

**Submission by**  
**Tatts Lotteries**  
**to the**  
**Productivity Commission's Inquiry into**  
**Australia's Gambling Industries**

**March 2009**

Tatts Lotteries is a business unit of Tatts Group Limited and this submission is related to the lottery segment of the Tatts Group businesses. Tatts Group Limited has also lodged a general submission to the Inquiry.



## **EXECUTIVE SUMMARY**

- The *Productivity Commission's Inquiry Report into Australia's Gambling Industries* released in 1999, found that problem gambling varies by gambling mode. It found that the incidence of problem gambling was lowest for lotteries and lotteries generated a significant net community benefit.
- The product range of Australian lotteries has not significantly changed since the last Productivity Commission report. Although jackpot games are more prominent in the sales mix than they were ten years ago, no new major lottery categories have been added to the product offering. As a result the general attributes of lottery play remain consistent with low harm potential.
- The average annual growth of lotteries as per Australian Gambling Statistics from 1998/99 (since the last productivity Commission Inquiry) to 2005/06 has been moderate at 3.6% per annum. Lotteries market share of total gambling expenditure is slightly down from 10% in 1998/99 to 9.2% in 2005/06
- There have been some changes to the local industry structure with the privatisation of Queensland's Golden Casket and the acquisition of it by Tatts Group. There has also been an introduction of a second lottery licensee (Intralot) in Victoria, but neither change has resulted in a major shift in the lottery market. Early indications are that the Victorian market has been split between the two operators rather than significantly expanded in expenditure terms.
- Despite the low harm potential of lotteries, Tatts Lotteries has been a very active participant in the development and implementation of responsible play programs across all of its jurisdictions, as well as being part of international developments by the World Lottery Association towards formal accreditation for responsible play programs.
- Internet lottery sales have grown but still remain a small proportion of overall sales at less than 4%. The current exemption under the Interactive Gambling Act 2001, allowing lotteries to be offered on the internet, provides Australian lottery players with a safe and properly regulated alternative to the growing number of on-line internet lottery offers targeting Australians from overseas.

## **INTRODUCTION**

Tatts Lotteries is a strategic business unit of Tatts Group Limited. Tatts Lotteries operates lotteries in five jurisdictions in Australia and generates 50% of lottery sales nationally with annual sales turnover of \$2 billion in 2007/08.

The licensed operating entities of Tatts Lotteries are Golden Casket Lottery Corporation Limited which operates the lotteries business in Queensland and Tattersall's Sweeps Pty. Ltd., which operates lotteries in Victoria, Tasmania, Northern Territory and the Australian Capital Territory.

Both Golden Casket and Tattersall's have well established responsible gaming programs, which have been implemented, evaluated and regularly enhanced over a number of years.

## CONTRIBUTION TO INQUIRY

This submission addresses specific issues relevant to Tatts Lotteries operation of lotteries in Australia. Tatts Group Limited has also lodged a general submission to the Inquiry.

## STRUCTURE AND CONDUCT OF LOTTERIES INDUSTRY

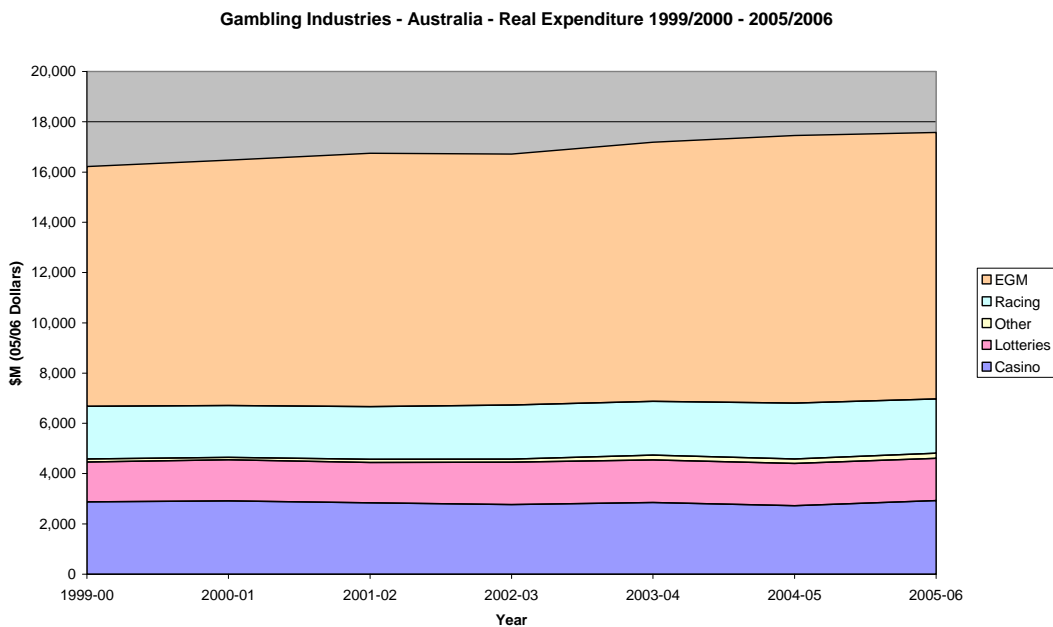
There has been some consolidation of the Australian lotteries industry structure with the privatisation of Golden Casket and the acquisition of the organisation by Tatts Group in June 2007. There has also been an introduction of a second public lottery licensee (Intralot) in Victoria in July 08. Neither change has resulted in a major shift in the lottery market in terms of product offering, play characteristics or expenditure. Early indications are that competition in the Victorian market has not delivered a change in the overall lottery expenditure, but merely split the existing market and introduced a number of inefficiencies around product distribution.

The NSW Government has announced a review to assess the potential structures for a possible privatisation of NSW Lotteries. Alongside these industry changes, state and territory governments continue to authorise, control and tightly regulate lotteries across various jurisdictions.

The national lottery blocs continue to operate as a joint pooling arrangement between licensed lottery operators, leveraging combined population and player numbers to create attractive prize offers to players.

## TRENDS IN EXPENDITURE

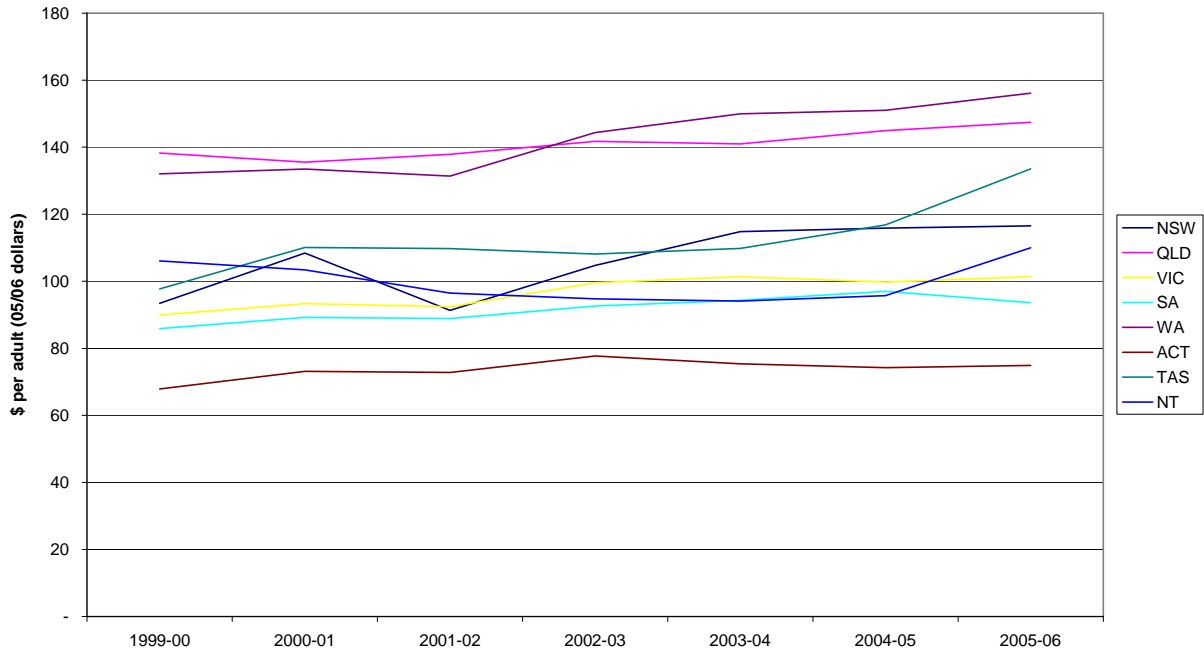
There has been a general slow down in growth of gambling expenditure since the previous Inquiry in 1999. Lotteries expenditure reached \$1.6 billion in 2005/06, but share of total gambling expenditure was down from 10% to 9.2%. Growth of lotteries expenditure across the period 98/99 to 05/06 was moderate at 3.6%.



Source : OESR Queensland Treasury , Australian Gambling Statistics 2007

Despite solid economic conditions in most states growth in lotteries expenditure has been moderate over the past decade with real per capita expenditure on lottery products remaining stable in almost all states over this period.

Real Per Capita Expenditure on Lottery Products 1999/2000 - 2005/2006



Source : OESR Queensland Treasury , Australian Gambling Statistics 2007

The Per Capita Expenditure on total lottery products also remains relatively low at an average of \$122.00 per annum (2005/06) in Australia with most of that expenditure on Lotto at \$92.30 followed by Instant Lotteries at \$14.80.

Lottery Products – Per Capita Expenditure (\$) – 2005/06

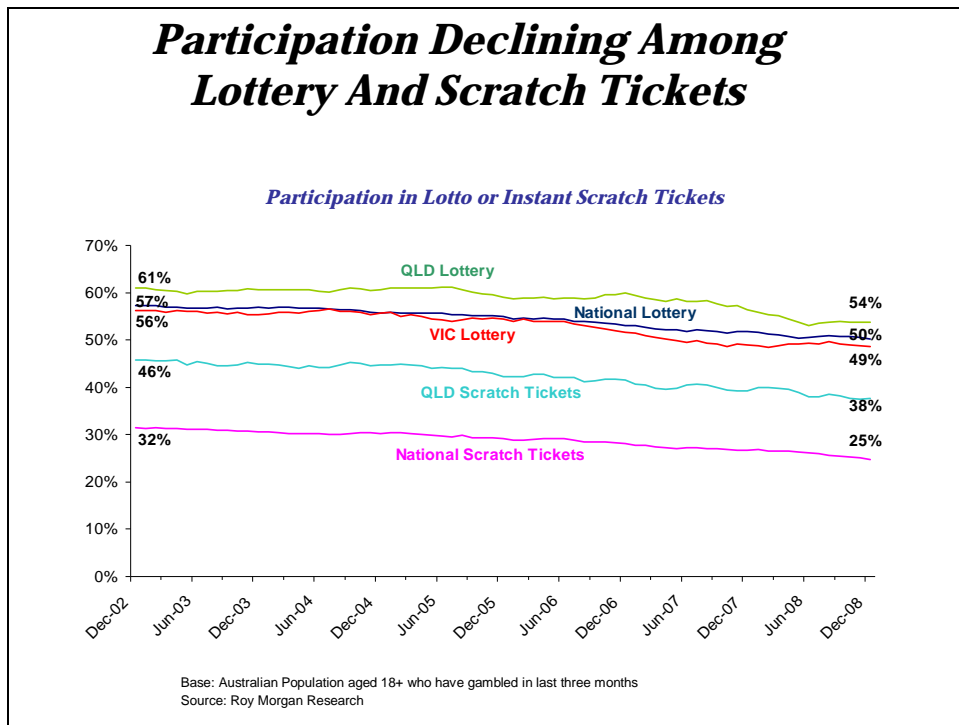
Period	Tasmania	New South Wales	Victoria	Queensland	South Australia	Western Australia	Australia
Lotto	69.6	87.5	93.9	89.8	72.0	134.5	92.3
Instant Lotto	9.0	12.9	5.9	29.3	10.4	21.6	14.8
Keno	55.0	16.1	1.6	28.4	11.2	-	13.5
Soccer Pools	0.2	0.7	0.2	0.5	0.2	0.4	0.4
Total	133.8	117.1	101.6	147.9	93.8	156.6	121.0

Source: OESR, Queensland Treasury, Australian Gambling Statistics 2007.

These figures indicate the relative maturity of lottery products in terms of the overall gambling market; exhibiting characteristics of consistent but moderate growth at relatively low average spend levels.

## **PARTICIPATION AND PROFILE OF PLAYERS**

Roy Morgan Research found that quarterly gambling participation in Australia has declined amongst adults (18+) from 73% in Dec 02 to 65% in December 08 (percentage of adults who have gambled in last 3 months). As per the graph below, Roy Morgan Research found Lotteries quarterly purchase incidence has also declined, to 53% in December 08 from 60% in December 02. This gradual decline in participation matches the relative maturity of the lotteries market and may also be influenced by social trends around leisure preferences.



The profile of lottery players has not changed significantly over the last decade with players being generally representative of the adult population of Australia in terms of age distribution, income distribution, gender distribution and education level distribution.

## **IMPACTS OF GAMBLING**

Tatts Lotteries recognises that excessive gambling is a problem for a small percentage of the population, but there is no research or evidence available which provides a strong link between lottery play and problem gambling. The *Productivity Commission's Inquiry Report into Australia's Gambling Industries* released in 1999, found that problem gambling varies by gambling mode. It found that the incidence of problem gambling is lowest for lotteries. It also found that lotteries showed a clear net benefit to social impact.

Many of our players consider participating in lottery games part of the retail experience and do not view it as gambling. It forms part of their weekly shopping routine and lottery products are purchased through retail shops operating in a non gambling environment.

When considering why lottery products are seen in such a different light to other forms of gambling, the following lottery attributes remain relevant:-

- Lottery players are primarily motivated by the dream of winning a large prize, but it is a relatively inactive (non-continuous) form of gambling
- While participation in lotteries is quite high, average player spend on each occasion is low.

- Product distribution is through retail shops rather than at a dedicated “social” gaming venue
- Lotteries are not perceived by players to be a “hard” form of gambling
- Players associate lotteries with the return of proceeds to the community through Government spending programmes or special funding services

## **TAXATION ARRANGEMENTS**

The lotteries industry continues to be the gambling industry sector that attracts the highest gambling tax rates. Forms of tax vary from state to state depending on the lottery operator with some taxes taking the form of duties or community or hospital contributions.

## **REGULATION**

Different legislative licensing and regulatory models are in place across the various Australian jurisdictions. As a multi-jurisdictional player in the Lotteries industry, Tatts Lotteries believes that there would be benefits to greater national consistency and mutual recognition across jurisdictions of some key elements of lottery regulatory structures.

A good example would be further extension of co-recognition for probity checks and licensing of key individuals associated with lottery management and operations.

## **CONSUMER PROTECTION**

Despite the fact that lotteries are rarely associated with causing problem gambling, Tatts Lotteries supports programs that help protect people most at risk. Since the Productivity Commission’s Inquiry in 1999, almost every state has implemented responsible gambling policy and/or legislation.

In Queensland, a tripartite committee called the Responsible Gambling Advisory Committee was formed and is made up of membership from industry, government and the community sector. This committee is an advisory body reporting to the Queensland Treasurer on strategies to minimise the negative impacts of gambling on Queenslanders and responsible gambling issues. Among other things, the Queensland Government working with the RGAC developed: *Queensland Responsible Gambling Strategy* (May 2002) and the *Queensland Responsible Gambling Code of Practice*, which was launched by the Treasurer in May 2002. The code is a voluntary code, which is upheld by industry in support of communities for harm minimisation.

In Victoria, the Justice department has recently released legislation requiring gambling providers to submit a Responsible Gambling Code of practice and a corresponding Responsible Play program for approval and distribution in 2009. In the Northern Territory, The Northern Territory Code of Practice for Responsible Gambling became mandatory in June 2006 but was in practice from 2003. In The ACT, the Gambling and Racing Control (Code of Practice) Regulation was released in 2002 and became effective in July 2007. In Tasmania there is an industry code; Gambling Industry Group Code of Practice which was originally implemented in 1997 and revised in 2004.

The Tatts Lotteries operating entities, Golden Casket and Tattersall’s Sweeps have each introduced Responsible Play programs to match local codes of practice and in the interests of player protection and safety.

At various times, concerns have been raised about lottery advertising. These concerns usually revolve around the frequency and timing of lottery advertising, as well as whether the advertising could be misleading as to chances of winning. The advertising of lottery products matches the nature of the product itself, akin to other fast moving consumer good style products which are marketed to a large base of consumers. There is certainly no published research evidence which suggests that lottery advertising can be linked to an increase in problem gambling behaviour (due to the inherent attributes and nature of the product). Nevertheless, Tatts Lotteries has developed specific advertising guidelines as part of its responsible play programs. This requires that all lottery advertising passes a responsible play filter ensuring that advertising is accurate, not targeted at minors, doesn't overstate the chances of winning etc. A responsible play message is also included on all advertising.

### **Golden Casket's Responsible Play Program:**

Golden Casket took a lead Queensland industry role in launching its Responsible Play Program in November 2001, which complies with the *Queensland Responsible Gambling Code of Practice* and covers the key areas of provision of Information, Interaction with Customers and Community, Play Self Exclusion, Physical Environments, Financial Transactions and Advertising and Promotions.

The Program demonstrates the commitment that Golden Casket has to keeping lotteries fun, rewarding and socially sustainable.

The cornerstone of the Program is Golden Casket's *Responsible Play Code of Practice*, which outlines responsible play practices for adherence. This Code is supported by other initiatives including a customer responsible play brochure, information on the web page [goldencasket.com](http://goldencasket.com), in-store sign and training for the agency network and Golden Casket staff.

### **Tattersall's *Have fun but Play it Safe* program:**

Tattersall's maintained a responsible gambling program for its electronic gaming machine business since the late 1990s and translated this program for its lotteries business in 2002 initially in the ACT.

The program expanded to the Northern Territory in 2003 when that jurisdiction introduced a Code of Practice for Responsible Gambling, and in 2005 Tattersall's voluntarily introduced Operator and Retailer Codes of Practice for responsible gambling to cover its operations in Victoria and Tasmania.

The program promotes an informed choice model for responsible gambling, ensuring that players have sufficient information on which to make a judgement about participating in lottery play and providing referral information to players to problem gambling counselling agencies, if required.

Tattersall's responsible gambling program follows closely the various codes of practice to which the organisation adheres and specifically:

- promotes engagement with community organisations and government bodies regarding problem gambling and harm minimisation;
- provides information for customers to ensure they are adequately informed;
- builds a retail environment that promotes the concepts of responsible gambling;
- provides referral information to gambling counselling agencies for players who require it;
- promotes responsible advertising and marketing to ensure that vulnerable, underage or disadvantaged groups are not targeted; and
- recognises responsibility in relation to financial transactions

Tatts Lotteries is in the process of developing a national Responsible Play program for all of its lotteries jurisdictions that will endeavour to achieve the highest possible standard for each jurisdiction whilst achieving national consistency where possible. The organisation continues to stay abreast of research and apply new information in relation to responsible gambling to ensure that its program remains contemporary.

Initiatives are also being progressed at an international level by the World Lottery Association through an independently assessed responsible gambling accreditation scheme and Tatts Lotteries will be applying for the highest level of responsible play accreditation during 2009.

### **EFFECTIVENESS OF HARM MINIMISATION**

Research continues to indicate that the lottery industry is a low area of concern for problem gambling. It is still the gambling form with the highest participation with 53% of adult Australians reported in the Roy Morgan Trends Analysis Report February 08 to have gambled on lotteries in the last 12 months (Instant tickets 27%).

Despite having the highest participation rates, lotteries has the lowest incidence of problem play with no significant variance in play rates between problem gamblers and the general population.

The percentage of gamblers who suffer problems primarily related to lottery products (from unpublished data collected by Gambling Help Services Clients in Queensland) confirms that over a five year period, only 2.1% of gambling help clients (those seeking assistance for problem gambling) identified lotteries as the gambling product of primary concern.

### **REGULATION OF INTERNET GAMING**

The Interactive Gambling Act (2001) established the overall operating framework for Australian providers of gambling services on the internet. This Act has restricted highly interactive forms of gambling on the internet, but an exemption was granted for most forms of lottery products (other than instant style games).

For lottery players, the internet merely provides a further convenient purchasing channel and whilst Tatts Lotteries' internet sales have grown, the internet channel still makes up less than 4% of total sales.

Although the growth of internet has led to some concerns around youth gambling, early indications from current Queensland research (yet to be published) suggest that young adults are not highly attracted to internet gambling and instead prefer more social gambling environments. According to Roy Morgan Research only 1.2% of the Australian adult population have gambled on the internet in the last three months.

Looking forward, there are signs of increasing liberalisation of internet gambling overseas. This will likely lead to an increase in cross border gambling and a significant uplift in lottery style offers directed at Australian players from overseas. It will be important that Australian based lotteries, operating within the provisions of the Interactive Gambling Act can continue to offer players a competitive, safe and well regulated internet lottery offer.