



FOR IMMEDIATE RELEASE

Study Sees Conflict Between Gambling Revenues and Costs

Halifax—October 27, 2004—Problem gamblers and those at risk for problem gambling contribute 40% of the Nova Scotia government's \$182 million take from the industry. An extensive review of the research on gambling costs now questions whether government reliance on these profits conflicts with efforts to reduce problem gambling.

The study, by non-profit research group GPI Atlantic, calls for an explicit debate on the trade-off between the high social costs of problem gambling and the revenues collected from problem gamblers. Gambling in Nova Scotia is associated with 6% of all relationship problems in the province, 5% of all financial problems, between 5-10% of all personal bankruptcy cases, and 6.3% of suicides.

The two-part 271-page GPI study documents evidence showing that problem gamblers have markedly higher rates of job loss, divorce, suicide, bankruptcy, poor physical and mental health, arrest and incarceration – all of which carry high costs to the victims, their families, and society at large. Studies have found that each problem gambler negatively affects between 10-17 other people. Crimes most often associated with problem gambling are theft and fraud.

The GPI study acknowledges that available methodologies and data sources do not presently allow an accurate accounting of gambling costs in Nova Scotia. But it also recognizes that government and the public cannot afford to wait for the best methodologies to take action and minimize current costs, and therefore assembles the extensive existing evidence on gambling costs.

Problem gambling rates in Nova Scotia have remained stable, ranging from 1.7% of adults in 1993 to 2.1% (or 15,000 adults) in 2003." But new information, researched by Focal Research Consultants for the government's Office of Health Promotion, and based on the new Canadian Problem Gambling Index (CPGI), says that almost 50% more Nova Scotians are at potential risk for gambling problems than 10 years ago. Fully 50,000 Nova Scotians are now identified as being problem gamblers or at risk of problem gambling.

Since 1996, Nova Scotia government total net gambling profits increased by 42%, indicating that the potential conflict between reliance on gambling revenues generated by problem gamblers and efforts to reduce problem gambling may be increasing. However, Marie Mullally, CEO of the Nova Scotia Gaming Corporation, recently stated: "We don't want money from problem gamblers and if that means less revenue that's more than o.k."

VLTs biggest problem, most revenue

The GPI study finds that VLT use is the type of gambling most associated with gambling problems, and the type that most quickly turns "normal" gamblers into problem gamblers. Researchers Gary Smith and Mark Dickerson told the recent International Problem Gambling Conference in Halifax that VLTs are programmed to lead normal gamblers into continuous play

and financial loss, with social and economic problems being a natural—not pathological—outcome. They found that VLTs, with their bright colours, flashing lights and pleasant sounds put gamblers into a psychologically detached, “dissociative” state that encourages loss of control and puts all regular users at risk.

Nearly half of Nova Scotia’s regular VLT gamblers – those gambling at least once a month – are at risk for major gambling problems, and 20% are already identified as moderate to severe problem gamblers according to the Canadian Problem Gambling Index.

VLT gamblers identified as problem gamblers contributed just over half of the net revenues from VLT gambling in 1997/98. In 2004, all VLT gamblers contributed 65% of government net gambling revenues.

The GPI study questions whether it is possible to create “responsible” VLT gaming and to control VLTs effectively while at the same time maximizing profits, which come in large part from problem gambling revenues.

Social, economic costs reduce profits

The GPI study cites evidence that the government’s estimate of gambling profits may be illusory, because it does not account for the higher health care, justice, social service, productivity loss, and other costs generated by problem gambling. Deducting these costs would dramatically reduce the government’s apparent take from gambling. Explicitly counting and recognizing these costs, says GPI Atlantic, could help reduce the apparent allure of gambling profits and strengthen efforts to reduce problem gambling.

The Genuine Progress Index (GPI) aims to account for a wide range of social, economic, and environmental benefits and costs to assess wellbeing accurately. In light of the strong evidence on problem gambling costs, the report recommends that Nova Scotia follow the Australian government’s recent lead in treating problem gambling as a social and public health issue with a wide range of medical, social, economic, and productivity costs.

The GPI report notes that Nova Scotia is a recognized leader in providing prevention and treatment services to problem gamblers, promoting research into gambling, and in prohibiting gambling advertising that targets youth. GPI Atlantic Executive Director, Ronald Colman, says the GPI compilation of evidence on gambling costs can improve government education and awareness campaigns so that taxpayer dollars are spent more wisely.

“The recent advertisements on Responsible Gaming Awareness Week were not nearly as effective as they could have been because they had no mention of problem gambling costs,” Colman notes. “Instead, the ads pictured smiling, successful people and were full of reference to the ‘entertainment,’ ‘fun,’ ‘play,’ and ‘enjoyment,’ of gambling as a ‘game.’ Without mention of costs, the ads could even lure people into gambling rather than discourage them.”

“It’s inconceivable to have government ads on smoking awareness that ignore costs,” says Colman, “but that’s exactly what the gambling awareness ads do – they say nothing about problem gambling costs like the high rates of job loss, bankruptcy, divorce, poor health, suicide,

and crime associated with problem gambling. The GPI evidence on costs can help the Nova Scotia Gaming Corporation portray a more accurate picture, and thereby target potential problem gamblers more effectively.”

Problem gambling costs hit low-income earners harder

Evidence indicates that low-income groups have higher rates of gambling-related problems than those with higher socio-economic status, possibly because they see gambling as a way out of poverty. As a proportion of household income, low-income Nova Scotians spend more than four times as much on gambling as those with higher incomes. Gambling losses may therefore compromise the ability of low-income households to meet basic needs, leading to social service costs to society at large.

As well, lower-income people are effectively taxed regressively through implicit government taxes on gambling. “Regressive” taxes are those that take a greater proportional share from the poor than from the wealthy. Economists agree that gambling taxes are “overwhelmingly regressive” and are twice as regressive as the sales taxes that are criticized on these grounds. Widening income gaps have in turn been linked to greater health disparities, poorer overall population health, and higher health care costs.

Public policy does not reflect public opinion

The GPI study cites survey evidence indicating a sharp difference between public policy and public opinion on gambling, particularly in Atlantic Canada. Atlantic Canadians showed the strongest disagreement in the country when asked if gambling had improved the quality of life in their province—63% strongly disagreed and 82% disagreed overall. Atlantic Canadians were also most opposed to VLT gambling, with 62% in favour of a ban.

In 1999, Nova Scotia’s own survey of public attitudes found that VLTs had a disapproval rate of 66%, higher than any other type of gambling. Over half of respondents said they would prefer to see VLTs either banned or reduced in number, even if it meant an increase in personal taxes; 49% reported knowing a person with a gambling problem and 81% of these said that VLTs were the source of the problem. According to the GPI report, the survey evidence indicates greater public receptivity to government controls on gambling, including banning VLTs, than in almost any other part of the country.

The 2-part GPI report is available at www.gpiatlantic.org. For more information, please contact report author Karen Hayward at 902-479-3944 or karenhayward@eastlink.ca, or Ronald Colman, Ph.D., Executive Director, GPI Atlantic at 902-823-1944, or colman@gpiatlantic.org

Note: This news release uses new figures on net gambling revenues released by the Nova Scotia Department of Environment and Labour's Alcohol and Gaming Authority on October 25. Because the GPI report and summary were completed before these numbers were available, those reports use the latest available gambling revenue figures at the time of writing, which were from 2001/2002.