

The Commissioners
Gambling Inquiry
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

13 April 2009

Dear Commissioners

I write in the hope that is not too late in your inquiry into Australia's gambling industries to make comment on the charitable and nonprofit gaming sector of these industries and to recommend that the charitable and community gaming aspects of your Inquiry not be overlooked or under-resourced. Whilst a relatively minor part of gambling in Australia, and therefore unlikely to figure prominently in the wider context of your inquiry, these community forms of gaming form a very important part of the financing of many nonprofit organisations and therefore deserve your attention.

Your attention to the charitable and nonprofit gaming aspects of your inquiry would be especially timely in the light of the Commission's other reference regarding a Study of the Contributions of the Not-for-profit Sector.

Importance of Charitable and Nonprofit Gaming

Data in the public domain on the total value of charitable and nonprofit gaming in Australia today is difficult to find. The Commission's own figures, published in the Discussion paper, do not make it possible to calculate the total value of the market for charitable and nonprofit gaming products, since it combines these figures in the "other" category.

The lack of data is somewhat surprising considering that recent research and several government statements suggest such revenues make a significant contribution to financing nonprofit organisations in Australia

The "Giving Australia: Research on Philanthropy in Australia Report" (2005) stated that "Around 50% of people provided another \$2 billion by way of participating in charitable gambling, charity auctions, dinners and other events where they received a benefit in return for their support."

The New South Wales "Best Practice Guide" published by the NSW Department of Gaming and Racing (2002) states "Lotteries and other games of chance (minor gaming activities) are a significant source of fundraising income for many authority holders."

The Victorian government, in its Issues Paper published as a part of the review of the Fundraising Appeals Act 1998 on 26 February 2004, stated "Raffles are widely used as a fundraising activity by a diversity of community groups."

In a speech given in 1998 by Ms Linda Woo, from the Queensland Office of Gaming Regulation, reported as PONC Working Paper 75, stated:

“The Queensland art union industry had a turnover of over \$190M in 1996/97 and our Queensland art unions continue to attract not just sales from Queensland residents but also interstate and overseas buyers. Art unions continue to be an attractive form of fundraising for many nonprofit associations.”

Establishing the true extent and social impact of charitable and nonprofit gaming in Australia is made more difficult by the recent deregulation of community based raffles in many jurisdictions in Australia - South Australia in 1994, Queensland in 1999 and NSW in 2003. (See National Competition Council 2005, Assessment of governments’ progress in implementing the National Competition Policy and related reforms, Melbourne.)

It is also important to note that raffles and bingo continue to be an important part of the activities of those associated with the large licensed clubs that provide extensive gaming machine and Keno services. For example, the 2005 Annual report of the Newcastle Knights Rugby League Club includes the following acknowledgement:

The Supporters Club would like to extend sincere appreciation to Graham Hapgood of Sid Fogg Travel for his continued support. The provision of the travel prizes for the game day raffles contributes significantly to the cash donation that the Supporters Club makes to the Football Club every year.

Similarly lotteries continue to be an important part of many major appeals, for example Cricket Victoria is currently promoting a major raffle to raise funds for the Victorian Bush Fire Appeal (see http://www.cricketvictoria.com.au/page/the_victorian_cricket_bushfire_recovery_fund.html).

Raffles are the staple fundraising means for the many thousands of smaller amateur sports, recreation and community organisations in the community. The soliciting of prizes for these raffles, the distribution and selling of the tickets contribute directly to the fundraising objectives of these nonprofit organisations but also have a powerful role in building social capital as members selling tickets make contact with others in these communities.

It is clear that charitable and nonprofit gaming is important to the charities and community organisations that derive a significant proportion of their revenue from these activities. Their importance to nonprofit organisations was recognised by the special concessions granted to them under the provisions of the A New Tax System (Goods and Services Tax) Act 1999, s 38-270.

Despite the evidence that suggests that the charitable and nonprofit gaming market is important to nonprofit organisations both for its role in financing the nonprofit sector and for its positive social externalities, the size and characteristics of the market are poorly understood.

Recommendation 1.

It is recommended that the Commissioners allocate sufficient resources to allow for a detailed examination of the charitable and nonprofit gaming industry as a part of this inquiry.

The Definition of Charitable and Nonprofit Gaming

Part of the reason for the paucity of data on charitable and nonprofit gaming in Australia is the difficulty in arriving at an Australia-wide definition of just what kinds of gaming are to be included in any definition. In Queensland, the games are classified into two groups, “exempt and non-exempt art unions”. Exempt “art unions” include:

- non-profit sweeps
- social bingo
- small private raffles
- trade promotion art unions

The types of non-exempt art unions are-

- major art unions (gross proceeds >\$5,000)
- minor art unions (gross proceeds up to \$5,000)
- major bingo (gross proceeds per session up to \$6,000)
- minor bingo (gross proceeds up to \$1,000)
- lucky envelopes (maximum gross proceeds per series \$1,500)
- Calcutta sweeps

Exempt art unions are largely deregulated so that the listed games do not require a permit so long as the proceeds from any one game do not exceed \$500. The regulators reason that small sweeps, bingo games and raffles can reasonably be left to the communities in which they are conducted to regulate themselves.

“Non-exempt art unions” require a permit and are subject to a significant body of regulation. (see Charitable and Non-Profit Gaming Act 1999 (Qld)).

In New South Wales the conduct of charitable and community gaming is regulated by The Lotteries and Art Unions Act 1901 and the Lotteries and Art Unions Regulation 2007. The range of games of chance permitted in NSW are different from those permitted in Queensland and several of the same or similar games are described quite differently. The following games are included in the games regulated by the Act:

- Art Unions
- Raffles, guessing competitions
- Scratch and break-open lotteries (no-draw lotteries)
- Mini-number lotteries (lotto-style lotteries)
- Charity Housie, cash housie (bingo)
- Chocolate wheel
- Lucky envelopes
- Football tipping competitions
- Football doubles (and similar triples, final score, points margin)
- Hundred Clubs and similar progressive lotteries
- Social housie (bingo)
- Sweeps and Calcuttas
- Gratuitous lotteries
- Trade promotion lotteries
- Club bingo (housie)
- Promotional raffles
- Two-up

The multiple and mutually inconsistent regulation of charitable and nonprofit gaming in Australia creates unnecessary compliance burdens on charitable and nonprofit organisations that operate in multiple jurisdictions. The inconsistent regulation of the supply of these ubiquitous products across State and Territory boundaries increases the compliance education

and training burden for nonprofit organisations and increases the likelihood of inadvertent noncompliance.

Recommendation 2

It is recommended that the Commissioners investigate and make recommendations on the development of a national system of regulation of charitable and nonprofit gaming.

The impact of government regulation on the market for charitable and nonprofit gaming products

In both Queensland and NSW the regulations and conditions associated with the permits for many of these games have the effect of ensuring that the charitable and community gaming products are not able to compete equally with the commercial equivalents such as Keno and gaming machines (substitute products for Bingo) and Scratch-it tickets offered by State Lotteries (substitute products for lucky envelopes and charity scratch-it tickets).

As a consequence of these barriers to entry into these markets, traditional forms of community gambling are under threat from both the regulator (in several States the regulator of charitable and nonprofit gaming is a part of the same Department that controls the State Lotteries) and from the proliferation of other forms of gambling.

The available evidence indicates that charitable and nonprofit gaming has lost market share in the last 15 years, both as a consequence of the proliferation of gaming machines and as a result of direct competition from government lotteries (Productivity Commission, 2008; McGregor-Lowndes, McDonald and Dwyer, 1995)

Recommendation 3

It is recommended that the Commissioners consider the effects of regulation on competition between charitable and nonprofit suppliers of these gaming products and the government and for-profit suppliers of substitute gaming products like Keno and Scratch-it type lotteries offered by the State lottery suppliers.

I respectfully request an opportunity to speak to the Commission on these recommendations at some suitable opportunity.

Yours faithfully,

Dr Ted Flack, PhD. CFRE