



Deacons

Dated December 2003

**Submission by the Newsagents
Association of New South Wales &
ACT Limited**

**to the Independent Pricing and
Regulatory Tribunal**

**Review into Gambling Harm Minimisation
Measures: Issues Paper**

Contact

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1. Executive Summary

- 1.1 The Newsagents Association of NSW and ACT Ltd (**NANA**) represents the majority of newsagencies in New South Wales. Newsagents are the major channel through which NSW Lotteries' products are sold. In NANA's view this makes it a major stakeholder in reviews of the regulatory system governing the marketing and sale of lottery products in New South Wales.
- 1.2 The purpose of this submission is to comment on the Terms of Reference as cited in the Review into Gambling Harm Minimisation Measures: Issues Paper dated September 2003 issued by the Independent Pricing and Regulatory Tribunal of New South Wales (**IPART**) to the extent that they touch on the sale of lottery products in this state.
- 1.3 NANA strongly supports responsible gambling and the taking of appropriate steps to minimise harm, but because of the low incidence of problem gambling in relation to lottery products, NANA considers that the different regulatory regime for lottery products, compared with other forms of gambling, should continue to apply.
- 1.4 NANA is of the view that this low incidence of problem gambling in relation to lottery products is the result of the unique characteristics of lottery products, including the safe environment in which they are sold.
- 1.5 NANA accordingly considers that the controls already in place in respect of the sale of lottery products are adequate (in some cases even more than is necessary) to protect the interests of consumers of these products. NANA promotes compliance with these controls by its members.
- 1.6 NANA considers however that if the sale of lottery products were to move from the safe environment in which they are now sold into other environments such as TAB outlets, hotels and clubs, this would be contrary to the principles of socially responsible gambling as set out in the Lotteries Industry Accord. It would create, rather than minimise, harm in respect of the over 2 million NSW Lotteries customers who purchase lottery products each week, by exposing them regularly to the hard forms of gambling there on offer.
- 1.7 NANA supports the continuation of the requirement that cash prizes of more than \$1,000 be paid by cheque as it believes a delay in a payout of large amounts may minimise harm that may arise from suddenly having large amount to spend.
- 1.8 It is the opinion of NANA that the prohibition on selling lottery products in exchange for payment otherwise than by cash or cheque is unnecessary to minimise harm, and administratively difficult because other goods are often purchased as well. NANA would support lifting this prohibition as

long as the cost of providing the service, including the fees, is not borne by NSW Lotteries' agents.

- 1.9 NANA supports the current controls on advertising of lottery products but opposes any increase on the restrictions relating to such advertising.
- 1.10 NANA supports a cap on the total number of sales outlets for lottery products.
- 1.11 NANA considers that it should have an opportunity to represent its members on any formal committee reviewing or altering the regulatory framework which relates to the sale of lottery products.

2. Newsagents Association of NSW and ACT Ltd ACN 096 737 352

- 2.1 NANA is a registered organisation of employers representing 950 newsagents in New South Wales and the Australian Capital Territory, being approximately 63% of the total newsagents in those areas. The vast majority of newsagents, including those who are members of NANA, sell lottery products for NSW Lotteries pursuant to an agency agreement.
- 2.2 Newsagents in New South Wales employ approximately 15,000 persons. For the most part, newsagents are family owned and operated. They have extended business hours of between 60 to 80 hours per week and this is permitted on the basis of the public benefit provided.
- 2.3 NSW Lotteries sells its product through a network of 1,600 agents. Of the newsagents that sell products for NSW Lotteries, 1,228 have on-line capability and 56 sell instant products only.
- 2.4 In 2002, NSW Lotteries had net sales of \$1,020M and total prize money distributed was \$647.4M. Newsagents comprise approximately 80% of the agencies through which NSW Lotteries sells its products and approximately 85% of the sales made.
- 2.5 With the exception of the trial listed below, the rest are sold in NSW Lotteries' own shops and various other retail outlets such as hardware stores and pharmacies.

3. General comments

- 3.1 This submission addresses the Terms of Reference as cited in the Review into Gambling Harm Minimisation Measures: Issues Paper dated September 2003 issued by IPART but only to the extent that the issues relate to the sale of lottery products.
- 3.2 In making this submission, NANA has had the opportunity to read the submission of NSW Lotteries dated November 2003, and other submissions.

- 3.3 For the most part, NANA's position is that the matrix of controls that currently exist, both internally and externally, are adequate to protect consumers of lottery products and are consistent with the objectives of minimising harm. In some cases, these controls are more excessive than need be, for example the prohibition on using credit for purchasing lottery products. However, NANA promotes compliance with the existing controls by its members.

4. Terms of reference

- 4.1 Impact of each existing harm minimisation measure on gamblers, problem gamblers and the broader community

- (1) Controls over cashing of cheques and payments of prizes by cheque or EFT in gaming machine venues and the casino

Controls already exist on the payment of prizes for lottery winnings. NANA's members are able to provide immediate cash payment of prizes up to a value of \$1,000. For prizes above this amount, NANA's members are required to undertake verification of non-registered purchases and in any event all prizes with a value of over \$1000 are paid by cheque with a waiting period of not less than 2 weeks.

NANA supports the continuation of these measures not only because of the impracticality of newsagencies paying out high value prizes but also because NANA is of the opinion that the lack of immediacy of a payout in respect of a large win may assist in minimising the harm that might arise from suddenly being able to spend a large amount.

- (2) Prohibition over providing credit to gamble on gaming machines, casino gaming, or lottery or keno products

Pursuant to section 43 of the *Public Lotteries Act 1996*, it is currently an offence to sell lottery products in exchange for anything other than cash or cheque. The public policy behind this restriction is presumably to reduce the perceived risk that purchasers of lottery products may spend more than they can afford by using credit rather than cash to pay for their purchases.

NANA considers such a restriction to be unnecessary in the case of lottery products and some other states have relaxed this requirement.

Further, the customers of NANA's newsagent members often purchase a number of items (e.g. newspapers, magazines, books, stationery, confectionary) at the same time as purchasing a lottery product. The restrictions on the use of credit means the customer

can choose to use credit for non-lottery products but will have to find cash or choose an eftpos account to pay for a lottery product purchase, which can be very inconvenient and bothersome.

As stated elsewhere in this submission, NANA's opinion, which is supported by NSW Lotteries, is that the type of lottery product and the environment in which its members sell those products puts it in the unique position of being an extremely low risk gaming option. NANA, therefore, supports a lifting of the current restriction on the use of credit, subject to negotiations with NSW Lotteries about the commission to be paid to NSW Lotteries' agents to offset the additional time required to provide this service and the cost of credit card fees.

(3) Controls over advertising for wagering, keno and lottery products and casino gaming

Advertising of lottery products is already the subject of internal as well as external controls such as pursuant to the NSW Lotteries Advertising Code of Practice and the Public Lotteries Regulation 2002 (NSW) as well as trade practices legislation.

NANA supports minimum standards in relation to advertising but it is of the opinion that adequate controls currently exist to protect consumers and to ensure the objectives of harm minimisation measures are met whilst at the same time allowing the business of lottery sales to be promoted in a commercially realistic and responsible manner. It would oppose any increase in the restrictions on advertising.

4.2 Potential further measures that may foster a responsible gambling environment

NANA supports the thrust of NSW Lotteries' submission to IPART. In particular, it sees the responsible gambling issues relevant to its members as being fundamentally different from those facing other sections of the gambling industry, because the types of product sold by NSW Lotteries and the environment in which they are sold pose minimal risks in terms of problem gambling. As noted by NSW Lotteries, this is supported by the Australian Gambling Industries Inquiry Report. For example:

- (1) "The prevalence of problem gambling varies by the mode of gambling, with higher prevalence for regular players of gaming machines, racing and casino table games. For example, around one in five weekly gaming machine players have significant problems. The prevalence of problem gambling is much lower among lotteries" ¹;

¹ Australian Gambling Industries Inquiry Report, Part C, Impacts 6, What is problem gambling p6.1

- (2) "In summary, it appears that some forms of gambling, such as lotteries and scratchies, in their current forms, currently present minimal or low risks for problem gambling. Other forms, particularly regular playing of gaming machines and casino table games, appear to be associated with a higher likelihood of gambling problems"²;
- (3) "...unlike lotteries, TABs are a significant source of problem gambling"³;
- (4) "While gaming machines are overwhelmingly the form of gambling favoured by clients who seek help for gambling problems, betting on horse racing and casino gaming are also sources of problems for some participants. A very small proportion of counselling agencies report playing lottery games as the source of their problems"⁴.

Consistently with this, the objectives of the Lotteries Industry Accord include the following:

"1.1.4 To ensure that lotteries participation constitutes a socially responsible and rewarding leisure and entertainment activity;

1.1.5 To enhance the public image of the lotteries industry and differentiate the lotteries industry and games from other gaming codes and products."

NANA considers that the different regulatory environment for lottery products compared with other forms of gambling should therefore continue to apply.

NSW Lotteries states in its submission, and NANA agrees, that it is the inherent characteristics of lottery products that result in their posing minimal risks in terms of problem gambling. It identified those characteristics in its submission as follows: non-continuous, low entry cost, high odds with a low expectation of winning, no skill involved and **not venue based**. (our emphasis)

In its 1998 submission to IPART, NSW Lotteries described these inherent characteristics, which make lottery playing less attractive to problem gamblers, as follows: chances are essentially random, very little player skill, little opportunity for repeat betting, lack of proportionality between the size of the prospective prize and the amount invested, the activity often forms an incidental part of many players normal life routine, and **the**

² Australian Gambling Industries Inquiry Report, Part C, Impacts 6, What is problem gambling p6.53

³ Australian Gambling Industries Inquiry Report, Part D, The Policy Environment 14, Are constraints on competition justified, p14.19

⁴ Australian Gambling Industries Inquiry Report, Part D, The Policy Environment 17, Help for people affected by problem gambling, p17.35

activity takes place in an atmosphere, circumstances or a location which is familiar and acceptable to virtually the entire community.
(our emphasis)

The familiarity and acceptability of the atmosphere, circumstances and location of the sale of lottery products is one element of the uniqueness of lottery products, but a very important element nevertheless. Indeed, were it not for the safe environment, namely newsagencies and some other similar retail environments, in which the purchasers of lottery products find themselves, their virtual insulation from harm would be put at risk.

Considering the annual net takings in lotteries of over \$1 billion, incidentally paying over \$350 million in Government duties, and considering the 2 million customers per week that purchase lottery products, that represents a sizeable number of people who are not, at least by reason of the place they purchase lottery products, at risk of harm. They will be put in a position of potential harm if in future, the sale of lottery products moves from the current environment of NSW Lottery retail outlets, newsagencies, and some pharmacies and other similar retail outlets, into TABs or other areas where problem gambling is, unfortunately, commonly encountered.

NSW Lotteries and TAB Limited are conducting a six-month trial in three TAB agencies to establish their viability as sales outlets for the full range of lottery products. NANA's position is that NSW Lotteries should not go beyond the trial stage.

The following is a list of the current TAB distribution channels, according to TAB's submission:

- Agencies 324 dedicated retail outlets
- Pub TABs facilities in about 1,000 hotels in NSW
- Club TABs facilities in about 600 registered Clubs in NSW
- PhoneTAB about 200,000 registered account holders
- NetTAB about 75,000 registered customers
- Oncourse on course totalisator facilities in over 175 racetracks.

NANA's position is that there should be a cap on the number of outlets selling lottery products, that they should remain, as at present, in the safe domain of NSW Lottery retail outlets, newsagencies, some pharmacies and other similar retail outlets, and that in particular they must not be allowed to expand into TABs or other areas where "hard" gambling takes place.

4.3 The impact of those potential further measures on gamblers, problem gamblers and the broader community

The reasons for our comments set out at 4.2 above go to the very heart of harm minimisation —

- (1) the above distribution channels would have the likelihood of turning the 2 million customers per week who purchase lottery products into at risk gamblers, by the very nature of the activities being conducted in these outlets (or, in the case of the net, by virtue of the risks of gambling in isolation). This different environment is one which is recognised as requiring a particularly stringent regulatory regime to try to minimise harm, for example a social impact assessment is required of clubs and hotels which seek to increase their gaming machine entitlements, and the player may be tempted to move into those areas of potential harm.
- (2) This temptation will be all the easier where there are other attractions as well, thereby encouraging the customer to stay longer.
- (3) Alcohol will be available in many of these places (and in some cases served to players in the course of playing) and it is possible that the concurrent ingestion of alcohol will negatively impact on the ability of some to make rational choices about gambling.
- (4) Until smoking is outlawed the customer will also be subjected to the smoking of others, and the resulting detrimental effect on their health. Those who smoke themselves may be tempted to stay on, and keep gambling and smoking. Victoria's smoking ban apparently led to a significant drop in gambling expenditure, but NSW is yet to move into line.
- (5) The problem may be made worse because of the huge numbers of players of lottery products and the fact that 51 percent of them purchase lottery products once a week or more⁵.

Item 4.5 of the Retailers Code of Practice within the Lotteries Industry Accord requires retailers (NANA's members) to work together with the respective lotteries jurisdictions to progress the "orderly and responsible delivery of lotteries games to the Australian community". The NSW Lotteries Advertising Code of Practice states that "it is designed to ensure that the sale, promotion and advertising of NSW Lotteries games is conducted in a socially responsible way", and that NSW Lotteries role requires it "to adopt a high level of social responsibility, and to be sensitive to the community's interests and concerns." NANA considers that any

⁵ Australian Gambling Industries Inquiry Report, Part B, The Gaming Industries Consumption of Gambling, p.3.17)

move to extend the sale of lottery products into areas with other forms of gambling would place these important principles at risk.

4.4 Community services, including problem gambling counselling services and their individual effectiveness in addressing harm minimisation objectives

NANA represents the channel via which NSW Lotteries sells the vast majority of its products, around 85%. Whilst NANA is not in a position to provide a critique of the community services available to assist with harm minimisation, it is not aware of any referrals from its members as a result the purchase of lottery products. NANA's members do however have unique exposure to purchasers of lottery products in that they have face to face, one on one contact time for the period in which the transaction takes place.

As stated earlier, NANA's position is that lottery purchasers represent a very low percentage of problem gamblers, but because of the sheer volume of purchases of lottery products, it would welcome the introduction of minimum standards of training for vendors of lottery products, including information about the availability and applicability of community services.

5. Other issues

Because of the numerous issues referred to above and in particular the extent of exposure of its members to purchasers of lottery products, NANA submits that it should participate in any formal committee reviewing or altering the regulatory framework which relates to lottery products or even be represented on the Board of NSW Lotteries. As an absolute minimum, NANA should be provided with an opportunity to comment on any proposed changes to the regulatory framework governing lottery product advertising, sales. and the like.