennett, as epitomising a new economic era of opportunity for Victoria (Millar and Costello, 2001), the Casino was one of a number of major projects commenced during the Kennett Liberal-National Coalition Government era from 1992 to 1999. The permanent Crown Casino complex was built diagonally opposite the temporary facility and is a prominent feature of the Southbank district in Melbourne. On this site, Crown provided a large gambling, retail, hotel, food and entertainment precinct. Separate and distinct from the *Gaming Machine Control Act 1991* which prescribed to the casino an allocation of 2500 poker machines out of the total available statewide machine pool, the *Casino Control Act 1991* provided the State Government's authorisation as the legal instrument to govern the casino's operation.

The State Government issued a licence to the Crown consortium to build and operate the permanent casino on 13 November 1993 with a permitted allocation of 2500 poker machines and 200 table games. In October 1995, some 18 months before the official opening of the permanent casino, the casino licence was amended to permit 350 table games. On 8 May 1997, and coinciding with the closure of the temporary casino, the permanent casino at Southbank began operating with 2263 poker machines and 293 table games. The Las Vegas Room at Crown opened on 26 June 1997, bringing the operational figures to 2500 machines and 335 table games (AIGR, 1999). The outline of key events leading up to the official opening of the Crown Casino at Southbank (Table 6.13) suggests that the gambling innovation had become a well patronised fixture within Victoria's gambling landscape.

Table 6.13 Chronology of the Temporary Melbourne Casino, World Trade Centre

| Date        | Description   | EGMs Permit | EGMs Actual | Tables Permit | Tables Actual |
|-------------|---|-------------|-------------|---------------|---------------|
| June 1994   | Opening of the temporary Melbourne casino                                   | 1300        | 1200        | 130           | 125           |
| Nov. 1994   | Expansion of the temporary Melbourne casino                                 | 1300        | 1300        | 180           | 180           |
| 12 Oct 1995 | Increase in the number of tables approved at the temporary Melbourne casino | 1300        | 1300        | 200           | 180           |
| Oct 1995    | Expansion of the temporary Melbourne casino                                 | 1300        | 1300        | 200           | 191           |
| Dec 1995    | Expansion of the temporary Melbourne casino                                 | 1300        | 1300        | 200           | 195           |
| 8 May 1997  | The temporary Melbourne casino closed at 4.00am                             | 0           | 0           | 0             | 0             |

Source: AIGR (1999)

Table 6.14 Chronology of the Permanent Melbourne Crown Casino, Southbank

| Date             | Description   | EGMs           | Tables        |
|------------------|---|----------------|---------------|
| 19 November 1993 | Licence issued permitting a permanent Melbourne Casino                      | 0 actual       | 0 actual      |
|                  |   | 2500 permitted | 200 permitted |
| 12 October 1995  | Increase in the number of tables approved at the permanent Melbourne Casino | 0 actual       | 0 actual      |
|                  |   | 2500 permitted | 350 permitted |
| 8 May 1997       | The official opening of the permanent Melbourne Casino                      | 2263 actual    | 293 actual    |
|                  |   | 2500 permitted | 350 permitted |
| 26 June 1997     | Las Vegas Room opened   | 2500 actual    | 335 actual    |
|                  |   | 2500 permitted | 350 permitted |

Source: AIGR (1999)

Initial plans for the casino commenced during the time of the Cain and Kirner ALP Governments, however, the tender process and construction period took place under the stewardship of the Kennett Liberal-National Coalition Government from September 1992 onwards. There were allegations of corruption in the tendering process for the casino, especially surrounding Crown's principle owner, Lloyd Williams, but no

impropriety was proved (*Four Corners*, 2007). A key operational establishment fact associated with Crown was the State Government allocation of an exclusive licence to the operator of Crown Casino, the Hudson Conway company, to own and operate 2500 poker machines as part of its wider overall gambling and entertainment operations.

The Kerry Packer owned company, Publishing and Broadcasting Limited (PBL), acquired the entire Crown Casino operation in 1998. By 2002 Crown had become PBL's biggest source of revenue, accounting for about 43 per cent of sales (The Good Gambling Guide, 2001). The casino generated approximately \$1 billion per annum in gross profit by the end of the 2002 financial year (Dubecki, 2002).

The Crown Casino story provides a snapshot of the genesis of Victoria's first casino. The story of Crown Casino is in its own right a highly complex one and is documented in McMillan's work (AIGR, 1999). While the focus of this study is on understanding the Tattersall's and TABCorp industry context and the non-casino market, it is relevant to appreciate the role and vested interest the casino had in poker machines and how this contributed to policy settings in the political economy of gambling in Victoria. This intersection is noted with respect to provisions contained in the Casino Control Act and the Gaming Machine Control Act. This link will be further expanded upon in subsequent chapters which examine case studies and commercial stakeholder involvement.

## **THE VICTORIAN RACING INDUSTRY**

The story of the Victorian racing industry began over 200 hundred years ago. From the early decades of colonial settlement, horse racing was a major part of the Victorian gambling industry. Australia's first recorded legal horse race took place in 1810 at Hyde Park in Sydney (Australian Racing Museum, 2008; Haig, 1987). A horse race took place in Victoria some 28 years later in March 1838 at Batman's Hill in the North Melbourne area. The first proper organised race meeting occurred soon after that in 1840 at Salt Water, later renamed Flemington. Race track building flourished in Victoria with facilities being established across Melbourne and in regional centres such as Geelong, Bendigo and Ballarat. The gold rush era of the mid to late 1800s in country Victoria fuelled significant growth and interest in horse racing. In country Victoria, race tracks were built as towns grew in order to provide a source of recreation for people who mined gold or worked in agriculture.

By 1861, the first Melbourne Cup was run and won at Flemington by a horse called Archer. Race clubs emerged from the 1820's (O'Hara, 1991) with the Victoria Racing Club (VRC) created in 1864 and a year later the Melbourne Cup was declared a half day public holiday by the State Government. The half day holiday was expanded to become officially sanctioned as a full day government public holiday by 1877 (O'Hara, 1985).

The VRC elevated its control of the financial dimensions of racing by introducing a bookmaker's registration scheme in 1882. The scheme required bookmakers to pay a £25 licence fee which allowed bookmakers access rights to operate oncourse betting at race tracks. The impact of money and gambling was evidently an early concern for the



integrity of racing. In 1883, a directive was issued from the English Jockey Club forbidding jockeys to bet on races. Punishment for failing to abide by the rule was suspension of a licence to ride and race (O'Hara, 1985).

The traditional approach to racing was that of a male dominated sport. Women were excluded from participation in horse racing up until the turn of the 20th century. However, in 1909 the VRC admitted its first female member, Dame Nellie Melba. It was not until 1973 that the first race for female jockeys took place at Eagle Farm in Brisbane. Social segregation of women from men at race tracks was abandoned in 1982 when women were permitted full access to membership of Australian racing clubs. Until this change occurred, a 'white line' was used at race tracks as a symbolic barrier for prohibiting women's access to member facilities (Australian Racing Museum, 2008a).

International interest in Australian racing was evidenced by the first foreign bred horse winning the Melbourne Cup as far back as 1910. Further control on betting by the racing industry increased with the introduction of the first oncourse totalisator in 1917 at Randwick in Sydney. The economic depression of the early 1930s saw racing's fortunes decline with the closure of many famous race tracks including Sandown, Ascendale and Fitzroy in 1931 (Australian Racing Museum, 2008a). After the Second World War, racing once again experienced a revitalisation of interest (Haig, 1985b), and in 1946 a record crowd of 108,132 people attended the Caulfield Cup.

A major innovation to control gambling and the flow of gambling money associated with horse racing was the the State Government's creation of the TAB. Designed to stamp out illegal offcourse short price (SP) bookmakers, the offcourse TAB enabled the government to control and extract significant rents for the conduct of betting on legal horse track events in Victoria (Haig, 1985b). The TAB was responsible for a sizeable increase in the proportion of state government tax revenues from gambling (Caldwell, 1985).

The resurgence of interest in racing continued to the point that Sandown Park in Melbourne's south eastern suburbs reopened in 1965. Money continued to be a major factor in racing when Kingston Town became the first Australian horse to win \$1 million in a year in 1981. Four years later in 1985, the Melbourne Cup became the first race to offer \$1 million in prize money. A measure of the re-establishment of a considerable place in the Australian social and gambling culture of the Melbourne Cup was that in 2003, a record 123,736 people attended the Melbourne Cup (Australian Racing Museum, 2008a).

This historical snapshot of the Victorian Racing Industry overlooks one significant fact in the timeline of racing events. The 1994 TABCorp Holdings Prospectus reveals that the Victorian Racing Industry provided start up money of \$30 million to the Victorian State Government to invest in the poker machine industry. This investment was described by the racing industry as buying a share in the framework that ultimately become known as TABCorp, and was a significant element in the establishment and operation of the poker machine industry in Victoria in 1991.

For its part, the State Government guaranteed the controlling racing industry body a twenty five per cent equity share of the net state taxation revenue from TABCorp poker machines. This agreement was called the Joint Venture Agreement (Figure 6.2) and operated for the life of the first poker machine licence period, between 1992 and 2012 (TABCorp, 1995). According to the submission made by Racing Victoria (2006) to the State Government EGM Licensing Review, these funds were provided as a dividend return on initial investment and used to expand horse racing event prize money and defray costs to operate the industry. According to Racing Victoria Limited (2006: 4) this “represented an adequate return on the industry’s initial investment”.

Table 6.15 TABCorp Distributions to the Victorian Racing Industry under the Joint Venture Agreement

|              | <b>Gaming Profit (\$m)</b> | <b>Total Distribution (\$m)</b> | <b>Total Distribution from Gaming (as %)</b> |
|--------------|----------------------------|---------------------------------|--|
| 1993-94      | -                          | 114.2                           | -  |
| 1994-95      | 19.2                       | 150.5                           | 12.8%  |
| 1995-96      | 29.7                       | 162.4                           | 18.3%  |
| 1996-97      | 37.0                       | 169.1                           | 21.9%  |
| 1997-98      | 47.7                       | 188.2                           | 25.3%  |
| 1998-99      | 58.3                       | 211.0                           | 27.6%  |
| 1999-2000    | 65.7                       | 223.6                           | 29.4%  |
| 2000-01      | 71.8                       | 236.7                           | 30.3%  |
| 2001-02      | 76.4                       | 252.0                           | 30.3%  |
| <b>Total</b> | <b>405.5</b>               | <b>1707.7</b>                   |  |

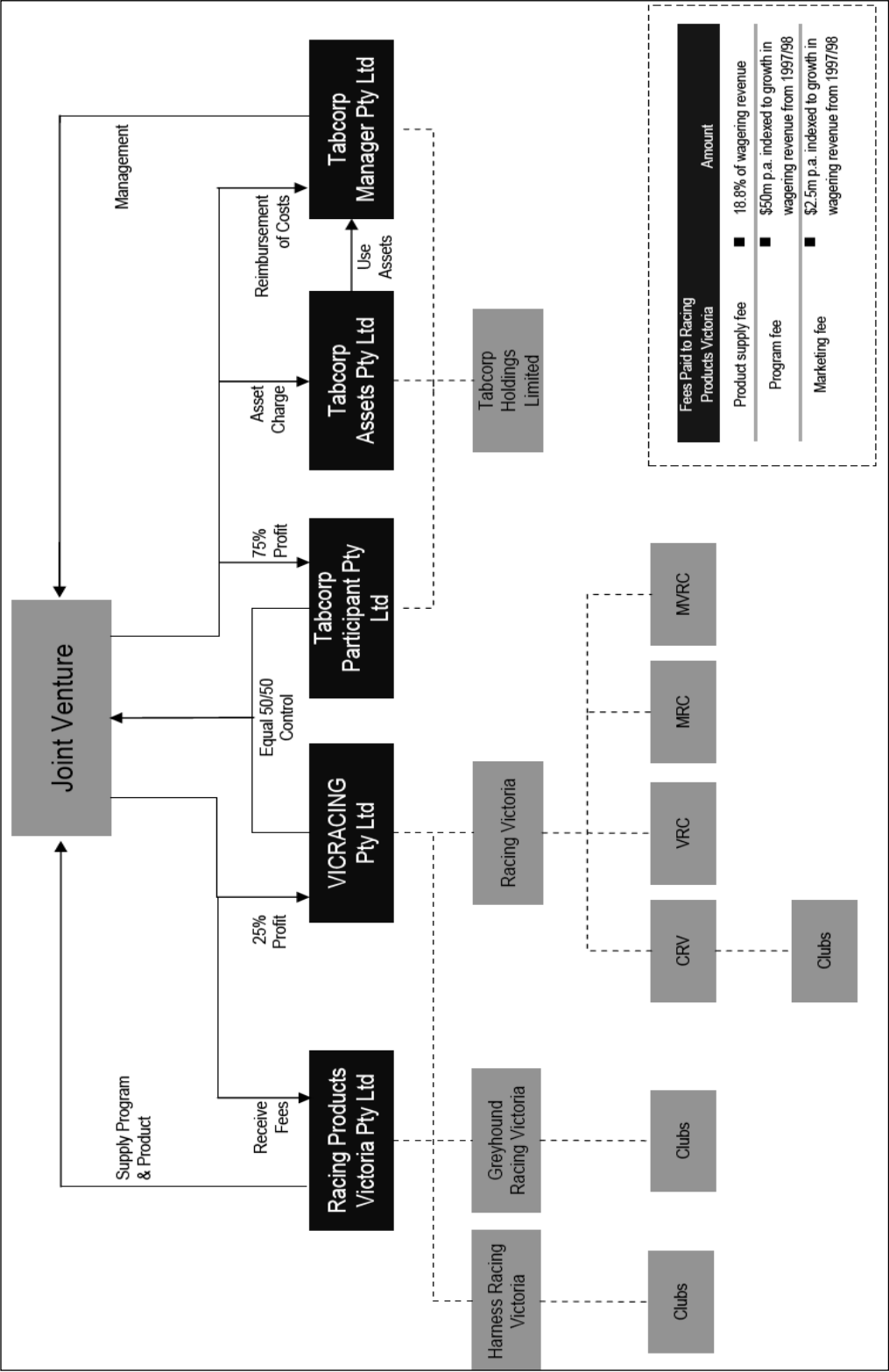
Source: TABCorp EGM Licence Review Submission Part C (TABCorp, 2006: 35)

TABCorp’s submission to a government EGM licence review on poker machines (TABCorp, 2006) draws attention to the income the JVA delivered to the racing industry. For its \$30 million investment the racing industry received a significant dividend resulting from the way the JVA was framed (Table 6.15). For the period 1993 to 2002, poker machines contributed some \$405.5 million to the racing industry and when combined with the returns from wagering for the same period from TABCorp, the

total amount the JVA generated for the racing industry was in excess of \$1.7 billion. In effect, the financial contribution of poker machines rose from an initial 12.8 per cent of total distribution receipts from TABCorp to over 30 per cent of distribution value by 2002. The various racing industry entities held the view that horse racing was a socially desirable activity and as such it was an activity that public institutions should support. It was thought that making the racing industry less expensive to participate in as well as more profitable would serve to broaden the participation rate and at the same time generate employment for the Victorian economy. Given the rate of return on investment in poker machines and the increased profitability of TABCorp, ever greater monetary return flowed to the racing industry (Millar and Costello, 2001). It follows that the more profitable poker machines were, the more revenue the racing industry would receive to maintain or expand racing interests.

Evidence points to racing experiencing peaks and troughs in terms of both popularity and profitability throughout the 20th century. The decline of racing's profitability in the late 1970s and 1980s provided an impetus to supplement revenue and the opportunity to acquire a new revenue source presented itself with the government's move to establish the poker machine industry.

Figure 6.2      Structure of Joint Venture Agreement



Source: RVL EGM Licence Review Submission (RVL, 2006: 21)

## Summary

This overview of key organisations of the Victorian gambling industry is important for understanding the centrality of the electronic gaming industry in the State's economy.

The overview draws attention to key aspects of the gambling industry in order to contextualise gambling through poker machines in Victoria. At the outset it reveals the significant interest of horse racing stakeholders in gambling and the vested interests of this sector in relation to the profitability of poker machines. The close links and interdependencies of different forms of gambling that existed between the TAB, Tattersall's, the Victorian Racing Industry and Crown Casino in relation to policy settings on poker machines is a major feature that must be considered in this study.

Aspects of that interdependence are seen in the financial arrangements of the Victorian Racing Industry which relied heavily on poker machine profits from TABCorp to fund racing activities. Crown Casino's financial interest benefitted from machine numbers remaining capped at a maximum of 105 for the non-casino sector, that is, for hotel and club venues throughout Victoria. Ministerial directions that regulated the number of permissible licences in the Victorian market at any given time confirmed that Crown's quantum of machines were never challenged, reduced or diminished throughout the timeframe of this study. Numerically the non-casino market in Victoria was controlled by the industry duopoly of TABCorp and Tattersall's with the largest proportion of poker machines at 27,500 machines.

The narratives suggests that as soon as the State Government approved an expansion of market licences, Tattersall's and TABCorp moved swiftly to place machines in the gambling market, thereby increasing profits. The quantum of these profits is discussed

in Chapter 8. Overall the State Government needed these major industry bodies to grow and profit from gambling and poker machines so that a significant revenue stream was secured to fund budgets. The historical circumstances surrounding these entities and how they came to profit from the operation of poker machines provides useful knowledge that will be reflected and built upon in the analysis of policy processes in this study. At one level, industry entities exist in competition with each other for attracting the gambling dollar. From a policy perspective the information reveals a layer of mutually reinforcing activities in the form of advocacy for liberalising access to convenience gambling options in the marketplace. It will be shown in subsequent chapters that this layer of interdependence contributed to and encouraged the actions of industry stakeholders in advancing vested policy agendas on poker machine market access.

Poker machine gambling is only one aspect of a complex tapestry of gambling activity in Victoria. However, it is an incredibly important aspect to comprehend. To further appreciate the growth of the poker machine industry, it is useful to consider the ways gambling developed during the study period. The next chapter presents three case studies as key policy episodes in the political economy of gambling in Victoria between 1991 and 2002.

## Chapter 7

### **CASE STUDIES: IMPLEMENTATION OF KEY POKER MACHINE POLICY ACTS**

#### **Introduction**

The purpose of this chapter is to present three key policy acts that illustrate dimensions to policy making in the political economy of poker machine gambling in Victoria between 1991 and 2002. To do this, a context and background briefing on the history of gambling will be given, noting information about gambling before 1991 and the market dynamics that provided an environment for a new poker machine gambling economy in the study period.

The three policy acts will be presented to build an appreciation and understanding of the political economy of poker machine gambling in Victoria. The information and data provided will be used to illustrate the nature of the policy mechanics that occurred in this jurisdiction. It is important to appreciate that the information is not presented as definitive in the sense that it is not an attempt to describe or prescribe every micro-detail of every event that transpired. The policy acts are provided as a tool for illuminating and amplifying key issues or points salient to the development of policy as it relates to the objectives of this study.

To that end, the policy acts are: firstly, the legislative foundation for the political economy of poker machine gambling 1991; secondly, the economic constraints on the



poker machine market 1995 to 1997; and finally, the problem gambling reform agenda between 1999 to 2002. While each policy act is written in a descriptive form, the structure of each will follow a common template, comprising background, evidence, outcomes and discussion. Following on from the policy acts, the material will be reflected upon and discussed in terms of patterns of commonality.

### **Setting the scene**

Drawing from and building on the comprehensive work of O'Hara (1985) regarding the history of gambling in Australia, Chapter 6 presents narratives relevant to this study. It is important this chapter briefly document the salient events and detail contained in that history. These historical events and detail are outlined as they inform an appreciation and understanding of the social and policy dynamics present during the study period.

To reiterate, gambling is part of the Australian psyche. Gambling in Australia grew in part by an almost anti-establishment sentiment that arose especially from within a working class environment. The Australian Institute for Gambling Research (AIGR, 1999) identified four key stages in the history of gambling in Australia as: European settlement and colonisation from 1788 to 1900; a selective legislative environment from 1900 to 1940; gambling market growth underpinned by a receptive government system from the end of World War 2 to 1970; and an extended period of commercialisation, privatisation, competition resulting in an expanding market for gambling products from 1970 into the 1990s.

These stages of gambling history are characterised by the establishment and growth of Tattersall's from the beginning of the 20th century, the legal framework from 1961 onwards that successive Victorian State Governments used to administer the Victorian TAB (Collyer et al., 2001), and the emergence of Crown Casino as a significant gambling market provider. Both the creation of TABCorp and the building of the Crown Casino occurred in the decade of the 1990s and both are central factors in the establishment and expansion of the EGM industry from this period onward.

### **Case study 1 - the legislative foundation for the political economy of poker machine gambling**

“Gambling ... will lead Victoria's Economic Recovery in 1991 according to the Minister for Manufacturing and Industry Development, Mr White. Mr White brushed aside suggestions that the recession would discourage people from spending, saying .... (*gambling*) would help restore confidence in the state [*sic*] economy and create jobs.” (Lamont, 1991a: 1)

Mr White went on to comment that installation and operation of poker machines would begin in clubs and hotels throughout Victoria by the end of the year and a casino would open in 15 months time.

The politics of building and operating a new gambling economy played out in Victoria in 1991 are based on a vision comprising poker machines and a casino. On 15 October 1991, the Gaming Machine Control Act (GMCA) received royal assent. Then in November 1991, the Victorian Government proclaimed the GMCA. By June 1992, gaming machines began operating from selected TAB and Tattersall's clubs and hotel venues. A review of Hansard records relating to gambling legislation for the Legislative Assembly and the Legislative Council in 1991 demonstrates the key issues of concern in debates by politicians in approving the new industry.

These issues centred on ensuring transparency in administering the new market regime, embedding probity through the provision of an independent regulatory body, ensuring the highest standards of criminal scrutiny, addressing a concern for people who may have problems with gambling, and importantly, maximising the economic return to the state in the form of gambling taxes, fees and charges.

There was considerable parliamentary time taken up with debates in both houses concerned with the GMCA and associated bills. This was of such an extent that debate in the Legislative Assembly (or Lower House) alone went over a period of 29 May to 30 October 1991 and is captured in over 150 pages of Hansard. Likewise, various debates on the GMCA and its associated bills in the Legislative Council (the Upper House) began on 10 September 1991 and continued until 29 October 1991 and consumed over 60 pages of Hansard.

To appreciate some of the dynamics surrounding the establishment of the poker machine industry, reference to public debates documented in the media is illuminating for the purposes of this study. The Liberal-National Party, which was in opposition at the time, voiced its complete rejection of EGMs, labelling the “pokies as an insidious form of gambling” and stating “that poker machines were unacceptable because of their addictive flavour” (Conroy, 1991: 1).

By August that same year, the Liberal-National Party had reversed its policy because “opposition concerns about interference and criminal connections had been allayed” (Lamont, 1991b: 1). This is a thread of enquiry consistent with O’Hara’s (1985) view

about why governments legislate and regulate gambling activity. A further reason the Liberal-National Party raised to justify its policy reversal was a concern to stem the economic leakage of tourist dollars via clubs on the other side of the Murray River in New South Wales.

It is worth highlighting at this point, that while considerable debate was ensuing in parliament between June and August of 1992 about the pokies industry and the casino, little if any real substance of the bills subject to debate was actually reported in the print media. This scenario will be reflected on in the subsequent section of this chapter because it stands in stark contrast to the level of media reporting and interest which will be cited in Case Studies 2 and 3. The main issue of debate at this time was a claim of improper behaviour on the part of the chairman of the State's Gaming Commission, Darcy Dugan, and his public service chief administrator, Howard Ronaldson. The Jeff Kennett led Liberal-National Opposition Party called for an Inquiry into the conduct of the commission and the sacking of Dugan and Ronaldson for accepting a free airline flight from a Nevada gaming company while they were in America researching the bona fide of this particular company as a future supplier of technology to the Victorian gambling industry (Ryle, 1992).

Indeed, then Opposition Leader Jeff Kennett, is on the record as saying he would sack Dugan and Ronaldson "as a matter of first priority" (Magazanik, 1992: 1) if the opposition was elected to parliament. Indeed this is precisely what happened to Mr Dugan following the election of the Kennett Government in November 1992 (Kelly, 1992).

Few public records exist regarding the views of other gambling stakeholders in these gambling debates. Certainly academic interest and participation in public conversations are contained around input to government committee procedures. There is minor take-up by the media of reporting the views of churches, gambling counselling issues and local government interest at this time. However, any such reporting is relegated to overtures regarding securing a financial return of some description from poker machine operation in local areas. The dominant thread reported in the media was the pokies are good for the economy and good for Victoria and Victorians.

To achieve the agenda of developing the new economy, legal effect to the GMCA was provided through the issuing of ministerial directions on gambling. The GMCA itself did not stipulate the number or location of machines that could be licenced and installed, so the actual mechanics of how many machines and where they could be placed was left to the government of the day to determine. To facilitate the initial industry start up, the following ministerial directions (Table 7.1) were issued.

However, the GMCA should not be considered separately from a complementary piece of legislation, the Casino Control Act (CCA) 1991.

Table 7.1 Ministerial Directions on Gaming, 1992

| Date              | Ministerial Direction   |
|-------------------|---|
| 8 April 1992      | Ministerial directions issued to 10,000 EGMs  |
| 18 September 1992 | Ministerial directions issued to 20,000 EGMs. Only first 15,000 EGMs to comply with the 50/50 club/hotel split. |

Source: VCGA (1999)

## **THE CASINO CONTROL ACT 1991**

Built on the southern banks of the Yarra River at Southbank, the permanent Crown Casino opened on 8 May 1997. Before Crown Casino opened, a temporary casino operated from the World Trade Centre with 1300 EGMs.

In proclaiming the CCA on 25 June 1991, the State Government approved a maximum of 2500 EGMs for the permanent casino. However, the CCA and not the GMCA included a determination that the statewide EGM limit would be set at 45,000 machines and that the maximum number of machines allowed in any hotel or club venue within a 100 kilometre radius of the casino would be 105 machines. The legal provisions for this market constraint would be in place for 12 years from November 1993 forward.

At around the same time as the GMCA that was the subject of considerable debate in both the Lower and Upper Houses from late May to end of October 1991, Minister White's reading of the casino legislation began in the Legislative Assembly on 24 April 1991 and it proceeded to the Legislative Council on 4 June 1991. The CCA was assented to on 25 June 1991 and came into operation from that point forward and was placed in the *Government Gazette* on 9 October 1991. While the CCA was enacted swiftly, debate continued in the Lower House until early October on various amending aspects and cross reference bills relating to the casino.

A review of Hansard reveals considerable parliamentary debate is recorded on this legislation, again in the vicinity of 200 plus pages of diverse issues and concerns. The issues that are the subject of debate on the CCA bill are consistent with those that

centred on the bill that dealt with poker machines. That is, the politicians of the day were not against the proposition of a casino *per se*, but argued at length on issues of ensuring the maximum economic return to the state and future revenue protection, securing ongoing long-term employment that would contribute to the state's business health, ensuring that issues associated with problem gambling would be capably dealt with, and scrutinising the casino and its operations for the most stringent probity requirements through an independent regulatory authority.

With poker machines being placed throughout the state, a casino operating and a new government in place during 1993, there were a series of decisions by the government over the next two years that dictated the availability of non-casino poker machines. These decisions were in the form of a moratorium in June 1993 with no new licences. This was then lifted a year later in June 1994 and a gradual ramping up of available licences the duopoly could access occurred. By the end of February 1994, some 20 months later after the installation of the first poker machine in a Victorian club and hotel, 13,075 EGMs were operating from 302 club and hotel venues across Victoria (Schilling, 1994).

### **Case study 2 - economic constraints on the poker machine market, 1995 to 1997**

The story is taken up in the middle months of 1995 with the Liberal-National Coalition Government advancing its plans to expand the number of poker machines from 20,000 to 25,000 (Green, 1995), then announcing a further moratorium at 27,500 (AIGR, 1999). Gambling revenues continued to rise with growth exceeding budget expectations (Brady, 1995).

From mid 1995 onwards though, the poker machine stakes began to alter with an emerging presence of a diverse range of non-industry voices. What can be seen is that these voices raised questions as to the merits of the gambling economy that had been created in Victoria, as well as challenging the political ideology of gambling as good for the state. While counter challenges may have been expected to come from a community sector perspective, not all of these voices came from non-commercial interests. For example, the Combined Retailers Association of Victoria's Mr Tony Chistakakis and Mr Ron Tomlinson from the Retail Traders Association both expressed opposition to the government's decision to allow gambling to trade all year round, including on Christmas and New Year public holidays (Kermond, 1995). Other voices from community life began to speak about issues associated with pokies such as Moira Rayner, Dame Phyllis Frost from the Victorian Relief Committee, Rob Hudson the CEO of the Victorian Council of Social Services (VCOSS) and Cathie Newton from the 'Shopping Centres Against Pokies'. These and other voices began to attract media attention stating that 1996 would be a state government election year and that it was necessary to begin lobbying for policy change in advance of the election (Miller, 1995).

Of the voices to become heard were those coming from the church sector.

Representatives such as Bronwyn Pike from the Uniting Church, John Dalziel from the Salvation Army, Tim Costello from the Baptist Church, Anglican Archbishop Keith Rayner and Bishop Challen and the Reverend Ray Cleary became more prominent in the public arena in debates about gambling. Indeed, there appeared to be a shift in the mood of the public. This shift was reflected in the reporting on gambling when Premier Jeff Kennett dismissed the concerns of the churches about gambling and said that they should stay out of politics completely (Button, 1995a). Arguments became more



animated with the Premier accusing church leaders of “using the pulpit for political purposes”, and his explanation for their opposition as being motivated by “throwing money changers out of the temple for centuries” (Button, 1995c: 1). As Millar and Costello (2001) reflect, the arrogant tone of the Premier’s position put many people offside with a government that had to this point ridden a popularity wave of economic fortune on the back of poker machine revenue.

Public debates turned to debates about policy settings of government. As outlined in the previous case study, up until the mid 1990s policy debates centred on the value of economic prosperity that gambling could provide Victoria. For government this was about maximising tax revenue and revenue protection to the state, and the outcomes from those debates were bound up in disputes “about power and money” (Neales, 1993b: 1). Now a shift in the debates was detectable to a real concern regarding the social consequences of gambling, problem gambling and the dependence of government on a regressive form of taxation. In Costello’s view, just because gambling is legal, a gambling led recovery is no more acceptable than a brothel or prostitution led recovery (in Button, 1995b).

Thus, towards the end of 1995, policy discussions began to shift to consider the social dimensions of gambling. It is not to say such matters weren’t discussed in the fledgling days of the pokies economy in 1991 and 1992, but now they took on a more prominent and forthright place. The church sector began to foster a public discussion in relation to its concern about problem gambling. The Uniting Church, through Bronwyn Pike, took a position regarding how state gambling revenues should be diverted to funding gambling support measures (Button, 1995a). Moreover, the churches began to speak as

a collective through the voice of the Inter Church Gambling Taskforce, which was established in 1995 (AIGR, 1999). As reflected on in an editorial opinion piece in *The Age* newspaper, the Premier moved to soften the government's position acknowledging "real community concern about the effects of gambling" (The Age, 1995: 1). Further signals about changes to policy position are evident in the Premier stating the limit of 45,000 gaming machines might not be reached, however, the games of politics are such that church leaders and business voices concerned about the impacts of gambling were still being dismissed by the government of the day (The Age, 1995).

The role of academics in contributing to public debates on gambling policy is also evident during this timeframe, albeit limited in comparison to political and commercial voices. In addition to the contribution of Australian academics McMillan (2007), Dickerson (1987) and Walker (1996), who had previously been referred to by government for research advice on problem gambling, new voices began to emerge as commenting on public policy. Academics from a variety of institutions such as Victoria University of Technology, Ballarat University and Deakin University, were sought for comment, including James Doughney, Jennifer Borrell, Charles Livingstone, Ian Pinge, Linda Hancock and Alex Blaszczyński. The dimensions of debate they contributed to broadened from a historical focus on the psychological dimensions of problem gambling to that of ethics and economics (Doughney, 2002b), health (Livingstone, 2001) and social issues (Borrell, 2002).

By progression, policy measures developed and implemented by government were ostensibly incremental. That is, the number of poker machines permitted to be licenced was confirmed through a series of statements contained in ministerial directions. In

building upon the announcements made between 1992 and 1994, the salient directions set a limit on the number of non-casino machines at 27,500. It is this number that was the ceiling for poker machines that continued on throughout the study period.

In terms of parliamentary activity, in 1996 there were various amending Acts debated to make changes to the GMCA. The level of debate recorded when compared to the 1991 scenario of the GMCA and the CCA is substantially less. The paradox of this is that the level of media interest and reporting on gambling more broadly was now substantially greater. Principally, the amendments presented in 1996, and then in 1997 once the new Liberal-National Coalition government came to power, were to ensure certainty of tax revenue for the government and to simplify the process of implementing election commitments, while maintaining stringent probity measures.<sup>iv</sup>

The matters debated appeared relatively unexciting in terms of having any real policy edge, yet the opportunity to debate gambling did provide a platform for the ALP opposition led by John Brumby to voice concerns regards conflict of interests and raise questions about probity of decision making by the gambling regulator, the VCGA<sup>v</sup>. The debates did little to reflect on the emerging social concerns cited previously as being of interest to the churches. Thus, in order to give effect to the GMCA amendments, directions were issued by the Minister for Gaming, Roger Hallam, which incrementally raised the number of available gaming licences. For completeness, Table 7.2 sets out the chronology of the relevant directions by the Minister for Gaming.

Table 7.2 Ministerial Directions on Gaming, 1992-1996

| Date              | Ministerial Direction   |
|-------------------|---|
| 8 April 1992      | Ministerial directions issued to 10,000 EGMs  |
| 18 September 1992 | Ministerial directions issued to 20,000 EGMs. Only first 15,000 EGMs to comply with the 50/50 club/hotel split. |
| 28 June 1993      | Premier announces moratorium and review of EGM industry.  |
| 8 September 1993  | 50/50 club hotel split to remain – EGM limit remains at 20,000  |
| 21 June 1994      | Moratorium lifted   |
| 29 May 1995       | EGM numbers lifted to 22,000 and provisions do not apply to the casino  |
| 28 August 1995    | Directions issued to raise number of licences to 25,000   |
| 20 December 1995  | Premier announces number to be lifted to 27,500   |
| 28 May 1996       | Directions issued to raise number of licences to 27,500   |

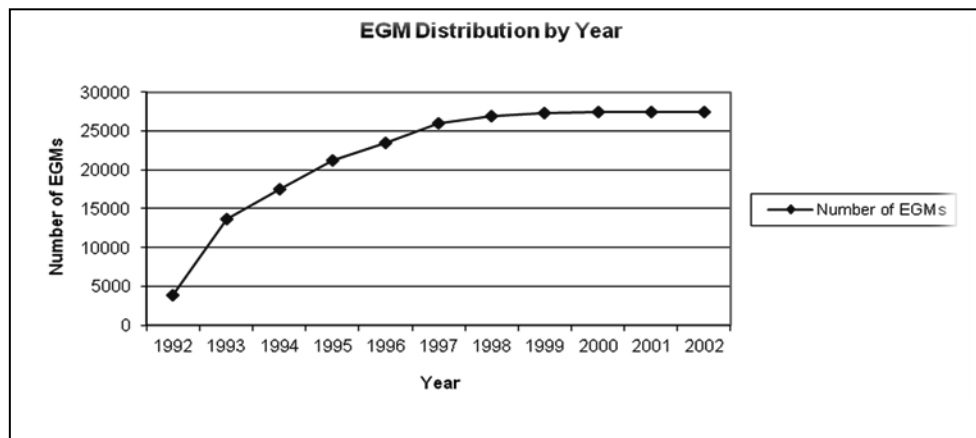
Source: AIGR (1999)

There is clear evidence of media interest in gambling, particularly about the reporting of crime, problem gambling and government activity. This element is explored in the section titled Patterns of Commonality later in this chapter. What did not change throughout any of the period under consideration is the number of poker machines allocated to Crown Casino. This remained unchanged at 2500 machines regardless of the market decisions made by the government.

Moreover, while it is evident the government engaged in a range of public debates about policy, the gambling industry was busy ensuring that while approval for licences continued, those licences could be acted upon and machines placed in venues as quickly as possible. In the successive release of ministerial directions on the number of poker machines permitted in the state, by the end of 1997, the industry had effectively reached its approved upper limit of 27,500 machines in clubs and hotels as quickly as it possibly

could. Figure 7.1 presents data on the distribution of EGMs in Victoria, combined for clubs and hotels by year. Figure 7.1 demonstrates the industry activity in deploying the majority of its allocation from the government. This factor is considered in more detail in subsequent chapters discussing the policy dynamics and theory.

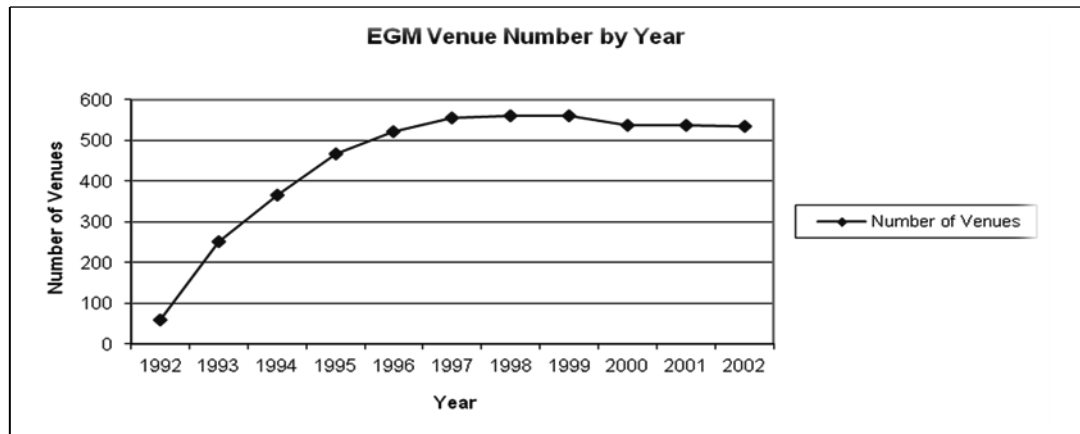
Figure 7.1 Distribution of EGMs in Victoria (Clubs and Hotels Combined) by Year



Source: VCGR (2011)

Further, the data on the number of venues used by the duopoly to place machines also reached a quantitative high point in late 1997. Changes in subsequent years can be reasonably deduced as a result of industry seeking to maximise performance and return via more targeted placement in locations that would realise greater profits. This element will also be the subject of reflection in subsequent chapters discussing policy dynamics and theory.

Figure 7.2 Number of EGM Venues in Victoria (Clubs and Hotels Combined) by Year



Source: VCGR (2011)

### Case study 3 –problem gambling reform, 1999 to 2002

In contrast to the constrained policy dynamics of gambling described in Case Study 2 relating to legal and economic issues, the dynamics observed between 1999 and 2002 are a contrast. On 1 March 2000, the Bracks ALP Government introduced into the Legislative Assembly the *Gambling Legislation (Responsible Gambling) Act 2000*. Debate on this Bill was, compared to the amount of time and records on the GMCA and the CCA, short and procedural. Politicians were concerned to discuss the problems gambling had created in their communities and how local communities through their local councils needed to be involved in decision making about harm caused by gambling<sup>vi</sup>.

Likewise, when the Bill was debated in the Legislative Council from 5 April 2000, politicians considered it briefly and concluded debate reasonably swiftly by 3 May 2000. The debates here were similar to those in the Lower House in that they were about problem gambling as a complex issue. There was a concern to minimise any harm

to individuals associated with playing poker machines and the need to ensure that the industry was committed to responsible gambling was highlighted.<sup>vii</sup>

Specifically, the *Gambling Legislation (Responsible Gambling) Act 2000* made provision for a number of policy measures that the government would implement as a response to community concerns about problem gambling. The measures introduced into this particular act (which are slightly different to the pre election statement of the ALP cited earlier) included banning minors from the gaming floor, capping the number of machines in socioeconomically vulnerable locations, advertising restrictions, bet limits of \$10 per spin, winnings of over \$2000 to be paid out by cheque, Automated Teller Machine (ATM) withdrawals limited to \$200 per transaction, increasing problem gambling counselling services, banning \$100 note acceptors on machines, new controls on the spin rates on machines, banning autoplay machines, displaying the odds of winning on a poker machine, the VCGA abolished and the Victorian Commission for Gambling Regulation (VCGR) created, and a requirement for every club venue with poker machines in Victoria to submit an annual community benefit statements to the VCGR (Pandazopoulos, 2002).

At the same time as these problem gambling measures were being introduced, a parallel set of measures restricting places where individuals could smoke in public was also being implemented through the State Government's Department of Health. The government increased the scope and application of bans on smoking in public venues and extended those bans to include enclosed licensed premises. Poker machines were of course installed only in licensed premises and the bans meant that players could no longer smoke while playing a poker machine in an enclosed venue.

It is important to note that bans on smoking in licensed premises were not a policy measure in response to problem gambling and the government's gambling comments did not make reference to smoking restrictions (Pandazopoulos, 2002). Indeed the Premier, Steve Bracks, emphasised his view that smoking and gaming were two separate policy issues (Rollins, 2001). According to the Minister for Health at the time, John Thwaites, smoking bans were introduced on the basis of their merit as a health measure (Costa, 2001). Yet an unintended consequence of the smoking bans was a marked decline in the amount of money lost on the pokies<sup>viii</sup> and the contribution that smoking bans had on poker machine profitability is acknowledged by the gambling industry when Ms Wunsch (in Lawson, 2002: 1) from TABCorp said: "We can confirm that there has been an impact". The debate regarding the role and contribution of smoking bans to addressing problem gambling incidence is built into the dialogue by advocates for problem gambling policy measures, who coupled this matter with the broader advocacy approaches.

The legislative landscape on poker machines differed to that which existed in the early to mid and late 1990s. The Kennett led Liberal-National Coalition Government was no longer in power, replaced as it was by a minority ALP Government in 1999. Absent were key public figures from the previous decade who had been active in gambling debates such as Jeff Kennett, Lloyd Williams, David White and Roger Hallam. New to the arena were politicians such as the ALPs Steve Bracks, Rob Hulls and Bronwyn Pike.

Of note is that Rob Hulls was a former chief of staff to then opposition ALP Leader John Brumby. Bronwyn Pike was active as a member and spokesperson for the Inter Church Gambling Taskforce up to 1999 (Productivity Commission, 1999). A growing



voice for local government and local communities through the Victorian Local Governance Association (VLGA) and its chief executive officer, Mike Hill, emerged, as did a strengthening of the role and profile of the churches through the Inter Church Gambling Taskforce. While some of the key figures cited in case study 2 continued in their advocacy, other persons emerged such as the Uniting Church's Dr Mark Zirnsak as well as community groups, problem gambling counselling support services and individuals such as Gabrielle Byrne, who were called upon to add to public debate as persons who had experienced problem gambling from a personal perspective. These persons and groups began to be contributors to public debates on poker machine gambling.

Moreover, the decade since the introduction of poker machines meant that academics had published research into gambling issues. There was a broadening of research material available to contribute to public debates, and those academics referred to in Case Study 2 as well as others continued to be called upon to make comments. What was up for consideration, and will be canvassed in the next section, is the question of how influential these new voices in contributing to shaping policy outcomes on poker machine gambling in Victoria were.

### **Patterns of commonality**

The preceding information provides an insight into some of the policy machinations that occurred in Victoria during the period 1991 to 2002. As indicated, the policy actions considered in each of the case studies are not designed to provide a definitive depiction of every debate that took place. What they do provide is a context to indicate how public policy debates were played out, and which and how stakeholders were involved.

In order to further contribute to an appreciation of the dynamics relating to such policy debates, public records relevant to poker machine policy matters contained in Hansard and the print media can be analysed and commented upon. To do this analysis, and to ensure consistency of source material, only Victorian daily newsprint publications in the Factiva database archive were searched. To that end, and because *The Age* newspaper archives were available for the full research period, the data from *The Age* will be referred to as the primary source material. As the *Herald Sun* archive is available only between 1997 and 2002, this material will be used as a point of reference to inform discussions coming out of analysis of *The Age*. The search did not include 'special' print media or feature 'Sunday' media. Additionally, the search is restricted to Victorian sources and did not include national newspaper coverage such as the Fairfax company's newspaper, *The Australian* and/or any Fairfax special print media. It is reiterated that the media material as evidence for this study is not for the purpose of conducting a media study into gambling. Material in the public domain as evidence is used for the purpose of identifying trends, themes and or patterns of commonality between nominated issues.

Hansard, as the official record of parliamentary debates, is extracted for each key piece of legislation on poker machine gambling that took place during the research period. Comments regards the limitations of this method are contained in the methodology chapter. To commence assessment of media coverage of gambling, the variables of 'gambling', 'gaming', 'poker machines' and 'EGM', are used as a first filter. The variables are broad and as such provide a catch-all method to gather a comprehensive reference pool of media articles on poker machine gambling.

Table 7.3 Victorian Media Coverage on General Gambling Issues, Metropolitan Daily Newspapers 1991-2002

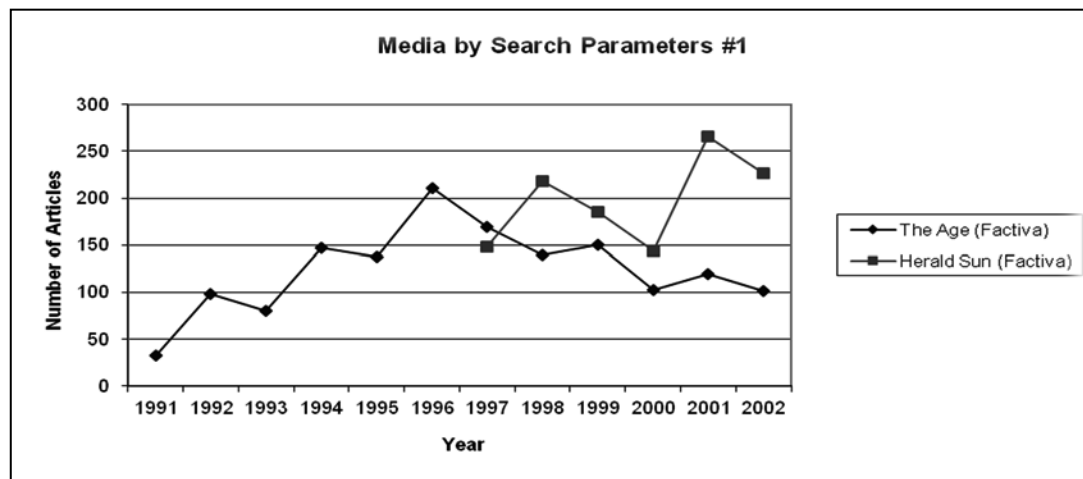
| Year          | Number of articles by source media |                             |
|---------------|------------------------------------|-----------------------------|
|               | <i>The Age</i> (Factiva)           | <i>Herald Sun</i> (Factiva) |
| 1991          | 33                                 | -                           |
| 1992          | 98                                 | -                           |
| 1993          | 80                                 | -                           |
| 1994          | 147                                | -                           |
| 1995          | 138                                | -                           |
| 1996          | 211                                | -                           |
| 1997          | 169                                | 148                         |
| 1998          | 140                                | 218                         |
| 1999          | 150                                | 185                         |
| 2000          | 103                                | 144                         |
| 2001          | 119                                | 266                         |
| 2002          | 101                                | 227                         |
| <b>TOTALS</b> | <b>1489</b>                        | <b>1188</b>                 |

Notes to Table 7.3: This search involved use of broad variables to filter media and the terms gambling, gaming, poker machines and EGM were used to compile the data. Also note, *Herald Sun* data in Factiva is only available from 1 July 1997 onwards.

When data in Table 7.3 is mapped, some key themes begin to emerge. As an *indication* of activity, poker machine gambling as a broad topic for discussion reached peak periods that coincided with key legislative activity and the election cycles of government, being 1992, 1996 and 1999.<sup>ix</sup>

As noted above and in the methodology chapter, figures relating to reporting of poker machine gambling in the *Herald Sun* newspaper are provided solely for the purposes to compare trend information. The data for the *Herald Sun* is not presented to compare the impact different media outlets may have on policy debates. What the *Herald Sun* data confirms is that the trends in timing as to interest in gambling as a subject matter, are consistent between the two news print sources.

Figure 7.3 Number of Media Articles on General Gambling Issues, 1991-2002



The essential point of difference is between the quantum of activity reported in the *Herald Sun* and *The Age*. A review of the *Herald Sun* material shows that the level of coverage as quantum of problem gambling and crime reporting is greater than that provided in *The Age* newspaper.

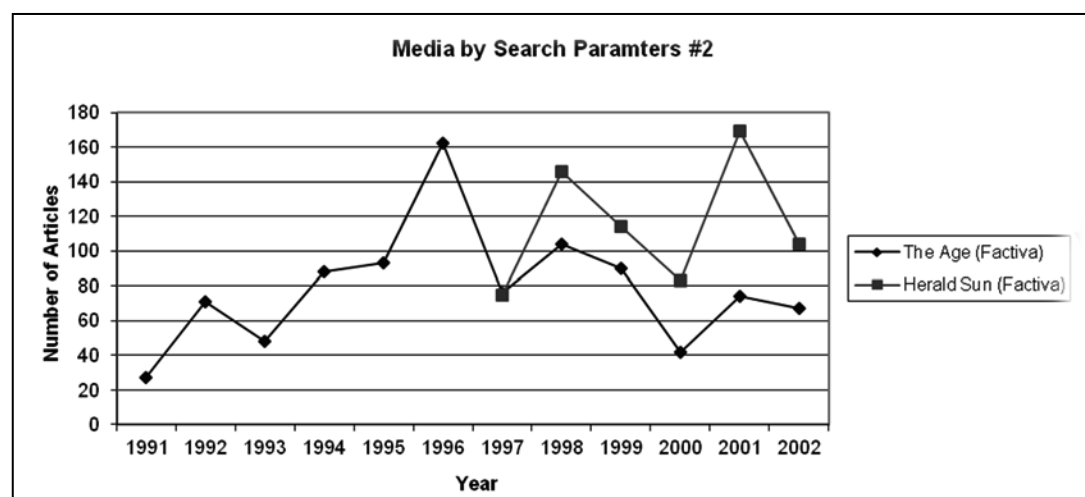
The next task is to refine the search by selecting from the broad pool gathered in Table 7.3, and to focus on capturing data that indicated a level of activity on gambling from a legislative perspective. The search variables of 'legislation', 'regulation', 'law', 'GST', 'policy' and 'policy reform' are applied to the data pool. The variables associated with problem gambling as a personal concern and matters relating to crime are excluded from this search so that the data could be evaluated through a legislative perspective. The following results set out in Table 7.4 are consistent with the previous results, that is, activity is most evident at and around relevant legislative and election periods in 1992, 1996 and 1999. When those results are plotted graphically in Figure 7.4, it provides further evidence to illustrate the increasing and decreasing nature regarding the intensity of stakeholder participation in public policy debates on poker machines.

Table 7.4 Victorian Media Coverage on Gambling Legislation and Policy, Metropolitan Daily Newspapers 1991–2002

| Year          | Number of articles by source media |                             |
|---------------|------------------------------------|-----------------------------|
|               | <i>The Age</i> (Factiva)           | <i>Herald Sun</i> (Factiva) |
| 1991          | 27                                 |                             |
| 1992          | 71                                 |                             |
| 1993          | 48                                 |                             |
| 1994          | 88                                 |                             |
| 1995          | 93                                 |                             |
| 1996          | 162                                |                             |
| 1997          | 76                                 | 75                          |
| 1998          | 104                                | 146                         |
| 1999          | 90                                 | 114                         |
| 2000          | 42                                 | 83                          |
| 2001          | 74                                 | 169                         |
| 2002          | 67                                 | 104                         |
| <b>Totals</b> | <b>942</b>                         | <b>691</b>                  |

Notes to Table 7.4: This search involved quantifying the number of articles by filtering the database with the terms legislation, regulation, law, GST, policy and policy reform. Also note, *Herald Sun* data in Factiva is only available from 1 July 1997 onwards.

Figure 7.4 Number of Media Articles on Gambling Legislation and Policy, 1991–2002



The trends in activity depicted in Figure 7.4 between the two media sources is again consistent and like the previous analysis, the visual difference evident is in the *quantum*

of reporting on key parameters. The next task is to gain an appreciation of the level of participation by stakeholder of persons and organisations in public debates. The first stakeholder analysis data set relates to participation by state government identities in those debates on poker machines as shown in Table 7.5.

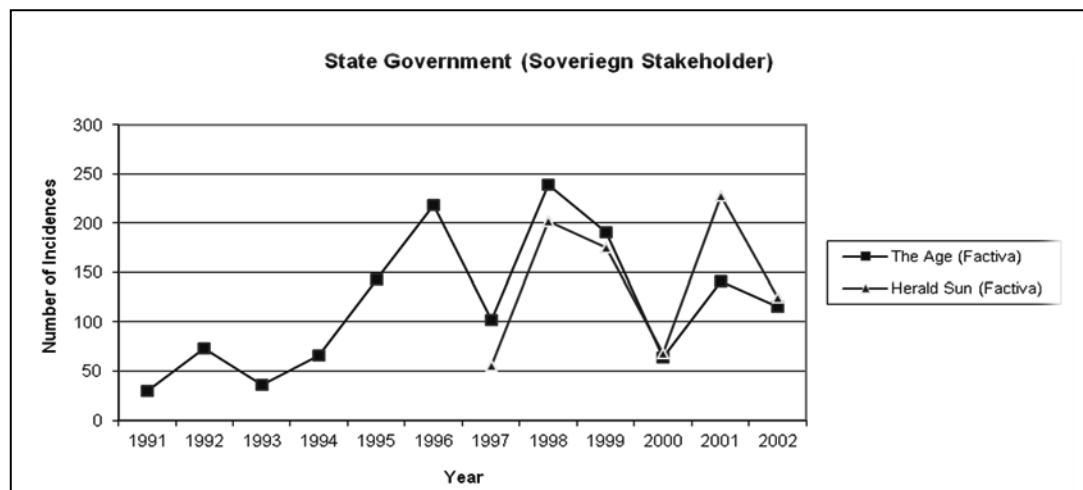
When capturing the level of involvement it becomes evident that it is government identities who are active in policy debates and policy settings on and around the time of those main hold points of legislation and election cycles. The pattern holds for each period and coverage of the peak periods for these stakeholder entities is consistent for both media sources. The similarity in pattern between Figures 7.4 and 7.5 demonstrates this point.

Table 7.5 Victorian Media Coverage of Gambling Stakeholders from Government, Metropolitan Daily Newspapers 1991–2002

| Year | Number of Incidences in Articles by Source Media |                             |
|------|--|-----------------------------|
|      | <i>The Age</i> (Factiva)                         | <i>Herald Sun</i> (Factiva) |
| 1991 | 30   | -                           |
| 1992 | 73   | -                           |
| 1993 | 36   | -                           |
| 1994 | 66   | -                           |
| 1995 | 143  | -                           |
| 1996 | 218  | -                           |
| 1997 | 102  | 56                          |
| 1998 | 239  | 202                         |
| 1999 | 190  | 175                         |
| 2000 | 64   | 68                          |
| 2001 | 141  | 228                         |
| 2002 | 115  | 125                         |

Notes to Table 7.5: This search involved quantifying the number of articles by filtering the database with the terms Premier, Treasurer, Minister for Gaming, VCGA, Community Support Fund CSF, Productivity Commission, National Competition Policy NCP, Attorney General and VCGR  
Also note, *Herald Sun* data in Factiva is only available from 1 July 1997 onwards.

Figure 7.5 Number of Articles Involving Government Stakeholders by Year



When attention is focused on non-government advocates on gambling policy as search variable Set 4 set out in Table 7.6, the trend profile illustrates some differences to those cited earlier. As a measure of activity, when the data is searched by key stakeholder group ‘name’, the profiles can be distilled as consistent with the legislative and election cycle, yet the quantum associated with this grouping is different. A possible explanation for the reduction is that a number of the organisations used in the search did not continue as entities from the latter part of the 1990s, such as the G/Line organisation.

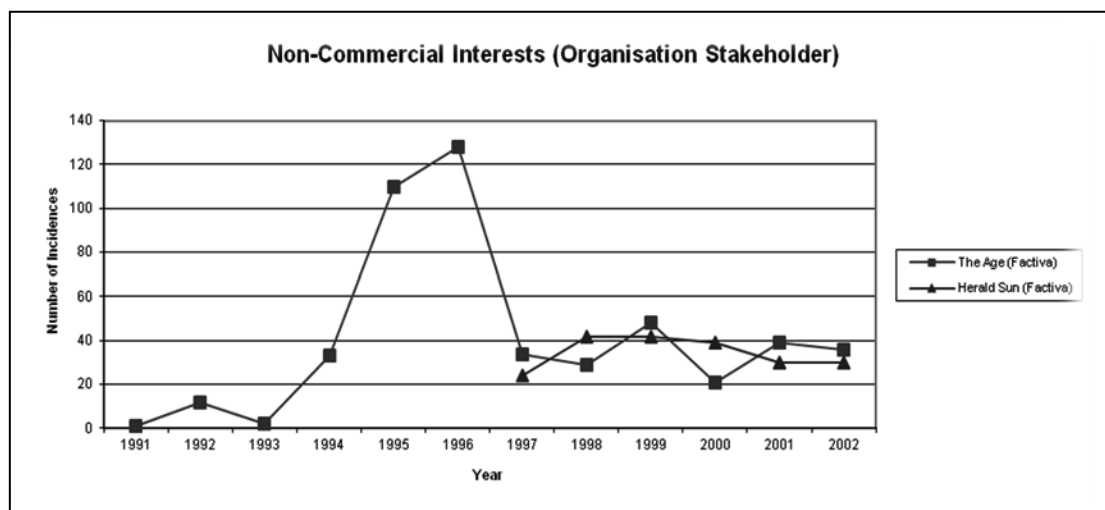
The remaining organisations that continued to be active to the end of the study period included the Inter Church Gambling Taskforce, local government, Municipal Association of Victoria (MAV), Victorian Local Governance Association (VLGA) and the Council of Gamblers Help. Graphically plotting the data from Table 7.6 produces the trends in peak and troughs in Figure 7.6.

Table 7.6 Victorian Media Coverage of non-Commercial Gambling Stakeholders, Metropolitan Daily Newspapers 1991–2002

| Year | Number of Incidences in Articles by Source Media |                             |
|------|--|-----------------------------|
|      | <i>The Age</i> (Factiva)                         | <i>Herald Sun</i> (Factiva) |
| 1991 | 1  | -                           |
| 1992 | 12   | -                           |
| 1993 | 2  | -                           |
| 1994 | 33   | -                           |
| 1995 | 110  | -                           |
| 1996 | 128  | -                           |
| 1997 | 34   | 24                          |
| 1998 | 29   | 42                          |
| 1999 | 48   | 42                          |
| 2000 | 21   | 39                          |
| 2001 | 39   | 30                          |
| 2002 | 36   | 30                          |

Notes to Table 7.6: This search involved quantifying the number of articles by filtering the database with the terms Inter Church Gambling Taskforce, Local Government, Gamblers Anonymous (GA), Municipal Association of Victoria (MAV), Victorian Local Governance Association (VLGA), Council of Gamblers Help, Breakeven / G-Line and Victorian Council on Compulsive Gambling. Also note, *Herald Sun* data in Factiva is only available from 1 July 1997 onwards.

Figure 7.6 Number of Articles Involving Non-Commercial Gambling Stakeholders by Year



When the same logic is applied to examining the level of involvement of commercial organisations with gambling interests in public debates, the results shown in Table 7.7



occur. The trends seen in the data as shown in Figure 7.7 prompt two areas for comment. First, the activity peaks regarding legislation and election cycles are evident and are consistent with the previous data analysed. The second matter of note is that the period when the new gaming economy was being established, in the first half of the 1990s and up to the re-election of the Kennett Government in 1996, is characterised by a heightened level of media interest in the workings of the commercial sector. This is witnessed by the large number of incidences where commercial interests are quoted in debates compared to data relating to the level of activity attributed to other stakeholder groups. As noted in the case studies, this interest is generally focused on positive reporting as to the economic benefits the new gaming economy is bringing to the State of Victoria.

Table 7.7 Victorian Media Coverage of Commercial Gambling Stakeholders, Metropolitan Daily Newspapers 1991–2002

| Year | Number of Incidences in Articles by Source Media |                             |
|------|--|-----------------------------|
|      | <i>The Age</i> (Factiva)                         | <i>Herald Sun</i> (Factiva) |
| 1991 | 119  | -                           |
| 1992 | 207  | -                           |
| 1993 | 447  | -                           |
| 1994 | 582  | -                           |
| 1995 | 666  | -                           |
| 1996 | 787  | -                           |
| 1997 | 327  | 214                         |
| 1998 | 721  | 741                         |
| 1999 | 418  | 367                         |
| 2000 | 116  | 228                         |
| 2001 | 267  | 386                         |
| 2002 | 275  | 247                         |

Notes to Table 7.7: This search involved quantifying the number of articles by filtering the database with the terms PBL, Aristocrat, Crown, Tattersall's, TABCorp, TAB, Hudson Conway, ITT Sheraton, ACIL, Australian Hotels Association (AHA), Clubs Victoria, Australian Gaming Council (AGC), Victoria Racing Club (VRC), Australian Clubs Development Association (ACDA), Returned and Services League (RSL) and Australian Gaming Machine Manufacturers Association (AGMMA). Also note, *Herald Sun* data in Factiva is only available from 1 July 1997 onwards.

Figure 7.7 Number of Media Articles Involving Commercial Gambling Stakeholders by Year



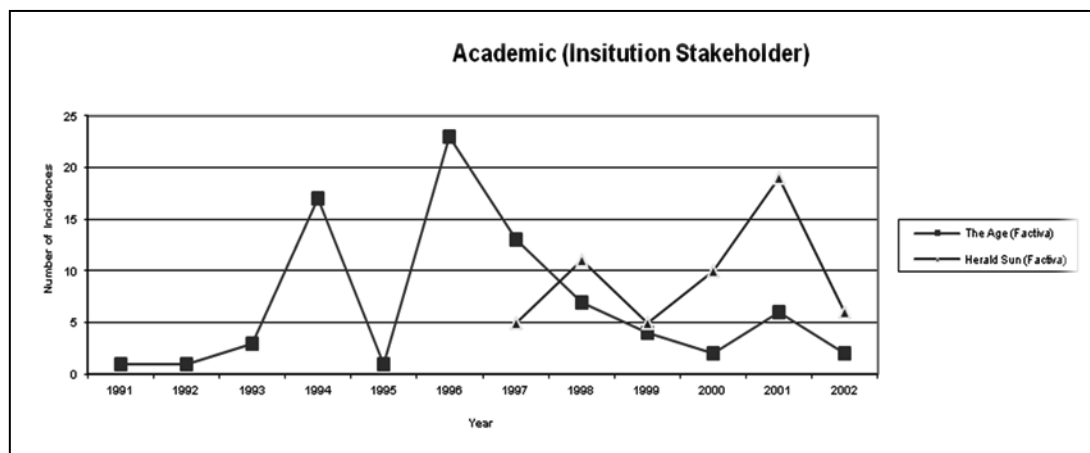
Table 7.8 Victorian Media Coverage of Academic Gambling Stakeholders, Metropolitan Daily Newspapers 1991–2002

| Year | Number of Incidences in Articles by Source Media |                             |
|------|--|-----------------------------|
|      | <i>The Age</i> (Factiva)                         | <i>Herald Sun</i> (Factiva) |
| 1991 | 1  | -                           |
| 1992 | 1  | -                           |
| 1993 | 3  | -                           |
| 1994 | 17   | -                           |
| 1995 | 1  | -                           |
| 1996 | 23   | -                           |
| 1997 | 13   | 5                           |
| 1998 | 7  | 11                          |
| 1999 | 4  | 5                           |
| 2000 | 2  | 10                          |
| 2001 | 6  | 19                          |
| 2002 | 2  | 6                           |

Notes to Table 7.8: This search involved quantifying the number of articles by filtering the database with the terms Victoria University of Technology (VUT), Monash University, Melbourne University, Southern Cross University (SCU), Australian National University (ANU), Australian Institute of Gambling Research (AIGR), Latrobe University, University of Western Sydney (UWS), RMIT, Deakin University, University of Queensland, Nevada, Sydney University, Curtin University WA, Swinburne Institute of Technology, University of Western Australia, Macquarie University and University of New South Wales (UNSW). Also note, *Herald Sun* data in Factiva is only available from 1 July 1997 onwards.

Likewise, Table 7.8 provides a numerical assessment of the involvement from the academic sector in debates and when graphically depicted in Figure 7.8, it shows a similar set of trends to those previously identified, albeit the quantum of participation is far less than other stakeholder groups.

Figure 7.8 Number of Articles Involving Academic Institutions as Stakeholders by Year



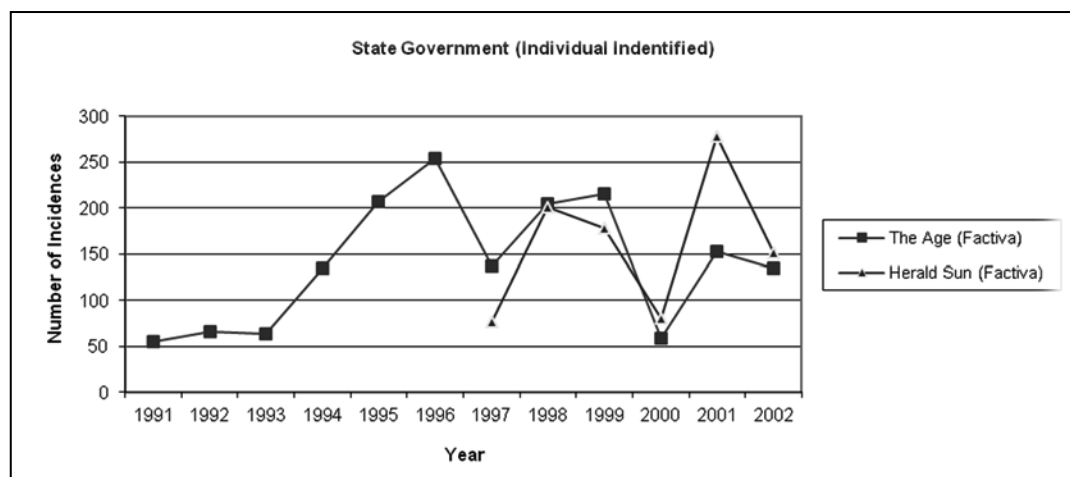
To test the consistency of the emerging trends in gambling policy activity against legislative and election hold points, the stakeholder organisation approach is further refined. For each set of organisational stakeholders, key names are identified from the data pool, recorded numerically in Table 7.9 and these names then mapped to check against the hold points and presented as Figure 7.9. Once more, the trends seen in previous figures as to when activity peaks occurred in relation to gambling policy formation are consistent. That is, in times of major legislative periods or times of state election, participation in public debates increases to a greater level.

Table 7.9 Victorian Media Coverage of Individuals Identified as Government Gambling Stakeholders, Metropolitan Daily Newspapers 1991–2002

| Year | Number of Incidences in Articles by Source Media |                             |
|------|--|-----------------------------|
|      | <i>The Age</i> (Factiva)                         | <i>Herald Sun</i> (Factiva) |
| 1991 | 55   | -                           |
| 1992 | 66   | -                           |
| 1993 | 63   | -                           |
| 1994 | 135  | -                           |
| 1995 | 207  | -                           |
| 1996 | 254  | -                           |
| 1997 | 137  | 77                          |
| 1998 | 204  | 201                         |
| 1999 | 215  | 178                         |
| 2000 | 59   | 80                          |
| 2001 | 153  | 278                         |
| 2002 | 135  | 151                         |

Notes to Table 7.9: This search involved quantifying the number of articles by filtering the database with the names Ches Baragwanath, Steve Bracks, Henry Bolte, John Cain, Xavier Connor, Ivan Deveson, Kevan Gosper, Jeff Kennett, Joan Kirner, John Richards, Alan Stockdale, Neil Tresize, David White, Murray Wilcox, Jim Kennan, Roger Hallam, John Pandazopoulos, Ross Wilson, Howard Ronaldson and Darcy Dugan. Incidences are defined as to how often these identities featured in public debates. Also note, *Herald Sun* data in Factiva is only available from 1 July 1997 onwards.

Figure 7.9 Number of Articles Involving Individuals Identified as Government Stakeholders by Year



When applying the same approach to evaluating individuals from the community sector with non commercial interests in poker machines, similar results are achieved and the numerical incidence of activity is shown in Table 7.10.

Table 7.10 Victorian Media Coverage of Individuals Identified as non-Commercial Gambling Stakeholders, Metropolitan Daily Newspapers 1991–2002

| Year | Number of Incidences in Articles by Source Media |                             |
|------|--|-----------------------------|
|      | <i>The Age</i> (Factiva)                         | <i>Herald Sun</i> (Factiva) |
| 1991 | 0  | -                           |
| 1992 | 0  | -                           |
| 1993 | 0  | -                           |
| 1994 | 2  | -                           |
| 1995 | 52   | -                           |
| 1996 | 90   | -                           |
| 1997 | 43   | 22                          |
| 1998 | 77   | 73                          |
| 1999 | 92   | 39                          |
| 2000 | 35   | 57                          |
| 2001 | 47   | 80                          |
| 2002 | 68   | 22                          |

Notes to Table 7.10: This search involved quantifying the number of articles by filtering the database with the names Leigh Barrett (\*), Rev Tim Costello, Mike Hill, Royce Millar, Phong Nguyen, Bronwyn Pike (\*\*), Rob Wootton, Rev Ray Cleary, John Dalziel, Rob Hudson (\*\*\*), Archbishop Keith Raynor, Moira Rayner and Dame Phyllis Frost.

Incidences are defined as to how often these identities featured in public debates.

Also note, *Herald Sun* data in Factiva is only available from 1 July 1997 onwards.

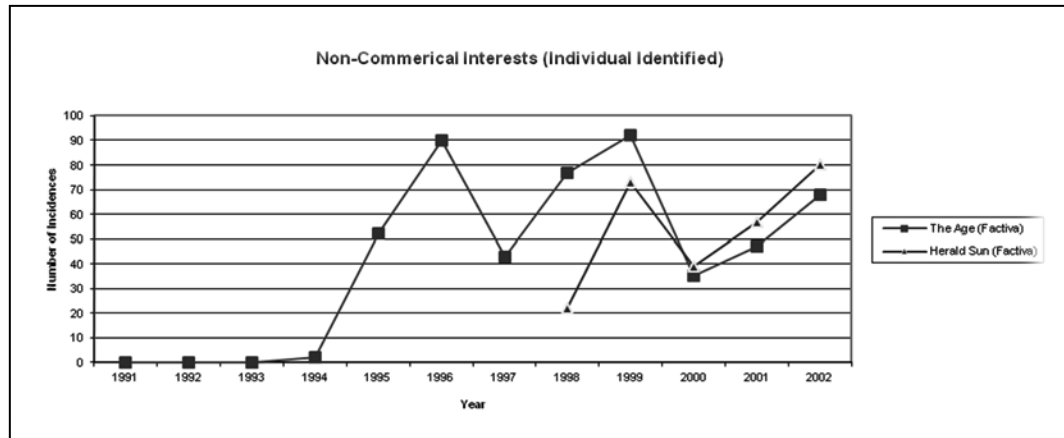
\* Mr Leigh Barrett first at Gamblers Help, then Department of Justice, then TABCorp July 2005

\*\* Bronwyn Pike was a member of the InterChurch Gambling Taskforce who went on to become an ALP Minister in the Brack's Labor Government in 1999.

\*\*\* Rob Hudson was CEO of VCOSS and he went on to become a Member of Parliament in the Brack's ALP Government from 2002.

When the data is mapped, activity around key policy making chronology points is confirmed and is consistent with other stakeholder coalition groupings activity. The data is presented graphically as Figure 7.10.

Figure 7.10 Number of Articles Involving non-Commercial Individuals Identified as Gambling Stakeholders by Year



Likewise, when applying the same approach to evaluating individuals from the commercial sector with interests in poker machines, similar trends are evident and are shown in Table 7.11.

As is the case with non-commercial stakeholder activity, when the data is mapped against activity around key policy making chronology points, it is confirmed and consistent with other stakeholder coalition groupings activity. The data is presented graphically as Figure 7.11.

Table 7.11 Victorian Media Coverage of Individuals Identified as Commercial Gambling Stakeholders, Metropolitan Daily Newspapers 1991–2002

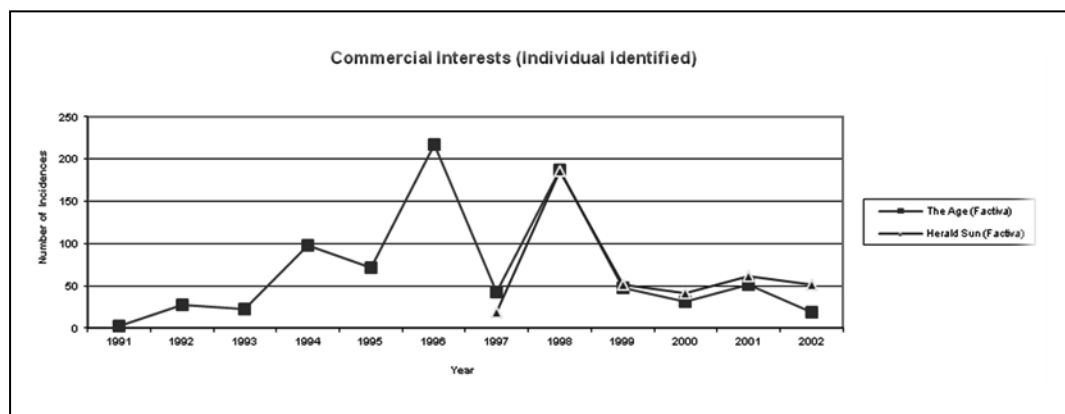
| Year | Number of Incidences in Articles by Source Media |                             |
|------|--|-----------------------------|
|      | <i>The Age</i> (Factiva)                         | <i>Herald Sun</i> (Factiva) |
| 1991 | 2  | -                           |
| 1992 | 27   | -                           |
| 1993 | 22   | -                           |
| 1994 | 98   | -                           |
| 1995 | 72   | -                           |
| 1996 | 217  | -                           |
| 1997 | 42   | 19                          |
| 1998 | 187  | 186                         |
| 1999 | 48   | 51                          |
| 2000 | 31   | 41                          |
| 2001 | 51   | 61                          |
| 2002 | 19   | 51                          |

Notes to Table 7.11: This search involved quantifying the number of articles by filtering the database with the names Len Ainsworth, Michael Kroger, Eddie McGuire, Harold Mitchell, Kerry Packer, Ian Richardson, Ted Vibert, Ron Walker, Lloyd Williams, Peter Gilloly, James Packer, David Jones

Incidences are defined as to how often these identities featured in public debates.

Also note, *Herald Sun* data in Factiva is only available from 1 July 1997 onwards.

Figure 7.11 Number of Articles Involving Individuals Identified as Commercial Gambling Stakeholders by Year



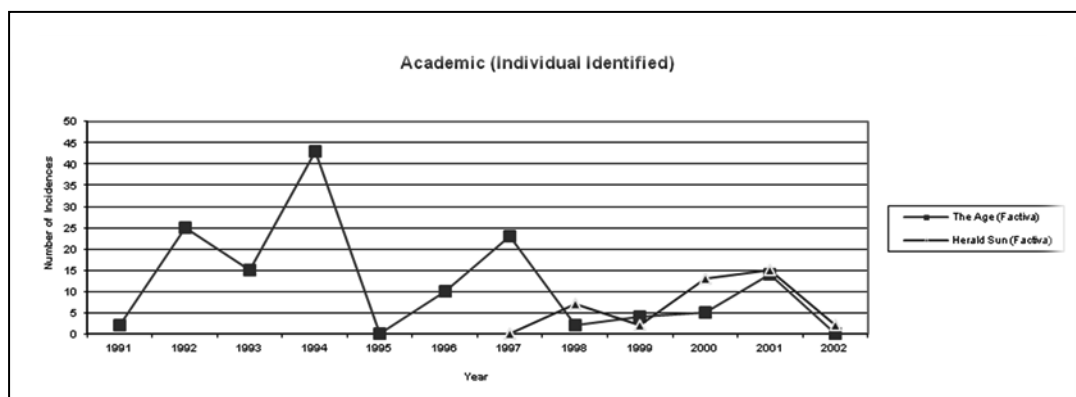
In applying this same approach to evaluating individuals from the academic sector who have some form of academic interest in poker machines, similar results are evident, albeit in a form that is numerically less than other stakeholder groups.

Table 7.12 Victorian Media Coverage of Individuals Identified as Academic Stakeholders, Metropolitan Daily Newspapers 1991–2002

| Year | Number of Incidences in Articles by Source Media |                             |
|------|--|-----------------------------|
|      | <i>The Age</i> (Factiva)                         | <i>Herald Sun</i> (Factiva) |
| 1991 | 2  | -                           |
| 1992 | 25   | -                           |
| 1993 | 15   | -                           |
| 1994 | 43   | -                           |
| 1995 | 0  | -                           |
| 1996 | 10   | -                           |
| 1997 | 23   | 0                           |
| 1998 | 2  | 7                           |
| 1999 | 4  | 2                           |
| 2000 | 5  | 13                          |
| 2001 | 14   | 15                          |
| 2002 | 0  | 2                           |

Notes to Table 7.12: This search involved quantifying the number of articles by filtering the database with the names Alex Blaszczyński, Jennifer Borrell, Ed Devereaux, Mark Dickerson, James Doughney, Allan Kelleher, Charles Livingstone, Jan McMillan, John O'Hara, Ian Ping, Michael Walker, Linda Hancock and Michael O'Neil. Incidences are defined as to how often these identities featured in public debates. Also note, *Herald Sun* data in Factiva is only available from 1 July 1997 onwards.

Figure 7.12 Number of Articles Involving Individuals Identified as Academic Stakeholders by Year

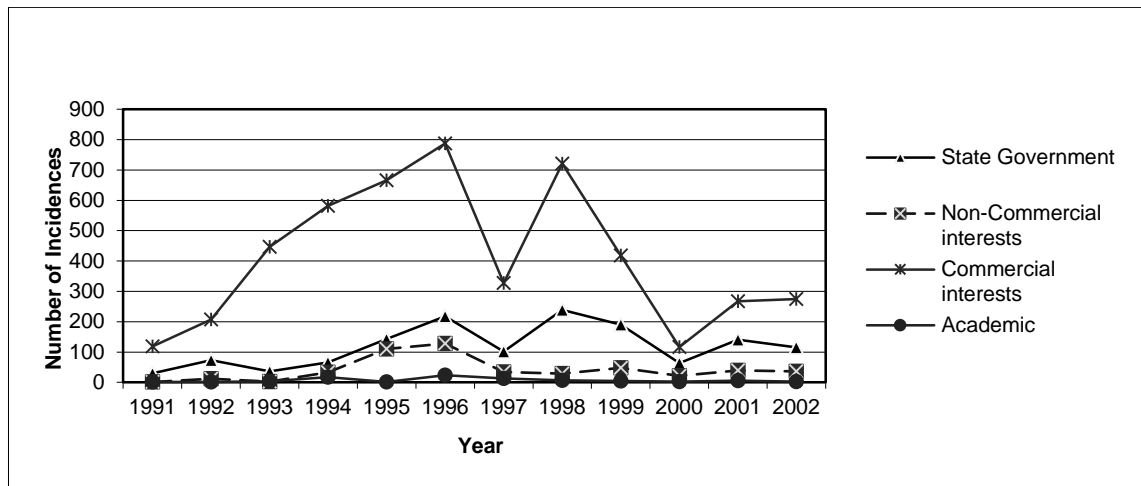


Combining the data results from the previous sets of stakeholder results gives rise to additional trends that warrant comment. When the data on the number of incidences of gambling interest reported in the media by stakeholder organisations are overlaid, what becomes evident is that by far and above any stakeholder group, commercial



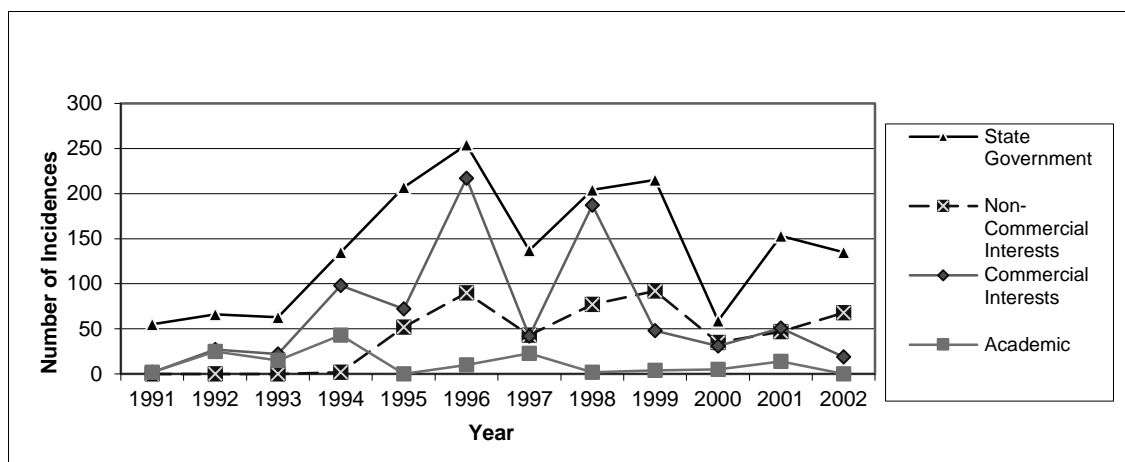
gambling interests are prominent and attract a significant level of interest compared to that of any other stakeholder group. The least prominent in media debates are those from academic institutions.

Figure 7.13 Comparison of Stakeholder Organisations Identified in Victorian Media, Metropolitan Daily Newspapers 1991–2002



When the same approach is applied to combining the data results from the previous sets of stakeholder reporting of individuals, the results switch and illustrate that government or politicians take a more prominent role, however, economic interests in the form of gaming commercial interests are still strongly represented.

Figure 7.14 Comparison of Individual Stakeholders Identified in Victorian Media, Metropolitan Daily Newspapers 1991–2002



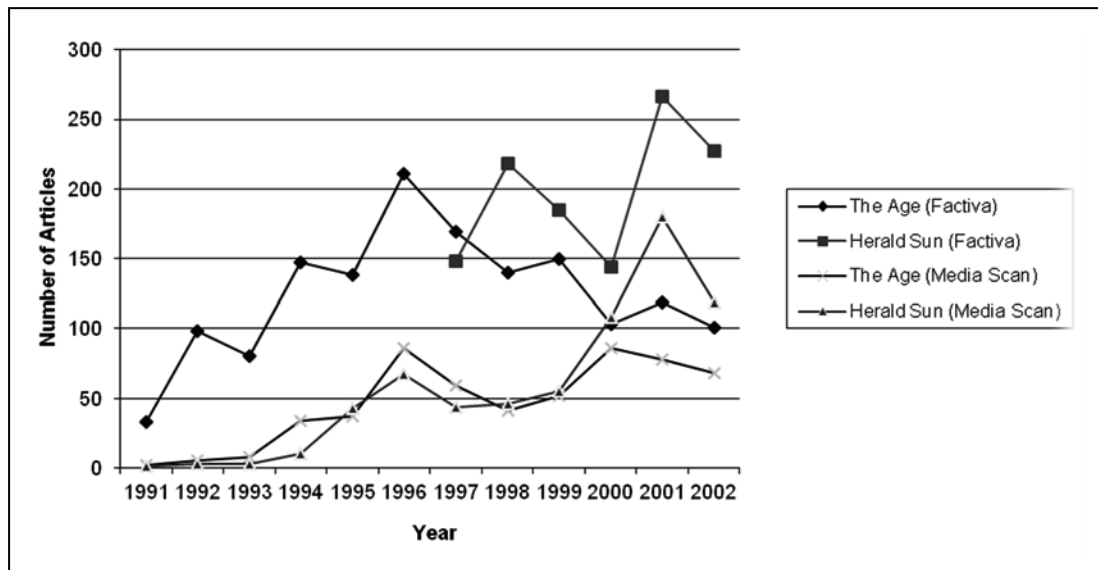
As a mechanism to test the trends identified from the data compiled through the Factiva database on *The Age* and the *Herald Sun* newspapers, a comparison was made using the Media Scan database for the same news publications. Again, the same broad terms were used to gather articles recorded during the research period and to confirm, the variables used to search the database are gambling, gaming, pokies, poker machines and EGM.

The results show that the trend profile of activity is common across both Factiva and Media Scan databases. Further, activity again is most evident at the key legislative and election cycle hold points of 1992, 1996 and 1999.

Table 7.13 Media Coverage of Gambling in Victorian Metropolitan Daily Newspapers 1991–2002 using the ‘Media Scan’ Database

| Year | Media Scan Database         |                                |
|------|-----------------------------|--------------------------------|
|      | <i>The Age</i> (Media Scan) | <i>Herald Sun</i> (Media Scan) |
| 1991 | 2                           | 1                              |
| 1992 | 5                           | 3                              |
| 1993 | 8                           | 3                              |
| 1994 | 34                          | 10                             |
| 1995 | 37                          | 43                             |
| 1996 | 86                          | 67                             |
| 1997 | 59                          | 44                             |
| 1998 | 41                          | 46                             |
| 1999 | 52                          | 55                             |
| 2000 | 86                          | 108                            |
| 2001 | 78                          | 180                            |
| 2002 | 68                          | 119                            |

Figure 7.15 Comparison of Media Coverage of Gambling in Victorian Metropolitan Daily Newspapers 1991–2002 by Source Database; Factiva and Media Scan



### An analysis of Hansard – what does it reveal?

In addition to the considerable quantity of media articles (2700 from *The Age* and the *Herald Sun* newspapers) that formed a reference source for the case studies, Hansard is used as a data source for investigation in this study. Hansard is the Victorian Government's record of debate in the Victorian Upper and Lower Houses of Parliament (State Government of Victoria, 2010). Hansard records proceedings inasmuch as the spoken word can be translated into text. Hansard is recorded and published daily, and Victorian records from 1991 onwards can be searched through an internet managed database.

There is a considerable amount of material in Hansard and a search of the database produced 1045 pages that were used in preparing the case studies presented in this study. The nature of how the spoken word is recorded in Hansard makes the task of summarising the key themes of debate time consuming. However, some themes did

emerge regards dominant debate topics and who the dominating voices in those debates were.

The data indicated a disproportionate focus on economic stakeholder interests at the expense of ‘social’ issues. This scenario is not different to the media analysis presented prior, but what is surprising is the lack of engagement (as distinct from impact, which cannot be deduced from the data analysis) the non-commercial, community and academic stakeholder interests had on the debates during the period under examination.

To assist in making sense of the considerable volume of information available in Hansard on gambling, key words were identified through a reading of each major legislative debate, with the results tabulated in Table 7.14 and Table 7.15. Key words identified through that process were ‘crime’, ‘economy’, ‘financial downturn’, ‘community acceptance’, ‘problem gamblers’, ‘clubs’, ‘RSL support’ and ‘economic leakage’. The economic leakage matter was an argument about economic loss to poker machine clubs operating in New South Wales. These terms were used as filters to sort the debates that occurred around poker machines in state parliament.

When these variables are used to review legislative debates recorded in Hansard, three episodes became evident. Episode One is about pursuing strategies for economic recovery and hence the establishment of the new economy of poker machine gambling. Episode Two occurred in the mid 1990s and is concerned with maximising the return to government through revenue protection of taxes. Episode Three is concerned with promoting responsible gambling and harm minimisation to players of poker machines.

Table 7.14 Number of Pages in Hansard Recording Gaming Legislative Debates in the Legislative Assembly and Legislative Council

| Year                                    | Legislation   | Legislative Assembly (LA) | Legislative Council (LC) |
|---|---|---------------------------|--------------------------|
| 1991                                    | <i>Casino Control Act 1991</i>                              | 248                       | 64                       |
|   | <i>Gaming Machine Control Act 1991</i>                      | 212                       | 55                       |
| 1994                                    | <i>Gaming and Betting Act 1994</i>                          | 75                        | 28                       |
| 1996                                    | <i>Gaming Acts (Amendment) 1996</i>                         | 22                        | 46                       |
|   | <i>Gaming Machine Control Act (Amendment) 1996</i>          | 23                        | 6                        |
|   | <i>Gaming Machine Control (Community Support Fund) 1996</i> | 13                        | 20                       |
| 1997                                    | <i>Gaming Acts (Further Amendment) 1997</i>                 | 60                        | 36                       |
|   | <i>Gaming Acts (Miscellaneous Amendment) 1997</i>           | 32                        | 15                       |
|   | <i>Gaming Act No.2 1997</i>                                 | 22                        | 17                       |
| 1998                                    | <i>Gaming Acts (Amendment) 1998</i>                         | 25                        | 8                        |
|   | <i>Gaming Acts (Further Amendment) 1998</i>                 | 22                        | 22                       |
| 2000                                    | <i>Gambling Legislation (Miscellaneous Amendments) 2000</i> | 18                        | 30                       |
|   | <i>Gambling Legislation (Responsible Gambling) 2000</i>     | 52                        | 71                       |
|   | <i>Gaming Acts (Gaming Machine Levy) 2000</i>               | 7                         | 10                       |
|   | <i>Gaming No.2 (Community Benefit) 2000</i>                 | 11                        | 24                       |
|   | <i>Gambling Legislation (Amendment) 2002</i>                | 59                        | 52                       |
| <b>Total pages for LA and LC = 1405</b> |   |                           |                          |

Source: Hansard, State Government Victoria (1991–2002)

Further, Table 7.15 indicates that the same trend in parliamentary debate can be obtained from a review of all questions on notice and questions tabled without notice.<sup>x</sup> When administering the search terms ‘gambling’, ‘EGMs’, ‘gaming’, ‘CSF’, ‘gaming machines’ and ‘pokies’, a similar trend in the series of debates and episodes is consistent with when debates are held or heard on legislation and regulation in the two houses of parliament. This equates to the periods of the case studies, being establishing a new poker machine economy on and around 1991 - 1992; maximising economic returns, which featured in the years 1995 to 1997; and the problem gambling reform agenda from 1999 onwards.

Table 7.15 Record of Parliamentary Question Time on Gaming in the Legislative Assembly and Legislative Council

| Parliamentary Questions | Questions On Notice  |                     | Questions Without Notice |                     |
|-------------------------|----------------------|---------------------|--------------------------|---------------------|
|                         | Legislative Assembly | Legislative Council | Legislative Assembly     | Legislative Council |
| Year                    |                      |                     |                          |                     |
| 1991                    | 0                    | 1                   | 4                        | 7                   |
| 1992                    | 3                    | 1                   | 6                        | 3                   |
| 1993                    | 0                    | 0                   | 3                        | 10                  |
| 1994                    | 0                    | 0                   | 6                        | 6                   |
| 1995                    | 0                    | 0                   | 0                        | 5                   |
| 1996                    | 0                    | 1                   | 2                        | 5                   |
| 1997                    | 0                    | 1                   | 6                        | 5                   |
| 1998                    | 0                    | 2                   | 3                        | 1                   |
| 1999                    | 0                    | 1                   | 1                        | 3                   |
| 2000                    | 0                    | 2                   | 5                        | 0                   |
| 2001                    | 1                    | 4                   | 5                        | 0                   |
| 2002                    | 0                    | 6                   | 2                        | 0                   |
| <b>Totals</b>           | <b>4</b>             | <b>19</b>           | <b>43</b>                | <b>45</b>           |

Source: Hansard, State Government Victoria (1991–2002)

### Changes in the Victorian gambling market

Up until 1994, the avenues for legal gambling in Victoria were oncourse bookmakers at official race venues, the totalisator betting on horse racing, trots and greyhound racing at licensed TAB premises, Bingo, Soccer Pools, Tattslotto<sup>xi</sup> and Sweepstakes games conducted by Tattersall's. The expansion of legal convenience gambling activity in Victoria by the end of the research period in 2002 is outlined in Table 7.16.

Table 7.16 All Forms of Gambling Available in Victoria in 2002

| Type   | Provider   | How Available  |
|--|--|--|
| Racing (gallops, harness and greyhounds)   | Bookmakers   | At race meetings and via telephone during race meetings  |
|  | TABCorp  | Totalisator at authorised outlets - agencies, hotels, gaming venues; and via telephone   |
| Electronic Gaming Machines (30,000 EGMs)   | TABCorp (13,750 machines)  | Gaming venues (licensed hotels and clubs)  |
|  | Tattersall's (13,750 machines)   | Gaming venues (licensed hotels and clubs)  |
|  | Crown Limited (2500 machines)  | Melbourne Casino, Southbank  |
|  | TT Line  | On board the Spirit of Tasmania  |
| Casino Table Games (Licenced to provide 350 tables - 20 different types of table games approved)                             | Crown Limited  | Melbourne Casino   |
| Lotteries (Tattslotto, Ozlotto, Wednesday Tattslotto, Powerball, Super 66, Tatts 2, Tatts Keno, Instant Tatts, Soccer Pools) | Tattersall's   | Accredited representatives throughout Victoria (news agencies and other outlets)   |
| Footy Tipping  | (Tipstar) Footy Consortium Pty Ltd   | Accredited representatives throughout Victoria (news agencies and other outlets)   |
| Club Keno  | Tattersall's   | Participating gaming venues throughout Victoria  |
|  | TABCorp  | Participating gaming venues throughout Victoria  |
| Minor Gaming (raffles, bingo, lucky envelopes and trade promotion lotteries)   | Charitable and community organisations for raffles, bingo and lucky envelopes; and trade or business for trade promotion lotteries | Various (e.g. street sales and mail order for raffles, hotels for lucky envelopes, venues operated by charitable and community organisations for bingo); Bingo centres; and Trade promotions are generally run through point of sale, telephone or mail entry. |
| Sports Betting   | Bookmaker  | At race meetings - betting ring; and via telephone during race meetings  |
|  | TABCorp  | via National sportsbet outlets; and via telephone  |

Source: Office of Gambling Regulation (OGR) Types of Gambling, (2004)  
[http://www.ogr.vic.gov.au/domino/web\\_notes/ogr/ogrsite.nsf/pages/gambling\\_types](http://www.ogr.vic.gov.au/domino/web_notes/ogr/ogrsite.nsf/pages/gambling_types)

The evidence points to an extensive expansion of convenience gambling options and outlets for Victorians. All of these legalised forms of gambling were regulated by the Victorian Government through a range of legislative and regulatory mechanisms such as acts of parliament or ministerial directions and the results are presented in Table 7.17.

Ministerial directions relevant to the timeframe for this study are presented chronologically in Table 7.17. The next series of ministerial directions on gambling policy implementation that dealt with the creation of the Gambling Regulation Act 2003 (GRA) (State Government Victoria, 2003) were not issued until after the timeframe for this study concluded. What is evident from the information about machine installation, and is considered in Case Study 2, is that deployment of the majority of available and approved licences for poker machines into the market at venues had been achieved by mid to late 1997. Changes in the distribution and number of venues after that date were more about industry performance and exacting peak returns by moving machines around to higher returning venues rather than what occurred in the preceding five years, which was about capitalising market opportunity for spatial reach.

This snapshot of some of the key events and issues associated with the political economy of poker machine gambling demonstrates that a great deal of activity occurred during the study timeframe of 1991 to 2002. None of the events highlighted in this chapter should be seen in isolation from a much larger picture, being what happened in the preceding 150 years in relation to gambling (O'Hara 1985). The case studies illustrate the rich and diverse nature of debates about policy in respect of poker machine gambling and reinforces why the years inclusive of 1991 to 2002 are of interest to policy making.



Table 7.17 Ministerial Directions on Electronic Gaming Machines for the Years 1992-1997

| Date              | Ministerial Direction   |
|-------------------|---|
| 8 April 1992      | Ministerial directions issued to 10,000 EGMs  |
| 18 September 1992 | Ministerial directions issued to 20,000 EGMs. First 15,000 EGMs to comply with the 50/50 club/hotel split                                     |
| 28 June 1993      | Premier announces moratorium and review of EGM industry   |
| 8 September 1993  | 50/50 club hotel split to remain – EGM limit remains at 20,000  |
| 21 June 1994      | Moratorium lifted   |
| 29 May 1995       | EGM numbers lifted to 22,000, provisions do not apply to the casino   |
| 28 August 1995    | Directions issued to raise number of licences to 25,000   |
| 20 December 1995  | Premier announces number to be lifted to 27,500   |
| 28 May 1996       | Directions issued to raise number of licences to 27,500   |
| 4 April 1997      | Operator split revised as indefinite (previously applied for 5 years only) Decision would only be reviewed if the number of EGMs was reviewed |

Source: AIGR (1999)

Discussions about stakeholders, legislation, taxation revenue and politics will further reinforce the value in focusing on the nominated study period. What has been evident is that throughout the 11 year timeframe, if sheer volume of comment on public debates is any indication, debates were largely dominated and directed by commercial gambling interests and government identities speaking about legislation and policy.

When the poker machine market was established, successive governments were concerned to grow taxation revenue and protect revenue flow to the state from poker machine playing. Civil society as non-commercial voices, expressed concerns about the incidence of harm associated with problem gambling and that a significant proportion of losses on EGMs was overwhelmingly from a small group of problem gamblers

(Productivity Commission, 1999). The question remains whether those non-commercial voices in society were effective in achieving their objectives in policy advocacy. This question in part will be discussed in Chapter 10, where making theoretical sense of gambling is explored. For the moment, the next chapter will present and analyse the economic value of gambling and how the Australian and Victorian economies are regulated.

## Chapter 8

### REGULATING THE GAMBLING ECONOMY

#### Introduction

The purpose of this chapter is to establish the national and state context of gambling economies in Australia and the State of Victoria.

Due to the nature of available information about gambling activity and revenue, the main focus will be on setting out information regarding the changing nature of the national economy and Victorian (state-based) dynamics with respect to gambling taxes post Second World War, that is since 1945. As Haig (1985a) notes, until 1945, no census of the gambling industry in Australia had been performed. Therefore, the emphasis will be on mapping the changing nature of gambling revenue sources as well as what happened to state gambling taxes.

The nexus between different gambling products and changing markets for budget revenues from gambling activity will be explored. The main focus for analysis will be on the period from the 1990s with some reference to the intervening period and onwards where significant changes to the provision of options for convenience gambling increased, that is, the introduction of poker machines in Victoria. It will be proposed that there is a correlation between the introduction of new gambling products and an increase in the capacity of industry to create more profits as well as the state to generate taxation revenue from gambling. In this way, the data will be shown to further validate the utility in choosing the research period as being between 1991 and 2002.

### **The National economy of gambling**

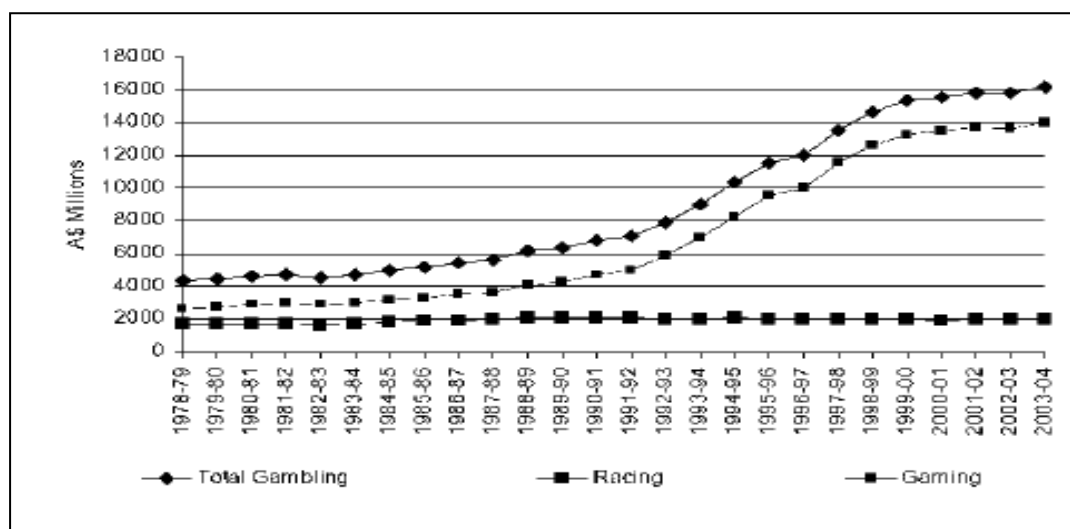
Data on the national economy of gambling in Australia before 1920 is sketchy, at best unreliable and essentially no comprehensive statistics exist that are of value to report and comment on (Haig, 1984). Data sets compiled from 1920 onwards are more reliable. For example, betting on horse racing at race tracks accounted for approximately ninety per cent of net legal gambling expenditure, and of this, it is noted that expenditure on all forms of legal gambling across Australia was 1.5 per cent of personal consumption in 1920. Betting on horse races was valued at 6.6 million pounds in 1920 and by 1939, wagering on horse races was nationally worth 9.6 million pounds. By 1980, gambling expressed as personal consumption had increased to 2.4 per cent however, when a component for illegal gambling is taken into consideration, Haig (1984) concludes that in real terms, the national level of gambling consumption remained static. What did change over the decades since 1920, are the types of gambling products consumers gambled on.

The depression of the early 1930s witnessed a decline in revenue to state governments from racing and so new measures were introduced to widen the tax base on gambling (O'Hara, 1985). As a general observation, governments increased the tax take on legal bets, new methods for betting are approved which included offcourse totalisators and lotteries, and there are increased efforts to eradicate illegal betting (Haig, 1984; Haig, 1985a). In 1920, lotteries accounted for 0.7 million pounds in net personal expenditure and that figure rose to 5.5 million pounds by 1945. By 1980, lotteries represented 751.7 million dollars in personal net expenditure. In the post Second World War era, the introduction of the offcourse tote for all state jurisdictions was complete by 1970 and served to minimise the need for illegal offcourse betting.

To illustrate the changing nature of gambling activity, by 1980, betting on horse races had declined to forty five per cent of legal gambling activity of which approximately ten per cent of that activity was done at race tracks, the majority of horse race betting now being undertaken offcourse through TABs (Haig, 1984).

Table 8.1 over illustrates the social change in the trends regarding gambling product preference and activity from 1948 onwards to 1980 with a marked swing away from horse race betting to lotteries and other forms of gambling such as soccer pools, casinos and poker machines (Haig, 1984). McMillan (2005) extends Haig's appreciation of the national gambling profile set out in Table 8.1. While growth in gambling expenditure is evident between 1920 and 1980, the rate of growth and the quantum of gambling expenditure significantly increased from the beginning of the 1990s with the wider roll out of poker machines across all state jurisdictions of Australia. The rate and quantum of expenditure are illustrated graphically in Figure 8.1.

Figure 8.1 Real Total Gambling Expenditure in Australia: 1978-2004



Source: Centre for Gambling Research, Australian National University (2005)

Table 8.1 Expenditure on Gambling 1948–1981 all Australia: Net Expenditure expressed in \$ million

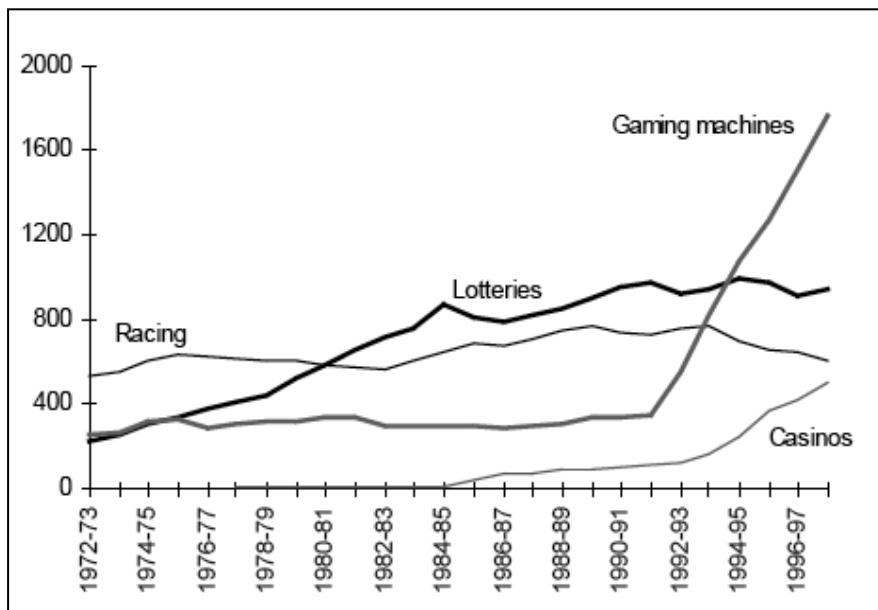
| <b>Year<br/>(July 1 – June 30)</b> | <b>Tote</b> | <b>Bookmaker</b> | <b>Lotteries</b> | <b>Other</b> | <b>Total</b> |
|------------------------------------|-------------|------------------|------------------|--------------|--------------|
| 1948-49                            | 5.6         | 58.5             | 11.1             | -            | 75.2         |
| 1949-50                            | 6.3         | 62.1             | 12.1             | -            | 80.5         |
| 1950-51                            | 7.2         | 68.5             | 13.5             | -            | 89.2         |
| 1951-52                            | 8.8         | 86.2             | 14.9             | -            | 109.9        |
| 1952-53                            | 9.0         | 85.1             | 17.0             | -            | 111.1        |
| 1953-54                            | 9.3         | 90.0             | 17.4             | -            | 116.7        |
| 1954-55                            | 8.7         | 83.3             | 22.8             | -            | 114.8        |
| 1955-56                            | 8.9         | 85.7             | 25.2             | -            | 119.8        |
| 1956-57                            | 8.9         | 85.2             | 26.3             | 7.5          | 127.9        |
| 1957-58                            | 9.3         | 90.0             | 25.5             | 8.5          | 133.3        |
| 1958-59                            | 9.2         | 84.9             | 24.5             | 9.0          | 127.6        |
| 1959-60                            | 9.7         | 90.9             | 27.2             | 12.5         | 140.3        |
| 1960-61                            | 10.1        | 94.9             | 28.0             | 17.0         | 150.0        |
| 1961-62                            | 15.5        | 91.9             | 29.6             | 17.5         | 154.5        |
| 1962-63                            | 21.5        | 91.4             | 32.4             | 33.0         | 178.3        |
| 1963-64                            | 27.4        | 92.7             | 38.9             | 56.5         | 215.5        |
| 1964-65                            | 35.7        | 101.9            | 34.7             | 68.5         | 240.8        |
| 1965-66                            | 46.8        | 99.7             | 34.0             | 79.0         | 259.5        |
| 1966-67                            | 58.5        | 105.5            | 36.4             | 98.0         | 298.4        |
| 1967-68                            | 72.1        | 107.3            | 38.0             | 117.0        | 334.4        |
| 1968-69                            | 85.5        | 109.8            | 40.7             | 132.0        | 368.0        |
| 1969-70                            | 101.3       | 118.6            | 43.6             | 152.5        | 416.0        |
| 1970-71                            | 114.6       | 121.9            | 44.7             | 174.5        | 455.7        |
| 1971-72                            | 141.5       | 134.6            | 47.0             | 192.5        | 515.6        |
| 1972-73                            | 164.6       | 147.6            | 53.4             | 211.8        | 577.4        |
| 1973-74                            | 195.9       | 171.6            | 67.7             | 260.2        | 695.4        |
| 1974-75                            | 256.0       | 213.3            | 91.8             | 370.1        | 931.2        |
| 1975-76                            | 295.7       | 234.6            | 120.8            | 439.7        | 1090.8       |
| 1976-77                            | 327.7       | 256.2            | 154.1            | 489.3        | 1227.3       |
| 1977-78                            | 362.8       | 274.8            | 177.3            | 520.8        | 1335.7       |
| 1978-79                            | 387.3       | 293.9            | 211.1            | 580.9        | 1473.2       |
| 1979-80                            | 421.6       | 327.4            | 262.9            | 656.2        | 1668.1       |
| 1980-81                            | 460.4       | 344.6            | 303.2            | 751.7        | 1859.9       |

Source: Haig (1984: 15)

The change in the growth of the national economy of gambling resultant from poker machines mirrored the changes in the Victorian State economy of gambling with the introduction of poker machines. The Productivity Commission (1999) illustrates this point with Figure 8.2 over which clearly shows the impact of poker machine operation on revenue to all states and territories.

From a national perspective, the data suggests it is evident that from 1990 onwards, poker machines came to feature more prominently as a contributor to all state budget revenues, excepting for Western Australia which did not legalise poker machines in non-casino venues. The Victorian poker machine economy will now be documented.

Figure 8.2 Total State and Territory Revenue from Different Forms of Gambling: 1972–1998 (expressed in 1997-98 dollars million)



Source: Executive Summary Australia's Gambling Industries, Productivity Commission (1999).

### **The Victorian gambling economy: gambling tax as a proportion of state budget revenues**

Information set out earlier on the national economy of gambling as well as in the chapter regarding legislation governing poker machines in Victoria can be contrasted to taxation revenues from gambling received by the State Government.

Table 8.2 over illustrates data on taxes derived from gambling activities in Victoria as a percentage of the proportion of total budget revenues and is contrasted to the number of Acts and regulations that are passed by the State Government. The percentage figures in

the 4<sup>th</sup> column indicate the proportion contributed by poker machines since their introduction in 1992.

Table 8.2 Gambling Tax as a Proportion of State Budget Revenues

| Period    | Total Acts/<br>Amendments/<br>Regulations | Gambling Tax as a<br>Percentage of All State<br>Budget Revenue | Gambling Tax as a Percentage<br>of All State Budget Revenue –<br>Poker Machine component |
|-----------|---|--|--|
| Pre 1950  | 1   | 10%  | 0  |
| 1950-1959 | 2   | 20%  | 0  |
| 1960-1969 | 1   | 13%  | 0  |
| 1970-1979 | 0   | 9%   | 0  |
| 1980-1989 | 3   | 10%  | 0  |
| 1990-1994 | 15  | 9%   | 0 – 5%   |
| 1995-1999 | 25  | 12%  | 5 - 10%  |
| 2000-2002 | 24  | 16.5%.   | 11.1%  |

Source: Smith (1999)

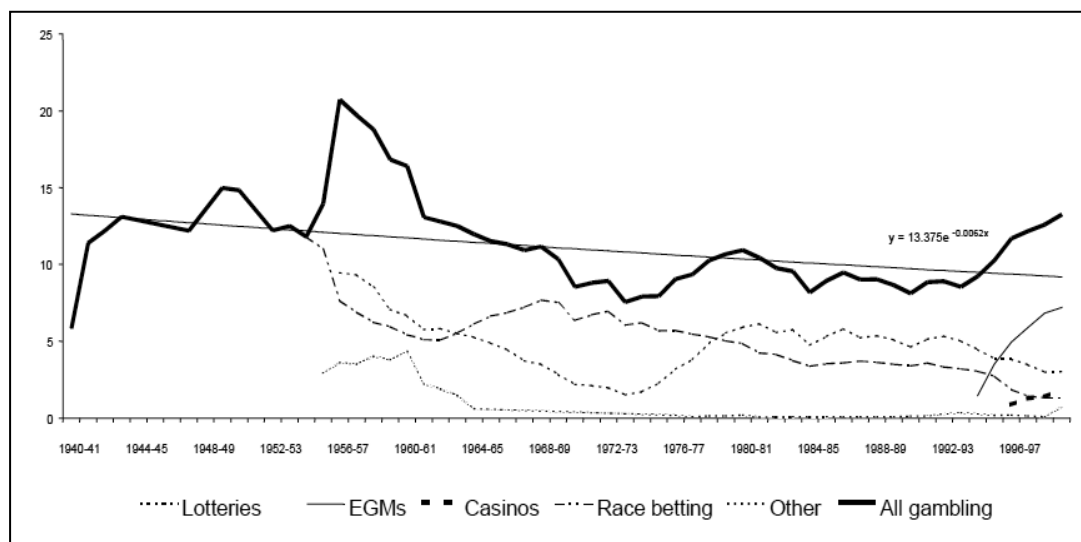
What can be discerned from the data is that in Victoria, and similar to national trend data presented earlier, taxes from gambling as a percentage of all state government revenues varied between 10 and 20 per cent up to 1960 and revenue was primarily derived from horse race betting. Thereafter, a decline in revenue from horse racing is evident. Figure 8.3 over illustrates this decline in revenue from horse racing and is replaced by increased revenue from lottery products, casinos and then poker machines in the 1990s.

It is evident that historically, revenue directly attributable to gambling activity formed a significant part of total government revenues. The major increase in the mid 1950s can be principally attached to the legalisation of offcourse betting by the establishment of the government controlled TAB. During the mid 1950s, revenues peaked to 20 per cent and then tailed off to less than 10 per cent of government revenue from all tax sources



in the late 1980s. It should be remembered that there is evidence that gambling dollars to the state did rise and was shown in Table 8.1, however, what did change was the source of those gambling dollars.

Figure 8.3 Gambling Taxation as a Percentage of State Government Taxation, Victoria, 1938-39 to 1997-98



Source: Australian Institute for Gambling Research (1999)

According to McMillan (in AIGR, 1999), since 1991-92 the importance of gambling taxes to the states revenue once again featured strongly in government budgets increased to the order of 15 per cent. The majority of this increase having been resultant from growth in taxes from the operation of poker machines. Data compiled by the Tasmanian Gaming Commission (2002), demonstrates that poker machine revenue constituted approximately 60 per cent of all gambling revenues, that is, of the \$3.47 billion from gaming in the financial year ending 2002, \$2.56 billion came from losses by players on poker machines. Further, the Tasmanian Gaming Commission (2003) maintained comprehensive detail on the quantum of revenue derived for the Victorian government in 'real terms', that is, represented as actual dollars in figures comparable to 2003 levels. Table 8.3 shows the figures for budget revenues by financial year for Victoria from 1976 to 2002.

In considering the data in Table 8.3, it is revealed that when considering all forms of gambling revenue, in real terms, that derived from horse racing declined by over 50 per cent when considered from 1976 to 2002. Moreover, \$1.5 billion was derived as comparable taxation revenue from gambling at a level of 10 per cent of all state revenues in 1976<sup>xii</sup>. For 2002, the comparable figure for all gambling taxation revenue had reached \$3.8 billion, representing 16.5 per cent of all revenues.

Table 8.3 Real Total Government Revenue from Gambling

| <b>Year<br/>(July 1–June 30)</b> | <b>Racing</b> | <b>Gaming</b> | <b>Sports<br/>Betting</b> | <b>Total Gambling</b> |
|----------------------------------|---------------|---------------|---------------------------|-----------------------|
| 1976-77                          | 703.446       | 828.811       | -                         | 1532.256              |
| 1977-78                          | 693.047       | 855.142       | -                         | 1548.190              |
| 1978-79                          | 681.903       | 907.656       | -                         | 1589.559              |
| 1979-80                          | 682.690       | 1007.431      | -                         | 1690.120              |
| 1980-81                          | 672.361       | 1054.798      | -                         | 1727.159              |
| 1981-82                          | 649.133       | 1126.661      | -                         | 1775.794              |
| 1982-83                          | 634.731       | 1169.690      | -                         | 1804.421              |
| 1983-84                          | 675.451       | 1260.360      | -                         | 1935.812              |
| 1984-85                          | 711.112       | 1370.611      | -                         | 2081.723              |
| 1985-86                          | 742.643       | 1368.658      | -                         | 2111.301              |
| 1986-87                          | 730.994       | 1386.637      | -                         | 2117.631              |
| 1987-88                          | 765.749       | 1452.702      | -                         | 2218.451              |
| 1988-89                          | 802.797       | 1434.126      | -                         | 2236.923              |
| 1989-90                          | 821.560       | 1633.014      | -                         | 2454.574              |
| 1990-91                          | 804.603       | 1689.366      | -                         | 2493.969              |
| 1991-92                          | 793.432       | 1745.810      | -                         | 2539.242              |
| 1992-93                          | 814.439       | 1932.237      | -                         | 2746.676              |
| 1993-94                          | 817.022       | 2278.781      | -                         | 3095.803              |
| 1994-95                          | 760.410       | 2669.218      | 4.450                     | 3434.079              |
| 1995-96                          | 714.229       | 2989.482      | 3.600                     | 3707.311              |
| 1996-97                          | 692.097       | 3176.657      | 3.660                     | 3872.413              |
| 1997-98                          | 644.334       | 3636.540      | 4.570                     | 4285.444              |
| 1998-99                          | 541.703       | 4013.227      | 6.369                     | 4561.299              |
| 1999-00                          | 497.243       | 4294.052      | 8.611                     | 4799.906              |
| 2000-01                          | 335.403       | 3403.832      | 5.493                     | 3744.728              |
| 2001-02                          | 320.510       | 3474.753      | 7.022                     | 3802.285              |

Source: Tasmanian Gaming Commission (2003)

Notes to Table 8.3:

The data should be read in conjunction with the explanatory notes supplied by the Tasmanian Gaming Commission.

All amounts are \$million.

Data for the gambling revenue received by states and territories from 1 July 2000 onward is not comparable with that of preceding years because of the impact of changes brought about by the introduction of the GST.

Therefore, had gambling tax revenue remained at the same level as that of 1976, it would have represented 4 per cent as a proportion of all state revenues in 2002.

Instead, it is evident that not only the quantum of tax revenue had grown by 250 per cent, but it also grew as a proportion of revenue as a source of all budget revenues in the period detailed had increased by 50 per cent.

The importance of this information and the nature of Figure 8.3 needs to be further reinforced in the context of tax revenue from gambling as a masked factor within budget revenue data. Dr David Hayward, Executive Director of the Institute for Social Research, Swinburne University of Technology, analysed Victorian Budget Papers specifically to examine the flow of gambling taxation revenue through the nexus of State/Commonwealth channels (Hayward, 2002).

Table 8.4 provides information on gambling tax revenues to the Victorian State and Commonwealth Governments for the period 1991 to 2003. This table introduces the Goods and Services Tax (GST) levied by the Commonwealth Government, as a factor to take account of, in the gambling tax story, that needs to be identified when discussing state budget revenues from gambling expenditure. The GST rate is levied at 10 per cent on the transaction of the good or service provided.

In addition to the base budget figures, Hayward extracted from Victorian Treasury estimates, the following projections for gambling tax as a proportion of overall budget revenues to 2005 – 2006 and the results are presented as Figure 8.4 - State Gambling Taxes as a Percentage of Total State Taxation, 2001/2-2005/6 (estimated).

Table 8.4 EGM and Total Gambling Taxes With and Without GST Revenues:  
1991-2 to 2002-3 (budget)

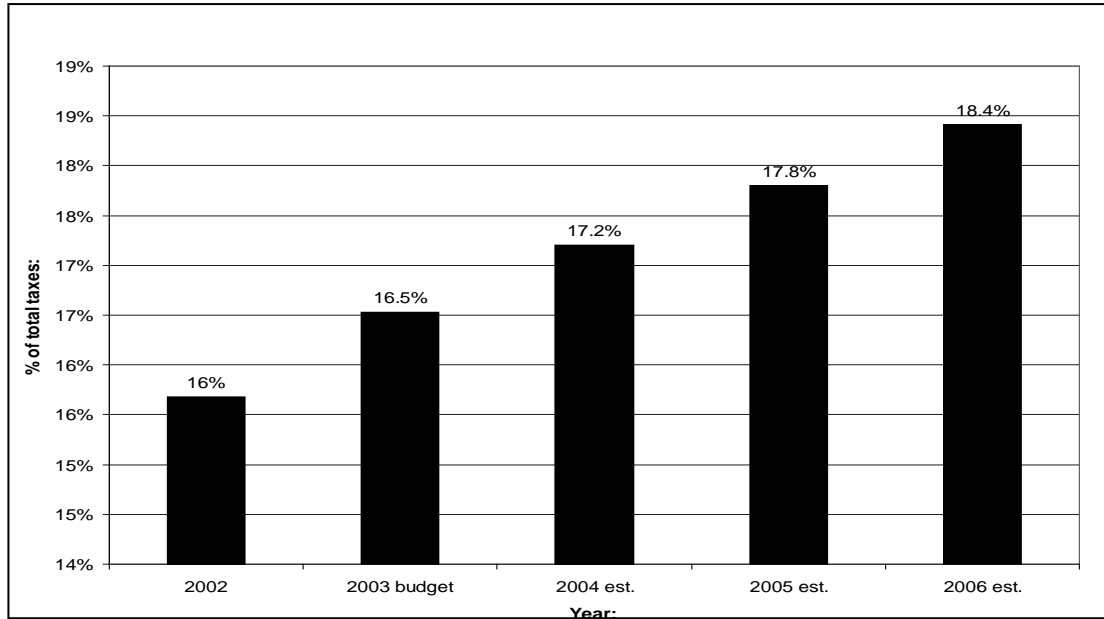
|                 | EGM Taxes (\$m) |       |        | All Gambling Taxes(\$m) |       |        | Gaming as Percentage of all Taxes |          |
|-----------------|-----------------|-------|--------|-------------------------|-------|--------|-----------------------------------|----------|
|                 | State Taxes     | GST   | Total  | State Taxes             | GST   | Total  | Excluding GST                     | With GST |
| 1991-92         | \$0             |       | \$0    | \$513                   |       | \$513  | 0%                                | 0%       |
| 1992-93         | \$90            |       | \$90   | \$600                   |       | \$600  | 1%                                | 1%       |
| 1993-94         | \$259           |       | \$259  | \$760                   |       | \$760  | 4%                                | 4%       |
| 1994-95         | \$384           |       | \$384  | \$908                   |       | \$908  | 5%                                | 5%       |
| 1995-96         | \$509           |       | \$509  | \$1052                  |       | \$1052 | 6%                                | 6%       |
| 1996-97         | \$589           |       | \$589  | \$1152                  |       | \$1152 | 7%                                | 7%       |
| 1997-98         | \$657           |       | \$657  | \$1239                  |       | \$1239 | 8%                                | 8%       |
| 1998-99         | \$806           |       | \$806  | \$1396                  |       | \$1396 | 9%                                | 9%       |
| 1999/2000       | \$933           |       | \$933  | \$1520                  |       | \$1520 | 10%                               | 10%      |
| 2000/01         | \$801           | \$215 | \$1016 | \$1276                  | \$371 | \$1647 | 9%                                | 11%      |
| 2001/02         | \$906           | \$251 | \$1157 | \$1373                  | \$438 | \$1811 | 10%                               | 13%      |
| estimate        |                 |       |        |                         |       |        |                                   |          |
| 2002/03 budget. | \$973           | \$266 | \$1238 | \$1455                  | \$465 | \$1920 | 11%                               | 13%      |

Source: Hayward (2002)

Those projections by the Victorian Treasury at the time, did not acknowledge, and by progression, did not incorporate the GST, the masked gambling tax, as a factor that should be accounted for as contributing to state revenues from gambling.

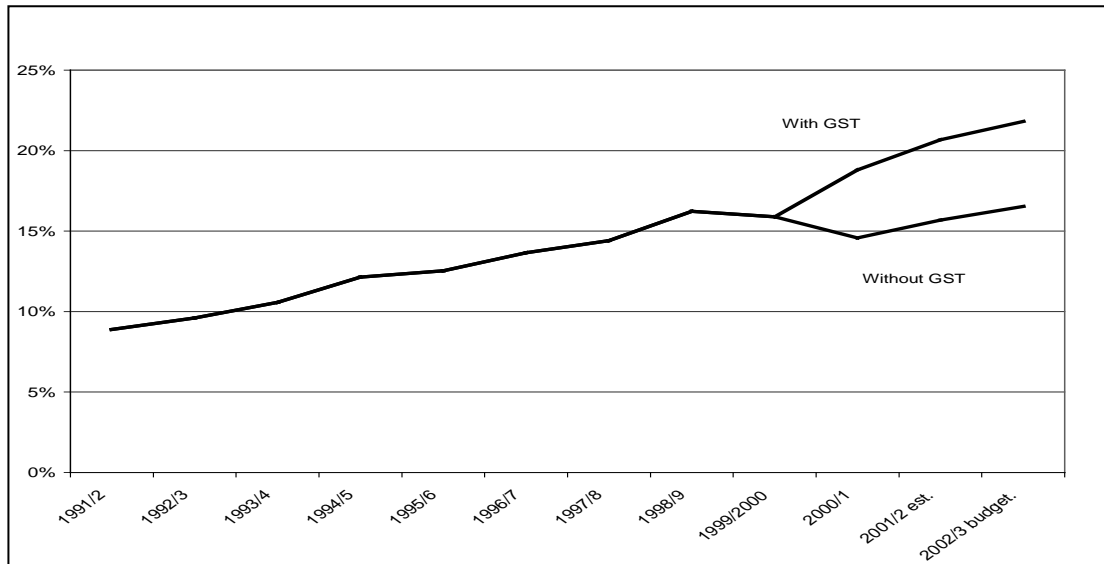
Figure 8.5 Gambling Taxation With and Without GST Gambling Revenues as Percentage of State Taxes; demonstrates the impact the GST has in increasing the level of revenue the state receives from gambling expenditure.

Figure 8.4 State Gambling Taxes as Percentage of Total State Taxation, 2001-2 to 2005-6 (estimated)



Source: Hayward (2002)

Figure 8.5 Gambling Taxation With and Without GST Gambling Revenues as Percentage of State Taxes



Source: Hayward (2002)

When the GST revenue generating factor is included, it is evident that the data shown by the Australina Bureau of Statistics (ABS), as Figure 8.3 now presented earlier, represents an under-reporting of direct and hidden tax revenue to the Victorian government. Therefore,

Hayward (2002) contends that real gambling tax revenue for the Victorian government was fast approaching 22 per cent by the end of the financial year 2002 – 2003.

Notwithstanding the fact, specific data on annual tax revenue to the State from the operation of the 2500 poker machines at Crown Casino is not available in State Budget Papers, so to conclude the discussion on poker machine tax revenues to the State Government, Table 8.5 from TABCorp provides illuminating information confirming the considerable growth in receipts paid by the duopoly Tattersall's and TABCorp to the state annually.

Table 8.5 Taxes on Gaming (Poker Machines) Revenue Paid by the Two Victorian Operators

| Year      | Gaming Tax (\$m) | GST (\$m) | Total Tax on Gaming Revenue (\$m) |
|-----------|------------------|-----------|-----------------------------------|
| 1994-95   | 384.0            | 0         | 384.0                             |
| 1995-96   | 509.1            | 0         | 509.1                             |
| 1996-97   | 589.4            | 0         | 589.4                             |
| 1997-98   | 657.4            | 0         | 657.4                             |
| 1998-99   | 806.1            | 0         | 806.1                             |
| 1999-2000 | 940.0            | 0         | 940.0                             |
| 2000-01   | 801.3            | 215.1     | 1016.4                            |
| 2001-02   | 903.0            | 233.0     | 1136.0                            |

Source: TABCorp EGM Licence Review Submission Part C (2006: 29) from Victorian Budget Papers and Annual Financial Statements

It should be noted that the above figures in Table 8.5 do not account for the Community Support Fund (CSF) levy, which is an additional 8.3 per cent levy paid by hotel operators on net takings. For example, in the 2001/2002 financial year, the CSF levy would likely have returned in the order of \$120 million to the state. Therefore, excluding casino poker machine taxes, taxes from poker machines operating in licensed clubs and hotels is worth, to the state, in the order of \$1.25 billion per annum in 2001/2002.

### Comparison factors

Figure 8.3 cited earlier warrants a narrative to explain the changing circumstances of government revenue since the Post-War period from 1945, to the present day. It is evident from Figure 8.3 that in the mid 1950s there is a shift in the trends regarding the tax proportion of state budget revenues from gambling. There are two significant pieces of legislation noted in the chapter regarding legislation and regulation of gambling being, the *Tattersall's Consultations Act 1958* and the *Racing Act 1958*.

These Acts permitted betting on the various forms of horse, trotting and greyhound racing other than that done through 'Oncourse' Bookmakers by providing for the establishment of the TAB. TABs became prevalent throughout urban and rural communities in Victoria (Collyer et al., 2001) making the act of betting on race events more accessible to a wider audience than previously achievable, through these offcourse shop outlets.

Table 8.3 Real Total Government Revenue From Gambling, that is, revenues represented in real '2003 terms', demonstrated that relatively minor changes in tax revenue to overall state budget revenues can have a significant impact on the actual percentage proportion represented as revenue from all sources in today's financial terms. In essence, it requires greater real revenues today to achieve the same level of proportional change in budget contribution as it did some fifty years earlier. That is, the rise in the 1950s by 7 percentage points would require in today's terms approximately \$1 billion to create the same effect.

The subsequent decline and plateau effect on the proportion of gambling tax take from 1960 to the end of the 1989 to a level of approximately 13 per cent, is suggested as being contributed by a mix of factors such as the maturing of society's access to convenience gambling opportunities, the dynamic of political dominance at the State and Commonwealth levels, an expansion of state tax measures, an expanding budget framework for services across a broad spectrum of government operations, and an increase in community demands for welfare support and services.

The next major increase in gambling tax revenues is associated with the introduction into Victoria of poker machines from 1992 onwards (Doughney, 2002b). Figure 8.3 demonstrates that the proportional increase in the decade to 2000, of gambling tax revenue for poker machines, follows directly the overall tax curve. As noted earlier, the GST factor would further increase the overall gambling tax, yet its effect on the specific tax sources would be proportionate across all activities given its across-the-board application.

It is also interesting to note that with the growth in EGM tax revenue came a commensurate decrease in the level and quantum of revenue derived from racing taxes in real terms when adjusted for removing the impact of inflation. In 1976, racing contributed \$703 million to budget revenues in real terms. However, by 2002, that amount had decreased by over 50 per cent to \$320 million. This scenario is a contradiction to the growth in other forms of gambling, particularly those defined as 'gaming'. Evidently, government surety of a taxation stream would be a critical factor influencing government sanctioning of gambling activity. Ensuring a secure revenue base in light of a declining revenue stream from racing gave rise to increased interest by



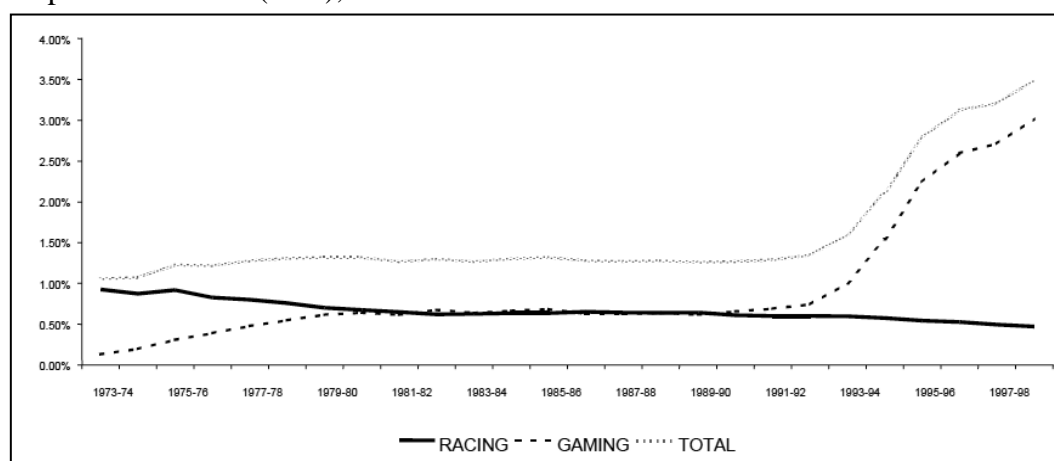
successive governments in legalising, then regulating, and so taxing other forms of new age gambling.

With such an increase in taxation opportunities, it is worthwhile comparing this to changes in the level of household disposable income expended on gambling. In doing so though, a pre-cautionary statement should be made in that this particular piece of data has been shown to be notoriously inaccurate due to under reporting. Doughney (1999) highlights the significant limitations of this advice as a data source for analysis because of the severe under reporting problems with the way the information is collected by the ABS. It is merely used here as an ‘indicator’ of activity adding to the body of knowledge as to why the nominated research period has been defined as such.

For Victoria Figure 8.6 shows there was modest growth in total expenditure between 1972-73 and early 1990s at about 1.3 per cent of Household Disposable Income. There is then a sharp growth period to 3.5 per cent by 1997-98. There was a slow yet steady decline in racing expenditure from just under 1 per cent to 0.6 per cent of Household Disposable Income which is illustrated in Figure 8.6 over.

Gaming expenditure grew from almost nothing to about 0.5 per cent in the late 1970s. This level held steady until the early 1990s and then increased dramatically with the introduction of casino gambling and poker machines. In evaluating the data, it is suggested that social changes regarding the way individuals decided to use their income, changed markedly from the early 1990s onwards.

Figure 8.6 Annual Gambling Expenditure As A Percentage Of Household Disposable Income (HDI), Victoria 1972-73 to 1997-98



Source: AIGR (1999) and Tasmanian Gaming Commission (1999)

Up to the beginning of the 1990s, gambling formed a relatively minor activity in terms of how income was spent. As Doughney (2002b) points out, the introduction of poker machines into Victoria had a major impact on the way people spent their incomes, both as a quantum and in overall percentage terms of what people spent their money on. It is evident from Figure 8.6 that Victorians went on to spend three and a half times more of their disposable income on gambling, especially poker machine gambling, than they did before the 1990s.

### Profitability from poker machines in the years ahead

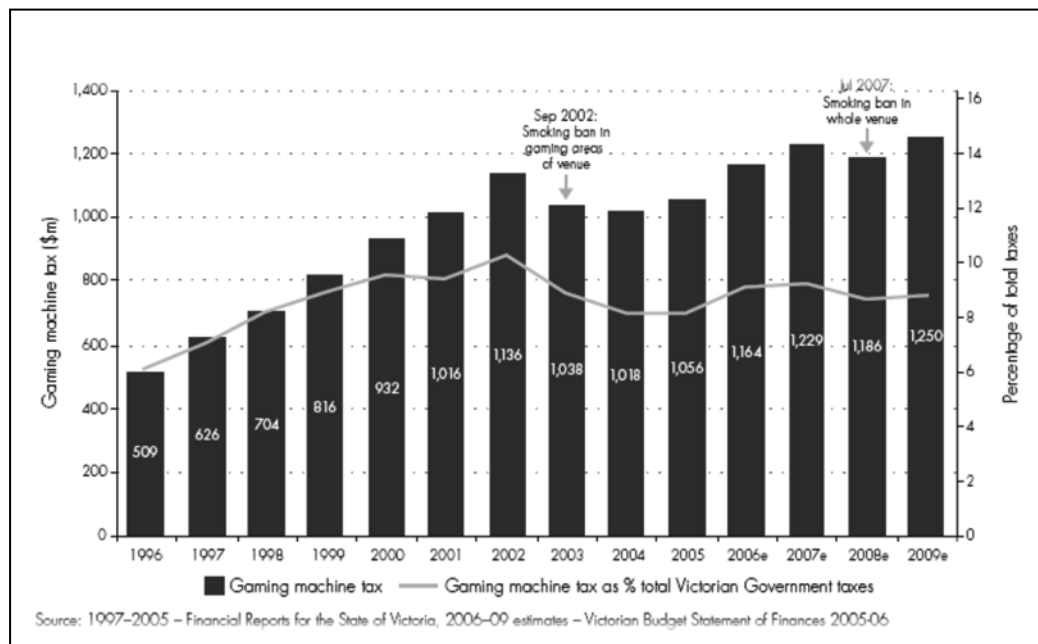
While technically outside the scope of this research, there is utility in briefly reflecting on further years economic data for poker machine activity in Victoria. Figure 8.5 and the data in Table 8.5 illustrate that when taking account of the effect for the Commonwealth Government's GST, poker machine tax revenue for both the State and Commonwealth governments, continued to increase not just during the study period, but also beyond the study period. Figure 8.7 is data compiled by Tattersall's on state

revenue from poker machine taxes between 1996 and 2009. In evaluating the data, it needs to be acknowledged that the contribution of the GST to government revenues and thus the visual representation of revenue growth, is obscured by the omission of this information. That said, two factors can be gleaned from the data. Firstly, the industry acknowledged the impact from their perspective of changes cigarette smoking laws had on patron behaviour and activity and therefore the amount of money gambled by players. This measure, as an alleged gambling reform, is commented upon in more detail in Chapter 7 in Case Study 3. Suffice to say, the measure is not part of the government's package of problem gambling reforms at all, but instead is purely a public health measure.

I argue that the smoking ban impact provided an unintended consequence on problem gambling rates, however there is no definitive evidence to confirm the claim as there is no pre and/or post measure testing as to the efficacy of smoking bans in poker machine venues in terms of implications for problem gambling activity.

The second point to make regards Figure 8.7, is that over the study period and into the second decade of the government's licensing of poker machines in Victoria, the economic data suggests that for the government in the first decade, tax revenue grew incrementally and then in the second decade, tax revenue to government continued its steady growth in quantum especially when the GST factor is included.

Figure 8.7 Gaming Machine Tax by Year 1996 – 2009



Source: Tattersall's EGM Licence Review submission (2006: 27)

The line representing 'Gaming machine tax as a percentage of total Victorian Government taxes' suggests the government had reached a point whereby gambling taxes had reached a plateau thus indicating tax revenue effectively sustained from 2004 onwards. However, this observation is problematic. As shown prior in Figure 8.5 with respect to the GST factor, the GST element is lacking in the data for Figure 8.7 and it obscures that growth did occur in the second decade from other forms of government taxes, specifically land tax and stamp duty on property sales as a percentage of revenue source to government.

Table 8.6 also provides some illuminating information regards the profitability of poker machines in Victoria when compared to the rate of machine return the industry was able to attract from other states of Australia. Acknowledging the data as technically outside the timeframe for the terms of reference for this study, it is provided in this part of the

data analysis because it is one of the rare pieces of commercial intelligence the industry did submit for public awareness.

Table 8.6 Average Annual Gaming Revenue Per Machine by Hotels and Clubs (\$)

|        | Victoria | New South Wales | Queensland | South Australia |
|--------|----------|-----------------|------------|-----------------|
| Hotels | 114,909  | 66,291          | 48,368     | 56,055          |
| Clubs  | 60,882   | 44,193          | 37,360     | 33,104          |

Source: Tattersall's EGM Licence Review submission (2006: 137).

Data compiled from Tattersall's internal estimates, TABCorp Annual Reports, Department of Gaming and Racing NSW, Queensland Office of Gambling Regulation, Office of the Liquor and Gambling Commissioner (South Australia).

When compared to the rate of profitability for each poker machine in other states, it is clear that in Victoria each machine delivered a level of return that was significantly higher than that which could be generated elsewhere. Hotel profitability is nearly twice that of its closest comparison state (NSW) and even club machine rate of return in Victoria is seen to be on a similar level to that of commercial return rates in other states. While the NSW industry had a five decade plus legacy of operation, the Victorian market quickly became the most profitable location for poker machines for the gambling industry to operate in, without question.

### **Regulating gambling**

The second major factor to discuss, relevant to poker machine policy, is the legislative agenda of the Victorian government. In outlining the development and changes to legislative provisions sanctioning legal gambling options in Victoria, it will be shown that 1991 to 2002 was a time of enormous change in terms of the way gambling was regulated in Victoria and poker machines featured heavily in the legislative agenda.

Firstly, brief information will be provided on the national legislative control of gambling in order to highlight the key difference between the Commonwealth and State interests on gambling. Then, evidence will be provided that highlights a significant expansion of legislative prescriptions on gambling during the research period. It is contended that in addition to the three factors outlined in this chapter, a strong evidentiary base exists to strengthen support for the study period.

### **Commonwealth Government legislation on gambling**

Commonwealth legislative provisions on gambling are expressed by control of internet based gambling administered by the National Office for the Information Economy. The target is the providers of interactive gambling services, making it illegal to provide services such as ‘online casinos’, games of chance or games of mixed chance and skill. The specific legislative provision is the *Interactive Gambling Act 2001*.

This Act provided for a Code of Practice for Interactive Gambling which was subsequently registered by the Australian Broadcasting Authority in December 2001. The Commonwealth Government also put in place an anti-money laundering program defined by the *Financial Transaction Reports Act 1988* (FTR Act). The FTR Act requires ‘cash dealers’ to report to the Director of the Australian Transaction Reports and Analysis Centre (AUSTRAC) when there are suspicious transactions, cash transaction of A\$10,000 or more or the foreign currency equivalent, and/or international funds transfer instructions.<sup>xiii</sup>

Cash dealers as defined in the FTR Act covers institutions such as banks and securities dealers and firms that deal in currency, but also includes casinos and gambling houses and totalisators. The legislation provides penalties for avoiding the reporting requirements and in respect of false or incomplete information. The FTR Act stipulated penalties for persons who facilitate or assist in these activities (Manning, 2003).

### **Victorian State Government legislation on gambling**

In comparison to the Commonwealth Government, in Australia all states have jurisdictional control of laws for gambling. The poker machine industry in Victoria was established and governed by the Gaming Machine Control Act (GMCA). The GMCA made provision for two companies to be licenced, Tattersall's and TABCorp, so that they could provide machines to licensed venues in Victoria. Venues are licensed, and the GMCA managed by, the Victorian Casino and Gaming Authority (VCGA). The GMCA did not provide for a specified non-casino market ceiling of poker machines. That ceiling was set out in the Casino Control Act (CCA) with 45,000 EGMs. In 1995, Ministerial Directions were issued to amend the limit on the number of machines to 27,500 between Tattersall's and TABCorp. A further 2500 poker machines are allocated to Crown Casino under the CCA 1991, making a total of 30,000 machines available for market deployment in Victoria. In addition, there are various pieces of enabling legislation on gambling that cover the racing industry, both horses and greyhounds, and the casino.

The following information details the historical development and introduction of various pieces of government legislation and regulations to administer gambling in the

state. First, a brief summary is provided that outlines how a law is made in Victoria as described by the Victorian Government.

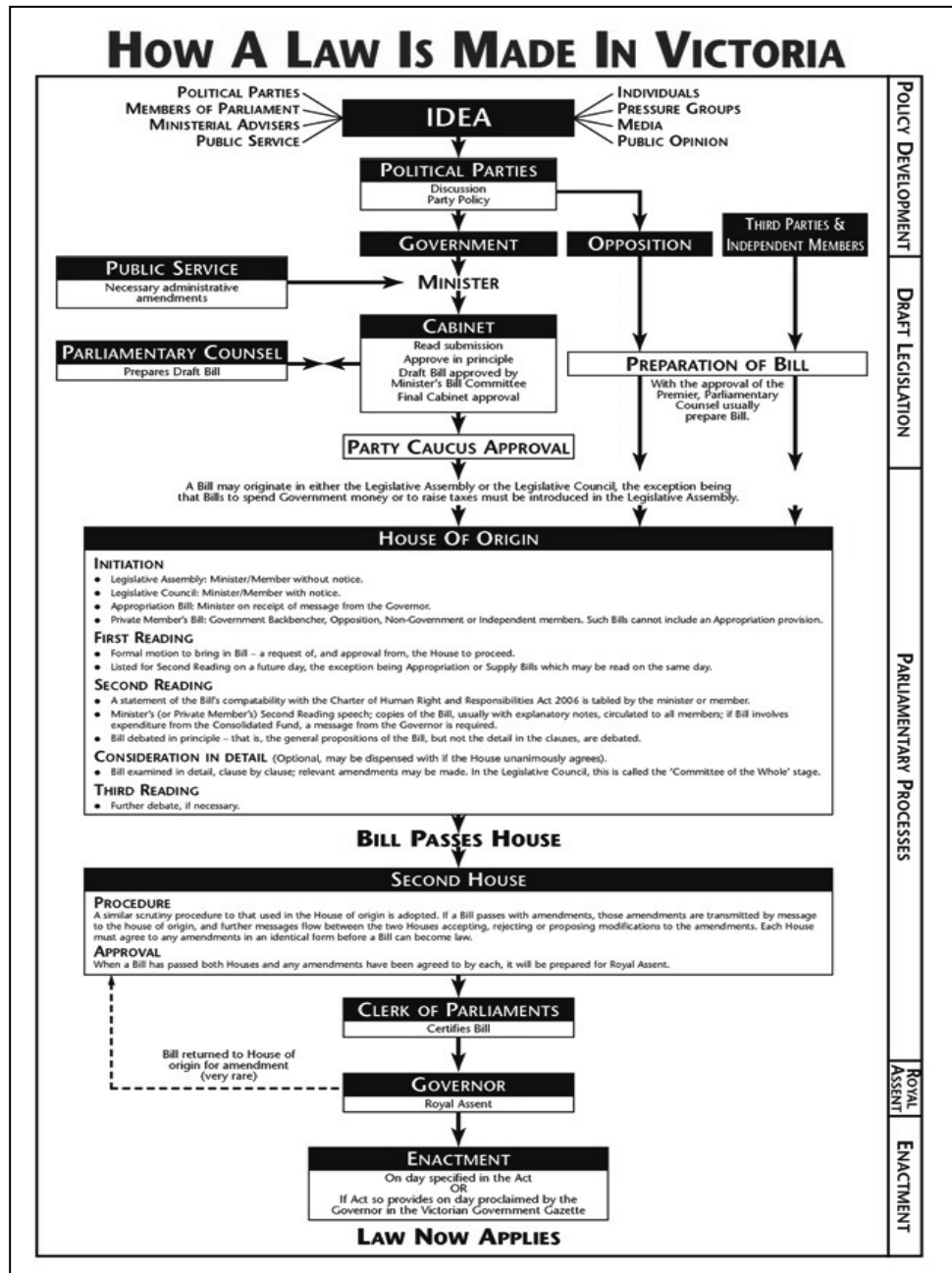
### **How laws are made in Victoria**

The Victorian Parliament is described as a bicameral legislature, that is two Houses, with representatives elected to either the Legislative Council as the Upper House or the Legislative Assembly as the Lower House. The Assembly has 88 Members and the Council has 40 Members (State Government of Victoria, 2010).

The parliament runs along the same manner as other Westminster parliaments. The political party that has more representatives in the Lower House is usually the party which forms Government. As the Government of the Day, it is the role and function of the parliament to make laws and governments use laws as a tool for being accountable when exercising policy, action and spending. Further, according to the Victorian Government, there are five steps constituting how the government formally creates statute in Victoria (State Government of Victoria, 2010). Figure 8.8 illustrates the steps the government is likely to use making policy, drafting a bill, the parliamentary debate process of reading the bill in both houses of Parliament, royal assent and commencement of the bill as a statute in law. To observe, the input to law in respect of policy development is the aspect of interest to this study. The link between how the government defines law making, the Policy Cycle (Bridgman & Davis, 2004) and the Policy Continuum (Davy, Jennings & Strassner, 2007) is evident. The linear thinking for conveying and expressing an appreciation of the process can be seen.



Figure 8.8 How a Law is Made in Victoria



Source: State Government of Victoria [www.parliament.vic.gov.au](http://www.parliament.vic.gov.au) (2010)

### Primary acts, amending acts and regulations of Parliament

In order to track the introduction of the various pieces of legislation, the Acts are listed chronologically over. The Primary Legislative Acts covering gambling in Victoria at the conclusion of 2002 are listed in Table 8.7. It is to be noted that Acts where gambling is

not the lead policy matter, such as Policing and Vagrancy as documented by O'Hara (1985) in his PhD thesis, these Acts are not cited in this study in Table 8.7. Only Acts of Parliament that deal specifically with gambling as the lead policy concern are listed because the investigation is focused only on public policy making on gambling.

In addition to the Primary Acts, other enabling legislation amending the various Primary Acts occurred. The following details such amendments and their timing listed in Table 8.8. Underpinning the implementation of the various Acts and their amendments have been the adoption of laws as regulations by the State Government to control specific gambling industry operations. These regulations enabled are listed in Table 8.9.

Table 8.7 Key Victorian (State) Acts of Parliament: Gambling

| Year      | Act  |
|-----------|--|
| To 1950   | <i>Gambling and Obscene Language 1852</i>          |
|           | <i>Victoria Racing Club (The) Act 1871 No. 398</i> |
|           | <i>Betting and Gaming Houses Suppression 1883</i>  |
|           | <i>Street Betting Suppression 1896</i>             |
|           | <i>Sports Betting Suppression 1901</i>             |
|           | <i>Lotteries Gaming and Betting 1906</i>           |
|           | <i>Betting Tax 1916</i>                            |
|           | <i>Gaming 1922</i>                                 |
|           | <i>Betting (Mechanical Coursing) 1927</i>          |
|           | <i>Totalisator 1930</i>                            |
| 1950-1959 | <i>Tattersall's Consultations 1953</i>             |
|           | <i>Bookmakers 1953</i>                             |
|           | <i>Finance Racing 1954</i>                         |
|           | <i>Dog Races 1954</i>                              |
|           | <i>Victoria Racing Club 1956</i>                   |
|           | <i>Melbourne Racing Club 1956</i>                  |
|           | <i>Trotting Races 1957</i>                         |
|           | <i>Racing Act 1958</i>                             |
|           | <i>Gaming Instruments 1958</i>                     |

Table 8.7 Key Victorian (State) Acts of Parliament: Gambling (continued)

| Year      | Act  |
|-----------|--|
| 1960-1969 | <i>Victorian Amateur Turf Club 1963</i><br><i>Lotteries Gaming and Betting Act 1966</i>  |
| 1970-1979 | <i>Racing (mid week racing) 1976</i>   |
| 1980-1989 | <i>Racing Act 1987</i><br><i>Planning and Environment Act 1987</i><br><i>Liquor Control Act 1987</i>   |
| 1990-1994 | <i>Gaming Machine Control Act 1991</i><br><i>Casino Control Act 1991</i><br><i>Casino (Management Agreement) Act 1993</i><br><i>Club Keno Act 1993</i><br><i>TT Line Gaming Act 1993</i><br><i>Gaming and Betting Act 1994</i> |
| 1995-1999 | <i>Gaming No.2 Act 1997</i><br><i>Interactive Gaming (Player Protection) Act 1999</i>  |
| 2000      | <i>Gambling Legislation (Responsible Gambling) Act 2000</i><br><i>Public Lotteries Act 2000</i><br><i>Gaming Acts (Gaming Machine Levy) Act 2000 No.89</i><br><i>Gaming No.2 (Community Benefit) Act 2000 No. 90</i>           |

Source: O'Hara (1985) and State Government of Victoria ([www.parliament.vic.gov.au](http://www.parliament.vic.gov.au) )

Table 8.8 Gambling Amending Acts, Victorian State Government

| Year      | Act  |
|-----------|--|
| Pre 1950  | <i>Betting Tax 1921</i><br><i>Betting Tax 1922</i><br><i>Betting Tax 1932</i><br><i>Totalisator 1934</i><br><i>Totalisator 1945</i><br><i>Totalisator 1946</i> |
| 1950-1959 | <i>Totalisator 1952</i><br><i>Dog Races 1955</i><br><i>Tattersall's Consultations 1958</i><br><i>Racing 1957, 1958</i>   |

Table 8.8 Gambling Amending Acts, Victorian State Government (continued)

| Year      | Act  |
|-----------|--|
| 1960-1969 | <i>Racing Totalisator 1960</i><br><i>Racing 1960, 61, 62, 63, 64, 65, 66, 67, 68, 69</i><br><i>VRC 1960</i><br><i>Totalisator 1963</i><br><i>Lotteries Gaming and Betting 1968, 1969</i>   |
| 1970-1979 | <i>Lotteries Gaming and Betting 1970, 71, 73, 75, 77, 79</i><br><i>Racing (various) 1971, 72, 73, 74, 75, 76, 77 (various), 78, 79</i><br><i>Tattersall's Consultation 1973, 77, 79</i>  |
| 1980-1989 | <i>Racing 1980, 81, 82, 83</i><br><i>Tattersall's Consultation 1981, 83</i><br><i>Lotteries Gaming and Betting 1981, 82, 83</i>  |
| 1990-1994 | <i>Tattersall's Consultation (Further Amendment) Act 1993 No. 73</i>   |
| 1995-1999 | <i>Casino (Management Agreement) (Amendment) Act 1996 No.62</i><br><i>Gaming Machine Control (Amendment) Act 1996 No. 41</i><br><i>Gaming Machine Control (Community Support Fund) Act 1996 No. 18</i><br><i>Gaming Acts (Amendment) Act 1996 No. 17</i><br><i>Racing (Amendment) Act 1997 No. 11</i><br><i>Gaming Acts (Further Amendment) Act 1997 No. 15</i><br><i>Gaming Acts (Further Amendment) Act 1997 No. 15</i><br><i>Gaming Acts (Miscellaneous Amendment) Act 1997 No. 90</i><br><i>Racing and Betting Acts (Amendment) Act 1998 No. 97</i><br><i>Gaming Acts (Amendment) Act 1998 No. 29</i><br><i>Gaming Acts (Further Amendment) Act 1998 No. 90</i><br><i>Tattersall's Consultation (Amendment) Act 1999 No. 4</i> |
| 2000      | <i>Tattersall's Consultation (Amendment) Act 2000 No.63</i><br><i>Casino (Management Agreement) (Amendment) Act 2000 No. 22</i><br><i>Gambling Legislation (Miscellaneous Amendments) Act 2000 No. 88</i><br><i>Racing (Racing Victoria Ltd) Act 2001 No. 35</i><br><i>Racing and Betting Acts (Amendment) Act 2001 No. 16</i><br><i>Gaming Legislation (Amendment) Act 2002 No.38</i><br><i>Racing Acts (Amendment) Acts 2002 No. 19</i>  |

Source: O'Hara (1985) and State Government of Victoria ([www.parliament.vic.gov.au](http://www.parliament.vic.gov.au))

Table 8.9 Regulations: Victorian State Government

| Year      | Act   |
|-----------|---|
| To 1950   | Nil identified  |
| 1950-1989 | Nil identified  |
| 1990-1994 | <i>Casino Control (Special Employees) Regulations 1994 No. 60</i><br><i>Club Keno Regulations 1994 No. 57</i><br><i>Gaming and Betting (Betting) Regulations 1994 No. 122</i><br><i>Gaming and Betting (Relevant Interests in Shares) Regulations 1994 No. 123</i><br><i>Racing (Greyhound Racing Control Board) Regulations 1994 No. 55</i><br><i>Racing (Racecourse Licences and Racing club Licences) Regulations 1994 No. 121</i><br><i>Racing (Racecourses Licences Board) (Fees) Regulations 1994 No. 72</i><br><i>Racing (Racing Appeals Tribunal) Regulations 1994 No. 62</i>   |
| 1995-1999 | <i>Gaming Machine Control (Jackpots) Regulations 1996 No. 100</i><br><i>Lotteries Gaming and Betting (Corresponding Offences) Regulations 1997 No. 136</i><br><i>Lotteries Gaming and Betting (Fees) Regulations 1997 No. 47</i><br><i>Casino Control (Boundary Redefinition Fee) Regulations 1997 No. 27</i><br><i>Gaming No. 2 (Bingo) Regulations 1998 No. 25</i><br><i>Gaming No. 2 (Fees) Regulations 1998 No. 26</i><br><i>Gaming No. 2 (General) Regulations 1998 No. 27</i><br><i>Gaming No. 2 (Lucky Envelopes) Regulations 1998 No. 28</i><br><i>Gaming No. 2 (Raffles) Regulations 1998 No. 29</i><br><i>Gaming No. 2 (Trade Promotion Lotteries) Regulations 1998 No. 30</i><br><i>Casino Control (Junkets and Premium Players) Regulations 1999 No. 35</i>   |
| 2000-2002 | <i>Interactive Gaming (Player Protection) (Fees) Regulations 2000 No. 112</i><br><i>Gaming Machine Control (Returns by Gaming Operators) Regulations 2000 No. 44</i><br><i>Gaming Machine Control (Advertising) Regulations 2001 No. 31</i><br><i>Gaming Machine Control (Clocks) Regulations 2001 No. 60</i><br><i>Gaming Machine Control (Miscellaneous) Regulations 2001 No. 121</i><br><i>Gaming Machine Control (Responsible Gambling) (Lighting and Views) Regulations 2001 No. 168</i><br><i>Lotteries Gaming and Betting (Search Warrant) Regulations 2001 No. 126</i><br><i>Gaming Machine Control (Fees) Regulations 2002 No. 23</i><br><i>Casino Control (Prescribed Authorities and Persons) Regulations 2002 No. 103</i><br><i>Gaming Machine Control (Responsible Gambling Information) Regulations 2002 No. 51</i><br><i>Gaming Machine Control (Restricted Components) Regulations 2002 No. 25</i><br><i>Gaming Machine Control (Special Employees and Technicians) Regulations 2002 No. 24</i><br><i>Racing (Bookmakers) Regulations 2002 No. 87</i> |

Source: O'Hara (1985) and State Government of Victoria ([www.parliament.vic.gov.au](http://www.parliament.vic.gov.au) )

### Legislation, amendments and regulations: timing

It is useful to collate all of the data on legislative change into some context. Table 8.10 outlines the timeframe the various state government Acts and regulations identified in the previous sections are enacted. What is revealed from the data presented in Table 8.10 is that up to 1990, the main focus of legislation or legislative activity, with respect to governing gambling activity in the State of Victoria, is in regards to horse racing, trotting, greyhound dogs and lotteries run by Tattersall's Sweepstakes and Tattsotto products. By way of contrast, from 1991 to 2002 sixty four separate pieces of legislation, amendments and regulations is implemented to specifically include new gambling products introduced and passed by successive state governments in Victoria.<sup>xiv</sup>

Table 8.10 Enactment of Gambling Legislative Provisions in Victoria

| Year      | Acts | Amendments to Acts | Regulations | Total |
|-----------|------|--------------------|-------------|-------|
| Pre 1950  | 10   | 6                  | 0           | 16    |
| 1950-1959 | 9    | 5                  | 0           | 14    |
| 1960-1969 | 2    | 15                 | 0           | 17    |
| 1970-1979 | 1    | 18                 | 0           | 19    |
| 1980-1990 | 3    | 9                  | 0           | 12    |
| 1991-1994 | 6    | 1                  | 8           | 15    |
| 1995-1999 | 2    | 12                 | 11          | 25    |
| 2000-2002 | 4    | 7                  | 13          | 24    |

The period for this study from 1991 to 2002, was a time of a significant change both in quantum and diversity of legislative activity. It is this activity that provides useful evidence in considering the research question as exploring the impact and influence of legislation on gambling stakeholders. In short, there is comprehensive material to

explore in terms of legislation and regulation which warrants the defining of the research period as 1991 to 2002.

### **Summary**

The purpose of this chapter is to set out the regulatory and economic context for gambling by providing information on the changing nature of government regulatory and budgetary revenues from gambling activity.

With this data it is now possible to compare that, against the subsequent section on government intervention and sanctioning on gambling expressed as legislative and regulatory changes that took place during the nominated research period. It is suggested that where governments intervened in gambling through legislation, taxation revenue can be seen to have increased.

In addition, the data shows that the steady decline in revenue from betting on horse racing has been arrested by the introduction of other forms of gambling products including lotteries, but more so poker machines, as a stream to counter such decline. Notwithstanding the fact that discrete tax receipt data on casino based poker machines is not available, data on hotel and club poker machines demonstrates that the quantum of revenue from gaming and poker machines grew in the period 1991 to 2002 to become a significant proportion of all state government taxation revenues. Poker machines quickly came to provide a significant economic dividend to those that had a financial vested interest in their profitability, that is Tattersall's, TABCorp, and Crown Casino, the Victorian Racing Industry and hotel and club venue operators throughout the state.

The information set out in this chapter illustrates that the Victorian government is a significant beneficiary from poker machine playing through the receipt of higher levels of taxation revenues, through both direct and indirect means. The direct means is in the form of charges applied to poker machine operators at Tattersall's, TABCorp and Crown Casino and the indirect means is through GST receipts from the Commonwealth Government.

As Macmillan notes (AIGR, 1999), poker machines became the dominant form of gambling expenditure and the dominant component of all state gambling tax revenues since their introduction in 1992. It is contended that the economics of poker machines alone provides a compelling case for why a political economy of gambling exists in Victoria and is thus worthy of the detailed investigation in this study.

This chapter highlights the change in the regulatory environment when considering broadly, all forms of gambling in Victoria. It is seen that the Post Second World War years from 1950 and up to the end of 1990, there is limited evidence of parliamentary interest in laws about gambling. Indeed these decades produced legislation and regulation that related to the three main gambling products – racing, lotteries and Tattersall's – and no other product. The situation changed markedly from 1990 onwards to 2002. From 1990 on, 64 pieces of legislation and regulation was passed by parliament with much of the activity focused on regulating poker machines and controlling or approving activities associated with the casino.



It is shown in Chapter 9 – Stakeholders: Winners and Losers? that the legislative and regulatory information should not be assessed in isolation from the three other key factors including how policy is made by government in Victoria, the role of stakeholders in making policy and, sociology's contribution to understanding policy making informing the decision to define the research period between 1991 and 2002. I contend that all elements are connected. Understanding each element as it relates to the research question, depends on understanding the whole story created by the interplay of these elements.

## Chapter 9

### **STAKEHOLDERS: WINNERS AND LOSERS?**

#### **Introduction**

The purpose of this chapter is to build on the evidence in preceding chapters with respect to identifying interests of key stakeholders who contributed to public debates on policy for the political economy of poker machine gambling. The objective here is to describe the typology for stakeholders by setting out the framework for how stakeholders are identified within each typology and nominating who the stakeholders are in terms of organisational relationships and individual status. Comments are provided in relation to what the process of stakeholder definition shows, as well as any limitations this information presents. This will enable linkages to be discussed in relation to the theoretical framework for this study.

To reiterate, the overarching purpose of this research is to investigate how public policy is made in Victoria. Broadly, the research does this by considering the role, function and contribution of stakeholders in identifying, framing, implementing and revising agendas for public policy making. The objective is to examine public policy decisions relating to poker machines from 1991 to 2002 in Victoria, so as to arrive at an enhanced understanding of the way in which policy making occurs in this jurisdiction.

In order to provide a response to this overarching purpose, a set of questions regarding the role of principal stakeholders as elites concerned with poker machine policy settings in Victorian is investigated. The matters for investigation include whether categorisation of interests is possible, whether any such categories of interests are consistent with

coalitions as set out in the Advocacy Coalition Framework model, and whether interest categories remain stable over time for the purposes of evaluation.

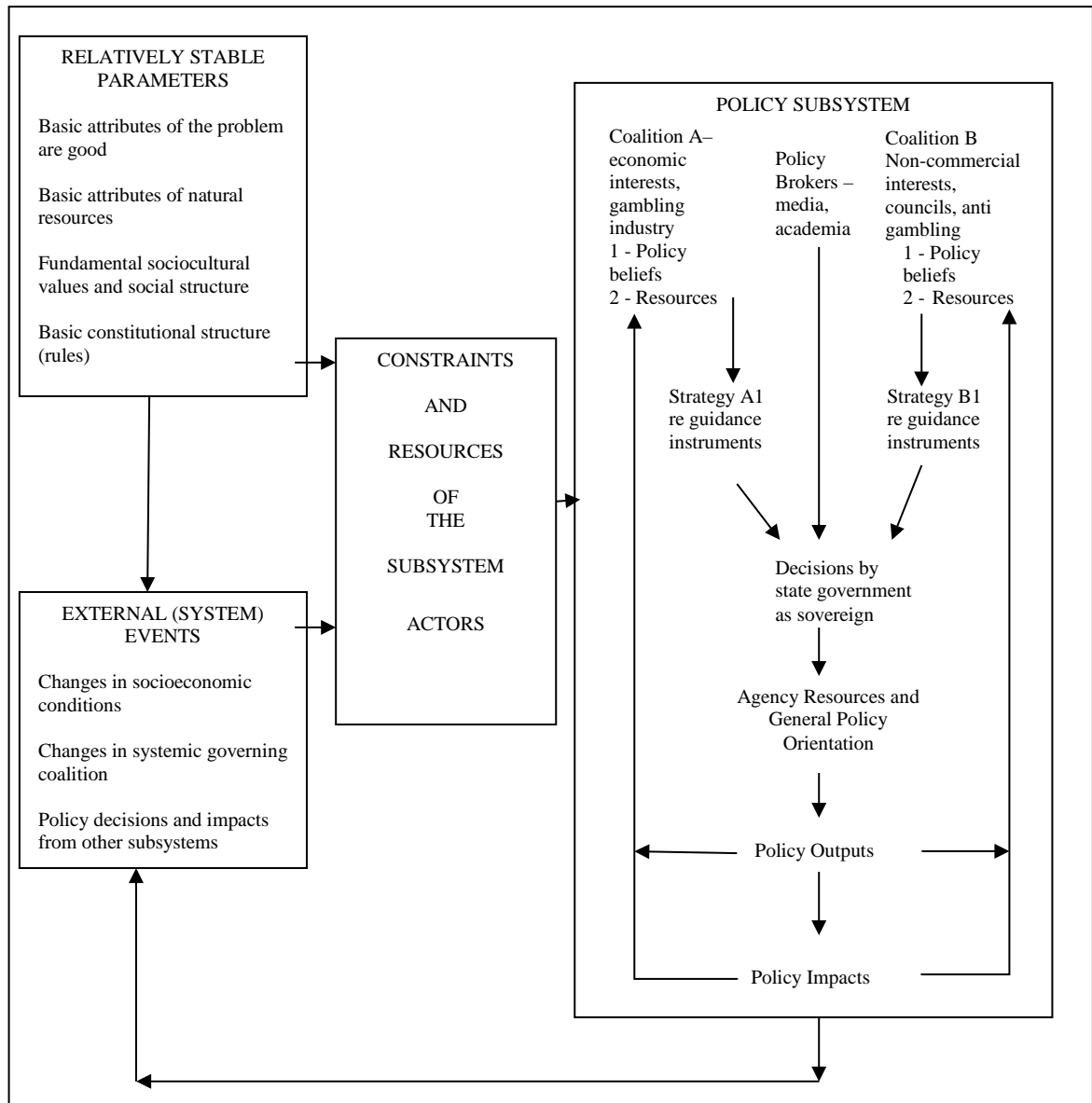
### **Poker machine gambling policy subsystems – a typology**

The Advocacy Coalition Framework (ACF), described in Chapter 4, provides a sound theoretical basis to examine the nature of policy mechanisms that present themselves in the Victorian political economy of poker machine gambling. The ACF provides a framework for logically aligning stakeholders with common interests. Table 4.3 identifies three broad categories to define elite interests: political, social and economic. Within this framework, the ACF hypothesises the existence of policy subsystems, that is, policy domains containing elites (as entities) and actors (as groups or individuals) which align to and act on areas where they have common interests and/or beliefs. A further layer includes the role of brokers as apolitical interests concerned to ensure policy outcomes are achieved. The structure of policy making through the policy subsystem, previously considered in Chapter 4, is adapted as Figure 9.1. The challenge in this chapter is to tailor the ACF model with the poker machine gambling policy subsystem.

### **The Poker machine gambling policy subsystem**

For the purposes of describing the different elements within the policy subsystem, the State Government and the Commonwealth are identified as the sovereign or political interests. The criteria for Coalition A is whether a stakeholder derives direct profit from and/or has a vested financial interest in the operation of poker machines. Coalition B stakeholders do not receive direct financial profits from the operation of poker machines.

Figure 9.1 The Advocacy Coalition Framework of Policy Change – the Poker Machine Gambling Policy Subsystem



Source: adapted from Sabatier (1991)

By way of translation, Coalition A represents economic interests and Coalition B social interests, as per the categories described in Table 4.3 and depicted in Figure 9.1.

Further, with the ACF model and Assumption 2, Policy Subsystems and Policy Domains, the category of broker is provided to represent someone with an apolitical

perspective whose interests are in theory objective, to achieve policy decision outputs. Brokers are identified in this report as being comprised of academic and media interests.

By applying the structure of the Policy Subsystem as a tool to describe the poker machine policy context in relation to the case study material outlined in Chapter 7, the following typology as Table 9.1 is described. It should be noted that this table does not capture every participant at organisation level in the secondary domain category. What is recorded here are those interests the evidence in Chapter 7 reveals as having some reasonable level of participation in public debates on gambling. While the occasional contributor is recorded in the raw data tables used to prepare Chapter 7, to capture every participant in the macro-layer of analysis here would be unrealistic and yield little to this study in terms of furthering an appreciation of the research question.

Columns 3, 4 and 5 in Table 9.1 with the headings ‘Primary Domain’, ‘Secondary Domain’ and ‘Actors’, are populated with detail from Chapter 7. The next step is to extend an appreciation of each ACF category with an evaluation of each stakeholder coalition group through the application of the criteria for each typology. This will conclude an understanding of the Poker Machine Gambling Policy Subsystem.

Table 9.1 The Poker Machine Gambling Policy Subsystem

|           | ACF Subsystem                | Typology                | Primary domain  | Secondary Domain   | Actor  |
|-----------|------------------------------|-------------------------|---|--|--|
| Political | Sovereign, (Assumption #2)   | Political interests     | State<br>Government<br>Commonwealth<br>Government                                     | ALP<br>Liberal Party<br>National Party<br>Independents<br>Statutory<br>Government<br>Authorities<br>Departments of the<br>Public Service | See section Political Elites – Government as Stakeholder for detailed listing.           |
| Economic  | Coalition A, (Assumption #2) | Economic interests      | Gambling<br>Industry<br>Lobby Groups<br>Business<br>Individuals                       | Tattersall's<br>TABCorp<br>Crown Casino<br>Machine<br>Manufacturers<br>Gaming Council<br>Clubs<br>Hotels<br>Operators                    | See section Economic Elites – the Gambling Industry as Stakeholder for detailed listing. |
| Social    | Coalition B, (Assumption #2) | Civil Society interests | Churches<br>Local<br>Government<br>Community<br>Groups<br>Lobby Groups<br>Individuals | ICGTF<br>MAV<br>VLGA<br>Gamblers Help<br>Breakeven   | See section Community Elites – Civil Society as Stakeholder for detailed listing.        |
| Other     | Broker, (Assumption #3)      | Apolitical interests    | Academia<br>Media   | <i>The Age</i><br><i>The Herald Sun</i><br>Universities<br>Research Centres  | See section Apolitical Elites – Other Interests as Stakeholder for detailed listing.     |

### Political elites – government as stakeholder

Central to this study is the need to define who the political interests are as identified from the evidence set out in the policy acts. This is required so that nominations of the primary domain, secondary domain and actors within the subsystem can be made. On one level, that task is relatively straightforward as entities are those elected by the public to parliament. Yet there is a limitation highlighted in the research methodology surrounding the identification and investigation of the role of the Victorian Public Service and its staff, that is, the bureaucracy. A great deal of information is recorded as being available in the case studies regarding the views and actions of politicians as

political interests. Observed by Nowlin (2011: 55) is “the importance of the bureaucracy in the policy making process has not been sufficiently considered by current policy theory”. Therefore, less is known from information in the public domain to make a substantiated assessment regarding the role and power of those who operate as Mandarins from within the public service, the senior administrators.

The research question of how public policy is made requires consideration as to whether the State Government, as the sovereign interest, was successful in achieving its economic objective of establishing, building and sustaining a taxation revenue base from poker machine gambling. This area for investigation is measured against an evaluation of the annual taxation revenue to the Victorian Government during the research period. What is necessary to inform that investigation is information that completes an appreciation of who the stakeholders are within the categories of primary domain, secondary domain and actors within the subsystem. An examination of the policy material presented in this study reveals the following nominations as Table 9.2.

Table 9.2 Political Interests within the Poker Machine Gambling Policy Subsystem

| Typology            | Primary Domain          | Secondary Domain   | Actor  |
|---------------------|-------------------------|--|--|
| Political Interests | State Government        | ALP<br>Liberal Party<br>National Party<br>Independents<br>Statutory Government<br>Authorities<br>Departments of the Public Service | Attorney General<br>Premier<br>Treasurer<br>Minister for Gaming<br>Office of Gambling Regulation/OGR<br>Victorian Casino and Gaming<br>Authority/VCGA<br>Victorian Commission for Gambling Regulation/VCGR |
|                     | Commonwealth Government | ALP<br>Liberal Party<br>National Party<br>Independents<br>Statutory Government<br>Authorities<br>Departments of the Public Service | Productivity Commission<br>Office of the National Competition Policy<br>Prime Minister<br>Treasurer  |

It is through the use of tools associated with the ACF model that actors can be identified as either groups or individuals. A review of the data pool reveals the individuals in Table 9.3 as being aligned to political interests through their active participation in public debates on poker machine policy during the study period. Other individuals who had occasion to comment in the public arena on gambling are recorded in the data pool but excluded from Table 9.3 for virtue of there being little discernable ongoing evidence of their participation in public policy debates on poker machine gambling.

Table 9.3 – Actors of Political Interests within the Poker Machine Gambling Policy Subsystem

| <b>Actor (group)</b>  | <b>Actor (individual)</b> |
|---|---------------------------|
| Members of Parliament (Prime Minister, Attorney General, Premier, Treasurer, Minister for Gaming) | Ches Baragwanath          |
| Office of Gambling Regulation/OGR   | Steve Bracks              |
| Victorian Casino and Gaming Authority/VCGA  | Henry Bolte               |
| Victorian Commission for Gambling Regulation/VCGR   | John Cain                 |
| Productivity Commission   | Xavier Connor             |
| Office of the National Competition Policy   | Ivan Deveson              |
|   | Darcy Dugan               |
|   | Kevan Gosper              |
|   | Roger Hallam              |
|   | Jim Kennan                |
|   | Jeff Kennett              |
|   | Joan Kirner               |
|   | John Pandazopoulos        |
|   | John Richards             |
|   | Howard Ronaldson          |
|   | Alan Stockdale            |
|   | Neil Tresize              |
|   | David White               |
|   | Murray Wilcox             |
|   | Ross Wilson               |
|   | Gary Banks                |
|   | Paul Keating              |
|   | John Howard               |
|   | Peter Costello            |



### **Economic elites – the gambling industry as stakeholder**

The same logic to confirm the political interests is applied to describing economic interests within the poker machine gambling policy subsystem. This is required so that nominations of stakeholders in the primary domain, secondary domain and actors categories within the subsystem can be made. To confirm, this category in the ACF is described as Coalition A and it is concerned with the identification of stakeholders who profit directly from the operation of poker machines. These stakeholders are economic elites with vested monetary interests and/or they receive dividends from poker machine operations.

To reiterate, the research question permits an investigation as to whether the poker machine industry stakeholder as Coalition A succeeded in establishing and sustaining a revenue base from poker machine operations in Victoria. This is assessed by an evaluation of whether evidence of annual growth in poker machine profits for industry stakeholders exists during the research period. What is necessary to inform that investigation is information that completes an appreciation of who the elites are as stakeholders in the categories of primary domain, secondary domain and actors within the subsystem. An examination of the material presented in this study reveals the following identification of organisations and is presented in Table 9.4.

Table 9.4      Economic Interests within the Poker Machine Gambling Policy Subsystem

| Typology           | Primary Domain    | Secondary Domain | Actor                                   |
|--------------------|-------------------|------------------|---|
| Economic Interests | Gambling Industry | Tattersall's     | ACIL Consulting                         |
|                    | Lobby Groups      | TABCorp          | Aristocrat                              |
|                    | Business          | Crown Casino     | Australian Clubs Development            |
|                    | Individuals       | Machine          | Association                             |
|                    |                   | Manufacturers    | Australian Gaming Council               |
|                    |                   | Gaming Council   | Australian Gaming Machine               |
|                    |                   | Clubs            | Manufacturers Association               |
|                    |                   | Hotels           | Australian Hotels Association           |
|                    |                   | Operators        | Clubs Victoria                          |
|                    |                   |                  | Crown Casino                            |
|                    |                   |                  | Hudson Conway                           |
|                    |                   |                  | ITT Sheraton                            |
|                    |                   |                  | Publishing and Broadcasting Limited/PBL |
|                    |                   |                  | Returned and Services League            |
|                    |                   |                  | TABCorp                                 |
|                    |                   |                  | TAB                                     |
|                    |                   |                  | Tattersall's                            |
|                    |                   |                  | Victoria Racing Club                    |

As is the case with the application of the ACF regarding actors being identified as either groups or individuals, the review of the data pool reveals the persons listed in Table 9.5 as aligning with the economic interests through their active participation in public debates on poker machine policy during the study period. As highlighted with political as sovereign interests, other individuals who had occasion to comment in the public arena on gambling are recorded in the database but excluded from Table 9.5 for virtue of there being little discernable ongoing evidence of their participation in public policy debates on poker machine gambling.

Table 9.5      Actors of Economic Interests within the Poker Machine Gambling Policy Subsystem

| <b>Actor (group)</b>                                | <b>Actor (individual)</b> |
|---|---------------------------|
| ACIL Consulting                                     | Len Ainsworth             |
| Aristocrat  | Peter Gilloly             |
| Australian Clubs Development Association            | David Jones               |
| Australian Gaming Council                           | Peter Kerr                |
| Australian Gaming Machine Manufacturers Association | Michael Kroger            |
| Australian Hotels Association                       | Eddie McGuire             |
| Clubs Victoria                                      | Harold Mitchell           |
| Crown Casino  | Kerry Packer              |
| Hudson Conway                                       | James Packer              |
| ITT Sheraton  | Ian Richardson            |
| Publishing and Broadcasting Limited/PBL             | Ted Vibert                |
| Returned and Services League/RSL                    | Ron Walker                |
| TABCorp   | Lloyd Williams            |
| TAB   |                           |
| Tattersall's  |                           |
| Victoria Racing Club/VRC                            |                           |

### **Community elites - civil society as non-commercial stakeholder**

For the purposes of this category, the stakeholders identified as aligning with this category are those who do not receive direct financial returns or profit from the operation of poker machines. This is applied to categorising stakeholders in the primary domain, secondary domain and actors categories within the subsystem. The groups that are assessed as aligning with this category are churches, church based NGOs, health services, organisations that provide problem gambling counselling services, local government authorities, lobby groups, community and business networks, and individuals participating in public debate. These groups are often seen as operating as advocates who draw attention to policy makers of other citizenry views and opinion on key issues (Haigh, 2012).

Local government is included in this category, and not in the government interest category, for the reason that local government does not receive direct tax revenue from poker machines. Local governments have no legal authority to levy any such taxes. Further, it is worth noting that local government does not have legal recognition as a sphere of government in the Australian Constitution. Local government in Victoria is a creation of the State Government of Victoria, the purpose of which is defined in the *Local Government Act*. Councils exist because the government provides legal authority for them to perform certain functions. Moreover, the evidence set out in this study supports the proposition that as an elite, local governments in Victoria are mainly concerned with constraining gambling activity in local areas and tackling problem gambling as a social problem.

The research question of how public policy is made requires consideration of the impact civil society, as non-commercial stakeholders and presented as Coalition B in the ACF Model, had on reducing gambler losses on poker machines in Victoria. This is evaluated through the existence or otherwise of evidence to show that a reduction in the amount of money lost by poker machine gamblers was achieved during the study timeframe. What is necessary to inform that investigation is information that completes an appreciation of who the stakeholders are within the categories of primary domain, secondary domain and actors within the subsystem. An examination of the material presented in this study revealed the following nomination of organisations in Table 9.6.

Table 9.6 Community (Civil Society) Interests within the Poker Machine Gambling Policy Subsystem

| Typology                | Primary Domain   | Secondary Domain | Actor                                       |
|-------------------------|------------------|------------------|---|
| Civil Society Interests | Churches         | ICGTF            | Breakeven/G-Line                            |
|                         | Local Government | MAV              | Council of Gamblers Help                    |
|                         | Community Groups | VLGA             | Gamblers Anonymous                          |
|                         | Lobby Groups     | Gamblers Help    | Inter Church Gambling                       |
|                         | Individuals      | Breakeven        | Taskforce/ICGTF                             |
|                         |                  |                  | Local Government                            |
|                         |                  |                  | Municipal Association of Victoria/(MAV      |
|                         |                  |                  | Victorian Council on Compulsive Gambling    |
|                         |                  |                  | Victorian Local Governance Association/VLGA |
|                         |                  |                  |   |

As in the case with the application of the ACF regarding actors being identified as either groups or individuals, a review of the data pool reveals the following persons in Table 9.7 as part of the civil society interests, through their active participation in public debates on poker machine policy during the study period. As highlighted with the political as sovereign and economic interests, other individuals who had occasion to comment in the public arena on gambling are recorded in the database but excluded from Table 9.7 for virtue of there being little discernable ongoing evidence of their participation in public policy debates on poker machine gambling.

Table 9.7      Actors of Community (Civil Society) Interests within the Poker Machine Gambling Policy Subsystem

| Actor (group)                               | Actor (individual)      |
|---|-------------------------|
| Breakeven/G-Line                            | Leigh Barrett *         |
| Council of Gamblers Help                    | John Dalziel            |
| Gamblers Anonymous                          | Mike Hill               |
| Inter Church Gambling Taskforce             | Rob Hudson *            |
| Local Government                            | Rev Ray Cleary          |
| Municipal Association of Victoria/MAV       | Rev Tim Costello        |
| Victorian Council on Compulsive Gambling    | Dame Phyllis Frost      |
| Victorian Local Governance Association/VLGA | Royce Millar *          |
|   | Phong Nguyen            |
|   | Bronwyn Pike *          |
|   | Moiray Rayner           |
|   | Archbishop Keith Raynor |
|   | Rob Wootton             |

Note: Persons identified with an asterisk (\*) in Table 9.7 can be identified with multiple coalitions due to changes in personal alignment or difficulties in categorising, either during the study period or at a time subsequent to the study period. Comments regarding these persons are contained in a subsequent section in this chapter.

### **Apolitical elites – other interests as stakeholders**

This is a more difficult category to define. To be apolitical requires a demonstration of unconcern with or detachment from politics (Marshall, 1998). The definition contained in the ACF Model is problematic as it requires apolitical interests to demonstrate some form of brokering, facilitating, negotiating or compromising to achieve carriage of policy outputs (Sabatier & Jenkins-Smith, 1988). For the purposes of defining interests which are canvassed within this typology, the former meaning of the word – that is, to be detached from politics – is applied. The participation of academia in the policy debates on poker machine gambling is documented in the public domain via published research, journal articles, conference proceedings, books and the like.

What is not as clearly defined is the role of academia. Academics are supposed to be independent of politics, as objective contributors to policy debates. For consideration is whether the term apolitical is correct, in the sense that it can honestly be said that academics are detached from politics? A challenge is to consider if the views attributed to and contributed by academics are from an objective reviewer and commentator of public policy. An analysis of the role of academics at a micro-level is outside the scope of this research so only an assessment of the macro-level impact of academia on public policy is provided in this study.

Likewise there is a societal expectation that the quality media report facts, yet as Haigh (2012) notes, the media can be used as a vehicle for shaping public opinion and an understanding of issues. Moreover, there is a propensity for media interests to dramatise events and conflict in order to generate coverage (Pierce and Miller, 2004). Hence for this study, it is important to draw on as much media material as possible that limits or does not contain evidence of journalistic editorialising on the subject matter. The strategy to minimise the subjective impact of the media in this research is to select material for the data pool from content which only reports on gambling activity. Thus the data pool excluded opinion pieces from the quantitative component of the analysis, however, material of this type is included in the qualitative aspects of my research. Secondly, trends in policy debates are compared across two daily Melbourne newspapers, *The Age* and the *Herald Sun* and the trends checked against each source for consistency. Further, two different databases, Factiva and MediaScan, are utilised to compile data pools and then trends in policy debates graphically overlayed as an additional check for consistency. In this way, the research question is in part being considered by reflecting on the macro-role that the media and academia played in

contributing to policy agenda setting. What is necessary to inform that investigation is information that completes an appreciation of who the stakeholders are within the categories of primary domain, secondary domain and actors within the subsystem. An examination of the material presented in this study reveals the following nomination of organisations as Table 9.8.

Table 9.8      Apolitical Interests within the Poker Machine Gambling Policy Subsystem

| Typology             | Primary Domain | Secondary Domain               | Actor  |
|----------------------|----------------|--------------------------------|--|
| Apolitical Interests | Academia       | Universities                   | Victoria University of Technology  |
|                      | Media          | Research Centres<br>Newspapers | Monash University<br>Melbourne University<br>Southern Cross University<br>Australian National University<br>Australian Institute of Gambling Research<br>Latrobe University<br>University of Western Sydney<br>Royal Melbourne Institute of Technology<br>Deakin University<br>University of Queensland<br>Sydney University<br>Curtin University<br>Swinburne Institute of Technology<br>University of Western Australia<br>Macquarie University<br>University of New South Wales<br>Gambling Research Panel<br>The Age<br>The Herald Sun |

As is the case with the application of the ACF earlier regarding actors as identified as either groups or individuals, the review of the data pool reveals the following persons in Table 9.9 as part of the apolitical interests through their being recognised for



participation in public debates on poker machine policy during the study period. Other individuals from academia and the media who had occasion to comment in the public arena on gambling are recorded in the database but excluded from Table 9.9 for virtue of their being little discernable ongoing evidence of their participation in public policy debates on poker machine gambling.

Table 9.9 Actors of Apolitical Interests within the Poker Machine Gambling Policy Subsystem

| Actor (group)                             | Actor (individual)  |
|---|---------------------|
| Victoria University of Technology         | Alex Blaszczyński   |
| Monash University                         | Jennifer Borrell    |
| Melbourne University                      | Ed Devereaux        |
| Southern Cross University                 | Mark Dickerson      |
| Australian National University            | James Doughney      |
| Australian Institute of Gambling Research | Linda Hancock       |
| Latrobe University                        | Alun Jackson        |
| University of Western Sydney              | Allan Kelleher      |
| Royal Melbourne Institute of Technology   | Charles Livingstone |
| Deakin University                         | Jan McMillan        |
| University of Queensland                  | John O'Hara         |
| Sydney University                         | Michael O'Neil      |
| Curtin University                         | Ian Pinge           |
| Swinburne Institute of Technology         | Michael Walker      |
| University of Western Australia           | Royce Millar*       |
| Macquarie University                      |                     |
| University of New South Wales             |                     |
| Gambling Research Panel                   |                     |
| <i>The Age</i>                            |                     |
| <i>Herald Sun</i>                         |                     |

\* Royce Millar, journalist for *The Age*, is also listed as civil society interest in relation to co-authorship of gambling publications with Reverend Tim Costello.

### **Comments on categorising individuals by interests – limitations**

At a macro-scale, it is a relatively straightforward exercise to confirm the identity of an elite typology and assign categories for interests at organisational level using the ACF model. However, Assumption 1 of the ACF Model requires that at least ten years of evidence should be considered when placing individuals into interest-based categories. The 10 year evidence base criterion is required to achieve stability of categorisation over time. This aspect of the ACF model is problematic for two reasons.

Individuals who commented on gambling are recorded in the database, however, not all individuals were included in the data analysis for virtue of their being little discernable ongoing evidence of their participation in public policy debates on poker machine gambling. The sporadic contributor may add to the quantity of material available in the public domain yet, when analysed for contribution to shaping policy outcomes, there is inconclusive evidence to confirm the occasional contributor as having any meaningful impact on policy making.

The second aspect about stability over time is that an individual may be categorised in different domains depending upon the circumstances that person may inhabit. I cite the case of Dr Michael Vertigan AC as an illustration. Dr Vertigan, who is not referenced in any of *The Age* media gathered as part of the data pool for this study period, was the Victorian Government Secretary of the Department of Treasury and Finance between 1993 and 1998. The role of Dr Vertigan is raised in media commentary after the time period for data collection used in this study and he is cited in discussions regarding the corporatisation of Tattersall's. Dr Vertigan is listed as a candidate for and was subsequently elected as a Director of the Tattersall's Company (Tattersall's, 2005). His

biography, contained in the Tattersall's Annual General Meeting papers, cites Dr Vertigan's other interests as Chancellor of the University of Tasmania and a member of the Tasmanian Gaming Commission. To note, Mayne (2005a), a journalist and public commentator, claimed that the family of Dr Vertigan received financial benefit from the profit of Tattersall's by way of family members being listed as beneficiaries of the Tattersall's Estate (Mayne, 2005a). Mayne was also a former media advisor to Premier Jeff Kennett and himself became a public commentator regarding poker machine policy in the post study timeframe.

In the article by Mayne (2005b: 1), Dr Vertigan is referred to as a person "widely respected as the best ever Secretary of the Victorian Treasury". Mayne (2005b), claimed Dr Vertigan's Tattersall's benefit was in his spouse's name when the legislation for the poker machine industry was developed. Dr Vertigan declared this interest and is recorded as stating he did not participate in any action associated with the passage of the Gaming Machine Control Act legislation or subsequent licensing of the TAB and Tattersall's. The Tattersall's share listing confirmed Mrs Diana Vertigan and Ms Joy Vertigan as shareholders in the company (Shtargot, 2005).

This vignette is useful as it points to a question of the reliability and credibility of evidence that can be gathered from public sources as being demonstrative of processes surrounding the making of public policy. There is a considerable amount of material written by many people, but it is just that – anecdotal, personal opinion, hearsay at best and, at worst, nothing more than a noisy distraction, possibly bordering on vexatious as well. It is not the purview of this study to delve into the credibility or utility of anecdote,

the author or subject matter, because such information lacks a reliable, scientifically verifiable means of assessment for research purposes.

While this vignette about Dr Vertigan may prompt questions for an inquisitive, conspiratorial mind, the implied substance of the issue regarding impropriety raised by Mayne has little relevance to the policy question under investigation in this study. This example merely reinforces the need to exercise caution in selecting what evidence is sound for investigation in this study.

Equally, other snapshots about other government or public service officials played out in the media and politics, such as that of Mr Darcy Dugan QC, former Chairman of the Government's Gambling Authority or Mr Howard Ronaldson as the Chief Public Servant of the administration of the State Government's gambling authority, could have been examined.

Likewise, similar attempts to define Bronwyn Pike, a one time spokesperson for the Inter Church Gambling Taskforce and the Uniting Church before becoming an ALP Member of Parliament in 1999, or Rob Hudson, CEO of Victorian Council of Social Services who also became an ALP Member of Parliament in 2002, is difficult. Both these persons could be categorised as either aligning with the government interest category or the community interests category, yet the answer is not simple.

Comparisons and assessments of role in public policy making, where shifts in role can be discerned, are problematic from an evaluative perspective.

These instances and others such as Leigh Barrett, then a Public Service Officer who also had a working career as a Problem Gambling Counsellor and industry representative with Tattersall's, or that of Royce Millar, both an author on the policy topic as well as a journalist published in *The Age* newspaper, are cited in the material discussed in Chapter 7 in relation to the case studies and are other examples that could also be considered for further scrutiny. That said, what this reflection does highlight is that attempts to cast individuals as belonging to a defined interest or a coalition category and remaining in those categories as per the ACF model becomes problematic when information indicates a change of circumstances.

### **Summary**

The purpose of this chapter is to identify who the key individuals and organisations are as the stakeholders with an interest in the political economy of gambling. This is achieved through the application of theoretical constructs associated with the Advocacy Coalition Framework. The assessment in this chapter showed that by using the ACF Model, political, economic, civil society and apolitical elites can be mapped. The interests identified comprised governments as sovereign, the gambling industry as economic, civil society as non-commercial, and the realm of academia and media as apolitical.

For the purpose of this study, interests can be categorised as coalitions consistent with the Advocacy Coalition Framework Model. Sufficient evidence exists to show stability over time at the group actor level however the degree of stability at the individual actor level within interest categories is less conclusive. The situation of the occasional public commentator is cited and examples of movement by individuals across interest groups

are also illustrated to demonstrate limitations in categorising individuals by a set coalition over time.

As a result, the evidence presented in this chapter suggests that stability over time is problematic for the purposes of evaluation when using all of the ACF categories. This matter is elaborated on in Chapter 10, concerned as it is with making theoretical sense of the political economy of gambling.

## Chapter 10

### MAKING THEORETICAL SENSE OF GAMBLING – THE FINDINGS

#### Introduction

In developing this study, the task required an investigation of the role and function of stakeholders when forming public policy on poker machines in Victoria and, *inter alia*, a consideration of the broader context of how public policy is made in Victoria. The preceding chapters are built on a logic of articulating the context for what this study is about. They illustrate that a gap exists when thinking about gambling as a policy concern and what the nature and substance of that gap is. They craft a theoretical proposition to examine gambling as an area of interest in respect of public policy and draw on a diverse evidence base with which to evaluate the material by applying tools developed in this study from various cited theories.

To assist examination of the policy process, a set of subsidiary questions are posed as to the dynamics between stakeholders and the legislative and regulatory agendas. Firstly, what prompted decision making activity in the form of legislation and regulation developed by the government during the 1990s? Next, is there sufficient evidence to confirm that the Victorian Government was highly dependent on revenue from gambling taxes to fund the activities of the state? Thirdly, how was the Victorian Government able to achieve fiscal solutions through gambling revenues, that is, how did they maintain and grow the quantum and proportion of state revenue from poker machine gambling taxes and levies?

I contend that this third aspect is tied to discussions relevant to the overarching research question with respect to the role of elites as stakeholders and how stakeholder expectations were managed, or not as the case may be, by successive state governments, when decisions relating to poker machine gambling were made. Further, it is important to reiterate that this study is not located in the *policy analysis* realm *per se*, and it is not concerned with an evaluation of the efficacy of policy settings. Rather, the interest is in the *process* of policy making.

To enable an evaluation of the sub-questions, it was essential to define a set of measures, and these measures were based on an appreciation of arguments identified in stakeholder debates on gambling. The challenge was to gather reliable evidence which can be used to test the measures against the theoretical proposition. Thus, for completeness, the first measure for evaluation was whether the State Government as a ‘coalition of interest’ was successful in achieving its economic objective of establishing, building and sustaining a taxation revenue base from poker machine gambling operations? This was assessed through an evaluation of revenue as taxes, fees and charges received by the State Government during the research period and detailed in Chapter 8. Further, Chapter 7 provided comprehensive information, data and an assessment of the State Government’s role in shaping public policy decisions on poker machines.

Secondly, did the poker machine industry as an elite stakeholder coalition succeed in establishing and sustaining a revenue base from poker machine operations in Victoria? This question was examined by evaluating evidence relating to annual growth in poker machine profits for industry stakeholders and what was achieved by these stakeholders



in relation to money during the research period. This was considered in detail in the data analysis and case studies provided in Chapter 7 and 8.

The third element to canvas in this study relates to the impact civil society as a non-commercial stakeholder had in reducing poker machine gambling losses in Victoria. This was examined by evaluating evidence relating to a reduction in the amount of money lost by poker machine gamblers. This was considered in detail in the data analysis in Chapter 8 and the case studies provided in Chapter 7.

As this is the final chapter, it is appropriate to discuss the politics of the political economy of gambling and affirm that the essence of this study is about power, money and poker machines. It is through the delivery of public policy on poker machines that certain stakeholders attained power and money and the control of the political economy of gambling. To recall, public policy is defined in Chapter 3 as *an interdisciplinary matter concerned with the study of government decisions and actions in addressing any given issue of public concern and the consequences resulting from this action*.

Therefore, creating and managing the public policy environment is a key interest of concern to government. The findings of this study are intimately tied to understanding how government decisions are made and it is in the context of the preceding questions and measures to evaluate those questions that answers can be formulated.

In this chapter, an analysis of the political economy of gambling is told through the story of poker machine policy. The key factors required for policy making are defined, and the roles and functions of elites as stakeholders and the function they played are

discussed. Further, the policy making logic as described by government and based on the assumptions of the Policy Cycle, the stages model and Continuum, and the Advocacy Coalition Framework, is challenged as being merely an illusion created by government seeking to control the perception and involvement of stakeholders in the process of creating and therefore legitimising public policy.

A contrary view is provided that describes the policy making ‘reality’ and it is grounded in the evidence gathered in this study. It is this reality check that is used to craft an alternative proposition for how public policy is made by illustrating the gap this study shows exists in theoretical approaches to describing policy making. It is this alternative that can provide an understanding of how to differentiate between elites as stakeholders compared to elites who make decisions by exercising power and authority as defined by Mills (1977). In this way, a reflection on learning can be explored, while evaluating who was successful in achieving policy outcomes in their interests. Finally, a description of the nature of policy making derived from this study can contribute to an understanding of the policy making story. It is now time to reflect on the material presented and critically comment on what has been distilled as findings from this study.

### **The politics of the political economy of gambling**

We are reminded that politics is about who gets what, when and how (Lasswell & Kaplan, 1950). This study about the political economy of gambling has examined those basic questions by tracking progress on public policy making over eleven years by layering different forms of evidence to tell that story. The political economy of gambling in Victoria is fundamentally about power and money. Poker machines simply provide one means for advancing the power and money interests of certain vested elite

stakeholders through political action. The years 1991 to 2002 provided a rich period to investigate the Victorian policy landscape, as it spanned the terms of two ALP and two Liberal-National Coalition governments and this timeframe provided a rich source of activity to investigate from a public policy making perspective.

Up until 1992 the ALP was in office in Victoria and it faced significant economic issues. It was the ALP Government that legalised poker machines in 1991 as law. In 1992, the Liberal-National Coalition took office on a platform of reform and the next seven years witnessed the largest program of privatisation of public assets and services undertaken by any government in Australia. In parallel, this agenda signalled significant change to the way gambling would be provided and privatisation had a big part to play in this (Collyer, 2001:131).

With their 1996 re-election to government, the Liberal-National Coalition continued a legislative approach to further expanding regulatory control over gambling activity. However, the September 1999 election demonstrated a clear shift in the mood of the Victorian electorate with the Coalition losing its majority of 15 seats in the 88-seat Legislative Assembly to the ALP. One factor contributing to the change in political fortunes is the alleged veil of secrecy and insider deals on the casino tendering process described in earlier parts of this study.

According to the new ALP Premier Steve Bracks (ABC News, 14/10/99), the previous government spent “more than \$2 million on keeping secret the ... Casino documents. It has taken this matter to the Supreme Court. It [the *Kennett Government*] has appealed

against decisions of the Victorian Civil and Administrative Appeals Tribunal to release these documents. So it's done everything possible to appeal, to use legal costs."

In the state election of September 1999, the ALP Government assumed minority power of the Legislative Assembly with the support of three independent MPs. Although the political base of power had returned back to the ALP, the trends identified in this study continued without any lessening of pace. These included more gambling legislation on the agenda, continued and rapid growth in tax revenues from poker machines, and ongoing rationalist, individual-centric debates on gambling as policy in Victoria. Attention is now turned to crafting an answer to the research question.

### **Beginning to answer the research question**

To answer the research question, a bottom up approach is used by considering what evidence exists to assess each measure and how that evidence assists in responding to the subsidiary questions. These in turn contribute to an overall answer to the study's central question.

Measure one was an evaluation of the annual taxation revenue to the Victorian State Government between 1991 and 2002. Chapters 2, 7 and 8 highlight considerable growth in government tax revenue between 1991 and 2002. The GST factor as a loss of revenue to the state was not in fact a loss at all. This is confirmed by Hayward (2002) and demonstrated in Figure 8.5. Moreover, Table 8.4 confirms that the tax revenue to government from non-casino operated poker machine sources in Victoria rose from zero per cent of all government revenues, to just over 11 per cent of all revenues by 1999. That level of revenue was sustained as a proportion of budget revenue up to the end of

the 2002 financial year. It should be pointed out that taxes from betting on horse racing from the 1940s to the late 1960s provided government with approximately 10 per cent of its budgetary revenue. In effect, poker machines provided a replacement for the subsequent decline in horse racing and this was identified from the analysis of evidence presented in Figures 8.1 and 8.2 and Table 8.3. The State Government as a 'coalition of interest' was unquestionably successful in achieving its economic objective of creating and sustaining a tax revenue base from poker machine gambling.

With regards to measure two, that is, whether evidence exists to show if annual growth in poker machine profits in the market for gambling industry stakeholders was achieved between 1991 and 2002, the answer is consistent with the advice for measure one. Such evidence does indeed exist. Data presented in Chapters 2, 7 and 8 confirm that the gambling industry was successful in its objective. Moreover, Chapters 7, 8 and 9 indicate that gambling industry stakeholders were highly active in public debates regarding poker machine policy settings, especially leading up to and after each state government election cycle. The poker machine industry as an elite stakeholder did succeed in establishing and sustaining a revenue base from poker machines in Victoria.

Measure three is an evaluation of whether evidence exists to show that a reduction in the amount of money lost by poker machine gamblers was achieved during the research period. The evidence in response to this measure is compelling. The data and accompanying analysis presented in Chapters 2, 7 and 8 demonstrates that from a zero dollar base in 1991, poker machine losses grew annually without challenge, and that by 2002, \$2.33 billion was being lost by poker machine players. Civil society stakeholders may challenge the use of this measure as there is considerable public accounts to show

that the key concern from their perspective was the amount and proportion of money lost by problem gamblers (see Costello, 1999). However, this study is concerned with structural matters on gambling to understand policy making so it is appropriate to use the most reliable data source available, being the state level quantum of poker machine losses per annum. Regardless, the results of the findings into poker machine gambling by the Productivity Commission (1999) confirmed that the proportion of money lost by problem gamblers did not decline either during the study period. Thus from my perspective, the possible criticism is not relevant. What is clear from the evidence is that the impact of civil society stakeholder efforts as non-commercial interests in advocating for policy action and reform aimed at reducing poker machine gambling in Victoria can only be described as ineffectual. Moreover, the evidence points to a view that dominant stakeholder interests were not affected in any substantive way by public opinion.

The evidence presented in Chapters 7, 8 and 9 in particular, suggests civil society stakeholders achieved marginal, if any, traction in setting or driving policy debates, particularly so in terms of making inroads into the incidence of problem gambling. Elites principally used the media during key decision making episodes to ensure secular interests could be tested and progress public acceptance of policy settings that advantaged financial stakeholder interests. Further, Doughney (2002b) contends the contribution of academia to gambling policy settings is also questionable given that significant effort was directed towards tackling the issues of the ‘problem of problem gambling’ and the ‘problem gambler’, by academics. Yet as Chapters 7, 8 and 9 highlight, the participation in policy debates from academia is seen to have had limited overt impact on policy settings. An alternative view is that academics may well have contributed to policy making through other avenues of engagement with policy makers.

An ability to test that proposition cannot be considered in part due to the limitations of access to data highlighted later in this chapter.

In putting forward a view that the State Government and the gambling industry achieved their financial objectives for policy settings, and civil society as non-commercial interests did not, it does not readily translate that the answer to the research question and subsidiary questions is obvious as on the basis of the evidence presented, it is not possible to provide a fairly concise answer to describing how public policy is made. The evidence gathered for evaluation in this study is less clear. To be able to fashion a response, it is necessary to evaluate the available evidence in the context of the conceptual propositions considered in this study – the Policy Cycle, the stages model, the Policy Continuum, the adapted Three Factor Model and the Advocacy Coalition Framework – and to consider the evaluation tool developed for the purposes of analysing the material and cited as Table 5.4.

### **Elites, the Policy Cycle and the Advocacy Coalition Framework**

It is contended that central to understanding how public policy is made is the need to grasp the role and function of elites in the context of policy networks. In this study, elites have been defined as being the primary stakeholders engaging in policy debates about poker machines. As a systems perspective, the Policy Cycle contends that understanding the process for policy making is a straightforward exercise where aspects of making policy can be compartmentalised, enabling practitioners to map with some certainty what may be occurring in the process. If there is a need to know what is happening at a given point in the process, the systems (policy) analyst should be able to quite easily provide the detail. What is not made explicit in the Policy Cycle that is

considered useful is that these policy elements are in fact symbolic of a continuum of conversations and interactions that constantly occur between and within stakeholder groups and interests. This dimension of the Policy Cycle is particularly valuable because it suggests that interaction on policy does not necessarily comprise neat ‘beginning’ and ‘end’ points. Rather, interaction and conversation on aspects of policy are continually evolving as an input to the policy making process. In advancing this study, there is little value in attempting to categorise action in boxes. By accepting there is value in thinking about the cycle as function centred on engagement and as an input to policy, that action boxes may occur or not occur as part of the exercise, such thinking is more consistent with the evidence documented in this study.

However, there is a further dimension to consider and that is related to the ACF. Consistent with the Shannon (1997) study, the ACF was not slavishly used to analyse policy making in this study either. It was used as a framework to guide enquiry. The Three Factor Model developed by Shannon (1997) to provide a feminist analysis of policy changes in Australia was adapted for assessing state-based decision making processes on poker machine gambling policy. This adapted tool is set out as Table 4.3 and the results for each measure defined are now included as a sixth column in Table 10.1, under the heading ‘Results’. The answers provided to each measure are informed through an evaluation of the evidence documented in this study.

The results provided in Table 10.1 do suggest that, broadly, the ACF holds as a model for analysing how policy is made and that the tool used for this analysis assists in the evaluation task. To illustrate, it is worth revisiting some of the key document tracking analysis from Chapter 7 and the consideration of patterns of commonality.



Table 10.1 Applying the Tool ‘Evaluating Policy Making: Systemic Factors, State Systems and Measures for Assessing the Decision Making Process on Poker Machine Gambling Policy’

| State Systems | Structural Factors   | Dynamic Factors   | Implications for Poker Machine Gambling Policy   | Measures to Assess the Process of Policy Decision Making  | Results  |
|---------------|--|---|--|---|--|
| Political     | The centrality and complexity of the state Constitution; the structure and relative powers of the elected government and the appointed judiciary | Altered by changes through the electoral cycle; party politics, sub-national and international factors. | Political system will always be important but is there an adequate representation of social and economic interests in final policy articulation? | 1. Is the presence and role of coalitions observable and discernable in policy?<br>2. Are policy tenets expressed as outcomes accepted by stakeholders?<br>3. Can the expression of policy making be clearly identified as an output of a given disciplinary dominance?<br>4. Can the consequences or impacts of the policy process be tracked? | 1. Yes.<br>2. Yes, broadly all political parties accepted that poker machines should be legalised. Differences exist as to how the industry should be managed and taxed. However, insufficient evidence exists regarding the views of the public service.<br>3. Yes, policy making is seen to be driven by delivering economic objectives.<br>4. Yes, through analysis of public documents in Chapters 7 and 10. |

Table 10.1 Applying the Tool ‘Evaluating Policy Making: Systemic Factors, State Systems and Measures for Assessing the Decision Making Process on Poker Machine Gambling Policy’ (continued)

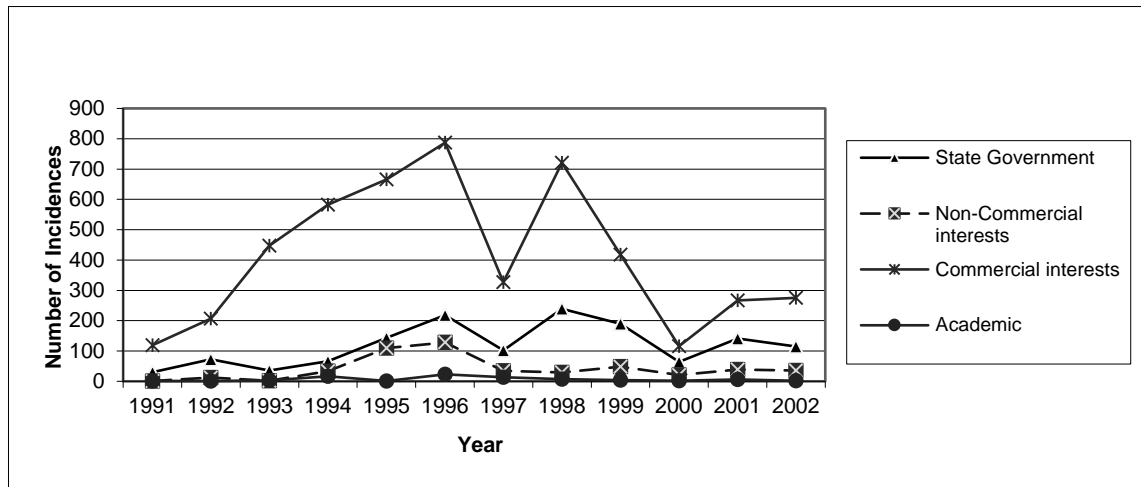
| State Systems | Structural Factors   | Dynamic Factors   | Implications for Poker Machine Gambling Policy  | Measures to Assess the Process of Policy Decision Making  | Results   |
|---------------|--|---|---|---|---|
| Social        | Fundamental sociocultural values and social structures: the relative strength and institutionalisation of secular or religious beliefs and the development of pluralism. | Modified by changes in public opinion: in particular the effects of NSMs and CSOs as against ‘new right’ or religious traditionalist groups; sub-national and international factors | Social system will only be crucial to some policy areas (e.g. problem gambling policy). Does it realistically reflect elite/ stakeholder experiences? | 1. Is the presence and role of coalitions observable and discernable in policy?<br>2. Are policy tenets expressed as outcomes accepted by stakeholders?<br>3. Can the expression of policy making be clearly identified as an output of a given disciplinary dominance?<br>4. Can the consequences or impacts of the policy process be tracked? | 1. Yes.<br>2. No, stakeholders did not accept the outcomes (church, local government, counselling services, etc.).<br>3. Yes, policy debate dominated by health, welfare and social justice objectives.<br>4. Yes, Chapter 7 suggests lack of impact and Chapter 8 confirms the growth in financial losses by gamblers. |

Table 10.1 Applying the Tool ‘Evaluating Policy Making: Systemic Factors, State Systems and Measures for Assessing the Decision Making Process on Poker Machine Gambling Policy’ (continued)

| <b>State Systems</b> | <b>Structural Factors</b>   | <b>Dynamic Factors</b>  | <b>Implications for Poker Machine Gambling Policy</b>  | <b>Measures to Assess the Process of Policy Decision Making</b>   | <b>Results</b>   |
|----------------------|---|---|--|---|--|
| Economic             | Natural physical and human resources. The concentration and composition of private capital. | Distribution and development of state resources; the degree of corporatism and centralisation, sub-national and international factors | Economic system will only be crucial to some policy areas (e.g. EGM taxation policy, EGM licensing rights) inasmuch as policy does not limit or reduce economic returns to the state or gambling elites. | 1. Is the presence and role of coalitions observable and discernable in policy?<br>2. Are policy tenets expressed as outcomes accepted by stakeholders?<br>3. Can the expression of policy making be clearly identified as an output of a given disciplinary dominance?<br>4. Can the consequences or impacts of the policy process be tracked? | 1. Yes, Chapter 7 and 10 demonstrate that economic interests play a major role.<br>2. Yes.<br>3. Yes, shareholder and company returns grew significantly during the research period.<br>4. Yes, Chapter 7 and 10 confirm the impact of economic interests as dominating public debate on gambling. |

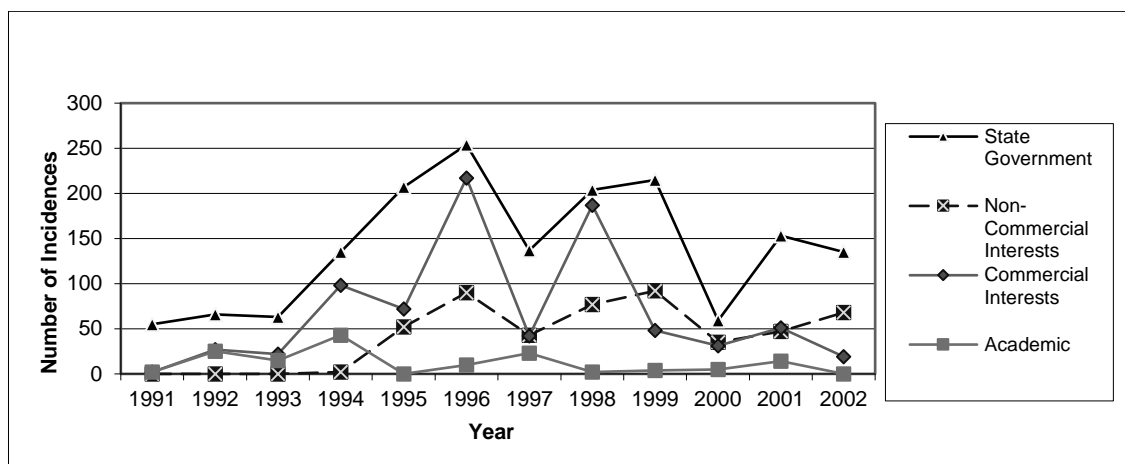
For example, in Figure 7.13 when data on the number of incidences of gambling interest reported in the media by stakeholder organisation is assessed, commercial gambling interests are the most prominent and are cited in the media records over and above that of any other stakeholder group. The least prominent elite in media debates are those from civil society and academic institutions.

(previously cited as) Figure 7.13 - Victorian Media Coverage, Metropolitan Daily Newspapers 1991 – 2002: Comparison by Sector Stakeholder Organisation<sup>xv</sup>



When the same approach is applied to combining the data from other stakeholder reporting of individuals, the results switch and illustrate that politicians take a more prominent role, yet economic interests in the form of gaming commercial interests are still strongly represented. Civil society as non-commercial interests and academics again rank low in participation.

(previously cited as) Figure 7.14 - Victorian Media Coverage, Metropolitan Daily Newspapers 1991 – 2002: Comparison by Sector Stakeholder Individual



On the surface this data provides a glimpse into a convenient model for how government directs public policy making, and this purview is seen to be consistent with how government directs public attention to how public policy is made. Governments invest time, energy and resources in promoting how laws are made in Victoria.<sup>xvi</sup> However the results point to missing elements in the public policy making story. It is these missing elements that provide real insights into what is identified as the reality of public policy making as seen in the political economy of poker machine gambling .

### ***The illusion versus the reality of public policy making***

The evidence presented in Chapters 4, 6 and 8 highlights a knowledge gap in terms of the extent of agency regards individuals as actors within the Victorian public service, with a distinct focus for this comment on the senior executive administrators. It is a limitation experienced and documented in undertaking this study. To illustrate, applying the ACF in a practical situation reveals that it does not provide sufficient guidance on how to account for unknown or elements that may be hidden from public view in policy making. Mills (1977) and Kornhauser (1974) point to a similar issue in proposing that a backstage environment to policy making exists, and that this backstage is dominated by hidden elite interests and lacks accountability and public scrutiny. Mills (1977) and Kornhauser (1974) describe the hidden elite as a triangle of interlocking structures of power comprising the military, economic and political interests, however, in the Victorian poker machine gambling case, the military component is replaced by the Mandarins within the bureaucracy. Ripley (1985) and Rourke (1984) propose that the bureaucracy is an elite stakeholder group in their own right, and as a group they play an integral role in the ultimate decision making process. Thus, the determinate of power and the setting of important public policy is through this hidden elite as an unseen

triangle of interests. It is this dynamic of interests working to achieve their desired outcomes which is able to achieve meaningful results (Pierce et al, 2014). The ACF does provide for policy brokers whose role is to facilitate decision making and while this element is useful in assessing what can be visible, again as highlighted by Mills (1977) and Kornhauser (1974), it has shortcomings in appreciating the extent to which agency has bearing on the less visible aspects of actors in policy making. In Chapter 9, the case of Messrs Vertigan, Hudson and Barrett and Ms Pike are provided to illustrate this point and is further alluded to in various print media such as “papers held somewhere in the bureaucracy could hold the key to how many poker machines Victoria must have” (Herald-Sun, 24 September 2001).

Chapter 8 describes how a law is made in Victoria. The structure of the map and the discrete elements comprising Figure 8.8 on how laws are made has a striking resemblance to the elements contained in the Policy Cycle / stages / Continuum concepts. As discussed previously, it is this approach to public policy making expressed as law that the government promotes through a range of communication methods including government websites which is where advice on law making can be obtained. Policy makers acting within government seek certainty (Pierce and Miller, 2004). To that end, governments direct significant attention and resources to implementing the steps for making policy which are presented in the policy models, and through these steps it seeks to legitimise the outcome of public policy making which, in this study, is specifically legislation governing the operation of poker machines. When legislating in relation to poker machines, the government benefits from taxation revenue (Delfabro and King, 2012) while also commissioning and paying for research as illustrated by its own Gambling Research Panel (2003). It convened at various times and in various

forms Ministerial Advisory Committees on gambling and it also funds problem gambling services (Australian Labor Party, 2002).

The government invites the wider community to contribute comment to policy making through a variety of engagement mechanisms such as inviting comment to policy through advertising. The evidence in this study indicates that policy making when viewed as a manifestation of a public process is achieved when the government defines the policy parameter in order to avoid unpredictable outcomes (Pierce and Miller, 2004). In this case it is the poker machine policy parameter which is referred to as the *policy lens*. It is through the implementation of actions associated with the policy process, the elements of which are defined in the policy models, that the government seeks to channel attention through the vista of the policy lens. Stakeholders participating in this environment can be identified and their conversations and interactions mapped with the application of the ACF and the adapted Three Factor Model set out in Table 10.1. The State Government places great emphasis on promoting the view that participation in the policy process is meaningful because it leads to the formation of public policy outcomes, which in turn encourages public confidence in how gambling is managed by this sovereign stakeholder. Figure 10.1 provides a symbolic interpretation of this approach.

Yet this narrative on how public policy is made is convenient. It is convenient for the government that stakeholders are focused on public policy making on terms dictated by government. In that way, the State Government is able to claim the process of making policy is open and transparent. If the logic of this approach is applied, it can be seen that a lineal, smooth flow of policy forming and making can be described. It is then

convenient to have stakeholders focused on problem recognition, to discuss and work on developing alternative responses to the problem. It is furthermore convenient for stakeholders to recommend to the State Government what could be done to ameliorate any given problem, perhaps to the extent of having stakeholders contribute to implementing solutions and evaluating results. In taking a broader perspective of the lineal tasks comprising the policy models and replacing them with an understanding that such matters occur fluidly, these tasks essentially become part of a dynamic that involves conversations and interactions amongst stakeholders.

On the basis of the evidence presented in this study, the model of public policy making described above is an *illusion*. The *reality* of public policy making by government is somewhat different in that it does contain elements of the policy models including elements from the ACF. Yet public policy making is much more complex than any of these models suggest, and it is noticeably different in two ways. The evidence considered in this study suggests that some elements from the publicly promoted models and depicted in the diagram above the line in Figure 10.1 are missing, and the ACF does not satisfactorily articulate what those missing elements are.

When stakeholders participate in a process shaped by the policy lens, the evidence in this study supports the view that at any given time, a myriad of connected, as well as disconnected, conversations and interactions are taking place between stakeholders. This situation is depicted in that part of the diagram below the line in Figure 10.1. However, conversations and interactions can occur outside the policy lens as well, and decisions can be made outside the policy lens too. Likewise, such events can of course occur inside the policy lens but as Mills (1977), Kornhauser (1974) and O'Malley



(2007) suggest, they can be hidden from public view. What the evidence in this study shows is that whether a stakeholder is operating inside or outside the policy lens, interactions and conversations can be meaningful or superficial. The difficulty for stakeholders and researchers [or policy analysts] alike is determining at any point in the policy cycle those interactions that are meaningful and those that are superficial. It is this superficial layer that is problematic for stakeholders to identify, as energy and resources directed to action may have limited utility in terms of influencing real outcomes. It may also be convenient for elite stakeholder interests to encourage superficial conversation and interaction because these can distract attention away from the real decision making that may be going on or from the decision making that may have already occurred. The other aspect of why superficial engagement may occur is so that the agendas of less dominant stakeholders can be revealed to the dominant stakeholder interests. This can assist in any pre-planning of strategies by these dominant interests to offset any unforeseen (and unwelcome) impacts from less powerful stakeholders in policy debates.

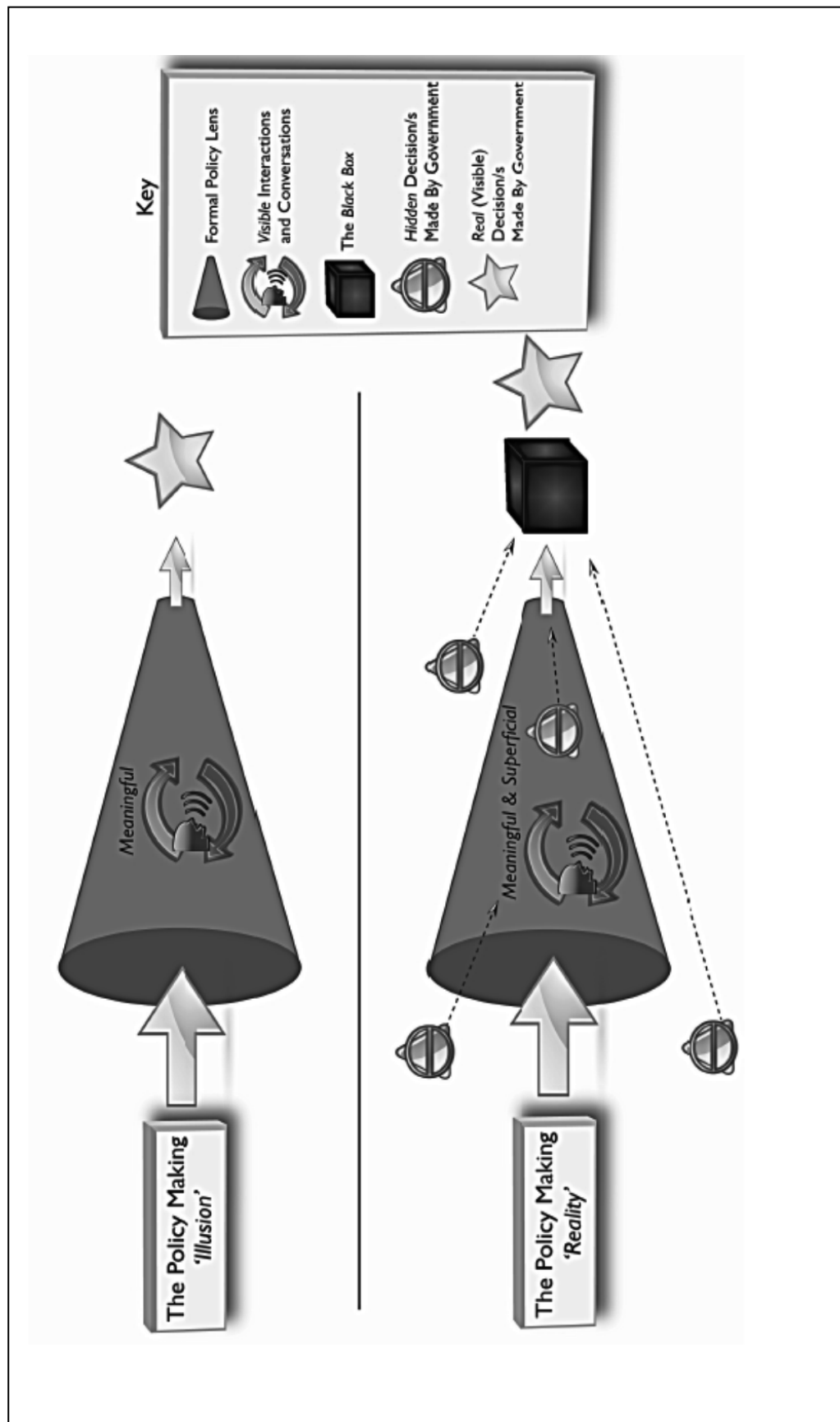
At the same time, decisions made outside the policy lens could be effected as an outcome without recourse to stakeholders operating within the policy lens. This is best illustrated in the example of the Casino Control Act placing limitations on the number of licenced poker machines in the Victorian non-casino marketplace, and the series of ministerial directions regarding the number of poker machine licences for Victoria. A further example, referenced in some detail in Case Study 3, is the banning of cigarette smoking within licensed venues implemented in 2002. Whatever the situation, these decisions were *hidden* decisions. As Tilly (1997) illuminates, it is decisions like these that are achieved through the exercising of invisible elbows and the jostling by primary

agents so that they may continually adjust and readjust policy settings to suit the needs of the dominant stakeholder agenda. These decisions are conveniently arrived at by the elite stakeholder triangle comprising economic, political and bureaucratic interests.

This assessment is not to be taken as negative. It is just the reality of what the evidence in this study demonstrates as occurring in the political economy of gambling in Victoria for the period considered in this study. Yet the assessment is not the complete picture. There is an additional layer of unseen decision making that occurs which comprises the realm of political, advisor and bureaucratic interests as per the proposition from Ripley (1985), Rourke (1984) and O'Malley (2007). Even when a decision is made, what transpires is that at some point in the process of making policy, knowledge about what is happening occurs beyond the public gaze. The analogy for this phase is akin to entering a 'black box' (Grin and Loeber, 2007), which I present as the means to describe the unseen political and bureaucratic decision making world.

As discussed in detail in earlier chapters, there are issues regarding access to data and information as constraints to acquiring an understanding of the dynamics occurring between political and bureaucratic stakeholders. The barriers that exist to accessing information including the limits of Freedom of Information requests, Cabinet-in-confidence and commercial-in-confidence provisions. Further, the role and function of persons who work in the Victorian public service, makes the task of gaining an informed appreciation of what transpires in this realm problematic. In 2010, over 261,000 people worked in the Victorian public service (SSA, 2010).

Figure 10.1 The '*Illusion*' versus the '*Reality*' of Policy Making



As Davis (1993) highlights, the public service is a large and diverse institution and it would be erroneous to ignore that considerable workforce as not having some impact on policy, however this aspect of the ACF is not satisfied for the purpose of this study.

It is an aspect of this study that remains unanswered as, unlike the analogous aircraft black box, there is no internal data recorder in the political and bureaucratic black box. As O'Malley (2007) points out, only on rare occasions is an external gaze permitted into the realm of the decision making workings of government, its cabinet and bureaucracy. An evident lack of data has enabled the situation where broader research by academics in relation to the role and power of bureaucratic elites, the Mandarins of the Victorian Public Service in this case, has not progressed in any real meaningful form. The power of these senior public servants in the Victorian Public service and their lack of accountability and scrutiny, was a key criticism of former Victorian ALP Premier, John Cain, who openly challenged the elite authority of the administration in his term of government (Cain, 1986). This lack of access to hard evidence ultimately manifests as shortcomings in a researcher's ability to acquire and evaluate data that may, or may not, exist in relation to decision making. As Pierce and Miller (2004) suggest, it is elites within political environments who are likely to hold the strongest of views in relation to policy positions. All that can be reasonably done for this study is to identify and acknowledge the gap and represent it symbolically in Figure 10.1.

This setting out of the policy making reality is not an attempt to provide a definitive model for policy making. To gain a better appreciation of how the policy making 'game' is played, it is important that theoretical models evolve by considering research examples such as this study. The advice is provided for the purpose of illustrating that to

fully appreciate how public policy is made, greater insights than the theoretical models used in this study are needed. It is further suggested that any such evolution of formal policy making modelling would benefit from a more detailed appreciation of sociological theories regards elites and stakeholders from an agency purview. The evidence and analysis on the political economy of gambling in Victoria and poker machines encourages that view.

In this way, a partial answer to the research question can be offered. Making public policy is seen as a complex set of conversations and interactions amongst stakeholders and power manifests in this situation as the means to shape direction and ensure that direction aligns with dominant values (Haigh, 2012). The role and function of stakeholders varies depending upon where the interests of power and money are vested and intersect. To be effective in achieving desired policy outcomes, stakeholders need to be able to discern the agenda of the powerful and, as the ACF presents, enabling sufficient time (Weible, Siddiki and Pierce, 2011) and thinking about the benefits that Policy Oriented Learning may create, is critical for stakeholders in relation to how to participate and when, in meaningful effort to influence the shaping of that agenda. Otherwise stakeholders risk expending effort, time and resources on actions that could largely be superficial. That task though would benefit from a high level of “theoretical, empirical and methodological specialisation” (Weible et al, 2011: 355) that this study points to as an opportunity for further investigation.

## **Conclusion**

For the present study, the way public policy is made has been observed through the political economy of gambling in Victoria. Making public policy is about knowing how

to play the game, it involves working out what is meaningful and what is superficial in terms of effective engagement in conversations and interactions among stakeholders. It is about knowing who the dominant stakeholders are as comprising the elites of decision making, and determining how to influence the decision making of the dominant elite interests through their policy networks. Dominating the Victorian gambling landscape is the very real presence of power exercised by government and economic elite stakeholder interests as Tabcorp, Tattersall's, Crown Casino and the Victorian Racing Industry and at a secondary level, commercial interests such as business proprietors and clubs that operate poker machines. This presence is witnessed, and is intimately linked with, the expression of power and money. This study demonstrates that despite the inherent difficulty in evaluating power as a quantifiable measure (O'Malley, 2007), it is possible to track and observe shifts in public debates over time, and by building up layers comprising different evidence and data types it can be shown how decision making occurs. Specifically, the prevailing agenda of economic growth in revenue from poker machine operations did not alter markedly over the years examined. Indeed this agenda was bolstered by key legislative Acts that served to sustain this agenda. Poker machines have been shown to be an effective medium to achieve these aims.

In this study, I have highlighted the reason why the years between 1991 and 2002 are valuable in contributing to an understanding of how public policy is made in the political economy of gambling. Yet my approach to this study could equally have been undertaken to investigate other government policy areas such as alcohol, smoking and other social issues. The efficacy of poker machine policy decisions has not been the subject of this study and is seen as potential subject matter for a separate study.

Moreover, the years from 2002 to the completion of my study are anticipated to equally yield interesting and valuable knowledge regarding public policy making and poker

machines. Some examples include the Romsey Hotel Case (2008), the process of the Victorian State Government's EGM Licensing Review (2006 to 2009) and the Federal Australian Labor Party tactics on the poker machine pre-commitment initiative that was brokered with the Independent MP, Andrew Wilkie, in order to secure power and form the Commonwealth Government in 2011. These and other incidents could well contribute to further rich data for case studies on public policy making in the political economy of gambling. Yet subject matter such as this is not assessed largely due to the limitations set out and detailed as the scope for this study.

In attempting to understand how public policy is made, I contend there is value in a research methodology that applies an interdisciplinary approach. I have applied various elements and models from the political and social sciences to demonstrate this utility. It is the case that no one theory or model can adequately explain the complex interactions that occur on public policy making. Complex policy problems and processes require complex approaches. There are benefits to be gained by taking a broader view which includes insights derived from outside one's disciplinary sphere of interest, and I believe this study illustrates that case well.

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<sup>i</sup> See New Zealand Ministry of Health, <http://www.moh.govt.nz/moh.nsf>.

<sup>ii</sup> See Figure 3.3 - The 'stage' or 'policy cycle' model for policy process in the subsequent section of this review.

<sup>iii</sup> The University of California Davis website content for the biography on Professor Paul A Sabatier was checked for accuracy again in March 2017. It is suggested the content for the website relating to international, and therefore Australian studies that apply the ACF, has not been amended for new content. See <http://www.des.ucdavis.edu/faculty/Sabatier/Sabatier.htm>. The *Advocacy Coalition Framework: Foundations, Evolution and Ongoing Research* (Jenkins-Smith et al, 2014) indicates five Australian applications of the ACF however each application is not individually detailed.

<sup>iv</sup> See *Gaming Acts Miscellaneous Amendment 1997*, *Gaming Acts No.2 1997*, *Gaming Acts Further Amendment 1997* in Hansard.

<sup>v</sup> See Hansard, 20 June 1996.

<sup>vi</sup> See Hansard, Mr Howard, Ballarat East, 4 April 2000.

<sup>vii</sup> see Hansard, Hon. J. Madden, 3 May 2000

<sup>viii</sup> see Chapter 8 - Figure 8.3 Gaming Machine Tax by Year 1996 – 2009

<sup>ix</sup> see Figure 7.3 Number of Articles Media Search Gambling (all variables) 1991 – 2002.

<sup>x</sup> For a description of what parliamentary questions are and the different types of questions, see [www.parliament.vic.gov.au](http://www.parliament.vic.gov.au).

<sup>xi</sup> A single draw of eight numbers from a pool of 45 is made every Saturday evening.

<sup>xii</sup> Note these figures have been adjusted to remove the impacts of inflation.

<sup>xiii</sup> *Financial Transaction Reports Act 1988* (the FTR Act). The Act was accessed from <http://scaleplus.law.gov.au/html/pasteact/0/59/top.html> )

<sup>xiv</sup> Refer to Table 7.16 – All Forms of Gambling Available in Victoria 2002, to confirm the expansion of product type.

<sup>xv</sup> Note – The Age data derived from Factiva databases described in Chapter 7.

<sup>xvi</sup> See Figure 8.8 as a case in point.



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