


## Gambling's community contributions: does the community benefit?

Louise Francis  and Charles Livingstone

School of Public Health and Preventive Medicine, Monash University, Melbourne, Australia

### ABSTRACT

**Background:** Harms from gambling are considerable and widespread, impacting beyond the individual gambler. Asserting benefits, including supporting 'good causes' outweighs this harm, is a common legitimization tactic of commercial gambling. Identified as problematic on many levels, this is a global phenomenon. Using unusually transparent data, this research assesses the extent to which such contributions offset gambling harms.

**Methods:** Commonly in Australian jurisdictions, not-for-profit gambling operators (clubs) qualify for gambling tax reductions. To qualify in the state of Victoria, clubs submit annual statements documenting that at least 8.33% of their net gambling revenue (NGR) supports community purposes. We examined community benefit records from three consecutive annual reporting periods (2012–2015). Results are presented in aggregate, and via specific case studies.

**Results:** We identified significant over-valuation of 'community benefits'. Gambling tax deductions overwhelmingly (82%) went to operational expenses including wages, venue maintenance, capital costs and utilities. Contributions to charitable and philanthropic purposes represented 4.5% of all community benefit claims (1.5% of club NGR).

**Conclusions:** Similar to other jurisdictions, Victoria's community contribution arrangements provide limited actual community benefit. Doing little to offset gambling harm, demonstrated benefits largely accrue to specific sectional interests. Greater transparency and improved governance is required. This includes, reviewing tax exemptions, reviewing allowable claims, and greater compliance oversight.

This research identifies multiple failings with a community benefit scheme operating in a relatively transparent manner. Research lessons may be of interest to policy makers and others wanting to ensure that gambling's demonstrable harms are, indeed, offset by clear benefits to community, and to preventing gambling harm.

### ARTICLE HISTORY

Received 17 February 2019

Revised 31 August 2019

Accepted 2 September 2019

### KEYWORDS

Gambling; electronic gambling machines; community contributions; gambling regulation; gambling benefits and harms

### Introduction

The concept of corporate social responsibility (CSR) describes corporations supporting community, social and environmental causes in order to enhance their community standing (Reast et al. 2013; Geiger and Cuzzocrea 2017). A similar tactic of seeming benevolence or charitable giving is used by dangerous consumption industries such as tobacco and alcohol to counter negative publicity about the harmful nature of their products (MacKenzie and Collin 2008; Bond et al. 2009; Fooks and Gilmore 2013). The gambling industry, another dangerous consumption industry (Adams 2007; Cai et al. 2012), often seeks to portray its relationship with charitable recipients as altruistic, and regularly asserts that community activities supported by gambling revenues add to social and community resources (Independent Pricing and Regulatory Tribunal of NSW [IPART] 2008; Jones et al. 2009; Productivity Commission [PC] 2010a).

The narrative of charitable giving assists in normalizing gambling, that is, it acts as a legitimization tactic (Kingma 2004). This can assist governments, whose multiple, conflicted roles as legislator, regulator, sometime supplier, and

beneficiary (through gambling tax revenues), are in the position of encouraging commercial gambling, despite awareness of its harms. Formally embedding community giving into gambling regulation thus supports gambling's normalization, giving credibility to the notion that the costs of related harm may be so countered (Adams 2008). Further, if such charity is actually a key legitimization tactic for gambling businesses, dependent communities may be compromised, and indeed manipulated (Harris 2005; Geiger and Cuzzocrea 2017), by ethically problematic relationships (Harris 2005; Adams 2007, 2016).

Some limited research has examined aspects of gambling industry self-legitimation (see for example Jones et al. 2009; Cai et al. 2012; Yani-de-Soriano et al. 2012; Geiger and Cuzzocrea 2017; Leung and Snell 2017). Research on gambling sector support via regulated or mandated community giving or like programs is similarly limited (see Livingstone 2007; Con Walker 2009; Brown et al. 2011; Livingstone et al. 2012; Pickernell et al. 2013; Livingstone et al. 2017; Egerer et al. 2018).

This article aims to build on the existing research addressing the role and value of gambling community

contribution schemes. Australian clubs, incorporated as not-for-profit mutual organizations, are formed around sporting, social, or cultural interests. Such clubs have been identified as important avenues for older Australians to experience independence (Simson-Young and Russell 2009) and contributors to the social capital of communities (Hoye and Nicholson 2012; Pickernell et al. 2013). Most Australian jurisdictions allow club venues to operate electronic gambling machines (EGMs) (if approval criteria are met). Some states provide significant tax concessions for these licensed clubs if they demonstrate financial support for community purposes. In more than 200 submissions to a government initiated report into gambling, Australian clubs highlighted their contributions to communities, including donations to sporting teams, charities and community organizations, provision of sporting and recreational facilities, and support for volunteering (PC 2010a). Such clubs have also argued that they run gambling venues with the primary purpose of giving back to the community (ABC News 2014; PC 2010a), consistently asserting that social and economic benefits provided to the community are sufficient to counter harms (Francis et al. 2017). Clubs also promote intangible benefits to local communities, including ‘improved quality of life for the elderly, secure environments for community members to socialise, and greater social cohesion’ (PC 2010a, p. 253).

The present research focuses on a government mandated contributions scheme, where data is systematically collected and made available for scrutiny. While elements of the scheme may be unique to a specific jurisdiction, issues with claims of community benefit are remarkably similar across jurisdictions. As such, this review is likely to be pertinent to jurisdictions operating or contemplating similar gambling contribution programs, and may also serve as a useful comparison for jurisdictions operating alternative schemes.

### ***Justifying gambling by funding ‘just causes’***

Models of gambling regulation have evolved. Kingma (2004) identifies two distinct regulatory models related to changing gambling environments. In the ‘alibi model’, gambling is identified as an inherently problematic activity, requiring regulation to reduce criminal activity, limit the scale of operations, and assign gambling revenue to suitable beneficiaries (Kingma 2004). In this model, gambling revenue is kept under government control and earmarked for ‘good causes’. As gambling became normalized (Griswold and Nichols 2006; Adams 2007; Settles 2008; Cosgrave 2010), the ‘risk model’ offered an alternate regulatory approach. Derived from propositions that gambling is a form of entertainment, providing benefits to society, the risk model emphasizes that regulation will curb the potential for addiction and other misconduct (Kingma 2004). The ‘risk model’ now dominates gambling regulation globally (Sulkunen et al. 2019). However, the deployment of community contributions from gambling activities as a legitimation tactic persists within both regulatory models (Kingma 2004).

There are several ways in which gambling revenues may be distributed to community causes, with operational

components varying across jurisdictions and gambling modes (Adams 2008). Despite possible links to inequality (Freund and Morris 2005), lotteries remain a ready source of funds for community programs and services. Considered a less harmful gambling mode (PC 2010a), lotteries are often managed by governments or their approved administrator (Henrikkson 2001; Adams 2008). As means of lessening governments’ expenditure on infrastructure, social welfare and education, lotteries are now common in the majority of American States (Heberling 2002; Ferraiolo 2013) and Canadian provinces (Henrikkson 2001). In the United Kingdom (UK), the national lottery, the country’s most favored gambling mode (Jones et al. 2009), has long been associated with granting funds for community purposes (Pickernell et al. 2004). While UK’s current national lottery aims to be more inclusive in supporting local community needs, past scrutiny confirmed its ‘regressivity’ (Pickernell et al., 2004). Reviewing grant recipients across 376 local areas between 1994 and 2005, Feehan and Forrest (2007) identified a dominance of recipients from higher social and economic standing areas despite their lower contributory spend.

In jurisdictions including New Zealand, the United Kingdom, provinces of Canada, and states of Australia and the United States, expectations of community giving are embedded in gambling regulation. European jurisdictions such as Finland also rely significantly on supporting social causes through government (monopoly) gambling operations. This is despite a European Union Court ruling specifying that ‘financing social and charitable activities can only be an incidental consequence of gambling and not a justification in its own right’ (Marionneau 2015, p.296).

For the sole purpose of raising revenue for charitable causes, Canadian provinces allow charitable organizations to conduct gambling activities including casinos, bingo and raffles (Office of the Auditor General of British Columbia 1997). The province of British Columbia adopts a government controlled centralized ‘community chest’ model which allocates gambling revenues to third sector organizations, leaving the individual not-for-profit organizations to determine the funding recipients (British Columbia Provincial Health Officer 2013). In the United States of America, legislation addressing Native American gambling lists ‘donations to charitable organizations’ and provision ‘for the general welfare of the Indian tribe and its members’ amongst its five main purposes (National Indian Gaming Commission 1999, p.753). In New Zealand, to qualify for a gambling license, ‘gaming machine societies’ are obliged to be ‘entirely non-commercial and be established to raise funds for community or “authorized” purposes’ (Department of Internal Affairs 2016, p.3). Powell (2019) points out that the ‘authorised’ purposes in the New Zealand system do not necessarily need to fall within the confines of charity. Citing examples in school education, Powell questions the integrity of this system which allows gambling societies to position themselves as wholly altruistic, when their donations are government mandated.

Across Australian jurisdictions charitable causes are also supported through revenues of multiple gambling modes.

For example, the state of Western Australia (the only Australian state restricting EGM operation to the jurisdiction's sole casino) generates considerable revenue from lottery sales, with proceeds allocated to public hospitals, the arts and sports. Lottery funds are also distributed to charitable and community groups through a range of grant funding programs. In other Australian states, revenues from EGMs are legislated for community purposes. In Queensland, clubs operating more than 51 EGMs must submit unaudited statements of community contribution to the regulator (Queensland Government 2019). In Victoria and the Australian Capital Territory, to qualify for a reduction in EGM tax, all licensed club venues must document the value of community contributions within allowed purposes (Victorian Commission for Gambling and Liquor Regulation [VCGLR] 2017).

### **Gambling's costs overshadow benefits**

The legalization and normalization of gambling in many western societies, and in particular increased accessibility to EGMs, means that concerns about gambling addiction and associated harms (Kingma 2004; Adams 2007; Doughney 2007; Browne et al. 2016) have persisted and grown. Gambling related harm is now known to be of the same order of magnitude as alcohol use dependence and major depression (Browne et al. 2016). This harm, including but not limited to family violence, psychological issues, reduced work performance, and financial stresses, is widely distributed, and not limited to individual gamblers (Shaffer and Korn 2002; Fabiansson 2006; PC 2010a; Rintoul et al. 2013; Browne et al. 2016; Markham et al. 2016; Abbott 2017; Goodwin et al. 2017; Roberts et al. 2018). Grinols (2004, 133) offers nine distinct classifications of gambling's social costs: *crime, business and employment costs, bankruptcy, suicide, illness, social service costs, direct regulatory costs, family costs and abused dollars* (e.g. funds procured by a gambler from a friend or family surreptitiously to bankroll their gambler).

With multiple impacts external to the individual gambler, such social costs significantly overshadow gambling's purported benefits. Aside from state revenue, and the notion of consumer surplus (Grinols 2004), employment is frequently cited as a core benefit of gambling (Francis et al. 2017). Yet the employment effects of gambling are low compared to other sectors (Grinols 2004; O'Neil et al. 2006). By appropriating resources which would otherwise be expended elsewhere, gambling is an economically diversionary activity (Grinols 2004; PC 2010a). Given that gambling expenditures are diverted from other sectors, it is possible that the employment effects may be negative.

Indeed, 'the *net* social and supply side benefits [of gambling venues] ... are sometimes negative' (PC, 2010a p.6.31). Using casinos in the United States as way of example, Grinols (2004) suggests harms outweigh benefits by three to one. In a more recent calculation, Browne et al. (2017) estimated social costs of almost \$7 billion in 2014-15 attributable to gambling related harm for the Australian state of Victoria. In the same year, gambling tax revenue to government from gambling was

\$1.8 billion – about one quarter of the social costs (Department of Treasury and Finance 2015, 165). Seen against this backdrop, local venues operating EGMs (which, in Victoria in 2014-2015 accounted for 60% of gambling tax revenue and 45% of gambling expenditure) (Queensland Government 2018) are far from benign spaces. Whatever benefits they may provide come at a significant social and financial cost to the community.

Despite a general understanding of associated harms, there remains an apparent willingness on the part of elements of the community to continue to accept funding generated from gambling. In an effort to avoid limiting future funding opportunities, recipients may be reluctant to question the link between gambling providers and individual and social harms (Adams 2008). As justification for accepting funding sourced from gambling, a number of studies highlight beneficiary 'worthiness'. For example, in New Zealand, Chile and Black's (2015) scrutiny of social responsibility practices in two third sector organizations reveals how not-for-profit leaders wrestle with the ethical dilemma associated with accepting donations from gambling procured funds. However, despite its origins, the expectation that such funding can be used to 'fix some of the wrongs that they are doing' overrides such a moral impasse (Chile and Black 2015, 68). In an ethnographic analysis of the impact corporate giving has in the education system, Powell (2019, 196) describes the situation also in New Zealand where schools are the unwitting conduit to the gambling industry enhancing their 'brand image, brand trust, public relations ... and profit margins' through funding school programs. Teachers and students acknowledge the harms and social problems caused by gambling, yet based on the premise that they are worthy funding beneficiaries, they are able to distance themselves from such concerns (Powell 2019). Egerer and colleagues also identified findings of 'worthiness' in interviews conducted with civil society organizations (CSOs) stakeholders in receipt of funding from Finland's government owned gambling operations. However, through significantly miscalculating gambling harms and adopting diversionary tactics lessening their culpability, beneficiaries of Finland's hybrid contributions scheme have also, over time, developed an overreliance on gambling revenue to fund their *good causes* (Egerer et al. 2018; Marionneau and Kankainen 2018).

### **Australian licensed clubs**

While the intended impetus for Australian clubs is to provide sporting, cultural or social opportunities, a substantial change of focus for many clubs, particularly those in the eastern states of Australia, operating EGMs is evident. Many clubs are far removed from the original not-for-profit member based organizations that were granted gambling licenses (Con Walker 2009). Initially set up for the sole purpose of providing community and social programs, licensed clubs operating in a similar capacity to large commercial hotels now dominate the club landscape (PC 2010a) with many resembling casinos (Con Walker 2009). In terms of giving back to communities, clubs have successfully perpetuated the idea that they are

major community benefactors (Con Walker 2014). Despite claims that tax concessions facilitate charitable giving by clubs, the actual net value of their community contributions has been seriously questioned:

The (gross) value of social contributions by clubs is likely to be significantly less than the support governments provide to clubs through tax and other concessions.

Given this, there are strong grounds for the phased implementation of significantly lower levels of gaming revenue tax concessions for clubs, commensurate with the realised community benefits (PC 2010a, p.6.1).

A review of the not-for-profit sector raised similar questions, noting that tax exemptions can ‘provide wrong incentives’ and are ‘less transparent than providing direct grants or fees for service’ (PC 2010b, p.206). Issues of equity between not-for-profits and their commercial counterparts have also been identified (Henry et al. 2009). Analysis of mandatory community benefit schemes operating in a number of Australian jurisdictions has shown that claims for operating costs or business expenses commonly exceed contributions to actual community purposes (Livingstone 2007; Con Walker 2009; Livingstone et al. 2017), significantly undermining the argument that clubs provide significant social benefits (Livingstone 2007). While Lindorff et al. (2012, p465) argue that ‘some social good is better than no social good’, these findings raise the question of whether clubs are acting altruistically or philanthropically towards true community needs, or are simply feeding contributions back to themselves.

### Data access and completeness

Globally, restrictions to data access are a significant impediment in gambling research (Cassidy et al. 2013). In the Australian context, many states have limited operator reporting requirements, and/or restrict the level of publicly available data, making scrutiny of gambling activities difficult. Con Walker (2014) has noted that gambling data accessibility and transparency has diminished over time: ‘It is of concern that data providing just the barest of details on gaming machine expenditure separately by clubs and hotels was last published by the NSW Government for 2008-09’ (p.2). The case of a former problem gambler turned gambling reform advocate initiating a crowd funding campaign in order to buy access to government collated gambling data, reinforces the challenges with data completeness and access:

‘... we were able to purchase reams of reporting from the NSW government... reporting that we had never had access to before!’

*The news wasn’t all good, however. Many of the reports were extremely limited in their usefulness; it seems that even when the NSW govt (sic) makes information available, they still like to hide and distort things as much as possible’ (Cummins 2019).*

### The situation in Victoria, Australia

In addition to 2,628 EGMs in the state’s single casino, there were 264 hotels and 245 clubs operating 13,611 and 12,909

EGMs respectively in the Australian state of Victoria in 2017-18. Losses of \$2.7bn. (AUD) from EGMs in Victoria’s hotel and clubs represented close to half of the state’s net gambling revenue (equivalent of gambler losses), an increase of \$85.7 m. on the previous year (VCGLR 2018).

Victorian club EGM venues must submit annual statements (published by the state regulator, the Victorian Commission for Gaming and Liquor Regulation) documenting that at least 8.33% of the club’s net gambling revenue is contributed to community purposes, in order to enjoy a tax deduction compared to commercial (hotel) operators. Claims must accord with categories stipulated by a Ministerial order, most recently promulgated in 2012 (Victorian Government 2012).

Victoria’s mandated community contribution scheme provides readily available data disclosing a reasonable degree of detail around the community contributions made by clubs operating EGMs. It is thus unusual amongst such schemes.

Given the significant level of harm attributable to gambling and previous evidence of overstating or misrepresenting the level of direct community contribution, further assessment of the actual extent of gambling’s contributions to communities is of significance. Using Victoria’s data, this research tests the extent of actual community giving by licensed clubs.

### Methods

The research question for this project was: What is the true extent of Victorian EGM operating clubs’ financial support to the community? To address this question, we examined data from community benefit statements lodged by licensed clubs in Victoria to determine the type and value of claims of community contributions, both direct (e.g. donations and sponsorships), and indirect (e.g. business expenses). The community benefit statements of individual clubs were downloaded from the VCGLR website. Three consecutive reporting periods were analyzed: 1st July 2012 to 30 June 2013; 1st July 2013 to 30 June 2014 and 1st July 2014 to 30 June 2015.

There are two components to each community benefit statement. The Ministerial order outlines three classes of activity or purpose that constitute community contributions. These are classed as ‘direct’, ‘indirect’, and other allowable expenses. The first component of the statements requires venue operators to identify claimed contributions within 24 allowable categories distributed across these three classes. The second component is a ‘schedule,’ where the claims within each category are briefly described in a free text format.

In the first round of analysis, we aggregated claims recorded against the 24 categories by all licensed venues operating in the period of review. Data for the 2013 and 2014 years were adjusted for inflation (2014-2015 values), using the weighted average of eight capital cities consumer price index (CPI) (Australian Bureau of Statistics 2016). Each venue was classified according to a typology based on the principal purpose of the licensed club. We identified six



**Table 1.** Example of coding framework.

| Community benefit statement category   | Schedule description             | Code                               | Consolidated code                      |
|--|----------------------------------|------------------------------------|--|
| Operating costs  | Heating and lighting costs       | Utilities                          | Utilities incl. Water, Rates and Taxes |
|  | Council Rates                    | Rates and Taxes                    |  |
|  | Electricity and Gas              | Utilities                          |  |
|  | Venue land tax                   | Rates and Taxes                    |  |
| The cost of providing and maintaining sporting facilities for use by club members  | Racecourse maintenance water     | Utilities                          |  |
|  | Facility maintenance gas         | Utilities                          |  |
| Capital expenditure  | Internet content filter          | IT related expenses                | Administration                         |
| Financing Costs (including principal and interest)                                 | Legal Fees                       | Legal Fees                         |  |
| Operating Costs  | Security                         | Security                           |  |
|  | Subscriptions and Memberships    | Subscription and License Fees Paid |  |
|  | Rent                             | Rent                               |  |
|  | Telephone                        | Administration                     |  |
| CBS preparation and auditing expenses  | Accountant audit fees            | Audit                              | Wages and Overheads                    |
| Operating costs  | Staff Meals                      | Staff Meals                        |  |
|  | Training Costs                   | Staff Training                     |  |
|  | WorkCover                        | Wages and Overheads                |  |
|  | Uniforms                         | Uniforms                           |  |
|  | Wages                            | Wages and Overheads                |  |
|  | Superannuation                   | Wages and Overheads                |  |
| The cost of providing and maintaining sporting facilities for use by club members. | Racecourse maintenance WorkCover | Wages and Overheads                |  |

types of clubs, of which four were based on the venue's principal sporting purpose and/or affiliation. For each club type, each line item on the relevant club schedule was assigned a code according to the specific nature/purpose of the claim. To demonstrate the nature of community contributions, this paper examines in detail three of the six club types as case studies.

The 24 claim categories, along with corresponding text recorded in the schedules, seeded the coding framework for these data. For example, in the category of 'operating expenses', a total of \$10,000 might be recorded as: wages \$4,000; cleaning \$1,000; electricity \$2,000. We allocated such amounts to a code identifying the specific nature of each claim (as distinct from very general categories required for the community benefit statements). Between 60 and 75 codes were identified for each group of clubs. The coding framework was then consolidated into 14 main codes. Because of overlap in some categories, the authors collectively determined the most appropriate fit for some claims (see Table 1 for a sample of the coding categories).

## Results

Firstly, a brief overview of the main data of all clubs is presented. The summarized data of all club community benefit statements represent the aggregate amounts taken directly from the listed categories on the statements. The total claimed against the 24 categories defined by Victoria's gambling regulator, along with the corresponding percentage of net gambling revenue (NGR), is summarized in Table 2. This is followed by a summary analysis of three club types: golf clubs ( $n=30$ ), clubs affiliated with animal racing ( $n=19$ ) and venues operated by Australian Football League (AFL) teams playing in the national competition ( $n=17$ ). The data presented for each of these groups of clubs represent the amounts claimed based on authors' coding of the free text descriptions recorded on each club's community

benefit statement schedule. See Table 3 for relevant summary data for each club type.

### Total claimed across all groups of clubs

For the total data reviewed, the three-year real value of community benefits claims was \$852.8m. The real value of net gambling revenue (NGR) for clubs over the same period was \$2,610m. The real value of gambling tax concessions for clubs over this period was \$217.4m. However, more than 80% of gambling tax deductions went to purposes other than philanthropy or charity. If the accepted purpose of 'community benefits' is viewed as philanthropy or charity, foregone gambling tax revenue was \$178m.

The first class of allowable claims lists sixteen categories considered to be of 'direct' community benefit. For these purposes, venue operators may claim 100% of their expenditure. These claims totaled \$196.2m. (23% of all claims). Accepted purposes include *costs* incurred in the delivery of certain activities and amounts *donated* to a range of causes. The highest *costs* claimed in this class were those related to providing and maintaining sporting facilities (\$88.4m.). Total direct *donations* totaled \$49.5m., of which 63% were sport related donations. Claims recorded as philanthropic or charitable purposes (i.e. thirteen of the sixteen categories of the first class) amounted to \$38.7m., 4.5% of the aggregate of community benefit statement claims, or 1.5% of club NGR.

The second class of allowable claims incorporates five categories of 'indirect' community benefits, including operating expenses, capital expenditure, plant and equipment purchases, and financing costs. Venue operating costs constitute the overwhelming majority of recorded claims (\$602.5m.; 70.7% of all claims).

The third class of allowable claims incorporates three categories for costs associated with preparing the community benefit statements (e.g. accounting fees), volunteer related

**Table 2.** Three-year aggregate and average claimed community contributions as per VCGLR defined categories.

| Community Benefit Statement<br>[CBS] Net Gambling Revenue [NGR]   | 3 Year Avg.<br>No. of clubs<br>claimed ( <i>n</i> = 249) | 3 Year Real Avg.<br>\$m(2014–2015 \$) | 3 Year Real Agg.<br>\$m(2014–2015 \$) | 3 Year Real<br>Agg./<br>Total CBS% | 3 Year Real<br>Agg./<br>Total NGR% |
|---|--|---------------------------------------|---------------------------------------|------------------------------------|------------------------------------|
| <b>Class A: Direct Community Benefit [may claim up to 100% of revenue]</b>  |  |                                       |                                       |                                    |                                    |
| Cost of providing and maintaining sporting facilities for use by club members                                       | 115  | 29.46                                 | 88.37                                 | 10.36                              | 3.36                               |
| Cost of any subsidy for the provision of goods and services (excludes alcohol)                                      | 182  | 12.77                                 | 38.31                                 | 4.49                               | 1.46                               |
| Sporting or recreational purposes <sup>1</sup> (excluding club EGM license)   | 180  | 10.43                                 | 31.29                                 | 3.67                               | 1.19                               |
| Voluntary services supporting provision of donations, gifts and sponsorships  | 90   | 4.76                                  | 14.27                                 | 1.67                               | 0.54                               |
| Educational purposes <sup>1</sup>   | 104  | 2.73                                  | 8.19                                  | 0.96                               | 0.31                               |
| Any other philanthropic or benevolent purposes <sup>1</sup>   | 126  | 1.87                                  | 5.60                                  | 0.66                               | 0.21                               |
| Advice, support and services provided by RSL to ex-service personnel  | 42   | 1.77                                  | 5.30                                  | 0.62                               | 0.20                               |
| Services and assistance for young people <sup>1</sup>   | 59   | 0.50                                  | 1.50                                  | 0.18                               | 0.06                               |
| Provision of health services or care <sup>1</sup>   | 87   | 0.42                                  | 1.27                                  | 0.15                               | 0.05                               |
| Services and assistance for the aged <sup>1</sup>   | 48   | 0.38                                  | 1.13                                  | 0.13                               | 0.04                               |
| Advice, support and services to ex-service personnel, their carers and families <sup>1</sup>                        | 48   | 0.29                                  | 0.87                                  | 0.10                               | 0.03                               |
| Relief of poverty <sup>1</sup>  | 26   | 0.06                                  | 0.17                                  | 0.02                               | 0.01                               |
| Housing assistance for disadvantaged persons <sup>1</sup>   | 5  | 0.05                                  | 0.14                                  | 0.02                               | 0.01                               |
| Prevention and treatment of problem gambling and drug and alcohol addictions <sup>1</sup>                           | 14   | 0.03                                  | 0.08                                  | 0.01                               | 0.00                               |
| Protection and preservation of the environment <sup>1</sup>   | 10   | 0.03                                  | 0.08                                  | 0.01                               | 0.00                               |
| Assistance to relieve distress caused by natural or other disasters <sup>1</sup>                                    | 10   | 0.02                                  | 0.06                                  | 0.01                               | 0.00                               |
| <b>Total Class A</b>  |  | 65.54                                 | 196.62                                | 23.05                              | 7.48                               |
| <b>Class B: Indirect Community Benefit [may claim only proportion of non-gambling revenue to its total revenue]</b> |  |                                       |                                       |                                    |                                    |
| Operating costs   | 240  | 200.85                                | 602.56                                | 70.65                              | 22.93                              |
| Capital expenditure   | 61   | 8.09                                  | 24.26                                 | 2.85                               | 0.92                               |
| Financing Costs (including principal and interest)  | 76   | 6.70                                  | 20.10                                 | 2.36                               | 0.76                               |
| The provision of buildings, plant or equipment over \$10,000 <sup>2</sup>   | 31   | 2.23                                  | 6.68                                  | 0.78                               | 0.25                               |
| Retained earnings accumulated during the year   | 5  | 0.34                                  | 1.03                                  | 0.12                               | 0.04                               |
| <b>Total Class B</b>  |  | 218.21                                | 654.63                                | 76.76                              | 24.91                              |
| <b>Class C: Miscellaneous [claim up to 100 percent of revenue]</b>  |  |                                       |                                       |                                    |                                    |
| Cost associated with CBS preparation (\$3,000 maximum)  | 188  | 0.28                                  | 0.84                                  | 0.10                               | 0.03                               |
| Reimbursement of expenses incurred by volunteers  | 31   | 0.24                                  | 0.73                                  | 0.09                               | 0.03                               |
| Responsible gambling measures and activities (excludes legislated RG measures)                                      | 5  | 0.01                                  | 0.02                                  | 0.00                               | 0.00                               |
| <b>Total Class C</b>  |  | 0.53                                  | 1.59                                  | 0.19                               | 0.06                               |
| <b>Total CBS</b>  |  | 284.28                                | 852.84                                | 100.00                             | 32.45                              |
| <b>Net Gambling Revenue (NGR)<sup>3</sup></b>   |  | 870.08                                | 2610.23                               |                                    |                                    |

Source: Victorian Commission of Liquor and Gambling Regulation (VCGLR) 2013, 2014, and 2015 reporting periods.

<sup>1</sup>One of twelve types of purposes classified as 'donations, gifts and sponsorships'. Includes donations of either cash, goods or services to a Victorian resident other than club itself.

<sup>2</sup>Excludes any gaming equipment or equipment provided in the gambling machine area of the venue.

<sup>3</sup>NGR equivalent to total user losses or total user expenditure.

expenses, plus any responsible gambling measures other than those mandated by law. Five venues (2%) claimed a total of \$20,000 for non-mandated responsible gambling measures across the three years reviewed.

### Case study 1: Licensed golf clubs

Thirty of the 319 golf clubs operating in Victoria in 2015 were licensed to operate EGMs (Golf Victoria 2015; VCGLR 2015). The aggregate net gambling revenue (NGR) for this group of clubs over the three-year period reviewed was \$200 m. Over this period, \$113.5 m. was claimed as community contributions. We calculate that 96% of community benefit claims, equal to 55.1% of NGR for this group of clubs, was devoted to business operating costs. Direct contributions made up 1.44% of claims, or 0.83% of NGR.

Indirect contributions of \$109.4 m. amounted to 95% of recorded claims. Of indirect claims, 62.3% (\$68.2 m.) was

allocated to wages and other staff employment costs. Costs associated with repair and maintenance of club facilities amounted to \$15.3 m., in a range from \$2.9 m. to less than \$20,000.

Direct contributions to the community totaled \$1.63 m., 1.5% of all claims. Of these claims, the purposes of 72% were not specified. More than half (\$891,876) were sports-related donations, one club claiming \$601,251 without specifying the purpose of donations. Non-sport related donations totaled \$740,497, of which 62% was not specified. Donations to hospitals and anti-disease campaigns totaled \$339,154 (0.3% of all claims). One club claimed \$97,000 for community contributions derived 'from donation tins' during fund-raising days. Less than \$15,000 (0.013% of all claims) was specified as supporting disadvantaged populations, service personnel, or other philanthropic purposes. Less than \$40 was claimed for the prevention and treatment of problem gambling and drug and alcohol addictions. In contrast,

**Table 3.** Summary Data: Club venues NGR and CBS claims 2013–2015 (2014–15 values).

| Details   | Golf Club Venue <sup>1</sup> \$M | Racing Affiliated Venue <sup>2</sup> \$M | AFL Affiliated Venue <sup>3</sup> \$M |
|---|----------------------------------|--|---------------------------------------|
| Number of Venues/EGMs (2013; 2014; 2015)  | 30/1,231; 30/1,225;              | 19/1,348; 19/1,348;                      | 17/1,262; 17/1,268;                   |
| Net Gambling Revenue [NGR] Aggregate Total <sup>4</sup><br><i>Equivalent to player losses</i>   | 30/1,185<br>198.86               | 19/1,348<br>370.34                       | 17/1,283<br>244.30                    |
| Minimum required contribution: <i>Eligibility for reduced tax rate - minimum 8.33% of NGR to be allocated to community contributions.</i>   | 16.56                            | 30.85                                    | 20.35                                 |
| Community Benefit Statement [CBS] Aggregate Total   | 113.82                           | 226.11                                   | 51.05                                 |
| <i>CBS statement recording amount and purposes of community contributions (% of NGR)</i>  | (57%)                            | (61%)                                    | (21%)                                 |
| Direct Donations: <i>donations, gifts, sponsorships or payments supporting a range of sport and non-sport related community purposes</i>  | 1.64                             | 1.65                                     | 6.28                                  |
| (% of CBS)  | (1.44%)                          | (0.73%)                                  | (12.3%)                               |
| (% of NGR)  | (0.83%)                          | (0.45%)                                  | (2.57%)                               |
| <i>Direct donations for sports or recreational purposes</i><br>(% details/purposes not recorded)  | 0.89<br>(88%)                    | 1.13<br>(68%)                            | 3.76<br>(85%)                         |
| <i>Other donations for variety of community purposes e.g. education, veterans, seniors, youth, health services, addiction services, environment, natural disasters</i><br>(% details/purposes not recorded)   | 0.75<br>(62%)                    | 0.52<br>(83%)                            | 2.52<br>(54%)                         |
| (% of CBS)  | (0.66%)                          | (0.23%)                                  | (4.94%)                               |
| (% of NGR)  | (0.38%)                          | (0.14%)                                  | (1.03%)                               |
| Direct donations forgone tax revenue (8.33% less % direct donations/NGR)  | 14.92                            | 29.20                                    | 14.07                                 |
| Indirect Donations: <i>Payments to entities directly associated with venue or affiliated sport entities.</i>  | –                                | 9.96                                     | 2.22                                  |
| Business operating expenses: <i>Claims related to operating a business entity e.g. wages, maintenance and utility expenses.</i>   | 109.40                           | 212.11                                   | 38.16                                 |
| (% of Total CBS)  | (96%)                            | (94%)                                    | (75%)                                 |
| (% of NGR)  | (55.1%)                          | (57.27%)                                 | (15.62%)                              |
| Staff wages and associated costs including superannuation; worker's compensation; employee insurance; annual leave, payroll tax; staff training; uniforms and protective clothing; staff meals.   | 70.16                            | 78.64                                    | 21.97                                 |
| Repairs and maintenance: <i>e.g. golf course/race track or sport facility upkeep and maintenance. Cleaning and waste removal.</i>   | 16.54                            | 18.72                                    | 2.73                                  |
| Utilities: <i>gas; electricity; local council fees for water rates and usage.</i>   | 6.83                             | 6.05                                     | 2.23                                  |
| Administration: <i>office supplies; telephone, printing, postage, freight charges, insurance costs, IT expenses; promotion and marketing; subscriptions/license fees. Professional services fees including auditing and compliance costs, general bookkeeping fees and legal costs.</i> | 4.92                             | 20.08                                    | 9.47                                  |
| Management/consultancy fees.  |                                  |  |                                       |
| Finance costs and retained earnings: <i>principal and interest loan payments e.g. plant and equipment loans, capital works loans. General bank charges.</i>   | 4.66                             | 4.24                                     | 0.55                                  |
| Plant and equipment: <i>kitchen/bar; venue furniture; television and audio; venue operations and maintenance.</i>   | 2.47                             | 5.42                                     | 1.00                                  |
| Cost of goods sold: <i>items purchased for sale at venue/Supply purchases: cost of goods to support venue services.</i>   | 1.68                             | 9.72                                     | 0.31                                  |
| Refurbishment/upgrades: <i>kitchen and bar upgrades, general club house or sport facility refurbishments.</i>   | 1.41                             | 6.00                                     | 0.24                                  |
| Tournaments and events: <i>costs of running sport and charity events e.g. Pro-Am golf tournaments; race meetings. Costs of event trophies, prizemoney/stake money.</i>  | 0.73                             | 61.76                                    | –                                     |
| Sport facility costs: <i>miscellaneous or undescribed expenses related to sport facility operation.</i>   | –                                | 1.49                                     | 0.56                                  |
| Subsidized goods and services: <i>free or discounted meals, meeting/conference room hire and/or entertainment provided to venue patrons.</i>  | 2.72                             | 2.38                                     | 3.81                                  |
| Volunteers: <i>'Volunteer Services/Labour' claimed at the maximum rate of \$20 per hour. 'Volunteer Expenses' including volunteers' out of pocket expenses e.g. petrol costs.</i>   | 0.06                             | –  | 0.57                                  |

Source: Victorian Commission for Gambling and Liquor Regulation.

<sup>1</sup>The club has a golf course included in venue operations available for use by its members.

<sup>2</sup>A club venue/operator officially affiliated with a Victorian based racing club. This includes thoroughbred horseracing, harness racing or greyhound dog.

<sup>3</sup>A venue officially affiliated with a Victorian based team participating in the national Australian Rules Football (AFL) national competition.

Note: All recorded amounts three years aggregate Australian Dollar value.

\$2.7 m., or 1.7 times the amount claimed for donations, was claimed for subsidized goods and services. Of this, 98% related to subsidized or discounted meals to club members.

### Case study 2: Racing clubs

Nineteen venues had a direct affiliation with animal racing (seventeen horseracing; two greyhound racing). The aggregate net gambling revenue (NGR) for this club type over the three-year period reviewed was \$371 m. In this same period,

community benefit claims were \$225 m. We calculate that 94% of community benefit claims, equal to 57.3% of NGR for this group of clubs, was devoted to business operating costs. Direct contributions made up 0.73% of claims, or 0.45% of NGR.

Direct contributions (i.e. donations to nonaffiliated activities) represented 0.5% (\$1.65 m) of all claims. Of these, the purposes of 27% were identified. One venue claimed close to \$13,500 for donations related to the prevention and treatment of 'problem gambling', and drug and alcohol addictions. No other venue claimed for such purposes.

Claims for contributions to affiliated sports entities totaled \$9.96 m. A single venue claimed the majority of these funds, providing two dog racing associations \$4.8 m. each. While claiming \$11.9 m. in wages and other employee overheads, this same venue contributed less than \$1,500 to non-sport related donations.

For this group of venues, prizemoney accounted for 25% of 'indirect' contributions. A single venue claimed an average annual amount of \$19.3 m. for prize monies and other subsidies paid to race horse owners. Three venues claimed an aggregate total of approximately \$4 m. for 'advertising and promotions', but did not specify what the promotions related to. One venue claimed \$39,396 for sport betting signage and \$460,000 for the cost of printing race books (which include promotions for gambling opportunities).

Other 'indirect' contributions, i.e. operating costs of venues and/or their affiliated racing facilities, totaled \$200 m. (88% of all claims recorded by this group of clubs). Of these claims, \$79.3 m. was allocated to wages and other employee overheads, with one venue claiming an average \$7.3 m. annually. Cleaning and maintenance costs and administration expenses totaled \$18 m. and \$18.2 m. respectively.

### **Case study 3: Licensed venues linked to national Australian rules football league teams**

At the time of this review, 17 licensed venues were affiliated with the Australian Football League competition. The aggregate net gambling revenue (NGR) for this group of clubs over the reviewed period was \$244 m. Aggregate community benefit statement claims were \$51 m. We calculate that 75% of community benefit claims, equal to 15.6% of NGR for this group of clubs was devoted to business operating costs. Direct contributions to community made up 12.3% of claims, or 2.6% of NGR.

Direct contributions to the community totaled \$6.1 m. Of these claims, the purposes of 32% were identified. Sports related donations totaled, \$3.6 m., of which 78% was not specified. Non-sport related donations totaled \$2.52 m., of which 54% was not specified. Representing 1% of non-sports related donations, contributions to services for the prevention and treatment of problem gambling and drug and alcohol addictions amounted to \$25,359 (98% of which was not specified).

Commercial operating costs of the venues and/or their affiliated sport club facilities totaled \$38 m. (74% of all claims recorded by this group of clubs). Of these claims, \$21.9 m. was allocated to wages and employee overheads. Administration expenses totaled \$9.4 m., including \$430,000 for pay television subscriptions.

### **Costs associated with maintaining sports facilities**

Thirteen of the seventeen licensed venues were standalone gambling venues located at sites distant from their affiliated football team 'home ground' training complex. Eight venues claimed sport facility operating costs totaling \$3.67 m.

In the 2013 and 2015 reporting periods, one team operating four standalone venues with no on-site sports facilities

claimed costs for the team's main training facility totaling \$2.2 m. These costs included turf renovation; ground maintenance; plant and equipment; seed, soil, fertilizer and chemical purchases; cleaning and waste removal; lighting, heating and power costs; and consultant payments. In the 2014 reporting period, the same elite training facility was the beneficiary of an aggregate of \$1.3 m. in donations, the specifics of which were not provided. Another football league team operating two venues claimed \$600,000 for sports facilities, despite no sports facility at either licensed venue.

## **Discussion**

Multiple jurisdictions justify gambling operations using claims that gambling contributes substantially to community programs and services. Given the multifaceted social and financial harm generated from gambling, and the previously identified questionable benevolence of gambling operators, such justification is contentious.

Using data from a reasonably transparent mandated community contribution scheme operating in Victoria Australia, this research tested the extent of contributions to communities from licensed club venues.

Victoria's Gambling Regulation Act requires club venues operating EGMs to document their community benefits to qualify for gambling tax concessions. This both acknowledges that harm is derived from EGMs, whilst asserting that this can be offset by benefits to the community. Repeatedly in the state's EGM licensing procedures, venue operators commit to providing contributions for community purposes. Such undertakings frequently secure grounds for approval, adjusting the balance of decisions in favor of the applicant (Francis et al. 2017; Visentin 2017). Thus, determining the actual extent of such contributions is crucial to improved decision making and the maintenance of policy objectives.

In Victoria, the mechanism intended for licensed clubs to demonstrate the level of community benefit is the Community Benefit Statements scheme. 'Headline' claims suggest that contributions exceed tax concession requirements. However, scrutiny of community benefit claims indicates that the overall value of community contributions is significantly overstated. This echoes the Productivity Commission's conclusion that 'the real size of genuine community benefits are a fraction of those recorded – most particularly for clubs' and in many cases, club contributions to the wider community are much less than the tax concessions they enjoy (PC 2010a p.6.30).

A pattern of limited actual community contributions has been identified in examinations of community contribution schemes in New South Wales (NSW) (Con Walker 2009) and the Australian Capital Territory (ACT) (ACT Auditor General 2018; Livingstone et al. 2017) and a previous review of Victoria's club contributions (Livingstone 2007). Con Walker's (2009) comprehensive review of the licensed club network in New South Wales (NSW), concluded that the tax advantage afforded to 18 large licensed venues operated by NSW rugby clubs, far exceeded their total community contribution. While, reports on the ACT scheme identified that



the majority of claims went to sports focused purposes, with the highest proportion of claims for payment of wages and associated employment costs, sponsorships of elite sports players and coaching staff and maintaining sports facilities (ACT Auditor General 2018; Livingstone, et al. 2017). Livingstone's 2007 exploratory review of Victoria's scheme showed that 90% of claims related to business operating costs, while gifts of funds or goods, and sponsorships, amounted to less than 3% of amounts claimed.

Brown and colleagues also used Victoria's community benefit data to identify the appropriateness of contribution classifications and their overall value. As part of a mixed-methods study assessing the socio-economic impacts of EGM access, the study established that access to funds and resources from EGM venues were out of proportion to high levels of EGM losses in the regions examined (Brown et al. 2011). Club representatives cited in that study argued that the community benefit claims process did not allow them to appropriately record the real benefits they were delivering to communities. Revisions to Victoria's scheme in 2012 were intended to allow clubs to better identify both their direct and indirect contributions to the wider community. Brown et al. (2011) and Livingstone (2007) both used claims data pre-dating the 2012 changes.

This current study reviewed data post the 2012 changes. Overwhelmingly, contributions were largely directed towards venue operating costs. Donations to support actual community causes – such as to benefit disadvantaged populations, veterans, the environment, services for the prevention and treatment of gambling, or drug and alcohol addictions, were largely absent. They are dwarfed by claims for business expenditures, which, rather than providing community benefits, enhance the value of 'shareholders', at the expense of the broader community. As noted by the Productivity Commission (2010a) 'using these criteria, in the commercial sector many employment and investment decisions aimed at maximising shareholder interest could be seen as encompassing 'community' contributions' (p.6.8).

After discounting indirect claims, such as operating expenses, subsidized goods and services, and contributions supporting venues' affiliates, actual community contributions fall well below the mandated 8.33% of net gambling revenue (NGR). The aggregate 'direct' donations across the three types of clubs reviewed was 1.18% of NGR (less than \$10m). The foregone gambling tax for the 66 case study clubs closely examined for this paper amounted to \$58.2m. Across the sector, we estimate foregone tax at \$178m. In one extreme example, a racing venue's recorded contributions of over \$135m. exceeded the venue's NGR by a ratio of 8:1. However, when the venue's direct community donations were isolated from the claimed business operating expenses (including more than \$28.9m., in employment related costs, and \$58m. in prizemoney returned to race horse owners), less than 0.5% (\$70,000) of the venue's \$16.5m. NGR was actually donated. In another instance, a golf club's employee costs, claimed as community benefits, were 232 times greater than the venue's direct donations of \$41,200.

The 2012 changes to Victoria's scheme included a revised recording format. To improve transparency, the changes included a more detailed list of allowable claims, increasing the nine original categories to the current 24. Of interest is the change in how employment costs are now recorded. While previously the employment costs were treated as a separate category of claim, such costs can now be included across multiple categories. This revision makes it more difficult to immediately identify these costs, impeding the intended goal of improved transparency.

Despite the increased list of allowable claims and an attempt at improving the community benefit scheme guidelines, the ambiguous criteria for recording data persist within the Victorian system. For 'privacy' reasons, recipients of clubs' donations are not identified. Although clubs are required to suitably describe the community purposes or the activity claimed, the quality of information varies widely. We identified multiple examples where no or limited detail regarding donation purposes was recorded. In the combined claim schedules of golf, racing clubs and the Australian Football League team clubs, the purposes of millions of dollars in donations were not described, let alone substantiated.

Despite the regulator being empowered to seek further clarification of claims 'where required details are not given, or if the claim does not meet the definition of "community purpose"' (VCGLR 2015, p.4), club venues continue to provide vague or incorrect detail across multiple reporting periods. We identified multiple errors or mis-categorization of claims, with several venues submitting unclear data that may not reflect the true purpose of the claim. Venues claiming sport facility costs, in particular, benefit from loose guidelines, and the apparent lack of monitoring and accountability. Similar criticisms of deficiencies in recorded information have been directed towards the Australian Capital Territory's (ACT) mandated contribution scheme. In a sample of 10 clubs, both the reason for the contribution and its beneficiary were not adequately reported in 7.2% of the recorded amounts (ACT Auditor General 2018). The total value of these unsubstantiated claims represented about 20% of the \$5.7m. claimed by the group of clubs sampled over multiple years. This lax recording of details in these types of schemes makes it difficult to determine the legitimacy of the amounts being claimed for community benefit. Further, with such claims continually going unchecked, it calls in question both the competency of the accountants and auditors paid by club operators to prepare the annual statements, and the scrutiny practice of regulators.

The need for improved regulatory oversight is further highlighted in the data of venues operated by high profile Victorian based Australian Football League teams. The Australian Football League enjoyed annual revenues of \$490 million in 2015, and benefited from a multi-billion-dollar broadcast rights agreement (AFL Annual Report 2015). Yet, the data shows many of these professional sports clubs operating licensed social clubs simply to subsidize specialist sports training facilities and to benefit highly paid, elite, athletes. This represents a subsidy by community towards the activities of the elite sports club, via tax concessions and the

costs of gambling-related harm. It does not represent any contribution by the venue to the provision of services to community members, who have little or no access to such facilities.

Comparable claims from similar schemes have also been challenged. Arguing for the need to remain true to its intended purpose, New Zealand's regulator reinforced the importance of maintaining the veracity of funding sport through gambling (Manch 2008, p.7). Manch (2008) called into the question the practice of sports focused clubs orienting a large proportion of their gambling contributions to the salaries of elite sports players and coaches and associated costs – at the expense of local community sports clubs and programs. The ACT Auditor General more recently called the value of such claims 'questionable' when the facilities may not in fact be accessible to the general public (ACT Auditor General 2018, p.2). While not strictly unlawful, Manch (2008) rightly points out such practices failing the *integrity* test.

The 2012 revisions to Victoria's scheme identified some activities deemed not to be of community benefit. This included costs associated with facilitating any form of gambling. Despite this, we identified clubs claiming costs associated with gambling equipment, such as upgrading cabling for sports betting equipment, expenses for bingo and other gambling, and gambling promotions. One racing club claimed nearly \$500,000 for printing race books. A race book reviewed by the authors contained 60 gambling advertisements in its 130 pages (Racing Victoria 2017). Regulatory scrutiny appears wanting in this regard.

Claiming the costs associated with promoting subsidized activities such as offering members' meals at reduced costs was also disallowed in 2012 revisions. Yet community benefit data demonstrate that clubs claimed considerable sums for subsidizing drinks and entertainment. This is not only a marketing tool, but may encourage excessive consumption of gambling. Recent publicity around the use of such tactics by the large gambling operator ALH Group indicates how such activities are used to encourage unsafe consumption (O'Malley 2018; O'Malley and Toscano 2018; Willingham 2018; Cannane 2019). Licensed clubs, as not-for-profit entities, are exempt from corporate tax. Subsidized provision of services or products (such as meals) funded by tax subsidies and gambling revenue creates an anti-competitive, unfair 'playing field' on which local businesses, such as restaurants or cafes, struggle to compete (Livingstone et al. 2012). The Australian Productivity Commission acknowledged that such exemptions represent an inefficient and expensive way to support community amenity (PC 2010a).

Overall, it is clear that 'headline' claims of community benefits do not accurately reflect actual benefits provided to communities, and overwhelmingly favor the narrow interests of club members (the 'owners' of the business) rather than community generally. While this discussion has focused on the examination of data from case study venues, this pattern of limited direct community benefit is evident across the majority of licensed club venues.

A final issue worthy of highlighting is the limited extent of claims for provision of support for the prevention and treatment of problem gambling and funding responsible gambling measures and activities. While 'responsible gambling' with the focus on individual accountability is the committed measure adopted by the industry for averting gambling harm (Orford 2005), very few take up the opportunity to reinforce such commitment via the community benefit scheme. In an exploratory study of gambling organizations across five international jurisdictions, Leung and Gray (2016) hypothesized that, given the importance afforded to the principles of responsible gambling, such activity would be championed in the organizations' corporate social responsibility disclosure. However, as with this study and others (ACT Auditor General 2018), their examination uncovered a 'trivial' level of disclosure (Leung and Gray 2016, p.81). While Leung and Gray's study investigated both levels of legislated and voluntary records and focused on gambling corporations, as opposed to not-for-profit entities, this pattern of the low level of disclosure is of interest. In Victoria, gambling regulation mandates that gambling venues and their staff must operate within the restraints of codes of conduct. All venues are required to instigate their own code modeled on mandated responsible gambling measures. Included in the code guidelines are matters related to the appropriate display of gambling messages and signage, providing users with information on gambling responsibly and self-exclusion programs; and notification of other available gambling support services. Providing donations to support problem gambling services, or undertaking responsible gambling activities beyond those mandated, are not compulsory, and are anticipated as deriving from the community benefit scheme.

On average five venues per year (2% of the nearly 250 clubs examined), claimed amounts related to non-mandated responsible gambling measures. Close examination of the total \$20,437 claimed across the three years shows a similar pattern of clubs providing negligible detail on what these claims relate to, as well as making invalid claims. Community benefit statement guidelines clearly stipulate that the amounts claimed in this category cannot be an appendage to existing mandated specifications. Yet multiple claims appear to be just that, extensions of what is required by law, or other disallowed claims. For example, over two reporting periods one club claimed an aggregate of \$4,700 for the legal costs associated with the transfer of a gambling license.

Similar to findings in the review of the Australian Capital Territory's contribution scheme, where over a five year reporting period less than 1% of total contributions were allocated to supporting the prevention and treatment of problem gambling (ACT Auditor General 2018), this study also identified minimal amounts allocated to this purpose. Across the three years reviewed, \$85,332 was allocated to support the prevention and treatment of problem gambling and other addictions, representing less than half a percent of both the total community contributions and total net gambling revenue over this period. Closer examination of the

'donations' identified three clubs claiming nearly 40% (\$32,435) of this amount for donating to a local council gambling fund, in return for a 100% waiver on their council rates (local taxes). This suggests such clubs are 'double dipping' by getting a discount on both their state and local government taxes. This further reinforces the need for improved regulatory oversight.

This evidence of limited commitment to responsible gambling beyond their legal obligations highlights an odd predicament for gambling operators. The commitment to undertake responsible gambling measures suggests that gambling operators accept that gambling harm exists, albeit to a small percentage of the population. Yet when given the opportunity to support problem gambling recovery through implementing additional responsible gambling initiatives, they are uncommitted to spending more than is required by law. If gambling operators increase their expenditure of responsible gambling activities, they may risk undermining their revenue base (Orford 2005), or, alternatively, demonstrate that responsible gambling measures are, in fact, largely ineffective (Livingstone et al. 2014). The response evident in the data suggests that gambling operators seek to avoid such a dilemma.

### **Proposals for improved governance of community benefit schemes**

In the face of mounting and often alarming evidence of gambling-related harm, improving the transparency and accuracy of claims about the benefits of gambling is important. This is doubly so with official schemes intended to reassure the public that the benefits of gambling are shared with the community, and not sequestered to special interest groups. EGM gambling is licensed because it is acknowledged that harm is created, but benefits to the community are thought to justify this harm. While Lindorff et al. (2012, p465) argue that 'some social good is better than no social good', we would argue that where the official accounting of

benefits is opaque and self-interested, the licensing system is corrupted.

The Auditor-General's report into ACT's community contributions scheme noted that issues around appropriately defining 'community' gives 'clubs considerable flexibility in how they interpret community and therefore how contributions are allocated to recipients' (ACT Auditor General 2018, p.2). This 'flexibility of interpretation' is equally evident in Victoria's scheme. Proposals supporting greater transparency and improved governance in such schemes include reviewing tax exemptions for licensed venues, undertaking a comprehensive review of allowable claims, and ensuring greater compliance oversight (see Table 4).

This research focuses on one Australian jurisdiction, where data are available and relatively transparent. Yet, as we demonstrate above, it is common in many jurisdictions for claims of widespread benefits to community and charities to be utilized in legitimating implementation, continuation or expansion of gambling opportunities. Where such claims are made, it is of critical importance that they are both adequately assessed, and appropriately monitored. To do otherwise is to implement a form of institutional corruption, whereby severe harms to individuals and communities are justified by untrue and/or exaggerated claims of offsetting benefits.

### **Strength and limitations**

The relative transparency of Victoria's clubs' community benefit system enables its examination. The likelihood that more opaque or less-regulated systems perform better at creating actual benefits for communities affected by gambling harms is low. The ability to conduct analysis using highly reliable administrative data over a period of time is a strength of this research. While the research is limited to some degree by the veracity and variable detail of the community benefit statements, it does allow reliable analysis of broad categories of claim, and permits identification of

**Table 4.** Proposals for improved governance of community benefit schemes.

| Detail  | Outcome  |
|---|--|
| <i>Tax exemptions</i>   |  |
| Review of tax arrangements for different types of licensed venues, including licensing fees   | Ensure equitable tax arrangements for all licensed operators (i.e. both hotel and club venues), ensuring explicit categorization and identification of all subsidies   |
| <i>Comprehensive review of acceptable claims</i>  |  |
| <ul style="list-style-type: none"> <li>reviewing the definition of 'community' and setting specific criteria for eligible recipients of community benefits</li> <li>reviewing community value in allowing claims of indirect community benefits (i.e. claims such as capital expenditure, operating costs and finance costs of licensed venues).</li> <li>reviewing the community value in allowing claims for in-kind contributions and subsidized goods and services.</li> <li>setting minimum contribution amounts (i.e. percentage of venue player losses for purposes and activities that service the prevention and treatment of harm related to gambling, drugs and alcohol.</li> <li>developing a list of accepted terminology for claim types to improve analysis and auditing of claimed amounts</li> </ul> | Improve transparency<br>Remove the ambiguity around interpretation of eligible recipients of 'community benefit' and limit occurrences of spurious claims of community contribution.<br>Improve monitoring, analysis and auditing of claimed amounts |
| <i>Compliance oversight</i>   |  |
| Improved compliance oversight of community benefit schemes  | Identification of licensees not meeting their contribution obligations and failing to adhere to stipulated requirements of the scheme.   |
| A review of regulator policy and procedures in relation to compliance oversight and auditing of community benefit schemes   | Identification of potential barriers affecting the capacity of regulators to undertake relevant compliance activity  |

lacunae in data, sufficient to establish the need for reform. This research is limited in scope by the opacity of most comparable schemes in other Australian and international jurisdictions. However, identification of flaws and issues identified in a relatively transparent scheme will assist policy-makers and others interested in ensuring gambling operators demonstrate how and in what manner they provide benefits to communities. There are undoubted lessons to be gleaned from the extent to which 'loopholes' in a transparent and relatively well documented system are exploited by gambling operators and apparently overlooked by regulators.

## Conclusion

Gambling related harm is, in general, 'socialised.' Individuals, families, communities, businesses, welfare systems, the justice system and largely under-funded treatment and service providers bear or address the harm, and meet its significant costs. Community benefits systems are intended to offset these harms. Gambling venues operated by not-for-profits assert that they are in the EGM business primarily to support communities. However, such claims are highly debatable.

There are fundamental flaws with the way community contributions are assessed in Australia, and elsewhere. The examples drawn in this study from Victoria's reporting system illustrate such flaws. This review has identified what appears to be a multilayered façade, masking the fact that actual benefits to the community are orders of magnitude less than the 'headline' numbers promoted for purposes of legitimisation.

This research reinforces previous work that identified community contribution systems as a likely expensive, inefficient, and largely misleading method of distributing revenues from gambling for community benefit. It establishes that current rates of direct community contribution are far from commensurate with the value extracted from local communities, and the social costs imposed on those communities, via gambling. This appears to be a major distortion of the policy goal. Our research identifies significant benefits for special interest groups, with very limited benefits flowing to local communities.

EGM venues claim that their good works offset the harm they create. To do otherwise than to ensure transparent and accurate demonstration of community benefits is to institutionalize a form of corruption, whereby false and misleading claims are given regulatory authority by the state, and used to transfer significant, publicly funded benefits (such as major tax concessions) to special interests, thereby legitimating the continued infliction of significant, avoidable harm on vulnerable communities.

## Disclosure statement

Associate Professor Charles Livingstone has received funding from the Victorian Responsible Gambling Foundation, the (former) Victorian Gambling Research Panel, and the South Australian Independent Gambling Authority (the funds for which were derived from hypothecation of gambling tax revenue to research purposes), from the

Australian and New Zealand School of Government and the Foundation for Alcohol Research and Education, and from non-government organisations for research into multiple aspects of poker machine gambling, including regulatory reform, existing harm minimisation practices, and technical characteristics of gambling forms. He has received travel and co-operation grants from the Alberta Problem Gambling Research Institute, the Finnish Institute for Public Health, the Finnish Alcohol Research Foundation, the Ontario Problem Gambling Research Committee, and the Problem Gambling Foundation of New Zealand. He was a Chief Investigator on an Australian Research Council funded project researching mechanisms of influence on government by the tobacco, alcohol and gambling industries. He has undertaken consultancy research for local governments and non-government organisations in Australia and the UK seeking to restrict or reduce the concentration of poker machines and gambling impacts, and was a member of the Australian government's Ministerial Expert Advisory Group on Gambling in 2010–11.

Louise Francis is the recipient of an Australian Government Research Training Program Stipend Scholarship (formerly Australian Postgraduate Award from the Commonwealth government. Louise has contributed to projects that have received funding from non-government organisations for research into multiple aspects of poker machine gambling, including regulatory reform and existing harm minimisation practices.

## ORCID

Louise Francis  <http://orcid.org/0000-0002-6800-9867>

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