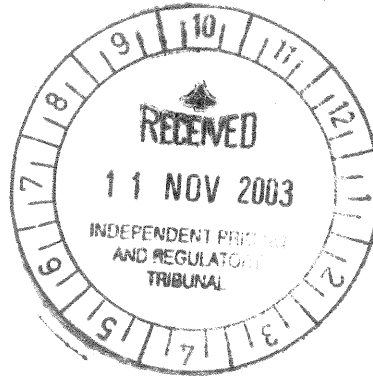


01/308

7 November 2003

Thomas G Parry  
Chairman  
PO Box Q290  
QVB Post Office NSW 1230



*Also sent via email to: [ipart@ipart.nsw.gov.au](mailto:ipart@ipart.nsw.gov.au).*

Dear Dr Parry

I refer to the invitation published in the *Sydney Morning Herald* on 24 September 2003 for submissions to the Independent Pricing and Regulatory Tribunal Review of Gambling Harm Minimisation Measures.

Please find attached NSW Lotteries' submission to the Review.

If you require any further clarification or additional information, please do not hesitate to contact our Communications Manager John Vineburg on (02) 9752 5754.

Yours Sincerely

  
Michael Howell  
Chief Executive Officer

## LIST OF ATTACHMENTS

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1. Submission by NSW Lotteries to the Independent Pricing and Regulatory Tribunal (IPART) – Review into Gambling Harm Minimisation Measures - November 2003.
2. **Appendix A** – Australian Lotteries Industry Code of Practice.
3. **Appendix B** – NSW Lotteries Advertising Code of Practice – November 2003.
4. **Appendix C** – Evidence for Low Risk of Lotteries (Attached to IPART – Review into Gambling Harm Minimisation Measures – November 2003).
5. Submission by NSW Lotteries to the Independent Pricing and Regulatory Tribunal (IPART) – Gaming Inquiry – August 1998.

Submission by  
NSW Lotteries  
to the Independent Pricing  
and Regulatory Tribunal  
(IPART)

Review into Gambling Harm  
Minimisation Measures

November 2003

## EXECUTIVE SUMMARY

The Terms of Reference, as drafted, clearly focus on the more “continuous” forms of gambling such as gaming machines. As lottery products are also included in a number of Terms of Reference, this submission is aimed at advising IPART on the Corporation’s view of the effectiveness of relevant programs and services; identifying some anomalies in the treatment of lottery games; and seeking to avoid the unintended consequences that can sometimes arise when a uniform approach is adopted to all industry participants regardless of their respective propensities to cause problems.

Our observations in this paper are generally restricted to our core business activity – the sale and promotion of lottery products. In summary:

- NSW Lotteries supports the overall thrust of the Government’s policy objective of minimising the negative consequences of gambling.
- However, a “one size fits all” approach to all industry participants will not result in greater efficiency or effectiveness in tackling problem gambling.
- Various independent State and Federal Government inquiries have conclusively found that lottery products pose minimal risks of causing problem gambling.
- This is due to their inherent characteristics:
  - non-continuous;
  - low entry cost;
  - high odds, and a low expectation of winning;
  - no skill involved; and
  - not venue based.
- This view is supported by leading experts in the field and by extensive quantitative data, including statistical information from the Productivity Commission.
- NSW Lotteries has developed its own Responsible Gaming Program, as well as being part of the national lottery industry Code of Practice. It also complies with comprehensive harm minimisation regulatory regimes in NSW and the ACT.
- The Corporation has no direct evidence to support any opinion as to the efficacy or impact of the current harm minimisation measures. It is worth noting, however, that we have not had contact from any person seeking assistance or claiming to be affected by problems associated with the purchase of lottery products.
- Current restrictions on the use of credit cards, for the purchase of lottery products, are more stringent than those which apply to some other forms of

gaming and wagering in NSW. A more liberal approach for lottery operators has been adopted in a number of other Australian jurisdictions. As well as the competitive disadvantage, the existing limitation also creates an unnecessary level of inconvenience for purchasers of NSW Lotteries products.

- Advertising and promotion of lottery products are already highly regulated. Any further controls or restrictions are unnecessary and will not provide any useful social benefit in terms of minimising problem gambling. Evidence cited from overseas jurisdictions supports this view.

## NSW LOTTERIES AND RESPONSIBLE GAMING

NSW Lotteries strongly supports the NSW Government's approach to responsible gambling. Prior to the introduction of the Public Lotteries Amendment (Responsible Gaming) Regulation in 2001, the Corporation had been a party to a voluntary national Lottery Industry Code of Practice for some years and had developed and promulgated its own NSW Lotteries Advertising Code for use by staff and the Corporation's advertising agencies. The Codes remain in force and are regularly reviewed and updated. Many of the elements of these Codes were incorporated into the 2001 Regulation. **(Codes attached at Appendices A and B).**

The NSW Lotteries Board takes an active interest in Responsible Gambling as part of its Corporate Governance responsibilities. Under its charter, the Board's Marketing Committee monitors and discusses the efficacy of the Corporation's marketing policies and practices, and the Corporation's Business Plan requires compliance with, and annual review of, the Responsible Gambling Program. The Corporation continuously monitors compliance with both the Regulation and the voluntary codes by its Agents, staff and contractors.

## LOTTERIES COMPARED WITH OTHER GAMBLING FORMS

The responsible gambling issues relevant to NSW Lotteries are fundamentally different to those facing other sections of the gambling industry. In framing a Regulation specific to lotteries in 2001, the Government rightly recognised that there are some fundamental differences between lottery play and other gambling forms. Consequently, the existing Regulation covering lottery games is significantly different to the Regulations covering the casino, poker machines, electronic gaming machines and wagering on horse racing.

Various independent studies over the past five years have drawn a clear distinction between lotteries games and the other "continuous" forms of gambling, including those conducted by IPART and the Productivity Commission. **(Attached at Appendix C are specific relevant references from the 1999 Productivity Commission's Report).**

Put simply, NSW Lotteries products pose minimal risks in terms of problem gambling due to their inherent characteristics:

- non-continuous;
- low entry cost;
- high odds, and a low expectation of winning;
- no skill involved; and
- not venue based.

NSW Lotteries submits that it is essential that the differences, between lotteries and other forms of gambling, continue to be taken into account in the formulation of Government policy regarding harm minimisation measures.

## COMMENTS ON TERMS OF REFERENCE

The existing measures to be considered under the Terms of Reference for the Review are mainly aimed at addressing the harm minimisation issues associated with gaming machines.

Many of the venue-based measures relevant to gaming machine operations, such as display of clocks, location of ATMs, shut-down requirements etc are not applicable to the sale and promotion of lottery games conducted by NSW Lotteries.

Our response to the Terms of Reference addresses only issues that specifically relate to lotteries or where there are apparent anomalies in the treatment of lotteries compared to other forms of gaming and wagering.

## RESPONSE TO TERMS OF REFERENCE

### 1. THE IMPACT OF EACH EXISTING HARM MINIMISATION MEASURE ON GAMBLERS, PROBLEM GAMBLERS AND THE BROADER COMMUNITY

- *Requirements relating to the display of signage in gaming machine venues, race clubs, TAB outlets, lottery and keno agencies and the casino.*

Under the Public Lotteries Regulation, NSW Lotteries is required to display a sign at each point of sale with the message “Is gambling a problem for you? CALL G-line (NSW) counselling service 1800 633 635”.

NSW Lotteries has no empirical evidence to indicate whether this signage is useful as a harm minimisation strategy. However, the Corporation has not had a single enquiry from a player, Government agency or G-line arising from or in relation to the display of this signage.

We understand from communication with the former Minister for Gaming and Racing and the Department of Gaming and Racing at the time the Regulation was being formulated, that the rationale for NSW Lotteries and its agents displaying the message was to use the State-wide lottery distribution network as a means to disseminate the message as widely as possible, regardless of its relevance to lottery products.

The Corporation is not aware of any evidence that signage in lottery outlets has generated calls to G-line, or indeed whether there are any statistics to identify which “gateways” for referral are most effective as we have received no advice from any source in this regard, including G-line.

- *Requirement to provide player information brochures in gambling venues*

Under the Public Lotteries Regulation, NSW Lotteries is required to provide its agents with player information brochures, which contain information concerning the chances of winning a major prize in a public lottery and the G-line (NSW)

helpline telephone number. It is the responsibility of agents to display these brochures.

Feedback from our agents and from NSW Lotteries' field staff indicates that there is little demand for these brochures, and new stock is generally only distributed to new agencies.

As with signage there is no real evidence, apart from the very low take-up rate, to indicate whether the brochures assist in harm minimisation.

- *Role of community services, including problem gambling counselling services in addressing harm minimisation objectives*

As discussed above, NSW Lotteries has no direct relationship with G-line and there has been no contact made in relation to problem gambling issues or referrals. Consequently, the Corporation has no specific view on this subject.

- *Requirement to display certain information on betting tickets, and lottery and keno entry forms, "how to play" information and websites*

Under the Public Lotteries Regulation, NSW Lotteries is required to carry the G-line message and game odds on all entry forms, in "how to play" material, and on the NSW Lotteries website. Once again, there is no evidence to indicate the effectiveness of the G-line message.

Interestingly, the report of the IPART Gaming Inquiry in 1998 noted that NSW Lotteries could be adversely affected by a requirement for information on gaming products to carry payout rates due to its relatively lower payout ratio. The report also included comments to the effect that lost business would diminish NSW Lotteries' "valuable contribution" to funding core services such as public hospitals.

A range of variable factors affect the level of sales of NSW Lotteries products from month to month and year to year and it would be extremely difficult to isolate changes in player behaviour or attitude as a result of the incorporation of odds information, unless the impact was major. Based on the limited evidence available, this does not appear to be the case.

- *Controls over cashing of cheques and payment of prizes by cheque or EFT in gaming machine venues and the casino*

Under the Public Lotteries Regulation, NSW Lotteries and its agents must not pay prizes of more than \$1,000 in cash. Such prizes must be paid as a crossed cheque payable to the winner or by electronic funds transfer to an account nominated by the winner. For a number of reasons, this \$1,000 limit existed for several years prior to the introduction of the Regulation, and is well accepted by lottery retailers and customers.

It has also long been practice for some lottery retailers to cash cheques, including prize cheques, although the practice is not particularly common and is generally only applied in the situation where a retailer knows a regular customer and for low value prizes. While Regulations have been introduced to limit cheque cashing for



venue-based gambling activities in order to prevent re-investment or reckless expenditure, this is not relevant to a retail environment and the lottery context.

It would not be a significant matter for NSW Lotteries itself if limits were placed on the cashing of cheques. However, many small retailers and their customers would be unnecessarily inconvenienced from time to time. In this context, it is important to note that NSW Lotteries' agencies are conducted in conjunction with a range of other businesses such as newsagencies and pharmacies, and the practical application of cheque cashing limits would be very complex.

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

Under the Public Lotteries Act 1996, NSW Lotteries and its agents are precluded from providing credit for the purchase of lottery products. However, the Corporation believes that consideration should be given to lifting the current restriction, because:

- the prohibition appears to be at odds with Corporation's Charter under the NSW Lotteries' Corporatisation Act, 1996 which requires the Corporation "To be a successful business and to this end: to operate as least as efficiently as any comparable businesses...". The restriction places NSW Lotteries at a competitive disadvantage with:
  - TAB Limited, which may accept credit card payments to top-up wagering accounts;
  - other lottery providers, particularly Tattersall's and Golden Casket, which may accept credit card payments and which are competitors in border areas;
  - other lottery and art union providers (e.g. Boystown Art Union) which may accept credit card payments and which are direct competitors.
- in recent years there has been rapid growth in the use of credit cards by consumers to pay for an increasingly wide range of retail goods and services;
- the current restrictions act to limit NSW Lotteries' ability to keep pace with changing consumer preferences towards greater use of non-traditional distribution channels such as the telephone, Internet and mobile telephones (e.g. Visa Card estimates that 95% of all Internet transactions are conducted using credit cards);
- despite customer awareness of the current restriction on the use of credit cards, there is evidence of customer demand for the use of this medium to purchase lottery products. This arises particularly when a number of other products are being purchased at the same time, e.g. newspapers, magazines, cards, wrapping paper, books etc;

- it undoubtedly leads to some loss of sales to consumers, who at certain times, have insufficient cash with them to make their regular lottery purchase.
- *Controls over advertising for wagering, keno and lottery products, and casino gaming*

Under the Public Lotteries Regulation 2002, NSW Lotteries and its agents must include the G-line message in any printed advertising and must not publish any public lottery advertising that:

- (a) encourages a breach of the law, or
- (b) depicts children, or
- (c) suggests that winning will be a definite outcome of participating in a public lottery, or
- (d) suggests that entering a public lottery will definitely improve a person's financial prospects; or
- (e) is not conducted in accordance with decency, dignity and good taste and in accordance with the Commercial Television Industry Code of Practice as in force at the time the public lottery advertising is published.

The requirements of the NSW Regulation regarding advertising were developed in close consultation with the NSW Government, and acknowledge the relatively unique position of lotteries in the gaming and wagering industry.

Advertising is a particularly important aspect for lotteries, as it is a mass market, low entry cost product, which relies on prize offers rather than other venue activities to attract players. This small outlay from a multitude of customers is the basic lottery industry philosophy.

A small number of conservative jurisdictions in the USA have experimented with advertising limits and embargoes. These have invariably led to a significant decline in lottery sales. Most significantly, the effect is generally not just short-term. For example, in 1998, after seven years of steadily growing sales, the Texas Lottery's advertising budget was cut. The reduction of some 18% was the major contributing factor in a 30% sales decline over the next two years. After reversing the decision, sales from 2000 to 2002 showed steady growth. However, 2002 sales remained some 20% below those of the 1997 peak.

In the 1998 Gaming Inquiry report, IPART expressed concerns about advertising slogans that were not completely accurate, or emphasised only the potential upside of gaming expenditure, such as, "Everyone's a winner at Thommos".

While it pointed to slogans used by NSW Lotteries, it suggested that “commercial success requires NSW Lotteries to market this ‘fantasy’ aspect” and “may warrant different advertising standards”.

The report highlighted that gaming operators must ensure advertisements comply with the various requirements of the Trade Practices Act, particularly Part V of the Act (1974), which prohibits companies from making false or misleading representations. It recognised that imaginative promotion of products is normal, but said all advertisers must ensure that each representation is factual, with the exception of “puffery or self-evident exaggeration”, which is unlikely to be taken seriously.

NSW Lotteries believes that the combination of responsible gaming regulation and the existing strong provisions of the Trade Practices Act provide very comprehensive protection for players both from the perspective of harm minimisation and consumer rights and awareness.

# Australian Lotteries Industry Code of Practice



# Australian Lotteries Industry

# Code of Practice

## INTRODUCTION

The Australian Lotteries Industry is tightly regulated by government in each jurisdiction and prides itself on its own high standards of self regulation which are defined and will be further enhanced by the adoption of the Code of Practice.

The following voluntary Codes are fully supported by the members of the industry around Australia, all of which are committed to providing players with the very best games and service, all delivered with the highest standards of integrity, and providing the public with maximum returns and an industry that is recognised as one of the best in the world.

The Code is not designed to stand alone but should be read in conjunction with the relevant legislation in each State which enables the sale of lotteries products as well as the regulations, rules and procedures as defined within each jurisdiction.

To enable the Code to be effective, guidelines are stipulated for lotteries operators and retailers to ensure the responsible operation and sale of products across Australia. All participants agree that responsible advertising and promotion is important and as such, have agreed to abide by the Advertising Code of Ethics.

In recognition of the importance of the Code of Practice and the commitment that it requires from all participants in the industry in order for it to be truly effective, in developing the Code, there has been appropriate consultation in each jurisdiction with relevant stakeholders.

All participants are committed to ensuring that the Code continues to satisfy the expectations of the public and players for whom it has been developed and reflect the attitude of the community to responsible lottery management.

Just as the Lotteries Industry was founded on social responsibilities, this remains an unflinching commitment today with each jurisdiction strong in its endeavours to ensure the credibility and integrity of the operations, games and promotions.

This Code of Practice has been established by the key participants in the lotteries industry within Australia as follows:

Golden Casket Lottery Corporation Limited  
Lotteries Commission of South Australia  
Lotteries Commission of Western Australia  
New South Wales Lotteries Corporation  
Tattersall's.

The participants, who are the operators of lotteries within Australia, are members of the national Bloc and together, are responsible for promoting and conducting the national games in which they participate.

Any complaints or comments regarding the Code should be addressed to the relevant participant. In each State efficient, fair and accessible mechanisms are in place to ensure that complaints are resolved satisfactorily. Each participant respects the right of consumers to register complaints and provides a commitment to them that complaints will be objectively and promptly addressed and appropriately handled.

## **QUEENSLAND**

Golden Casket Lottery Corporation Limited  
ACN 078 785 449  
87 Ipswich Road  
WOOLLOONGABBA QLD 4102  
Ph: (07) 3877 1000 Fax: (07) 3877 1140

## **SOUTH AUSTRALIA**

SA Lotteries  
(Lotteries Commission of South Australia)  
23 Rundle Mall  
ADELAIDE SA 5000  
Ph: (08) 8205 5555 Fax: (08) 8205 5523

## **WESTERN AUSTRALIA**

Lotteries Commission of WA  
74 Walters Drive  
OSBORNE PARK WA 6017  
Ph: (08) 9340 5100 Fax: (08) 9340 5109

**NEW SOUTH WALES AND  
AUSTRALIAN CAPITAL TERRITORY**

New South Wales Lotteries Corporation  
2 Figtree Drive  
HOMEBUSH BAY NSW 2127  
Ph: (02) 9752 5500 Fax: (02) 9752 5511

**VICTORIA, TASMANIA, NORTHERN TERRITORY  
AND AUSTRALIAN CAPITAL TERRITORY**

Tattersall's  
615 St Kilda Road  
MELBOURNE VIC 3004  
Ph: (03) 8517 7777 Fax: (03) 8517 7757

The content of the Code of Practice  
is in the following parts:

- 1 Lotteries Industry Accord.
- 2 Lotteries Industry Advertising Code of Ethics.
- 3 Lotteries Operators Code of Practice.
- 4 Retailers Code of Practice.

# 1 Lotteries Industry Accord

## 1.1 OBJECTIVES

- 1.1.1 To further develop and promote guidelines and programs for the honest and responsible delivery, advertising and marketing of the lotteries industry.
- 1.1.2 To enhance the continuing development of the lotteries industry generally throughout Australia.
- 1.1.3 To contribute towards the economic development of the jurisdictions in which we operate.
- 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.

To facilitate these objectives, specific voluntary Codes for adherence by participants form part of this Accord.

## 1.2 CODES OF PRACTICE

The Codes are voluntary codes of self governance and are to be read in conjunction with the requirements for the conduct of lotteries which are set out in each State's legislation and their respective relevant regulations, rules, procedures and directions and any relevant State consumer legislation.

## 1.3 RESPONSIBLE LOTTERY MANAGEMENT

- 1.3.1 All participants agree to take a socially responsible position in relation to the development of lotteries games.
- 1.3.2 All participants agree to ensure that internal programs exist for the responsible sales of lotteries games to consumers.
- 1.3.3 All participants agree that marketing will be directed at marketing lotteries games as a valid leisure and entertainment product and the lotteries industry as socially responsible.
- 1.3.4 All participants recognise that the public has a right to participate in their chosen legal forms of entertainment.
- 1.3.5 All participants recognise that, if lotteries play develops into a problem for individual players, assistance in the form of information concerning appropriate support groups should be readily available from each participant.



## **1.4 PLAYER INFORMATION**

The participants agree to make general information pertaining to the conduct of lotteries games, including rules, available at the head office and from all retail outlets.

## **1.5 HANDLING OF COMPLAINTS**

Any complaints concerning breaches of the Codes will be directed to the individual participant concerned. It is the responsibility of that participant to ensure that mechanisms are in place to address complaints in such a manner that enables any legitimate issue to be addressed effectively in order to ensure that the Codes are upheld and that any breach of the Codes is rectified as soon as possible.

## **1.6 REVIEW**

The participants recognise that consultation may be periodically required to take into account changing circumstances on the provisions of the Codes. The forum for considering amendments to the Code of Practice will be the national Bloc meetings.

The participants agree to proactively review the Code annually at a meeting of the national Bloc and to republish the Code should there be any amendments agreed upon.

# **2 Lotteries Industry Advertising Code of Ethics**

The conformity of an advertisement with this Code will be assessed by the participants in terms of its probable impact, taking its contents as a whole, upon a reasonable person within the target market of those to whom the advertisement is directed. Also taking into account its probable impact on other persons to whom it may be indirectly communicated.

## **2.1 APPLICATION**

- 2.1.1 This Code covers all lottery communications activities including advertising and promotion in all media, in venue point-of-sale, leaflets, displays and any other materials designed to inform the public.
- 2.1.2 This Code covers lotteries operations only and expressly excludes any other business ventures of the retailers and corporations distributing lottery products.

## 2.2 THE CODE

2.2.1 Advertising shall not be false or deceptive, particularly with respect to the chances of winning a prize.

2.2.2 Advertisements should be in good taste, not offend prevailing community standards and not be directed at minors.

The target audience will, in all instances, be people of legal lottery playing age (as defined by legislation within each jurisdiction) and media selection and placement will reflect this.

2.2.3 Advertisements must comply with the Advertising Code of Ethics as adopted by the Australian Association of National Advertisers.

## 3 Lotteries Operators Code of Practice

Participants will promote the concept of responsible conduct of lotteries games and will:

- 3.1 Undertake in relation to their respective jurisdictions, as far as is reasonably and commercially possible, to encourage their respective retailers to adhere to Section 4 of the Industry Code of Practice.
- 3.2 Cooperate with community organisations if customers require assistance in responsible gaming.
- 3.3 Respond to complaints received by them by ensuring that the comment is referred to the relevant organisation.
- 3.4 Treat customers in an honest, helpful and courteous way.
- 3.5 Ensure that integrity is a primary feature of all aspects of operations including the conduct of draws and payment of prizes.
- 3.6 Value the protection of privacy and treat customer information with the utmost confidentiality.
- 3.7 Respect customer requests for Not For Publication (NFP) status.
- 3.8 Not reveal any details of a prize win which will identify the winner without the prior permission of the winner.
- 3.9 Respect the rights of winners to claim their prizes, and commit to ensuring that systems are in place to identify winners and to enable winners to easily claim their prizes.
- 3.10 Ensure retail agents receive all necessary information to advise customers of prizes on offer and game results.

## 4 Retailers Code of Practice

The participants recognise the important role played by their retailers in delivery of lottery products and services and undertake in their respective jurisdictions, as far as is reasonably and commercially possible, to encourage adherence by retailers to the following aspects of the Code of Practice by:

- 4.1 Abiding by all acts and regulations applicable to the delivery of gaming in the States and Territories of Australia and to promote the spirit of this Code.
- 4.2 Abiding by the "Lotteries Industry Advertising Code of Ethics".
- 4.3 Conducting their businesses in a manner that precludes persons who are not of lottery playing age (as defined by legislation within each jurisdiction) from participating in games.
- 4.4 Ensuring that payment is received at the time of purchase.
- 4.5 Working together with the respective lotteries jurisdiction to progress the orderly and responsible delivery of lotteries games to the Australian community.
- 4.6 Publicising details of a win in a way which respects the wish of a prize winner to remain anonymous.
- 4.7 Ensuring that details of prizes on offer and game results are available to customers and displayed accurately.
- 4.8 Being prepared to provide customers with appropriate information regarding game rules, instructions, costs and prizes on offer.
- 4.9 Assisting customers with complaints in relation to lottery games or services and where the complaint cannot be resolved at retailer level, providing information to assist the customer to lodge their complaint with the relevant participant.

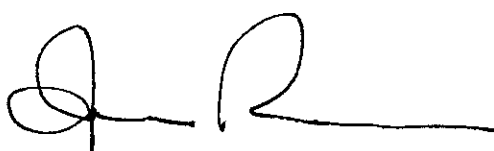
Signatories:



**Golden Casket Lottery Corporation Limited**

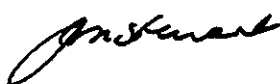
ACN 078 785 449

Bill Thorburn, *Chief Executive Officer*



**Lotteries Commission of South Australia**

June Roache, *Chief Executive Officer*



**Lotteries Commission of Western Australia**

Jan Stewart, *Chief Executive Officer*



**New South Wales Lotteries Corporation**

Michael Howell, *Chief Executive Officer*



**Tattersall's**

Jan Byers, *General Manager - Lotteries*

 **NSW Lotteries** 

**ADVERTISING CODE OF PRACTICE**

ISSUED 1 NOVEMBER 2003

# NSW LOTTERIES ADVERTISING CODE OF PRACTICE

## INTRODUCTION

NSW Lotteries was founded in 1931 to ease the burden on the hospital system during the Great Depression. It now raises close to \$300 million each year to help pay for important community projects, such as schools, hospitals and roads.

*The mission of NSW Lotteries is:*

*"We contribute to the community of NSW by maximising the return to Government through providing quality lottery products and services"*

This role requires NSW Lotteries to adopt a high level of social responsibility, and to be sensitive to community interests and concerns.

NSW Lotteries is subject to regulation by the Minister for Gaming and Racing and the NSW Department of Gaming and Racing. In addition, NSW Lotteries has developed its own high standards to ensure that the Corporation's long history of integrity and public confidence in its operations is maintained.

This Advertising Code of Practice is a key component of the Corporation's approach to the responsible provision of gaming.

It is designed to ensure that the sale, promotion and advertising of NSW Lotteries games is conducted in a socially responsible way.

The Code takes particular care to avoid promoting lottery products to under 18 year-olds and those susceptible to problem gambling behaviour.

The NSW Lotteries Advertising Code of Practice supplements and reinforces the general advertising standards set out in the Advertising Code of Ethics as adopted by the Australian Association of National Advertisers, and the Australian Lotteries Industry Code of Practice.

# 1. SCOPE OF THE CODE

*This Code of Practice governs the advertising and promotion of NSW Lotteries and its games in all media, including:*

- Television commercials;
- Press advertisements;
- Cinema commercials;
- Radio commercials;
- Outdoor advertising;
- The Internet;
- Sales promotions and trade incentive programs;
- Promotional materials (such as leaflets used for direct mail purposes, included in publications as inserts, or distributed or exhibited at point of sale);
- Sponsorship arrangements;
- Public relations activities; and
- Materials and merchandise produced or services provided in the course of running and marketing NSW Lotteries (e.g. lottery tickets, promotional prizes, consumer and agent merchandise).

Throughout the remainder of this Code, the term 'Advertising' will include all of the items listed above.

## *1.1 Other Controls*

This Code will be applied in conjunction with appropriate laws and industry regulations and the Australian Association of National Advertisers Code of Ethics and the Australian Lotteries Industry Code of Practice.

If there is any doubt concerning the interpretation of this Code, the matter should be referred to the Director, Marketing and Sales for resolution before any further action is taken.

## 2. BASIC PRINCIPLES

### 2.1 Aim of Code

- This code seeks to provide an ethical and responsible basis for all advertising conducted by NSW Lotteries in order to maintain our corporate reputation and the broad support of the NSW community.

### 2.2 General Provisions Concerning Style, Content, Etc.

- All forms of NSW Lotteries advertising should be legal, honest and meet community standards of decency;
- Advertising should not suggest that winning any NSW Lotteries game is anything other than a matter of chance;
- Advertising should not exaggerate or otherwise misrepresent the chance of winning in any NSW Lotteries game;
- Advertising should not encourage excessive or reckless playing;
- Advertising should not be discriminatory nor appear patronising to any particular group; and
- No advertising should portray actions that may be seen as socially irresponsible.



### 3. UNDER 18's

- No advertising (whether in terms of style, tone, content, medium, location or any other factors) should be directed at or be likely to appeal primarily to under 18 year-olds;
- No suggestion should be made in any advertising that anyone under the age of 18 can participate in NSW Lotteries games;
- Appropriate point-of-sale material which stresses that players must be 18 years or over will be distributed to, and displayed by, retail outlets; and
- No person who is under the age of 18 or appears to be under the age of 18 should appear in any advertising.

### 4. ADVERTISING OR PROMOTIONS BY OR WITH THIRD PARTIES

The provisions of this paragraph apply to: any third party with whom the Corporation has entered into an agreement for advertising, co-promotion, sponsorship, joint merchandising, etc.; NSW Lotteries agents; suppliers and contractors to the Corporation.

- No advertising or promotion referring to NSW Lotteries developed by third parties may be published or broadcast without approval of the Corporation;
- Where such advertising, co-promotion, sponsorship, joint merchandising, etc., is undertaken by or in conjunction with any third party or involves any non-lottery types of products or services, this Code must be complied with and particular care must be taken to ensure:
  - That the products, services or third party company or organisation do not detract from the quality image of NSW Lotteries or its sales network;
  - Except in the clear case of a joint activity with a third party, NSW Lotteries must not endorse, or be perceived to be endorsing other products, services or companies. Where these do appear, they must be incidental to the focus of the advertising.

## 5. PUBLIC RELATIONS

### 5.1 Winners

- The names, addresses and other details of winners and their families must be kept strictly confidential and must not be made available by the Corporation or its contractors, suppliers or agents to any third party without the consent of the relevant winner;
- No advertising or public relations should feature or make any reference whatsoever to actual named individual winners of NSW Lotteries without the consent of that winner being first obtained in writing;
- When requesting consent it should be made clear to the winner what will be involved in the advertising or public relations activity;
- In the event that a winner subsequently decides that he/she does not wish to be featured in advertising or public relations, this request must be honoured as far as is reasonably possible, notwithstanding that approval had originally been given by the player.

## 6. MANDATORY ELEMENTS FOR INCLUSION IN ADVERTISING

*Unless specifically approved in writing by the Director, Marketing and Sales, all advertising material must feature:*

- NSW Lotteries Logo;
- Product Logo and Tagline;
- Website details;
- Other campaign specific mandatories (e.g. Prize level, date(s) of offer, etc.).

Entry forms and how to play brochures must feature the Responsible Play message.

## 7. RESPONSIBLE GAMING REGULATIONS

### 7.1 Requirements in NSW and ACT

In addition to the Corporate guidelines developed by NSW Lotteries, there are a number of Government regulations which govern the promotion and sale of lottery products.

The regulatory clauses below outline the minimum legal requirements which must be met in NSW and the ACT in advertising lottery products. (NB: Consult the latest version of the relevant regulations for any changes and/or other relevant clauses.)

### 7.2 NSW Advertising Regulation

Public Lotteries Amendment (Responsible Gambling) Regulation

#### 7F Advertising of public lotteries

(1) The requirements of subclauses (2) and (4) are prescribed as requirements for the purposes of section 39 (1) (b) of the Act.

Note. Section 39 of the Act makes it an offence for a licensee or other person to publish, or cause to be published, any public lottery advertising that is false, misleading or deceptive or is in contravention of a requirement of the regulations. The maximum penalty for the offence is 50 penalty units.

(2) A licensee or agent of a licensee must not publish, or cause to be published, any public lottery advertising that:

(a) encourages a breach of the law, or

(b) depicts children, or

(c) suggests that winning will be a definite outcome of participating in a public lottery, or

(d) suggests that entering a public lottery will definitely improve a person's financial prospects, or

(e) is not conducted in accordance with decency, dignity and good taste and in accordance with the Commercial Television Industry Code of Practice as in force at the time the public lottery advertising is published.

(3) A licensee or agent of a licensee must ensure that any public lottery advertising in writing published or caused to be published, by the licensee or agent on or after 9 November 2001 in a newspaper, magazine, poster or other printed document contains the following:

Is gambling a problem for you?

CALL G - line (NSW) counselling service 1800 633 635

(4) Subclauses (2) and (3) do not apply to the publication of any public lottery advertising under a contract or arrangement entered into before 9 November 2001.

(5) A licensee must ensure that any public lottery advertising that:

(a) is displayed at a point of sale for tickets or entries in, or subscriptions to, a public lottery conducted by the licensee, and

(b) does any of the things referred to in subclause (2)

(a)–(e), is removed before 1 February 2002.

Maximum penalty: 50 penalty units.

(6) An agent of a licensee must ensure that any public lottery advertising that:

(a) is displayed at a point of sale (under the control of the agent) for tickets or entries in, or subscriptions to, a public lottery conducted by the licensee, and

(b) does any of the things referred to in subclause (2)

(a)–(e), is removed before 1 February 2002.

Maximum penalty: 50 penalty units.

(7) On or after 9 November 2001, a licensee or agent of a licensee must not enter into or extend the duration of any contract or arrangement for the publication of public lottery advertising that does any of the things referred to in subclause (2) (a)–(e).

Maximum penalty: 50 penalty units.

(8) In this clause:

*Public lottery advertising* means advertising that is directly related to the conduct of a public lottery. *Publish* includes disseminate in any way, whether by oral, visual, written or other means (for example, dissemination by means of cinema, video, radio or television).

### 7.3 ACT Advertising Regulation

#### Part 1.4 Advertising, Promotions and Inducements

##### 28 Advertising

(1) The licensee of a gambling facility must not publish advertising that—

(a) encourages anyone to contravene a gaming law; or

(b) shows people under 18 years old gambling; or

(c) encourages people under 18 years old to gamble, or targets them; or

(d) is false or misleading, particularly about the chances of winning or the expected return to a gambler; or

(e) suggests that gambling is a form of financial investment; or

(f) suggests that skill can influence games that are games of chance; or

(g) promotes the consumption of alcohol while gambling.

## COMMENTS

If you have any comments or would like further information on the NSW Lotteries Advertising Code of Practice please contact the Director Marketing and Sales, NSW Lotteries on (02) 9752 5735.

### NSW LOTTERIES HEAD OFFICE

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### ENQUIRIES

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## EVIDENCE FOR LOW RISK OF LOTTERIES

EVIDENCE FOR THE LACK OF PROBLEMS ASSOCIATED WITH LOTTERIES - CITED FROM THE FEDERAL PRODUCTIVITY COMMISSION AUSTRALIA'S GAMBLING INDUSTRIES INQUIRY REPORT RELEASED 26 NOVEMBER 1999

The incidence of problem gambling varies by mode. It is highest for gaming machines and racing, and lowest for lotteries. The popularity and widespread availability of gaming machines has meant that they are associated with 65 to 80 per cent of those problem gamblers who are receiving counselling.

*(Australia's Gambling Industries Inquiry Report: Summary, p 22)*

Deducting the estimated costs of gambling from the net consumer benefit numbers, yields a range from a net social cost of \$1.2 billion to a net benefit of \$4.3 billion for 1997-98. There are significant differences by gambling mode, however, with lotteries showing a clear net benefit, whereas gaming machines and wagering include the possibility of a net loss.

*(Australia's Gambling Industries Inquiry Report: Summary, p 32)*

For one thing, they mask significant variation among different gambling modes. Using estimates of the incidence of problem gambling to assign social costs reveals, for example, that lotteries yield a clear net gain, whereas the range of numbers for gaming machines and wagering includes the possibility of a net loss.

*(Australia's Gambling Industries Inquiry Report: Summary, p 33)*

While a link between the extent of problem gambling and the accessibility of gambling might seem self-evident, it is possible that most problem gambling could emerge with only limited opportunities to gamble (including 'informal' or illegal gambling) and not rise much further with increased access. Nevertheless, the evidence from Australian surveys and other sources does confirm a significant connection, other than for lotteries.

*(Australia's Gambling Industries Inquiry Report: Summary, p 37)*

About 80 per cent of Australian adults participate in gambling - but the majority gamble less than once a week. It follows that the socio-demographic profile of gamblers as a whole reflects that of the population. However, the profile of gamblers varies by gambling mode.

For example: – the profile of gaming machine players is slightly biased towards middle income earners and those aged between 18 and 24; – the profile of lottery

gamblers reflects that of the general population with a small bias towards people aged between 50 and 64 and incomes over \$35 000; and – the profile of casino and sports gamblers is strongly biased towards males, and people aged between 18 and 24.

*(Australia's Gambling Industries Inquiry Report: Part B The gambling industries 3 Consumption of gambling, p 3.1)*

In per capita terms, on average each Australian over the age of 18 spends over \$420 a year on gaming machines outside casinos. This compares with \$160 on casino products, \$120 on racing products and less than \$100 a year on lottery and other gambling products (figure 3.3).

*(Australia's Gambling Industries Inquiry Report: Part B The gambling industries 3 Consumption of gambling, p 3.4)*

Lottery gamblers have the highest frequency of gambling - 51 per cent of lottery gamblers purchase lottery products once a week or more. And casino gamblers have the lowest frequency of play - only 2 per cent of casino gamblers play casino games once a week or more.

The Commission's survey found that the socio-demographic profile of gamblers as a whole generally reflects that of the general population. For example, females are just as likely as males to participate in gambling and the participation of gamblers in varying age groups is similar to their representation in the population.

However, socio-demographic profiles vary by gambling mode - although biases are generally small.

For example, the survey found: gaming machine players have no gender bias but are slightly biased towards middle income earners (\$25 000 to \$35 000) and those aged between 18 and 24; racing punters are slightly biased towards males, middle income earners and those aged between 18 and 34; the profile of lottery gamblers reflects that of the general population with a small bias towards people aged between 50 and 64 and people with incomes over \$35 000; keno players are strongly biased towards people aged between 18 and 24 and middle income earners; gamblers on casino table games have one of the most distinct profiles - there is a strong bias towards males, singles, and those aged between 18 and 24; bingo gamblers are biased towards females, pensioners, people aged between 18 and 24 and over 65 and people with incomes less than \$10 000; sports gamblers are strongly biased towards males, people aged between 18 and 24, people with income over \$50 000, and singles; and gamblers that play games privately for money are biased towards males, people aged between 18 and 24, and singles.

*(Australia's Gambling Industries Inquiry Report: Part B The gambling industries 3 Consumption of gambling, p 3.17)*

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.

*(Australia's Gambling Industries Inquiry Report: Part C Impacts 6 What is problem gambling, p 6.1)*

By 'favourite' mode (the mode where most money is perceived to be spent). People often gamble on many different forms of gambling. If they are a problem gambler in a particular mode of gambling, then they will still be counted as a problem gambler when they play other modes, even if their expenditure is relatively modest. One way of overcoming this is to calculate the share of people with problems by their favourite mode of gambling (figure 6.4). This strongly suggests that lotteries and instant scratch tickets present few direct problems. For example, only 0.28 per cent of those who consider lotteries their most expensive form of gambling have any problems. But gaming machines loom much larger as a source of problems, with one in ten of those for whom this is the favourite form scoring 5 or more on the SOGS.

*(Australia's Gambling Industries Inquiry Report: Part C Impacts 6 What is problem gambling, p 6.52)*

We also emphasise that the calculations here are based on the share of problem gamblers (whatever the gambling mode or modes that is the source of their problems) who play any given mode. Thus because some problem gamblers will gamble on lotteries, there is a share of problem gamblers among lottery players. This should not be taken to mean that lottery playing caused the problem. The relevant issue is the comparative representation of problem gamblers by mode of gambling. If it is higher, this is suggestive that that mode is more risky.

*(Australia's Gambling Industries Inquiry Report: Part C Impacts 6 What is problem gambling, p 6.52)*

**In summary, it appears that some forms of gambling, such as lotteries and scratchies, in their current forms, currently present 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.**

*(Australia's Gambling Industries Inquiry Report: Part C Impacts 6 What is problem gambling, p 6.53)*

Some gambling forms such as gaming machines involve repetitive, but random, rewards for further play - which conditions behaviour in some people to gamble persistently (Knapp 1976; Anderson and Brown 1984 and the review in Blaszczyński 1999). The machines have been humorously nicknamed by psychologists as 'one-armed behavioural technicians' (Creed 1998) to reflect their encouragement of continued play through operant conditioning. The use of 'variable ratio schedule reinforcement' (the pattern of payoffs) in gaming machines is similar to that used to condition rats to repetitively push a lever in 'Skinner boxes' (National Research



Council 1999, pp. 39 and 245). Gambling forms which lack skill or random reinforcement, such as weekly lotteries, tend to be almost completely free of problems compared to ones with these characteristics (chapter 6).

*(Australia's Gambling Industries Inquiry Report: Part C Impacts 7 The Impact of problem gambling, p 7.7)*

**In summary, problem gamblers may be a small minority of the gambling population, but their high levels of expenditure mean that they account for a substantial share of overall expenditure - a result which is not affected by the methods used to calculate the shares. Problem gamblers account for particularly high shares of total spending on gaming machines and racing. On the other hand, they account for a negligible share of spending on lotteries.**

*(Australia's Gambling Industries Inquiry Report: Part C Impacts 7 The Impact of problem gambling, p 7.44)*

Problem gambling prevalence rates tend to be highest in areas where accessibility to non-lottery gambling is highest - such as Victoria and New South Wales - and lowest where accessibility is lowest - such as Tasmania and Western Australia.

*(Australia's Gambling Industries Inquiry Report: Part C Impacts 8 Accessibility and problems, p 8.1)*

*the gambling mode.* As noted in chapter 6, continuous forms of gambling, such as gaming machines, pose bigger risks than lotteries.

*(Australia's Gambling Industries Inquiry Report: Part C Impacts 8 Accessibility and problems, p 8.8)*

The Commission's estimates indicate that *lotteries* generate relatively low social costs and provide a clear (measured) net community benefit of between \$1.1 billion and \$1.5 billion. Spending by problem gamblers accounts for only 6 per cent of the total spent on lotteries - the vast majority is recreational gambling (table 9.4 in chapter 9). This small proportion of problem gambling expenditure means that, even if the estimate of social costs from problem gambling were to be increased to compensate for the conservatism and omissions in the Commission's estimates, lotteries would continue to show a significant net community benefit. This aligns with the Commission's assessment of other evidence to this inquiry.

*(Australia's Gambling Industries Inquiry Report: Part C Impacts 11 The net impacts, p 11.7)*

There are some limitations in this rule-of-thumb approach. Modes which do not involve continuous play, such as lotteries, might in reality be the source of a lower proportion of the social costs of problem gambling than their expenditure share suggests. It is also possible that different modes will occasion different social costs

per dollar spent by problem gamblers for other reasons, such as differences in the age or gender profile of gamblers that play the different modes. While these considerations mean that the approach for apportioning social costs will not be precise, in the absence of more specific information the Commission judges that it represents a reasonable approach.

*(Australia's Gambling Industries Inquiry Report: Part C Impacts 11 The net impacts, p 11.7)*

As shown in chapter 8, a key issue for problem gambling is *accessibility* to gambling opportunities. But the link between accessibility and exclusivity varies by mode of gambling. For example, while lotteries are operated as local monopolies, and this restricts the type of lottery tickets which can be purchased, it does not restrict accessibility to lottery gambling, as tickets can be bought widely - for example, at newsagencies. In any case, there is little evidence to date of problem gambling relating to lotteries (although some fear this may arise as lottery draws become more frequent).

Similarly, while TABs are also local monopolies, bets can be placed at TAB agencies, many clubs and hotels, and by telephone and internet. So while TABs are exclusive licensed, accessibility is not unduly restricted. But unlike lotteries, TABs are a significant source of problem gambling (chapter 6). Controlling accessibility might imply controlling the (already very large) number of races upon which wagering can take place, and is not in itself an ownership issue (chapter 15).

*(Australia's Gambling Industries Inquiry Report: Part D The policy environment 14 Are constraints on competition justified, p 14.19)*

The basis for restrictions on conventional lottery outlets appear slight as this form of gambling has few serious adverse social impacts. However, there may be grounds for controlling the accessibility of high frequency, low payoff lotteries or similar games, such as Keno. This is because an increased frequency of playing, combined with any shift in the payout distribution away from a few large prizes to many smaller ones, may initiate some of the sequences of problem gambling - such as chasing losses. Notably, in the UK the Government has moved to restrict the frequency of on-line lottery draws to no more than one a day.

*(Australia's Gambling Industries Inquiry Report: Part D The policy environment 16 Consumer protection, p 16.54)*

There is a consistent pattern in Australia in relation to the forms of gambling that lead to or are associated with problem gambling (table 17.13). 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 clients of counselling agencies report playing lottery games as the source of their problems.

*(Australia's Gambling Industries Inquiry Report: Part D The policy environment 17 Help for people affected by problem gambling, p 17.35)*

While lottery games attract the highest participation rates among gamblers Australia-wide, they are typically not associated with problematic behaviour. However, in Western Australia they account for gambling problems in around 9 per cent of cases, and in Queensland 4 per cent.

*(Australia's Gambling Industries Inquiry Report: Part D The policy environment 17 Help for people affected by problem gambling, p 17.50)*

The grounds for bans are strongest for gaming technologies (casino-type games such as roulette and virtual gaming machines). The case for banning internet wagering (sports betting and racing) or traditional lotteries are weaker, reflecting likely lower risks and the fact that other mediums for making these gambles, such as phone-betting, are close substitutes for the internet.

*(Australia's Gambling Industries Inquiry Report: Part D The policy environment 18 Policy for new technologies, p 18.54)*

However, lotteries (and to a lesser extent scratchies) show a quite different pattern to other gambling products. They exhibit some concentration of spending - as in all consumer goods - but nothing as extreme as that applying to other gambling forms. The top 10 per cent of spenders in Australian lotteries account for just under 40 per cent of total expenditure. In contrast, such a group accounts for around 80 per cent of total outlays for wagering, gaming machines and casino table games. Furthermore, the average annual outlay of heavy lottery players (the top 10 percent) is about \$1 500, which is not prohibitive as a share of most average incomes, whereas the average spends for the top 10 per cent of spenders in modes such as gaming machines (\$7 750) and wagering (\$10 011) looms much larger.

*(Australia's Gambling Industries Inquiry Report: Part D Appendix P Gambling, p P.6)*

Submission by  
NSW Lotteries  
to the Independent Pricing  
and Regulatory Tribunal  
(IPART)  
Gaming Inquiry

August 1998

## EXECUTIVE SUMMARY

- 1 Lottery games have operated in NSW for 67 years and have made a significant financial and social contribution to the State. This record has been achieved, without giving rise to social problems, by careful adherence to the regulatory environment and a recognition of the special obligations associated with being a responsible provider of gaming products.
- 2 As a publicly owned Corporation, NSW Lotteries is acutely aware of the need to balance commercial interests with a socially responsible approach to its activities. This was recently demonstrated by NSW Lotteries' voluntary participation in an industry-wide Code of Practice aimed at fostering a responsible environment for lottery games.
- 3 In the six year period ended 30 June 1997, total Australian turnover from all forms of gambling increased from \$30 billion to \$80 billion, an increase of 166%. However, Australian lottery growth over this period accounted for only 1% of the total growth turnover (from \$2.5 billion to \$3 billion). Gaming machine turnover over that time increased by \$37 billion and casino turnover by \$12 billion. The significant growth in these areas, and the nature of their products, has heightened awareness of problem gambling as an issue.
- 4 Lottery products possess characteristics which clearly distinguish them from other forms of gambling. Lottery products, because of their inherent design features, are not products which are conducive to compulsive play. Any coordinated approach to problem gaming should take account of this. A failure to recognise the different nature of lottery play could lead to an unnecessary degree of regulation which is inefficient and unproductive and could result in the diversion of resources from more appropriate areas.
- 5 Various independent research studies support the view that problem gambling is not generally associated with lotteries. A study by the University of Western Sydney in 1996 showed that participants in other forms of gambling were seven times more likely than lottery players to be problem gamblers or to be "at risk".
- 6 NSW Lotteries believes that the Terms of Reference of the Inquiry are too narrow and should be extended to include all providers of gaming and wagering, including TABLTD, racing and "pseudo" lotteries such as Trade Competitions.
- 7 The suggestion of a common levy being imposed on all operators, similar to the contribution paid by Star City Casino, does not withstand analysis. The net result of such a policy would be to extract the highest rate of payment from the operators that contribute least to the problem.

## **HISTORY AND ROLE OF NSW LOTTERIES CORPORATION**

NSW Lotteries is a NSW Government owned Corporation which has provided lottery games in NSW since 1931.

The first State Lottery was introduced at the height of the Great Depression to help alleviate the critical funding situation in the State's hospitals. Initial opposition by church groups and the Opposition of the day was withdrawn when the churches were unable to raise money by voluntary fundraising.

Over the years, lotteries have helped to pay for landmark projects such as the Sydney Opera House, and raised millions of dollars for schools, hospitals and other important community infrastructure. As gaming technology has developed, the lottery barrel has been replaced by a computerised random number generator, and new games such as Instant Scratchies, Lotto and Powerball have been introduced into the marketplace.

New lottery games tend to "cannibalise" existing games. However, they help keep the portfolio fresh and interesting for players and allow moderate net growth.

In 67 years of existence, NSW Lotteries has paid out more than \$7 billion to hundreds of thousands of winners and nearly \$3.5 billion has been contributed to the Consolidated Fund for the benefit of the NSW community.

From the start, probity issues were extremely important, as the new lottery had to compete with interstate lotteries, Art Unions, and widespread illegal betting.

All NSW Lotteries' games are conducted under statutory licences in accordance with specific Rules and Regulations approved by the Minister for Gaming and Racing, who administers the Public Lotteries Act which governs the operations of all games.

Public confidence in its operations is crucial for NSW Lotteries to continue to perform its role. The Corporation aims for the highest standards of integrity, responsibility and ethical business practices.

### **ECONOMIC CONTRIBUTION OF NSW LOTTERIES**

As a publicly owned Corporation, NSW Lotteries is acutely aware of the need to balance commercial interests with a socially responsible approach to its activities.

NSW Lotteries makes a significant contribution to the economy, which benefits the citizens of NSW regardless of whether or not they play the games.

Around a third of every dollar received is returned to the community in the form of a contribution to the Consolidated Fund. Last financial year more than \$300 million was raised, which pays for many essential services that otherwise would have to be funded through some other source or not at all.

NSW Lotteries also makes a significant indirect contribution to the NSW community. A staff of around 200 is directly employed by the Corporation, with hundreds of other jobs indirectly dependent on its business. Agents, printers, advertising and media personnel, transport and distribution workers, and manufacturers all benefit from NSW Lotteries and pass the money back into the economy.

Prizemoney can be expected to come back into the economy in the form of increased expenditure and investment. Based on feedback from the winners themselves, lottery winnings are likely to be spent on helping family members purchase their own homes, invested in job-creating family businesses or added to the nation's pool of savings.

The lottery industry is estimated to make a direct contribution to the Australian economy of over \$1,000 million or around 0.3 per cent of total GDP. Total direct employment generated in NSW is estimated at over 2,000 jobs. As many as 5,000 jobs in NSW result from the indirect benefits of the activities of NSW Lotteries.

## **TERMS OF REFERENCE**

In conducting this review the Tribunal will investigate the:

- ☞ need for and form of a Gaming Commission or similar authority to oversight gaming in NSW;
- ☞ relationship that should exist between the Casino Control Authority (and other existing licensing or regulatory bodies) and any such gaming commission or similar authority;
- ☞ measures (both existing and potential) to foster a responsible gaming environment;
- ☞ coordination of the problem gaming policies of hotels, registered clubs and the casino and other providers of gaming; and
- ☞ coordination of problem gaming support services and research centres to address problem gaming.

The forms of gaming that are to be covered by the Inquiry are:

- ☞ casino gaming
- ☞ machine gaming in registered clubs and hotels
- ☞ Club Keno
- ☞ operations of NSW Lotteries Corporation.

## **COMMENTS ON TERMS OF REFERENCE**

There is clearly a significant discrepancy between the Terms Of Reference outlined in the Community Partnership legislation, which did not include lotteries, and the published Terms Of Reference of the Inquiry.

NSW Lotteries is a member of the lottery industry which is a form of gaming - although most people regard buying a lottery ticket as a harmless flutter and fun rather than "hard" gambling. As such, the Corporation seeks to actively participate in any measures which may help to foster a responsible gaming environment.

NSW Lotteries believes that the Terms of Reference of the Inquiry are too narrow and should be extended to include all forms of gaming and wagering. If the overall objective of the Inquiry is to develop, as far as is reasonable, a coordinated approach to the issue of problem gambling then all relevant providers of gaming and wagering, including TABLTD and racing, should be included.

A less significant omission is that of "pseudo" lotteries, such as Trade Competitions, which are predicted to grow at an annual rate of 20% to 30%. In the twelve months to 30 June 1997, there were some 8,000 trade promotions in NSW offering prizes to the value of \$171 million. This included 76 promotions offering prizes of \$250,000 or more.

While such promotions may represent a relatively small proportion of turnover, the operation of this growing segment of activity should be included in the scope of the Inquiry.

## **RESPONSE TO TERMS OF REFERENCE**

### **1 NEED FOR AND FORM OF A GAMING COMMISSION OR SIMILAR AUTHORITY TO OVERSIGHT GAMING IN NSW**

From NSW Lotteries' perspective, the current regulatory environment is working adequately. However, if the same regulatory and public interest functions and responsibilities were to be performed by a new authority, such as a Gaming Commission, we would work within the relevant legislative framework governing our operations.

NSW Lotteries already complies with a very strict licensing framework established under the Public Lotteries Act.

Any changes to the rules for our various products are required to be approved by the Minister for Gaming and Racing and published in the Government Gazette. Control by the Minister extends to such matters as approval of changes to entry forms and equipment used for the conduct of draws.

The Department of Gaming and Racing monitors both the televised Lotto draw and the computerised allocation of prizes, while the Auditor-General monitors daily lottery draws, which are also open to the public.



In the case of lotteries, such as OZ Lotto, which are conducted on a national basis, games, subscriptions, prizes and dividends are audited by the Auditor-General in each participating State.

In order to justify a change to the existing arrangements, some fundamental questions must be satisfactorily addressed:

- ☞ What benefits will arise from the formation of a Gaming Commission compared to the current regime where the Minister for Gaming and Racing is the regulator for all forms of gaming and wagering?
- ☞ What are the shortcomings of the current regulatory regime and how will these be addressed by a Gaming Commission?
- ☞ If the objective of a Gaming Commission is a more coordinated approach to the total "gambling" market, then will it be effective if it excludes the operations of TABLTD and racing?

## **2 RELATIONSHIP THAT SHOULD EXIST BETWEEN THE CASINO CONTROL AUTHORITY (AND OTHER EXISTING LICENSING OR REGULATORY BODIES) AND ANY SUCH GAMING COMMISSION OR SIMILAR AUTHORITY**

NSW Lotteries has no day-to-day dealings with the Casino Control Authority and is not in a position to comment on the efficacy or otherwise of the current regulatory arrangements.

If a single regulatory entity (eg Gaming Commission) is created it would clearly need to continue to recognise the special nature of a casino's operations and ensure that the high degree of regulatory oversight evident in the current arrangements is maintained. The high level of supervision by the Casino Control Authority is not unique to the NSW environment. Close supervision of casinos exists throughout the world because of the particular nature of their operations and problems previously encountered in a number of overseas jurisdictions.

Any attempt to regulate gaming in a coordinated fashion needs to apply similar legislative frameworks to forms of gambling that operate similar types of products.

## **3 MEASURES (BOTH EXISTING AND POTENTIAL) TO FOSTER A RESPONSIBLE GAMING ENVIRONMENT**

In addressing the measures required to foster a responsible gaming environment, it is important to consider:

- research indicating the individual characteristics of the various forms of gaming and wagering and their differing propensities to cause social problems;

- the recent growth dynamics of the gambling industry which have led to an increased awareness of problem gambling; and
- the efficacy of existing measures which aim to ensure current operators act in a socially responsible way and in line with prevailing community standards.

### 3.1 RESEARCH

Research shows that the various forms of gaming and wagering can be placed on a continuum running from “hard” gambling at one extremity to “soft” gaming at the other. While there are no hard and fast rules for defining the various terms used in the industry, there are some very basic and commonsense differences between the games in the NSW Lotteries’ portfolio and “hard gambling”.

#### 3.1.1 “Continuous” and “Non-Continuous” Gambling

A recent study argued against classifying all gambling forms as similar and suggested they should be classified as “continuous” and “non-continuous”. Continuous gambling is characterised by gaming machines and casino games that permit a repeated cycle of stake, play, determination; and non-continuous is characterised by products such as lotteries, where there may be a period of hours or days between stake and determination (*Dickerson, 1996*).

Hard gambling is recognised as having inherent risks for the small segment of the total population who may be susceptible to problem gambling.

Lottery play, in contrast, is less attractive to problem gamblers due to the inherent characteristics of lottery games, ie:

- Chances are essentially random.
- Very little player skill is involved.
- There is limited opportunity for repeat betting, either in terms of the nature of the sales outlet, or in the format of the game.
- The size of the prospective prizes is not directly proportionate to the amount invested (ie in race betting the dividend is entirely dependant on the amount wagered).
- The activity often forms an incidental part of many players normal life routine.

- The activity takes place in an atmosphere, circumstances or a location which is familiar and acceptable to virtually the entire community.

### 3.1.2 Incidence Of 'Problem Gambling'

South Oaks Gambling Screen (SOGS) Scores are an internationally validated measure of diagnosis of 'pathological gambling'.

The measure consists of a series of questions which are predictors of pathological gambling behaviour. Scores on this scale above 10 indicate that a person is a problem gambler, and scores above 5 indicate that the person is at risk of becoming a problem gambler.

A report prepared by University of Western Sydney for the Casino Community Benefit Fund Trustees (January 1996) showed that amongst the Lotteries only group (N=140), only 0.7% of the sample (1 person) was indicated as being a problem gambler, and 1.4% (2 people) were in the 'at risk' category.

This was quite different from the OTHER (N=159) group, whose favourite gambling forms were gaming machines, followed by racing. In the OTHER group 3.8% (6 people) were identified as problem gamblers and 13.8% (22 people) were 'at risk'.

*(Note: This study pre-dated the establishment of the permanent Star City Casino).*

The table below shows the comparison between the two groups.

<b>SOGS score</b>	<b>Lotto Only %</b>	<b>OTHER %</b>
0-2	90.0	62.3
3-4	7.9	20.1
5-9	1.4	13.8
10-15	0.7	3.8

### 3.1.3 Attitudes To Gambling

People who play forms of gambling other than NSW Lotteries' games, are more involved and excited about their gambling than NSW Lotteries' players.

NSW Lotteries' games are played for the chance of making a dream come true (however the chance of winning is still seen as 'just a chance' and realistically a bit of a remote one), easy to play, and offering large prizes.

Casino, Keno, poker machines and card machines, however, are classified as games which have a much greater level of involvement; a variety of ways of playing; and are offered in a social setting.

A Newspan survey on community attitude to gambling conducted in 1998, indicates that approximately 90% of people perceive NSW Lotteries' games either as "not really gambling" or as being "soft gambling".

#### 3.1.4 Lottery Play

Lottery games offer very large prizes at long odds, and a range of smaller prizes at much lower odds. Players consider the odds, but feel that the entertainment value and the chance of winning justifies the small outlay.

It is interesting to note that some of our biggest millionaire winners continue to play lottery our games because they simply enjoy the fun of playing.

The realistic attitude of players is reflected in the low average purchase amount for NSW Lotteries' products. NSW Lotteries' customers play an average of less than \$10 per week.

### 3.2 TRENDS IN GAMBLING

The issue of problem gaming has only received wide attention in the past few years. In our view, this has been largely driven by the exponential growth in total gambling turnover primarily due to the expansion of the "hard" gambling options.

For example, according to the official industry statistics compiled by the Tasmanian Gaming Commission, in the six financial years to 30 June 1997, Australian casino turnover increased by \$12 billion (366%), and total electronic gaming machine turnover increased by \$37 billion (148%)

It would seem inevitable, that with such an expansion of gambling opportunities, the likelihood of any problems being encountered would also increase.

By way of comparison, over the same period there has been no such expansion of lottery turnover. Total sales of lottery products has basically kept pace with the prevailing rate of inflation, with an 18% increase over the same period.

The areas of potential impact upon problem gambling can be clearly seen from the table below. In a \$34 billion market dominated by gaming machines, lotteries share of turnover is only 3%.

<b>NSW Gaming and Wagering Turnover Share 1996/97</b>	
Gaming Machines	76%
Casino	6%
Racing	14%
Lotteries	3%
Keno	1%

### 3.3 RESPONSIBLE SALE AND PROMOTION OF NSW LOTTERIES PRODUCTS

All existing research indicates that there is a relatively small percentage of people in the total population who have some form of problem with their participation in gaming and wagering.

While only a very small proportion of players may be susceptible to problems associated with buying lottery products, NSW Lotteries is constantly striving to ensure that the sale and promotion of its games is done in a way which fosters responsible purchase.

#### 3.3.1 Lotteries Industry Code Of Practice

In addition to the tight regulatory frameworks which apply to the lotteries jurisdictions in each State or Territory, the Australian lotteries industry has developed its own standard of self-regulation in the form of the Australian Lotteries Industry Code of Practice.

The Code of Practice provides guidelines for the responsible sale and promotion of lotteries products, including a specific lotteries-related advertising code of ethics, and compliance with the general code of ethics adopted by the Australian Association of National Advertisers (AANA).

The Code of Practice provides for the referral of customers to appropriate community agencies if play should become a problem.

The Code also states that advertising should not give a false impression of the chances of winning a prize, and that odds and other game information should be readily available to players.

It is important to note that NSW Lotteries has yet to receive a single complaint from a player or from any other member of the community regarding problem gambling. While the Code of Practice addresses the issue of problem gaming, other matters vital to the responsible delivery of lottery services and of significance to players are also addressed. These include integrity in the conduct of draws and payment of prizes; and protection of the privacy of players, particularly major prize winners.

### 3.3.2 Advertising

NSW Lotteries prides itself on its record of producing advertising which is sensitive to community standards and values. NSW Lotteries and its contracted advertising agencies strictly observe the AANA Code which is incorporated into the Australian Lotteries Industry Code of Practice.

As a corporatised Government organisation, NSW Lotteries is even more cautious than private sector advertisers in assessing the likely impact of its commercials, bearing in mind contemporary community standards. All advertisements are evaluated by senior internal Marketing staff to assess any legal and self-regulatory implications of the concept as well as ensuring that appropriate recognition is given to broader community standards and values.

The advertising of lottery products is a very disciplined process. All major campaigns are market researched, evaluated through focus groups and extensively pre-tested with consumers prior to launch. This is done to ensure that advertisements meet community standards and expectations and have the broadest possible appeal.

In the event of any public concerns regarding advertising, our grievance procedures provide for review by the Chief Executive Officer and the NSW Lotteries Board.

### 3.3.3 Retail Network

The nature of the retail outlets making up the network of 1600 agents selling NSW Lotteries products mitigates against the compulsive purchase of our products:

- ☞ players are generally buying tickets in their neighbourhood, where they are subject to the scrutiny of their local community;
- transactions are processed quickly because of the high volume/low investment nature of lottery sales;
- ☞ players are not exposed to alcohol; or a retail environment where they are encouraged to spend considerable leisure time;
- ☞ full information on odds and game rules are available; and
- sale on credit or to minors is prohibited by statute with appropriate penalty.