

18 December 2009

Productivity Commission,  
Locked Bag 2,  
Collins St East,  
Melbourne,  
Victoria, 8003,

By email [gambling@pc.gov.au](mailto:gambling@pc.gov.au)

## Representation

This submission is made jointly by Lotto Agents Queensland (LAQ) and the Lottery Agents Association of Victoria (LAAV). Our organisations represent over 1000 small businesses in Victoria and Queensland, about 600 in Victoria and nearly 500 in Queensland.

All Lotto agents are small businesses, many operating Lotto sales activities as part of other business activities, most commonly newsagencies. The businesses have a geographic coverage that broadly reflects the population distribution in Victoria and Queensland, that is, in major cities, in provincial towns and in rural and remote areas. The other business services operated in conjunction with Lotto sales are particularly important to the delivery of goods and services to rural and remote areas.

## Focus

The LAQ and LAAV welcome the opportunity to make a submission in relation to the Productivity Commission Gambling Draft Report (October 2009).

The submission deals primarily with the issues raised and the recommendations made concerning online gaming and the Interactive Gambling Act (IGA), which is covered in Chapter 12 of the Draft report, and in particular the application to Lotteries.

## General Observations on Draft Report

The LAQ and LAAV notes the general thrust of the Commission's report, namely:

- The liberalisation of gambling in the 1990s;
- The resulting surge in gambling expenditure, and
- Recent focus of attention on harm minimisation, particularly in relation to problem gambling.

The Commission states that **it seeks the goal of providing evidence-based advice to government on the policies that are likely to be most effective in reducing the harm associated with gambling**, while preserving most of the benefits. The Commission notes that in balancing the potential costs and benefits, account needs to be taken of what is often imperfect evidence.

### **Harm Minimisation**

The LAQ and LAAV support the Commission's focus in the Draft report on risk reduction and harm minimisation. Both the LAQ and LAAV and its members in conjunction with the operator Tattersalls Group are active partners with the governments of Victoria and Queensland in developing and implementing harm minimisation strategies for Lotto games in their respective States. Agents provide the front line in relation to the implementation of harm minimisation strategies for Lotto games, and the evidence shows that the measures in place in lottery agents have been very successful.

### **Lotto Has Low Risk of Problem Gambling**

The LAQ and LAAV note and agree with the Commission's assessment that Lotto type games as now played and in the environment and context in which they are played represent a form of gambling that has low risks of problem gambling. As noted above, the LAQ and LAAV have played an active role in the harm minimisation strategies. Lotteries are sold through a highly regulated retail network of small businesses located in the local communities they serve.

### **Online Gaming and the IGA**

In relation to online gaming and the IGA, the Commission in a departure from the general thrust of the Draft Report which focuses properly on evidence-based policy and harm minimisation policies, recommends the repeal of the IGA and proposes instead a raft of poorly thought through alternatives that without doubt will increase the risks of problem gambling in a sector that hitherto has not experienced these problems.

The Commission has failed its own test of providing evidence-based advice to government on the policies that are likely to be most effective in reducing the harm associated with gambling, while preserving most of the benefits.

The Commission's Draft report highlights the risks and costs as including:

- On-line gambling creates more problem gambling (12.11);
- Credit card based gambling is most commonly associated with on-line gambling and can lead to the magnification of the financial harm of problem gambling (12.8),
- On-line gambling is a greater risk to the young (12.8),

- The variation in risk profile associated with different forms of on-line gambling (wagering, gaming, and Lotteries) will be compressed, that is the low risks associated with Lotto type gambling will increase (12.3), and
- Consumer protection is likely to be weaker (12.8).

The Commission acknowledges that the data is weak and that limitations with the literature make it hard to draw conclusions. The Commission also acknowledges that a prerequisite for analysing the impact of the IGA on gambling is reliable data on demand, but acknowledges that the data are far from reliable (12.17).

The Commission does not acknowledge that in submissions to the Senate Committee considering internet gambling, the State Lottery Operators stated that *"... a recent survey shows that the internet player stakes about 50% more than the one who goes to an ordinary retailer"* (Le Fleur's Lottery World- Scandinavian Report). This is a clear recognition by lottery operators that risks will increase with the repeal of the IGA.

In contrast with the rest of the Draft report, the consideration of on-line gambling in relation to Lotto games is particularly weak, and does not reach the standard set by the Commission for evidence-based policy formation. Consideration of this issue in 12.4 Alternatives to Prohibition, fails the test set by the Commission, which in essence is to **weigh the costs and benefits**. There is also no evidence presented to substantiate the generalisation provided in the Draft report that internet can more easily and effectively deliver harm minimisation information than venue based forms of gambling (12.20). The evidence is lacking. The job for the Commission is to weigh the costs and benefits, **which it has not done**.

The Commission concludes that while there will be risks and benefits, a properly regulated online gaming industry would deliver a net benefit to the Australian community. The Commission comes to this "on balance" judgement, based on acknowledged weak data and no other compelling evidence for any change to existing arrangements. The Commission fails its own test for evidence-based policy recommendation.

The regulatory regime proposed as a consequence of the Commission's recommendation to abolish the IGA proposes a set of poorly considered and untested generalisations about how to minimise the clearly acknowledged adverse consequences (Recommendations 12.1 and 12.2).

## Conclusion

It is the view of the LAQ and LAAV that:

- The Productivity Commission has not made the case for change to the IGA, particularly as it affects Lotto games;
- The data to support a change is either non-existent, very weak or points in contradictory directions, and certainly does not support a change in the IGA;

- Consideration of the interactive gambling issue, particularly as it affects Lotto type games, is weak and does not match the quality shown in the rest of the Draft report;
- The Commission fails its own test to provide evidence-based policy recommendations on this issue;
- The Commission fails its test to weigh the costs and benefits of the proposed change to the IGA and is reduced to making unsupported “on balance” judgements without the evidentiary base to support the recommendations, and
- The recommendations for harm minimisation if the IGA was abolished are weak and poorly developed.

There is now doubt that the risks of problem gambling would increase for Lotto games if the IGA was repealed. There are great doubts that the remedial measures recommended by the Commission would be effective.

For the reasons outlined above LAQ and LAAV believe that the current IGA ban on all forms of instant win games should remain in place.

The LAQ and LAAV would be pleased to further consult the productivity Commission with a view to assisting the Commission in its consideration of this very important issue.

Yours sincerely

Secretary LAQ

Chief Executive Officer LAAV