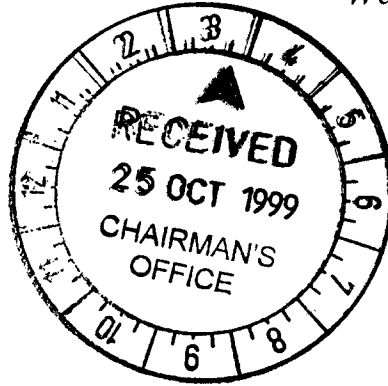


Mr Garry Banks
Chairman
Gambling Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616



*Originals = Gambling
Inq.
copy letter = G. Banks*

Dear Mr Banks,

I am writing to provide comment on the Productivity Commission's "Australia's Gambling Industries" Draft Report.

I am pleased to see in its Report that the Productivity Commission has recognised the essential differences between lottery games and electronic gaming machines. We welcome the Draft Report's conclusions that problem gambling is not generally associated with lotteries, supporting the findings of a number of other independent research studies. Nonetheless, we recognise the need for a responsible approach to the conduct of lottery games and have developed a package of measures accordingly.

We have a number of specific comments in relation to the Draft Report:

Lotteries as a legitimate leisure activity

While the Draft Report makes a number of distinctions between lotteries and other forms of gambling, the distinction does not extend to the way people play lottery games compared with continuous forms of gambling.

The Report concludes that problem gamblers contribute to one third of gambling expenditure. NSW Lotteries research and sales data casts major doubts upon this finding in relation to lottery products given the large number of lottery players and the typically small level of expenditure per player.

In almost all cases lottery players choose to spend a small part of their discretionary disposable income on lottery games. This is a legitimate leisure/entertainment activity and is no different to electing to spend spare money on magazines, movies or chocolate.

This activity should be considered in the context of other legitimate activities which may be associated with harm to a small segment of the population (eg, confectionery consumption leading to obesity and heart disease, drownings of recreational fishermen).

Problem Gambling

We are pleased that the Draft Report acknowledges the limitations of the SOGS measure, echoing the views of experts in the field like Mark Dickerson and Jan McMillen. Whilst we recognise that a satisfactory methodology has yet to be developed, the failure of SOGS to address causal links is of particular concern in relation to lottery games.

The majority of the population plays lottery games, so extrapolation of percentages based on incorrect interpretation of data can lead to misleading conclusions. (Clearly, there is a significant likelihood that problem gamblers who play lottery games in addition to playing gaming machines would be lottery players even if they did not have a gambling problem; their lottery play simply reflecting the practice of the majority of the population).

The failure, deliberate or otherwise, of some commentators to interpret SOGS results correctly can serve to deflect attention towards lotteries and away from the more significant issues associated with continuous forms of gambling. This proved to be the case after the release of Professor Mark Dickerson's "Study 2" in NSW in 1998, with press reports erroneously suggesting that the increase in problem gambling in NSW was attributable to lottery games.

The Draft Report's comment is significant when it states on page 6.51... "But the overall message from the analysis of the characteristics of problem gamblers is that there are few individual risk factors. Rather, certain playing modes – particularly regular gambling on continuous forms – appears to be a greater determinant of the risk of developing problems."

It is also interesting to note the findings of the Commission's survey on pages 3.16 and 3.17 where the profile of lottery players was found to match the general population. These findings echo information gleaned from our own research. Of particular interest are the findings that people on low incomes as well as students have low participation rates for lotto and lotteries.

In relation to funding problem gambling services, the Draft Report indicates (Page 16.42) that in NSW only the Sydney City Casino contributes to the funding of CCBF problem gambling services. The reality is that the contribution was legislated with the advent of a casino in Sydney. Rather than being a discretionary contribution from the Casino, it reflects a conscious decision by Government to reduce its tax rate and redirect this funding to the CCBF.

Advertising

In discussion concerning advertising, the Draft Report concludes (Page 15.32)... "if advertising and marketing did not increase demand it is hard to understand why these businesses would make these expenditures".

Of course lottery advertising is intended to increase demand. Competition does not come solely from within the gambling industry but from a wide range of other consumer products which endeavour to attract small amounts of discretionary expenditure. The most significant issue relating to advertising in the gambling industry is that lotteries are far more reliant upon it than all other parts of the industry. The reasons are basically fourfold:

- In marketing terms lottery products have a relatively low level of involvement. That is, each purchase is generally not a major consumer item of expenditure. A timely reminder to a player who likes to enter Lotto regularly can lead to a purchase that may otherwise not occur;

- Generally lottery advertising promotes a "one-off" weekly or periodic event. Continuous forms by their very nature do not; the attraction to players not being the event but rather the act of playing.
- Communicating a promotional offer or a Jackpot prize can prompt an impulse purchase from an irregular player who will only play when there is a special offer available;
- Lotteries are mass market products. In order to be able to offer attractive major prizes, large numbers of players must make a small purchase. For this reason, advertising must reach a large audience and therefore have a broad reach. This approach is similar to that for most other fast moving consumer goods.

The Draft Report discusses the need for advertising not to be misleading. It is relevant to note that, as well as the Lottery Industry Code of Practice which contains lottery specific issues, the current consumer protection regime applying to all advertising provides protection to consumers independent of the lottery industry. Lottery players receive the same protection as consumers of other goods or services via the Trade Practices Act and State based fair trading legislation.

We agree with the Commission's view expressed on Page 15.33 that..." The Commission believes that there are grounds for tighter controls on gambling advertising, where it is felt that the information provided by a gambling supplier would have the effect of reinforcing inherently false beliefs about the odds of winning or about the way gambling technologies work."

On page 15.31, the Draft Report concludes that..."Very little mass media gambling advertising provides information on the odds (or what they mean) to consumers. Of course, the fact that gambling advertising provides little information about prices in the current environment may partly reflect the pervasive influence of exclusivity arrangements in some gambling forms."

The purpose of advertising is to inform consumers about product attributes and to prompt interest to either establish loyalty to a brand or to stimulate immediate purchase. In the electronic media where most lottery advertising appears, as it has a mass audience, it is only possible to communicate a single major proposition in the 15 or 30 seconds available. In the case of lottery products it is generally the potential prizes which interest the player and which are communicated. It is not the odds or the price which vary depending upon which of the many entry options is selected and are complex to communicate.

The reason price and odds are not normally communicated in printed advertising is that, in the case of Lotto style games, both vary depending upon the type of entry the player selects. In the case of Instant Lotteries, where price and odds are per ticket purchased, a poster is displayed in every sales outlet for every game (up to 40 per year) showing price and odds information. For Draw Lottery games the number of tickets sold and the number of prizes available is printed on the application form (samples attached).

On page 15.33 the Commission lists a number of consumer protection measures which it indicates legislatively based codes should prohibit. There are several points to be made in relation to this list:

- The term "dividend" has been used in soft gaming circles for many years, including in relation to Football Pools, which were introduced in the UK in the 1950s. Rather than suggest the proceeds from a financial investment, the term in the context of lottery games means "a number or quantity to be divided by another number or quantity" as per the Australian edition of the Collins Concise English Dictionary.
- The Draft Report states that gambling advertising and promotion should be precluded from a) using words such as "remember to put your entry in because your numbers may come up" or b) giving birthday cards to valued customers. The basis being that the former could encourage irresponsible gambling and the latter target high risk groups. This illustrates the difficulty with regulation of such subjective matters. I feel that the majority of the population would see both examples as being innocuous and consider a) as a legitimate call to action consistent with many retail type advertisements and b) as typical of loyalty offers in several retail sectors.

Should you wish to discuss these or any other matters concerning the Draft Report, please do not hesitate to contact Andrew Everett, Director Marketing and Sales (phone 02 97525735).

Yours Sincerely,


Michael Howell
Chief Executive Officer

20 October 1999