LOTTERIES

Western Australia

Millions Won. Thousands Helped.

Productivity Commission

Inquiry – Australian Gambling Industry

Submission by Lotteries Commission of Western Australia

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1. INTRODUCTION

The Lotteries Commission of Western Australia (LCWA) has pleasure in presenting to the Productivity Commission this discussion paper on Lotteries. It needs to be noted that because of the timeframe for finalising the presentation that this has not been endorsed by the Board of Commissioners as on official paper of the LCWA, nor has it as yet received the approval of the Minister. Nevertheless, the views contained in the paper reflect in general terms the views as expressed by the Board of Commissioners about the role of the Commission in Western Australia and the discussions on issues for the future.

The paper is essentially a descriptive document which outlines how the Lotteries in Western Australia are conducted, sales history in recent years and how the profits are distributed.

As the availability of various forms of gambling have increased, new issues in terms of the impact on the economy and on society are emerging. The LCWA has taken a keen interest in the development of public policy in this area, both at a State, National and International level. In 1995, the LCWA hosted an international lottery conference in Perth on behalf of Intertoto, the international professional lottery organisation of which almost all lotteries are members. 1000 delegates attended the conference. The planning of this conference, particularly the planning of the business program and the tradeshow, which is an integral part of the business program, gave the LCWA a unique opportunity to develop international networks and to understand the key drivers of the industry and issues for the future.

We believe the decision by the Federal Government to appoint a Commission of Inquiry into the Australian Gambling Industry is a timely one at this stage of the development of the industry. It is also important that serious questions be asked about the industry and its future direction. It is important in our view that those in the business contribute to the important debates that are required at this time. It is interesting to note that the questions being asked by this inquiry are to a very large extent being mirrored in a Senate Committee inquiry established by the President of the United States of America. This committee has been given three years to report on its findings.

Internationally the issues common to the lotteries industry discussed are:

- What to do about flattening sales and indeed negative growth in some jurisdictions? Current products have reached maturity in most developed jurisdictions. There is a common product lifecycle pattern seen wherever Lotto and Instant Tickets have been introduced, with extremely rapid sales growth in the first 5 to 10 years followed by gradually flattening and tapering off of sales. Assuming continued growth should be pursued, options include:
  1. Introduce new products. Current new products include TV game shows based on online products such as Telebingo in New Zealand and in some jurisdictions have included gaming machines [eg Tattersalls and Golden

Casket in Australia and the Atlantic Lottery Corporation and Lotto Quebec in Canada]

2. Develop new channels for product distribution. This has included in some places instant ticket vending machines as well as different types of retail outlets including licensed premises.
3. Use of the telephone and Internet as a means of distribution. The latter in particular is in its infancy and in the jurisdiction where it was first introduced [Finland] it accounts for less than 1% of sales.

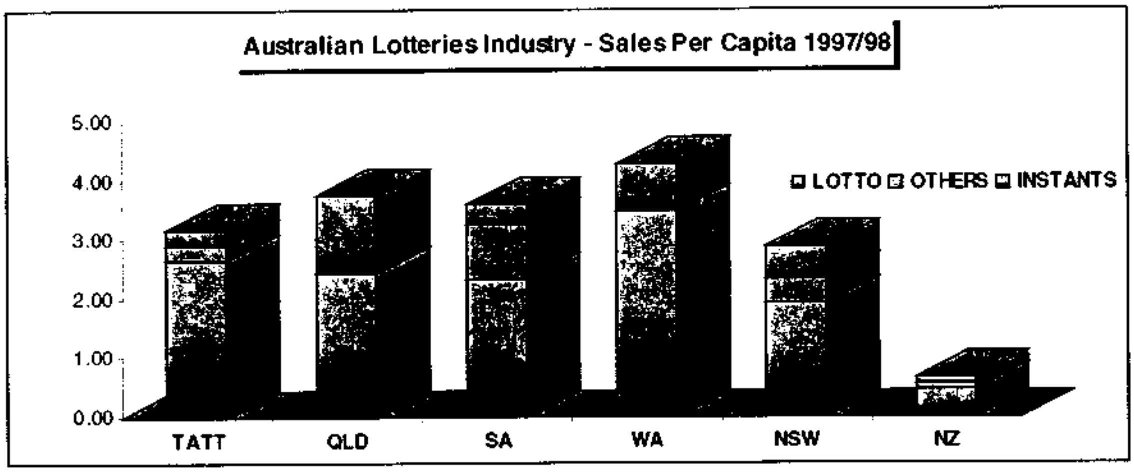
- How much growth should be sought is now being openly debated in the industry? Some governments clearly are pressing some Lotteries for improved returns while in others they are being given a clear message that growth must be restrained.
- Who should benefit from lotteries? Should the proceeds be clearly linked to particular worthy causes or should the proceeds simply be another form of government revenue?
- What of the responsibility Lotteries has to its Distribution Network? Many small businesses are increasingly reliant on Lotteries as their major source of revenue. With the increasing costs being faced by small business what responsibility does the Lottery have to this group of stakeholders?
- What type and amount of advertising is appropriate? It is interesting to note that in some States in the USA, the legislature has slashed the advertising budgets of the Lottery.
- What are the long-term implications of the Internet and electronic commerce in general for the lottery business?
- What should be the relationship of the lottery to government? Should the Lottery continue to be run as a government instrumentality as it is in most places in the world? Should it be corporatised [and indeed what does that mean for a State run lottery]. Should it be privatised?

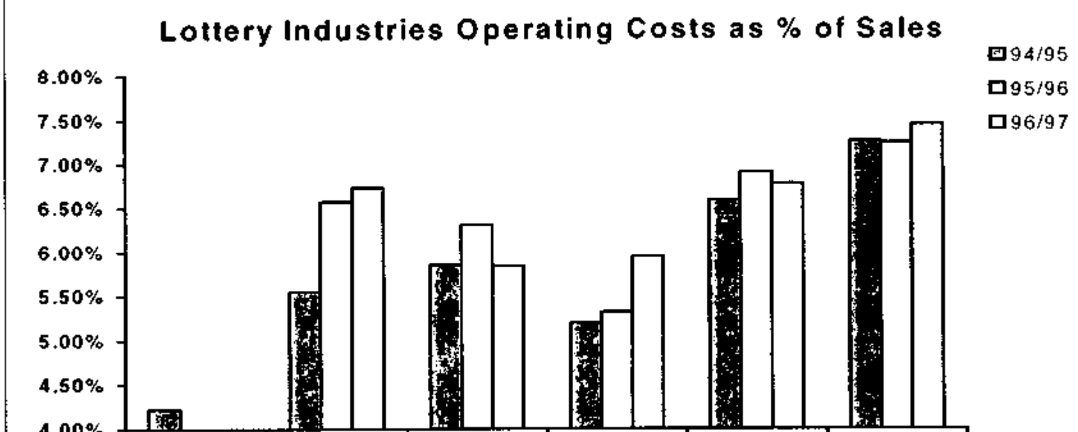
These and other questions are facing the LCWA and all lotteries as we move toward the next century. We look forward to contributing to this review process and to providing more information if it is useful to the debate.

2. EXCUTIVE SUMMARY

Lotteries in Western Australia since its inception has been based on directly linking the proceeds of gaming to worthy causes. Not only has the Lotteries Commission raised the funds from operating games of chance, it has had the responsibility to distribute a substantial proportion of the funds to worthy causes. This dual role has resulted in the LCWA developing a different structure to those in other States and has greatly influenced its attitude to social responsibilities and the expansion of gaming.

Despite this, the effectiveness and efficiency of the Lotteries Commission of Western Australia is extremely high, as shown in the graphs below:





	TATT	QLD	SA	WA	NSW	NZ
94/95	4.23%	5.55%	5.85%	5.19%	6.58%	7.26%
95/96	0.00%	6.57%	6.31%	5.31%	6.90%	7.24%
96/97	0.00%	6.73%	5.84%	5.94%	6.78%	7.44%

Gaming has not expanded in Western Australia at the same rate as in other States and as a consequence the incidence of problem gambling is very low at 0.32% (when compared to other States such as Victoria at 3%).

The Western Australian approach to gaming (and to Lotteries in particular) attempts to strike a balance between public access to gaming products and controls on the expansion of gaming. Most importantly it is based on the principle of gaming for public benefit, a principle strongly supported and expected by the public of Western Australia.

The LCWA believes there is a strong argument for Governments to continue to own and operate the State Lottery either as a statutory authority or a government corporation. In those few jurisdictions both within Australia and in other parts of the world where the Lotteries Operator has been privatised, there is no compelling evidence that indicates the public or the community has benefited from the private ownership. In fact in most of these jurisdictions there exists significant transfer payments between the private operator and the regulator which, in the Western Australian model, would have been available to the public by way of grants.

The LCWA believes any expansion of gaming should be done in a socially responsible manner and that new gaming products and distribution methods should be considered from the perspective of possible adverse impact on the community. In particular, the current approach to Internet gaming does not appear to be based on any research or with any knowledge about the social or economic impact on the community and Australia.

Marketing and advertising strategies associated with gaming and gaming products must take into consideration the adverse impacts of gaming on individuals and the community, and be tempered so as not to offer products to the public with false promises or expectations. These principles form the basis of the Lotteries Code of Conduct, which the members of the Australian Lotteries Industry recently developed and published.

The funding derived from gaming should be directly linked to specific community purposes and worthy causes through either statutory formulas or direct grants programs. This approach has resulted in the development of player support in Western Australia, and also in theScandinavian countries of Finland and Norway who are also extremely successful in maintaining player and public support through linking their lotteries returns to worthy causes of health, sport and culture.

The LCWA observes that the expansion of gaming in other States has resulted in significant increases in state revenues and benefits to some sectors of the economy. The evidence available suggests that these benefits are at significant cost to other sectors of the economy and individuals. It is to be hoped that the review of the Productivity Commission will result in better information of the consequences overall of the expansion of gambling.

3. CURRENT OVERVIEW OF THE LOTTERIES COMMISSION

The Lotteries Commission of Western Australia (LCWA) occupies a unique position in the Western Australian community and indeed Australia. It is a government agency which operates in both the philanthropic funds distribution and gaming arenas.

The LCWA primary responsibility is to raise funds for the community of Western Australia using games of chance. As well as raising funds for distribution by other government departments (Arts, Health and Sports), it distributes a substantial proportion of the funds directly to a wide range of voluntary, charitable and community organisations.

The Accountable Authority is a 6 member Board of Commissioners comprising of representatives with commercial and community backgrounds. The Board is appointed by and reports to the Minister for Racing and Gaming.

The LCWA sells its products though a network of over 600 small independent businesses primarily Newsagencies and specialised kiosks.

The controlling legislation, the Lotteries Commission Act 1990 (as amended), provides the LCWA with the powers to conduct its activities.

3.1. Background of Lotteries and the Lotteries Commission

The LCWA was created in 1933 to eradicate private lottery racketeering and to ensure that the community gained a real benefit from the proceeds of gaming. This action of Government recognised the attraction of games of chance to Western Australians, ensured that players were protected through the establishment of a single credible supplier and ensured that specific amounts of money flowed to charitable organisations or, to other recipients who provided community services such as hospitals.

The initial legislation included provisions for the LCWA to run draw lotteries, license bingo and raffles as well as administer the necessary regulatory framework that controlled how others could run games of chance.

The Lotteries Control Act (1954) continued with the initial purpose including the licensing role.

The current act, Lotteries Commission Act 1990 (as amended) referred to in this document as "the Act", has also continued in a similar vein, however in 1988 the responsibility for controlling private fundraising from games of chance was transferred to the then Office of Racing and Gaming. The LCWA continued with the responsibility for conducting the State Lottery and distributing the funds raised by these activities.

3.1.1. Specific Objectives of the Lotteries Commission Act

The specific objectives of the Act are:

- to provide for the operation of a State lottery in Western Australia which is enabled to;
  - establish standards for product and service quality;
  - develop and publish the game rules; and
  - determine prices;

  and thus maintain the integrity of Lotteries Western Australia;
- to raise revenue and to distribute directly to 'eligible' organisations, namely not for profit community groups and local government authorities, for benevolent and charitable purposes;

- to raise revenue for specific government agencies (Health, Arts and Sports);
- to raise revenue for specific purposes named in the Act (the Festival of Perth and the Commercial Film Industry); and
- to provide maximum disclosure and accountability to the Western Australian Parliament, the public and other organisations with which it deals.

3.2. The Relationship Between the Lotteries Commission and the Office of Racing, Gaming and Liquor.

Unlike the other gaming sectors in Western Australia, the LCWA is not regulated by the Office of Racing, Gaming and Liquor. The Lotteries Commission Act allows the LCWA to do all things necessary to conduct Lotteries. The Gaming Commission Act supports this position by making the conduct of a Lottery unlawful unless, amongst other things, it is conducted under the Lotteries Commission Act.

However the LCWA must obtain a permit from the Minister for Racing and Gaming prior to running each Lottery game and prior to the introduction of any new Lottery Product.

This relatively minimal level of regulation of the LCWA has allowed the Office of Racing, Gaming and Liquor to concentrate on the regulation of the more complex racing and casino operations. This has kept regulatory transfer payments between government agencies to a minimum and has enabled maximum returns from Lottery Products to the community.

Under a contractual arrangement with the LCWA, the Office of Racing, Gaming and Liquor undertakes draw supervision of the LCWA's Lotto games. In addition the Office of Racing, Gaming and Liquor is consulted prior to the introduction of any new Lottery Products.

3.3. Games Operated by the Lotteries Commission.

3.3.1. National Games

Five of the six of LCWA's products are administered as partnerships known as "Blocs", formed with the other members of the Australian Lotteries Industry. The purpose of the establishment of these arrangements is to create a sufficient prize pool to be attractive to players. The products offered and the respective Blocs are:

Saturday Lotto – established in WA in 1979, joined the Bloc in 1981, and went "online" in 1986	Australian Lotto Bloc	WA, SA, and Tattersalls (Vic, Canberra, NT, Tas)
Oz Lotto (Tuesday Night) –	National Lotto Bloc	WA, SA, Tattersalls (Vic, Canberra, NT, Tas) and

established 1994		NSW
Powerball (Thursday Night) – established 1996 (This was formerly Midweek Lotto, played on a Wednesday. It commenced "offline" in 1983 and went "online" in 1986)	Powerball Lotto Bloc	WA, SA, Tattersalls (Vic, Canberra, NT, Tas) and NSW
Soccer Pools (Weekend) – joined 1989	Soccer Pools Bloc	WA, SA, Tattersalls (Vic, Canberra, NT, Tas) and NSW
Super 66 – 1986 (An "add-on game sold with the Lotto products")	Australian Lotto Bloc	WA, SA, and Tattersalls (Vic, Canberra, NT, Tas)

It needs to be noted that the growth in Lotto sales in Western Australia commenced with the introduction of "on-line" technology in 1986. This pattern has been common in all jurisdictions where sales grow rapidly for the first few years after the introduction of the product. Currently the Lotteries industries in most jurisdictions are facing flat sales or negative growth. Internationally, as reflected in the trade journals, the majority of jurisdictions are seeking new opportunities for growth to maintain returns to government. This issue is addressed further in the conclusion of this paper

3.3.2. State Games

In addition the LCWA offers Instant Tickets of $1, $2, $3 and $5 denominations marketed under the brand "Scratch'n'Win". In November a State numbers game known as Cash 3 will be introduced.

The $3 Instant Ticket game is referred to as a "long play" game and provides players with a degree of entertainment due to the time it takes to complete each game. The LCWA has been more successful than other world jurisdictions in its marketing and sales of this "long play" product.

Cash 3 is a fixed prize game. A decision was taken to introduce this game as a result of market research that indicated there was a gap in the LCWA's product range for a low cost, moderate prize payout game with relatively short odds. Cash 3 will fill this gap - for a $1 purchase price, a player can win a $500 prize at odds of 1000:1. The Cash 3 game will be drawn daily. The purpose of the introduction of this new product is to maintain current levels of funding to the community.

The Act also allows the LCWA to run Sports Lotteries (ie games of chance where the results are based on the outcomes of one or more specified sporting events). Currently, Soccer Pools is the only sports lottery offered by the LCWA.

3.4. Relationship with Other Members of the Australian Lotteries Industry

The voluntary cooperation between the States in managing the existing Lotto and Soccer Pools products as well as in researching and developing new games has been an essential factor in the success of Lotteries in Australia.

Because of the somewhat different gaming legislation in each State, the differing markets i.e. the history of the development of Lotteries in each State, and other competing products as well as variable political attitudes towards new forms of gaming, the development of coordinated national business plans for Lotteries has created challenges, particularly in recent times.

3.4.1. National Bloc Code of Conduct

The members of the Lotto Blocs have developed a national Code of Conduct to apply to all members. The code was signed by all members on 30 June 1998.

The voluntary code covers the following areas:

- a Lotteries Industry Accord which covers the objective of the code, responsible lotteries management, player information, handing of complaints and review of the code;
- a Lotteries Industry Advertising Code of Ethics;
- a Lotteries Operators Code of Practice; and
- a Lottery Retailers Code of Practice.

A copy of the Code of Conduct is attached to this paper.

4. DATA ON GAMBLERS AND THE LOTTERIES COMMISSION'S PLAYERS

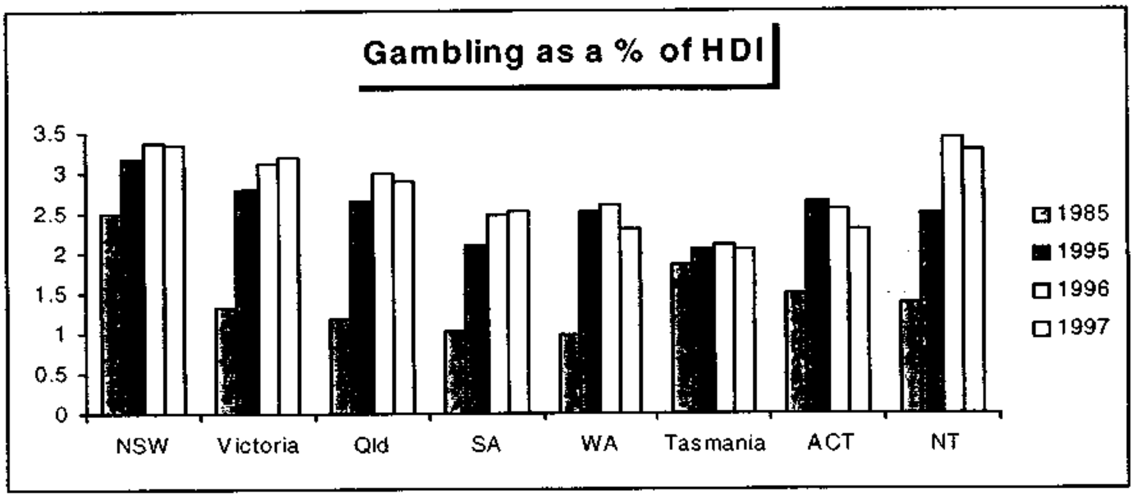
It needs to be noted that the data currently available on gambling expenditure, economic impact and on player behaviour has its limitations due to variances that exists between revenue and expense accounting practices in each jurisdiction. The information quoted below is based on such information and is available from The Tasmanian Gaming Commission, ABS Data, International studies and our own market research

4.1. The Western Australian Gambling and Lotteries Markets

The July 1997 Australian Gambling Statistics published by the Tasmanian Gaming Commission reported that Western Australians expended $540 per adult on gambling made up of $107 on Racing and $122 on Lotteries Commission Products, $290 on casino gambling and $21 on other gaming including charitable lotteries.

As can be seen in the Table below, gambling expenditure as a percentage of household income increased considerably between 1985 and 1997 in Western Australia, however people in other Australian States are spending considerably more of their incomes on gambling particularly in NSW, Victoria and Queensland.

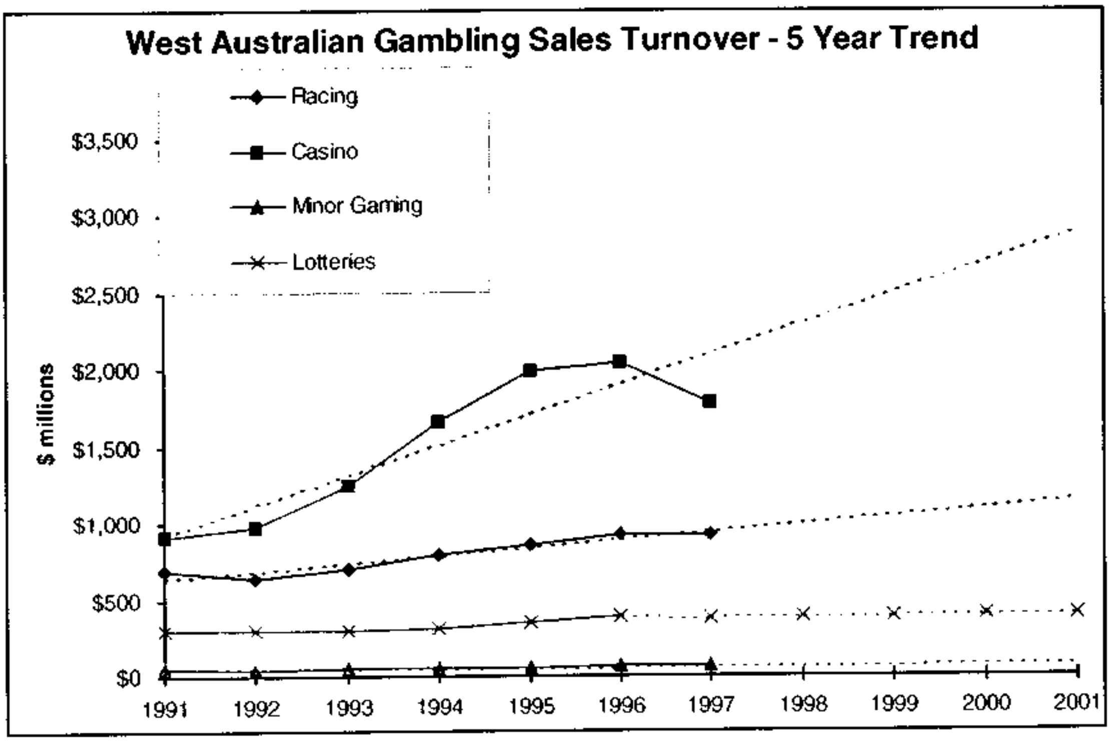
Table:Gambling as a percentage of household disposable income in Australian States

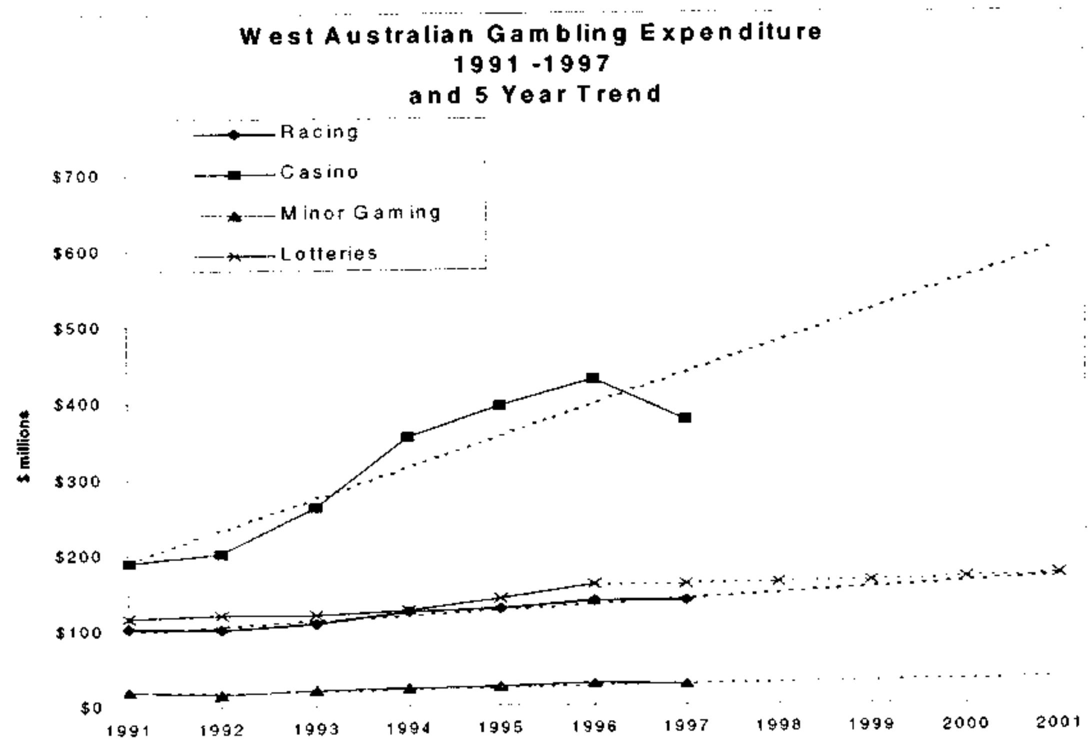


The graphs below show changes in gambling and gaming turnovers and market share in Western Australia in the six years between 1990/91 and 1996/97.

- There has been a 61% overall increase in total gambling turnover in the 6 year period from $1.935 billion to $3.160 billion
- The Casino's market share has increased by 9.5% during the 6 year period but there was a noticeable flattening in sales turnover in the 1995/96 and a down turn of sales in 1996/97.
- Bingo and minor gaming have retained their market share.
- Racing lost 6% of market share in this period although total racing turnover continued to grow.
- Lotteries market share fell by 3% but sales turnover has also continued to grow.

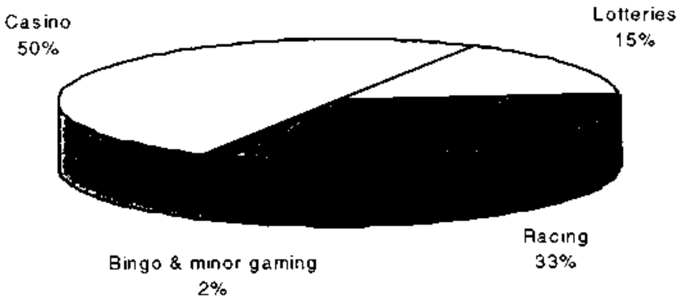
Trends in the Western Australian Gambling Market since 1991





The Western Australian Gambling Market

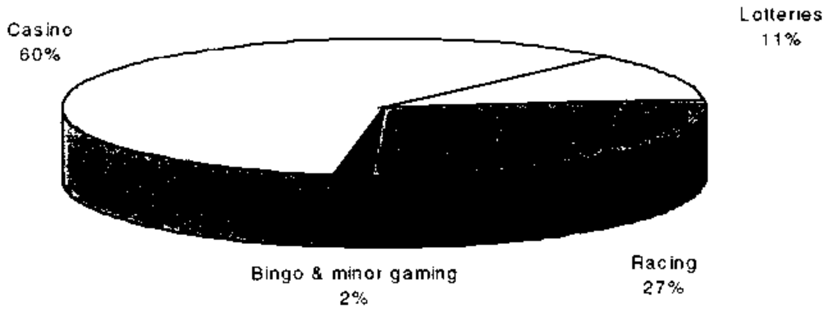
West Australian Gambling Market 1991/92



Total WA Gambling Sales Turnover in 1992 = $A 1.956 Billion

Relative Shares in the 1995/96 Gambling Market

West Australian Gambling Market 1995/96



Total WA Gambling Sales Turnover in 1996 = $A 3.429 Billion

"La Fleur World Lottery Almanac 1996" [1] provides relative data on a range of 182 lotteries spread throughout the United States, Canada, New Zealand and Australasia. In the 1996 and 1997 Almanacs the rankings given for the percentage of household income used to purchase lotteries in each of the Australian states was as follows.

Note [1]: Terri La Fleur is a well known author and publisher of Lotteries statistics and regularly collects and publishes comparative Lotteries data from most of the worlds significant lottery jurisdictions.

Percentage of household income used to purchase Lotteries in each Australian State

	1995*	1996**	1997***
QUEENSLAND	1.433%	1.423%	1.395%
NSW	0.886%	0.920%	1.000%
SA	1.164%	1.171%	1.234%
TATTERSALLS (VIC)	1.268%	1.295%	1.234%
WESTERN AUSTRALIA	**1.456%**	**1.642%**	**1.611%**
AVERAGE	**1.160%**	**1.197%**	**1.217%**

* La Fleur 1996 World Lottery Almanac, p222

** La Fleur 1997 World Lottery Almanac, p220

*** La Fleur 1998 World Lottery Almanac, p220

Amongst other things, the comparative success of the LCWA in terms of percentage of HDI used to purchase Lottery Products can be attributed to the absence of electronic gaming machines in the market place.

4.2. Lotteries Players

Lotteries have a particular niche in the gambling market and have the advantage of being perceived by players according to our market research as:

- not being a form of "real" gambling, or at least as a "hard" or serious form of gambling (i.e. TAB or casino);
- a normal part of life;
- continuing to the support of worthwhile causes;
- having the image of the games being fair and the prize money being distributed fairly; and
- not encouraging forms of "hard" gambling.

In addition people playing Lotto and Instant Tickets are motivated mainly by the dream of winning while it appears that people involved in other forms of gambling (such as TAB and casino) are motivated by a complex combination of a desire for entertainment, excitement, the application of knowledge or skill, along with the dream of winning and the potential of being seen as a winner.

Lotteries players have the following spending characteristics:

- their purchases are usually planned more than impulsive; and

- the amount spent each week is usually a planned part of the overall household budget and decision making process.

Very clearly the participation rate in lotteries increases with the size of the first prize especially with jackpot draws. For example, in Western Australia the normal Saturday Lotto sales turnover virtually doubles with bonus draws.

4.3. Segmentation of the Lotteries Market

The LCWA regularly undertakes market research to determine its player base and their attitudes. Research indicates the following:

Lotto

- 47% of adults over the age of 18 are regular players and play at least once a week;
- 29% of adults over the age of 18 are infrequent players and play at least once a month;
- 22% are non players.

Instant Tickets

- 15% of adults over the age of 18 are regular players and play once a week;
- 48% are infrequent players;
- 35% are non players.

Lotto and Scratch'n'Win players are not a homogeneous group. Motivation and propensity to play varies considerably.

Should the Review Committee require further information on market segmentation, this will be provided on the basis that the information is confidential and will not be made available to any third parties.

4.4. Advertising by the Lotteries Commission

The LCWA is very conscious of its responsibility to balance its charter to maximise revenue for the benefit of the community with the need to conduct its business in a socially responsible way and control the expansion of gambling in the State.

The LCWA's advertising campaigns are therefore very carefully positioned to depict the playing of games as light hearted fun. The advertisements use humour and images and create possible outcomes of winning. They deliberately do not suggest that everyone will be a winner nor do they entice players with false promises. They are used to remind the public of the products, to publicise jackpots and bonus draws when these events occur and to remind the public of how the proceeds of Lotteries are used.

The LCWA and its retailers are operating in a very competitive market. There is a clear relationship between the extent of advertising and sales results. The LCWA believes it has achieved a reasonable balance in advertising which achieves revenue targets without inappropriately promoting gambling. All advertising complies with relevant codes of conduct.

5. ECONOMIC IMPACT

5.1. State Government Dependence On Gambling Revenue

State governments have become increasingly dependent on revenue from gambling. Estimates suggest that all State governments obtain approximately 12% of their total revenue from gambling with Victoria being as high as 14% and Western Australia approximately 9%.

The table below shows how the amounts have increased sharply (almost 50%) in the past few years. (Figures are from the Australian Gambling Statistics 1972-1997 prepared by the Tasmanian Gaming Authority).

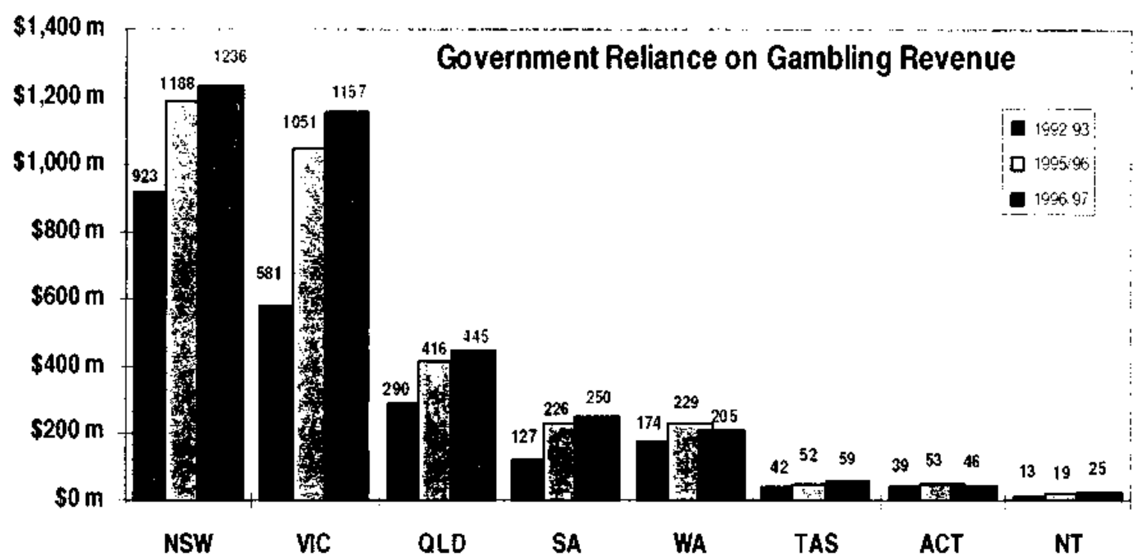
Both the New South Wales and Victorian governments are earning over $1 billion per annum in gambling revenues.

Victoria shows how the private enterprise model of gambling has accelerated the propensity to gamble at a very significant rate, and has resulted in the transference of significant funds to government.

While this may be in the interest of government and some sectors of business, the question of the long term impact on the overall economy, other small businesses, and who benefits and who loses from this expansion, quite apart from the social impact is yet to be definitively determined. It is hoped that the review by the Productivity Commission will address this very important question.

State and Territory Government Reliance on Gambling Taxes

$m's					
	92/93	93/94	94/95	95/96	96/97
NSW	923	1010	1080	1188	1236
VIC	581	744	905	1051	1157
QLD	290	335	385	417	445
SA	127	130	182	226	250
WA	174	192	206	229	205
TAS	42	45	50	52	58
ACT	39	47	52	52	46
NT	13	13	16	19	25
TOTAL	2189	2516	2876	3235	3423



2.4 I:\industry\data\[gambling xls]government revenue from gamblin Source Australian Gambling Statistics - Tasmanian Gaming Commission

5.2. Value of the Lotteries Industry in Western Australia

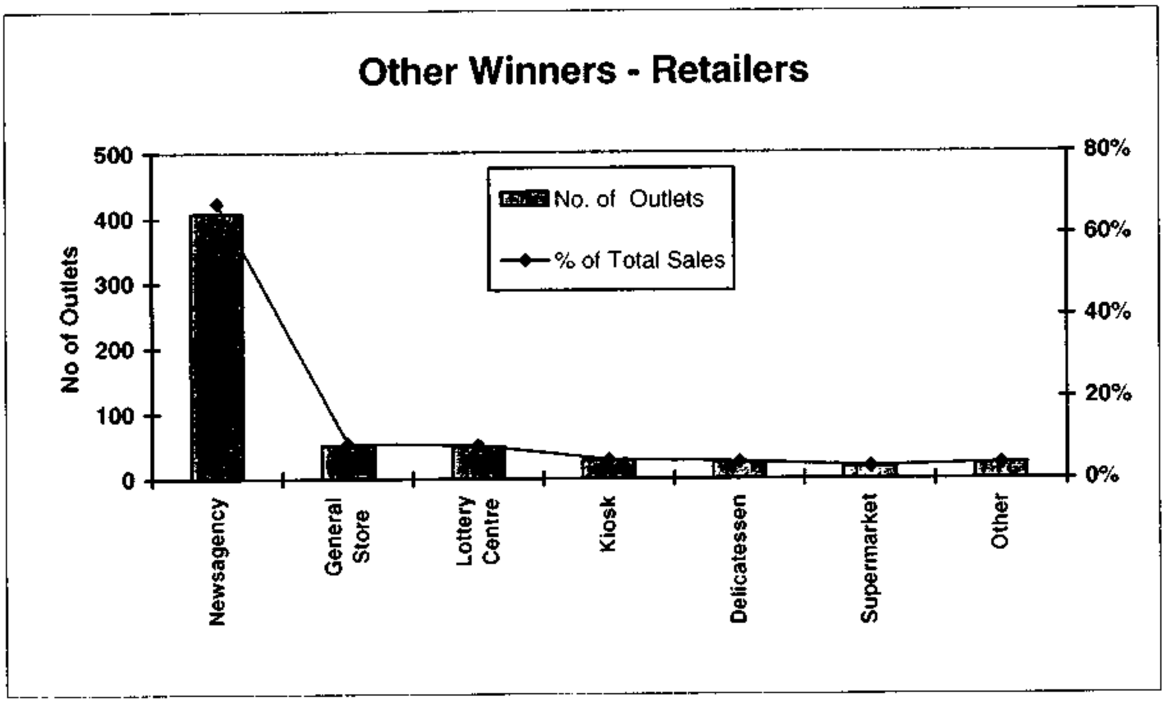
Based on 1997/98 annual report, the LCWA contributed $126 million to the community through its direct and statutory grants program. In addition $31 million in commissions (approximately 7.7% of sales turnover) was paid to Lotteries Retailers.

5.3. Direct Employment in the Lotteries Industry

Based on 1997/98 figures, the Lotteries Commission of Western Australia contributed directly to the States employment by in excess of 1500 jobs, made up of:

- 130 full time equivalents within the Lotteries Commission;
- more than 1400 jobs from the States 450 Online Retail Outlets each employing a minimum of 2 and up to 12 staff and 150 Instant Only Outlets (see graph below);
- 8 jobs at the Commission's contracted advertising agency;
- 3 jobs at the Commission's internal audit supplier;
- 2 jobs at the Commission's contracted point of sale maintenance contractor; and
- at least 1 job at each of the following contracted service providers – legal services, printers, plastic fabricators, point of sale cabinet makers, signage contractors, cleaners, and building maintenance contract.

In addition there are numerous positions, both full time and part time, in the not for profit sector that have been created as a consequence of the Commission's direct funding programs – both in terms of direct service delivery positions and the provision of goods and services to that sector



6. POLICY AND REGULATORY FRAMEWORK FOR LOTTERIES IN WESTERN AUSTRALIA

6.1. Gaming Commission Act 1987

The Gaming Commission Act 1987 (GCA) provides the general policy and legislative framework for the regulation of gaming and lotteries in this State.

The function of the Gaming Commission is to administer the law relating to gaming and betting in Western Australia and formulate and implement policies for control and regulation. They also regulate and license premises, gaming equipment, operations and persons concerned with gaming or betting including the Casino.

The GCA limits sellers and potential sellers of lottery products to conducting only standard lotteries and continuing lotteries. It also prevents lotteries from being run for private or commercial gain.

The GCA defines gaming as "the playing of a game of chance for winnings in money or money's worth, whether any person playing the game is at risk of losing any money or money's worth or not."

The Gaming Commission Act in Section 3 defines **a Lottery** as including;

- any scheme or device for the sale, gift, disposal, or distribution of any property depending upon or to be determined by lot or chance...

- a scheme or device for the disposition of property of the kind commonly known as an art union, raffles, guessing competitions etc
- any disposition of property under any scheme or competition which the public ..... may be invited to enter, the nature or conduct of which ... is such as in the circumstances of the case to preclude the fair consideration of the answers of the entrants or competitors.

Research has indicated that this definition of lotteries stems from the 1912 Criminal Code and was concerned with reducing criminal activities and preventing fraud.

The GCA specifies that all lotteries are unlawful unless conducted under the Lotteries Commission Act, the Casino Control Act or are deemed to be a permitted lottery within the meaning of the Gaming Commission Act.

The GCA identifies specific offences in relation to lotteries covering fraud and the conducting of an unlawful lottery. Interstate distribution and transactions are specifically prohibited.

The GCA was reviewed in 1996 with the Terms of Reference being limited to specific issues identified within the Act itself. Broader gaming policy issues were not canvassed. Several changes were recommended relevant to the Lotteries Commission. It is understood that the changes will not be introduced into Parliament until 1999.

6.2. Components of the Lotteries Commission Act 1990 (as amended)

The 1990 Lotteries Commission Act was last amended in 1998. The purpose of the 1998 amendment was to define lotteries more broadly to give the LCWA powers to introduce new products and if appropriate to form business partnerships with suitable organisations other than members of the Australian Lotteries Industry.

During the debate on the Lotteries Amendments Bill (1998) there was bi-partisan support shown by all speakers for the operations of the LCWA. The various statements recorded in the Hansard from both the Upper and Lower Houses are quoted below:

<u>Legislative Council</u>

Hon Ken Travers [ALP] – "it is a world class system in the way it is run and funding is distributed to worthwhile community projects". (p2573)

Hon Norm Kelly [Democrats] – "we express our appreciation for the work the Lotteries commission does in this State not only in administering the lotteries but in the distribution of lotteries revenue". (p2575)

Hon Giz Watson [Greens] – "... I support the work of the Lotteries Commission and think it does an excellent job". (p2579)

Hon Tom Helm [ALP] – "I need to repeat some of the debate in the caucus when we talked about the good work that the Lotteries Commission does. The way the Lotteries Commission works seems to be satisfactory." (p2380)

Hon BK Donaldson [National Party] – ".... I have seen the results of the distribution of funds from the Lotteries Commission in the wider community, in both country and metropolitan areas. It is of significant benefit." (p2582)

Assembly

Ms Warnock [ALP] – "The Opposition ... records its appreciation of the importance of the Lotteries Commission in the fabric of Western Australian society. ... I am well aware of the enormous effort the Commission makes in spreading its funds throughout the community to hundreds and thousands of community groups that are very glad to receive funding to carry out their various activities in the community." (pps4291-2)

Mr Marlborough [ALP] "I have seen nothing to dissuade me from the view that the Commission is the most appropriate body to deal with the needs of the battlers in the community. It allows for the distribution of funds at minimal administration cost to those who most need them, as quickly as possible. We would not survive without the Commission."(p4299)

The current Act is all encompassing, incorporating provisions relevant to the conduct of lotteries as well as the regulation and the financial management of the gaming and distribution of the proceeds.

The various components are as follows:

- the continued existence of the LCWA (section 4)
- the enabling of the LCWA to conduct lotteries (section 6);
- the definitions of what is a lottery, instant lottery, sports lottery, soccer pools, etc (s 3);
- the composition of the LCWA and its governance (s 5);
- staffing (s 9);
- the LCWA's relationship to government and the Minister for Racing and Gaming (s 7);
- the financial management of the organisation (s 19 & 20);
- the requirements for accountability to the Parliament (s 25);
- the distribution of the proceeds from the games including the discretionary component (s24 & 26);
- the regulation of lotteries (s 10, 12, 13, 14, 15, 16, 17, 27, 28 & 29); and
- the requirement to review the legislation (s 30).

The term Lotteries is also defined in the Act and is given a more liberal interpretation than in the Gaming Commission Act, namely:

Lottery means a scheme or device in which the success or otherwise of participants is governed by numbers, tickets, events, etc, drawn or determined in a manner involving a degree of randomness or chance.

This definition is only used for the purpose of defining a lottery run under the Lotteries Commission Act.

6.3. Principles for Lotteries Regulation

The LCWA believes the following principles should be used for any future legislative framework for gaming and gambling:

- Gaming profits should continue to be used predominantly for community purposes.
- Limited monopolies should exist to regulate competition and to protect important sources of revenue for community benefit.
- There should be specific government regulation of gaming and gambling to protect the rights of consumers, to keep out criminal elements and to maintain the integrity of operators.
- The policy and regulatory regime should be predictable, transparent and as consistent as possible.
- Gaming and gambling operators should have the freedom to run their businesses in a socially responsible way.
- Overseas gaming operators should not be allowed to operate in Australia.

7. IMPLICATIONS OF INTERNET GAMING SERVICES

Gaming and gambling are particularly susceptible to the "buy global" phenomenon. Through the Internet it will be possible to play games sourced anywhere in the world – the only limitations being the necessary technology, whether it is legal to play in the first place, payment methods and the ability to pay.

In the Lotteries world, a giant lottery will always beat a smaller lottery – big prizes are powerful motivating forces for players.

As Western Australia has a long standing tradition of community based gaming it is imperative that its sovereignty and gaming revenues are protected.

To date this has been achieved by the LCWA supporting the informal agreement that prevents lotteries from selling within each others jurisdictions, however the Draft National Regulatory Model for Interactive Home Gambling has implications for this position.

7.1. Draft National Regulatory Model for Interactive Home Gambling

The Draft National Regulatory Model For Interactive Home Gambling was released by Australian Gaming Ministers on 23 May 1997. The model has been prepared with representation from the gaming regulatory bodies of all States and Territories.

Comments on the draft model were required by August 1997 with the reworked model being released on 30 September 1997.

The LCWA understands that the Queensland Government enacted the legislation earlier this year and is currently drafting regulations to control future licensed service providers. It is believed that these are nearly complete and that licences could be issued before the end of the current calendar year.

It is also believed that NSW is endeavouring to have similar legislation ready by the end of the year.

7.1.1. Rationale

The rationale given for the development of the draft model is that developing telecommunications technology and the uptake of interactive broadband services will result in increasingly more players having free access to interstate and overseas gambling products in circumstances where there will not be any ability to intervene in transactions between a player and a gambling service provider.

Essentially the rationale adopted by the model is one of the two courses open to governments to control home gaming - that is, as it is difficult to prevent the general population from purchasing these products from overseas providers, the government should ensure that there are numerous local credible service providers that will become the players first choice. These service providers will collect gaming revenues on the behalf of the States and repatriate them to the participating States.

The alternative is that taken by the USA and the Kylle bill – that is, all forms of Internet gaming are illegal and the government will prosecute any person, within its jurisdiction, that offers such a service. A similar approach is also being discussed by the European lotteries jurisdictions.

As a result of the US approach it is understood that the TAB (Ausbet) and the Northern Territory (Centrebet) Internet operations are not legal in the USA.

As a consequence of the Australian government approach to the control of home gaming there are numerous US suppliers awaiting the finalisation of the Queensland licensing regime - to become legitimate gaming suppliers to the world.

While acknowledging the great practical and technical difficulties currently in controlling Internet gambling, it is the view of the LCWA that the approach currently being adopted by Australia will need further dialogue with relevant overseas authorities.

The issue of cross border gaming has been a regular topic of discussion by the International Lotteries organisations Intertoto and AILE as outlined below.

7.1.2. Key Elements Of The Proposed Home Gaming Model

To minimise the impact of products from overseas and illegal sources by:

- maintaining and creating obstacles to their advertising and marketing; and
- providing alternative products where the entitlements are protected through regulation.

The policy is based on restricting advertising and the provision of competing (alternative) products.

7.1.3. Open Competition In The Home Gaming Market / International Issues

The proposal allows for open competition in the Australian home gaming market. However the gambling industry has traditionally not been a global industry and open competition has not previously been tested in any gaming market.

At present competition is restricted in all gaming markets in all Australian States. It is difficult to predict what would be the long-term financial, economic and social risks associated with such a substantial change in the structure of the National and local gambling industry and how it will affect the core business monopolies of the various Lotteries, TAB's and Casinos in Australia.

By way of contrast, the European Union has decided that all 12 member countries will be able to maintain their own gambling industry outside of the single market structure and as mentioned above, United States law prohibits the transmission of gaming and gambling material over the Internet to domestic players.

The International Lotteries Industry Organisations "Intertoto" and "AILE" (both of which are respected bodies whose members include most of the world's lottery operators) are preparing themselves to assist their members to manage within the new telecommunications environment.

AILE is seeking to develop an industry "Internet umbrella" under which all sanctioned lottery activities find a home.

Intertoto considers *"that lotteries could lead the way by having the legislators of all State lotteries agree to restrict their Internet sales to their licensed territory"*, and are developing a draft convention to address gaming/gambling on the Internet

However while coordinated action between governments at a National/State level leading to an agreement between legitimate lotteries that they will not "poach" may be possible, it will be necessary for the operators of other types of gambling to follow suit.

One of the major issues which global competition may create is a very unstable gaming market as opposed to the market loyalty and stable customer base that the various State Lotteries operators have now. For some, maintaining market share in the long term depending on the extent and timing of the penetration particularly of digital TV with the convergence of TV and the personal computer may in the long term be difficult.

8. HOW WESTERN AUSTRALIA SPENDS ITS LOTTERIES REVENUES

8.1. General Overview

The financial returns made by the LCWA to government and the community since 1990 have been significant with the rate of return nearing 30% of sales turnover each financial year, or 99% of profits.

The following table shows the relative returns to the Western Australian State Government from other forms of gambling and lotteries in the 1994/95, 1995/96 and 1996/97 financial years. The LCWA returns are significant relative to returns from other sources in the Racing and Gaming portfolio. As shown in the table the direct returns to government, (excluding the funds distributed in the community) exceeded all other sources of gaming/gambling revenue in the 1994/95, 1995/96 and 1996/97 financial years.

Comparative Returns to Government from Gambling, Liquor and Lotteries in Western Australia 1994/95, 1995/96 & 1996/97

Figures were taken from the Annual Reports of the Office of Racing, Gaming and Liquor, the TAB and the Lotteries Commission

AGENCY	1994/95 $M	1995/96 $M	1996/97 $M	TOTAL $M
Office of Racing, Gaming and Liquor				
• Casino	$58.9	$64.4	$56.3	$179.6
• Liquor taxes	$64.6	$71.9	$79.9	$216.4
TAB				
• Gov't – Betting Taxes	$37.2	$39.0	$33.9	$110.1
• Distribution to codes	$35.5	$36.8	$42.7	$115.0
Lotteries Commission				
• Gov't – Stat Distrib'n See Section 6.2.1 for explanation.	$69.1	$75.4	$79.4	$223.9
• Community Distrib'n	$34.8	$45.1	$46.8	$126.7
	$300.10	$332.60	$339.00	

Revenues and returns to government and the community have increased on a regular basis as indicated in below.

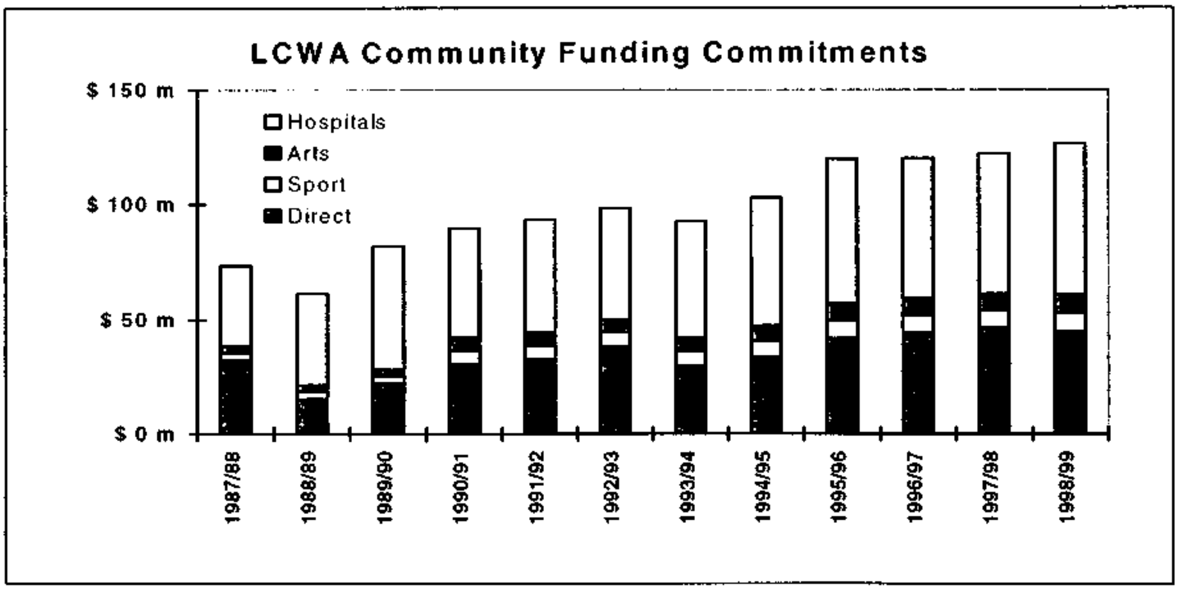
**Gross Sales and Returns to Government and Community
1988/89 to 1997/98**

Financial year	1 Gross Sales Turnover	2 Total Funds made available (3+4)	3 Total Statutory Funding	4 Total Funding Distributed by LCWA (5+6)	5 Films & FOP	6 Direct Grants
	$m	$m	$m	$m	$m	$m
1988/89	189.1	73.8	67.9	5.9	0	5.9
1989/90	281.5	81.9	67.5	14.4	0	14.4
new legislation introduced						
1990/91	293.6	89.6	65.0	24.6	0	24.6
1991/92	302.9	93.5	60.9	32.6	0	32.6
1992/93	298.5	98.5	60.1	38.4	3.2	35.2
1993/94	313.5	92.7	62.6	30.1	1.3	28.8
1994/95	347.7	103.9	69.1	34.8	5.4	29.4
1995/96	391.5	120.3	78.0	42.3	4.3	38.0
1996/97	383.3	120.0	75.4	44.6	4.3	40.3
1997/98	403.6	125.7	79.4	46.8	6.5	40.3
	3205.2	**999.9**	**685.9**	**314.5**	**25**	**289.5**

8.2. Distribution of the proceeds of Lotteries

The Lotteries Commission Act makes specific directions regarding how the proceeds of lotteries are distributed. Funds returned to Treasury for further distribution to Health, Sports and Arts are referred to as statutory distributions. Funds distributed by the Commission directly into the community are referred to as direct grants.

The proceeds from Lotteries 1987/88-1998/99



There has been significant contributions made by the LCWA to both government and the community since the LCWA was first established in 1933 as identified in the table above.

While the 1954 Act identified that the proceeds from the conduct of Lotteries could be distributed to any charitable purpose with the approval and consent of the Minister, the legislation did not require a specific statutory distribution of proceeds. Charitable purposes included areas as diverse as public hospitals, "orphanages or foundling homes" and "the relief of former servicemen and women".

An amendment in 1982 when instant tickets were introduced provided Arts and Sports with $3m each from what was then called the Instant Lottery Account at Treasury. This was the first time that Arts and Sports were mentioned as beneficiaries in Lotteries legislation. The funds were paid into specific accounts at Treasury and then distributed to the relevant government agencies as a part of the annual budget cycle.

The 1990 Act makes no mention of specific classes of beneficiaries in the sections related to Lotteries direct distribution of funds. It also expanded the criteria for eligibility to include both charitable and benevolent purposes. Government departments and instrumentalities were specifically excluded from the Commission's direct grants program. Local government authorities were included for activities classed as charitable and/or benevolent.

8.2.1. Statutory Requirements

The Lotteries Commission Act 1990 (as amended) prescribes that;

- **12.5% of net subscriptions:** "To such eligible organisations for approved purposes as the Commission thinks fit and the Minister approves"; and
  "the Commission must also distribute the balance of moneys remaining after all expenses (capital and running cost) have been met (including the allocation to statutory recipients), to such eligible organisations, for approved purposes, as the Commission thinks fit and the Minister approves".
- **40% of net subscriptions:** To the Special Account kept at State Treasury under section 3(2) of the Hospital Fund Act 1930. The contribution made by the Commission to the State Health budget is not specifically identified or acknowledged in any formal way.
- **10% of net subscriptions:** To the Arts (5%) and Sports (5%). The 1990 legislation sets up a Sports Lotteries Account and an Arts Lotteries Account at Treasury both of which are distributed by or on behalf of, the relevant Ministers, in the form of grants to Sports and Arts organisations. The beneficiaries of these funds are listed in the Annual Reports of the Ministry of Sport and Recreation and ArtsWA.
- **Up to 5% of net subscriptions:** To the Festival of Perth (a major international Art Festival) and the Film Incentive Scheme. The specific

amounts paid each year are at the discretion of the Board with the Minister's approval.

- FID and Pay roll tax is paid to the State government. FBT is paid to the Federal government.

The monies for hospitals, art and sports are part of the general government processes for funds distribution via the Consolidated Revenue Fund.

Net subscriptions are the subscriptions received for that game less the prize fund or prize liability for that game.

8.2.2. The Festival of Perth

In 1992 the Lotteries Commission Act was amended to include the Festival of Perth as a named beneficiary of Lotteries funds. The same amendment also included the Commercial Film Industry.

The LCWA is the sole government source of funds to the Festival of Perth. As a result of the LCWA assuming this funding responsibility the former Arts Department of Western Australia, now known as ArtsWA, was able to redirect the grant previously for the Festival of Perth to other activities within its portfolio.

The funding provided by the LCWA for the Arts in Western Australia is thus very substantial but not well recognised.

8.2.3. The Film Incentive Scheme

The funding of the Commercial Film Industry designed to stimulate employment in the Western Australian film industry has involved a somewhat complicated series of incentive programs which are administered by ScreenWest (the statutory body responsible for the development of the film industry within Western Australia) under a contractual arrangement with the LCWA.

Grants of around $2 million per annum have been made since 1992. There is ample evidence that this has resulted in the creation of a viable, and growing film industry in WA.

8.2.4. Distribution of Direct Grants in the Community

12.5% of net subscriptions plus the balance of monies left after all operational requirements have been met, are distributed directly by the LCWA with the approval of the Minister.

Over the last 10 years the LCWA has developed a professional and well managed grants program based on the submission model for grant applications. During this period over 7,000 different community organisations have received grants. As a result the LCWA has now developed an extensive database on the non-government sector in Western Australia and arguably now has the most comprehensive overview in Western Australia of the activities of that sector.

In 1996 the LCWA marked the raising and distribution of $1 billion. It took the LCWA 60 years to raise the first half billion and only just over 4 years to raise the second half billion.

Around 2500 applications are received each year of which 93% are successful. Grants can range from values in excess of $1 million for major building projects to $200 for playgroup equipment. This is documented in the Lotteries Commission's Annual Report, attached.

There are now 15 different program areas, namely:

- Recreation Arts and Culture
- Community Services
- Lotteries Houses
- Disability Services
- Community Development
- Emergency Services
- Youth
- Aboriginal Services
- Promoting Excellence and New Initiatives
- Medical Research
- Employment Training and Enterprise
- Family and Children's Services
- Heritage
- Emergency relief
- Conservation

As with statutory requirements, the amounts available for direct distribution has grown progressively as sales turnover has increased from Lotto and Instant Tickets.

Each financial year since the 1990 Act was introduced the LCWA has had residual funds available for distribution under s24 in addition to the 12.5% distributed under s22. This has been due to tight management of operational and capital expenditure. In 1997/98 a total of 29.4% of net subscriptions was distributed via the direct grants program.

There has been significant developments in the way in which the LCWA has met its responsibilities to distribute the funds under s22 and s24 as the community's needs have changed and the LCWA has increased the funds available for distribution. The Act gives the LCWA discretion in how the funds are distributed and to whom.

Funding recommendations are made by professional grants staff and specialised advisory committees to the Board of Commissioners who meet monthly, their recommendations are then forwarded to the Minister for Racing and Gaming for final approval.

During the last seven years:

- the amount of money available for direct distribution has increased from $25m in 1990/91 to $47m in 1997/98 (in the same period statutory distributions have increased from $65m to $79m)
- the number of grants programs has broadened to fill identified gaps by the community including heritage, conservation, Lotteries Houses, volunteer emergency services and most recently to provide management and organisational development grants to the not for profit sector.
- the size of some grants has increased significantly but by far the greatest proportion of grants approved remain under $20,000.
- eligibility policy has been broadened to reflect an approach that enables as many groups as possible to access the funds.
- as the body of expertise has increased in the LCWA further development has occurred in the processes of grant assessment and approval.
- the LCWA has sent its officers to regional and isolated communities to support equity in access to the funds through a community visitation program.
- the LCWA has continued to meet with government instrumentalities, community groups and organisations both separately and together to discuss issues for the aged, the disabled and other groups to ensure programs meet community needs and complement government policies.
- significant policy development has occurred in the grant programs to reflect demand from the broad range of community interests.

In 1996 following a detailed assessment of the accountability processes used by the LCWA and other government agencies distributing funding in the community the Auditor General commended the LCWA for the processes it had put in place to meet accountability requirements for the management of public monies. (1st General Report 1996, Office of the Auditor General)

8.2.5. Changes to Federal and State Governments' Funding Policies

In the past three to four years there have also been significant changes in the funding policies of both the Federal and State governments which have increasingly impacted on the LCWA's grant programs and policies.

- Instead of directly funding organisations providing services that may or may not have been a priority to government, the focus is now to purchase services through a tendering process.
- The private sector is competing for and winning some of these contracts such as in employment and disability services.

- The availability of funding for capital items appears to be increasingly limited leaving a very significant gap which is putting pressure on the Commission's direct grants program.

The LCWA maintains an extensive consultation network with government and the not for profit sector to ensure its funding programs remain relevant to community needs. Given all the changes to funding models this presents an interesting challenge for policy development.

8.3. Summary

The significance of Lotteries funding to the beneficiaries of the Act is as follows:

- In the 1997/98 financial year the proceeds from Lotteries contributed 3.9% of the total funds of the health budget.
- The funds paid into the Arts Lotteries Account make up approximately 65% of the funds in the ArtsWA 1997/98 budget.
- The funds paid into the Sports Lotteries Account make up approximately 31% of the funds in the Ministry of Sport and Recreation's 1997/98 budget.

9. SOCIAL IMACT OF FUNDING PROGRAMS

9.1. Social and Economic Impact Study

Due to the significant level of direct grants distributed in the community the LCWA undertakes regular evaluations of specific parts of its grants programs. In 1995 important research was undertaken to critically evaluate the overall impact of the LCWA's grants program in the Western Australian community.

A further reason for commissioning the research was to assess how the changes identified above in both the external and internal environment were influencing the impact of the grants in the community.

Independent research was undertaken to determine the social and economic impact of the LCWA on the community - a summary of the findings is attached.

The researchers found that;

- the LCWA is unique as a funding body in Australia,
- that the social impacts of the funding are more significant than the economic impacts and
- the LCWA was perceived as being highly responsive to community needs.

The research identifies how important this contribution has become to the wellbeing of the community sector and how it differs from other government activities funding purchase of service to support a variety of government programs.

The first two findings of the Study clearly point to the value of the grants. (DAA, 1996 p25-26)

FINDING 1 The role of the Lotteries Commission of Western Australia is unique in Australia. The funding it provides covers the broadest range of not-for-profit organisations and provides funds to essential services.

FINDING 2 The beneficial impacts of the Lotteries Commission of Western Australia discretionary funding are felt across the entire community of Western Australia. The benefits go to individuals, families, organisations and communities.

9.2. Community Attitudes

The LCWA regularly uses market research to assist with the development of its marketing strategies, to assess the probable acceptance of new products being considered and to provide feedback on its corporate image in the Western Australian community.

The research has been undertaken by The Marketing Centre, a highly reputable market research company with a wide range of corporate and government agency clients both in Australia and South-East Asia.

The 1996 Market Research identified strong support from the community for the proceeds of lotteries to be distributed for community benefit. Gaming to raise funds for worthy causes was the most preferred purpose for gaming activity at 88%.

"*Virtually everyone in the community is aware of the Lotteries Commission of WA*" and "*that attitudes towards the LCWA remain highly favourable*"...*(The Marketing Centre, 1996, p1).*

The report also stated that:

"89% of respondents were in favour of gaming being run to raise funds for worthy causes".

A further study undertaken in 1997 showed that *84% of Western Australians described the LCWA's contribution to the community as "good", "very good" or "excellent" and 90% of these people said their opinion was based on the LCWA's community funding role rather than its lotteries games.*

The market research included questions about the degree of control, which should be exercised over gaming/gambling activities. For Lotteries products specifically "*approximately three in four people believe the government should maintain the same level of control* (as now) *for Lotto and Scratch'n'Win, just over one in ten people believe they should develop stricter control while just under one in ten people believe they should have less control."(p10).*

This result reinforces the commitment the LCWA has made to include the community in a very broad range of community funding decisions.

9.3. Problem Gambling and Support Services

Five years ago a report was commissioned by members of the gaming industry including the Gaming Commission to examine the extent of problem gambling in

Western Australia. The cost of this report was covered with a voluntary contribution by the members of the gambling industry in Western Australia – Burswood Resort Casino; the TAB; the WA Bookmakers Association; and the LCWA. A small committee, coordinated by the Gaming Commission, of representatives of the industry, oversaw the report. This report showed a relatively low level of problem gambling in Western Australia at 0.32%.

Following this report, a more permanent committee known as the Problem Gaming Support Committee was established, and a voluntary agreement entered into by the members of the industry to provide funding for services to assist problem gamblers and their families. Tenders were called to provide the service – a number of prominent Western Australian welfare services submitted a tender. The successful applicant was Centrecare, a well-known multi purpose welfare agency originally established, although quite separate from, the Catholic Church. Centrecare established a "Break Even" style service, which has been operating for the last three years.

The terms of reference of the committee are to:

- determine how the Government should recognise problem gaming as a social issue in the community;
- determine action to be taken on the:
  - provision of ongoing advice to Government;
  - the means of providing this advice;
  - the types of support activities that could be provided by Government;
  - arrangements for financial support for support facilities;
  - arrangements for administration of the financial support programs; and
  - arrangements for the monitoring and evaluation of programs receiving financial support; and
- the long-term role for the Gaming Commission with respect to issues associated with gambling in the community.

During this time, the voluntary committee has continued to meet, initially chaired by an executive of the Gaming Commission. Subsequent to her retirement, she was engaged on a contract basis to continue to chair the committee. This has provided for significant benefits in terms of continuity of the management of the Problem Gamblers Support Committee.

During the last three years, the committee has continued to develop its role. It has funded "Gline" an Eastern States based crisis 24-hour crisis telephone service, and is currently negotiating to provide an additional grant to Centrecare to provide for more widespread publicity about the provision of gambling services. It has undertaken additional research into problem gambling in the ethnic community largely as a result of Break Even experience that people of non-English speaking background seem not to use their services. This report has just been completed, and is currently with the committee.

The committee also is now repeating the original study on the extent of problem gambling in Western Australia, and also will be evaluating the effectiveness of the Break Even service.

Since its establishment, a total of $382,675 has been provided for problem gambling support services on an entirely voluntary basis by the gaming industry.

The management of the funding program and the administration of the committee is coordinated by the LCWA on behalf of the committee.

While there is little evidence to suggest that Lotteries products create problem gambling behaviour, the LCWA has a unique funding role in supporting a wide range of community services. As the infrastructure and resources already existed, the LCWA agreed to undertake this role. Each member of the industry provides their contribution to the LCWA, which then administers the grants program to Gline and Centrecare, and payment of the costs of research projects.

This voluntary agreement by the gaming industry in Western Australia to contribute to problem gambling support services appears to be unique in Australia. It has worked extraordinarily well, and is a clear demonstration of the industry's willingness to accept its responsibility to support services to the relatively small number in the community for whom control of their gaming behaviour is a problem.

10. CONCLUSION

The Western Australian approach to gaming (and to Lotteries in particular) strikes the appropriate balance between public access to gaming products and controls on the expansion of gaming. Most importantly it is based on the principle of gaming for public benefit, a principle strongly supported and expected by the public of Western Australia. The points below summarise the key issues;

1. The LCWA believes there are considerable benefits in Governments to continue to own and operate the State Lottery either as a statutory authority or a government corporation. In those few jurisdictions both within Australia and in other parts of the world where the Lotteries Operator has been privatised, there is little compelling evidence that indicates the public or the community has benefited significantly from the private ownership. In most of these jurisdictions there exists significant transfer payments between the private operator and the regulator which, in the Western Australian model, would have been available to the public by way of grants.
2. The LCWA believes any expansion of gaming should be done in a socially responsible manner and that new gaming products and distribution methods should be undertaken with due regard for their possible adverse impact on the community.
3. Marketing and advertising strategies associated with gaming and gaming products must take into consideration the adverse impacts of gaming on

individuals and the community, and be tempered so as not to entice the public with false promises or expectations. Gaming has the propensity to modify an individuals behaviour, including work ethic, on the expectation of winning. This can lead to wider social problems and significant social costs.

4. The funding derived from gaming should be directly linked to specific community purposes and worthy causes through either statutory formulas or direct grants programs. This approach is not only used with excellent results in Western Australia, but the Scandinavian countries of Finland and Norway are also extremely successful in maintaining player and public support through linking their lotteries returns to worthy causes of health, sport and culture.

According to a report commissioned by the National Board of Employment, Education and Training (Commissioner Report No 53, November 1996, "The Employment Potential of New and Emerging Industries, page 108) the review team wrote:

"In summary, although something of an accident of history, the WA Lotteries Commission is a striking model of assisting the community through grants for worthy causes and promoting community economic development and market based employment opportunities. The advantages of the WA Lotteries Commission is that it is not limited to any specific constituency, but can react flexibly and quickly to perceived community needs and opportunities. By being at arms length from the direct political process and government bureaucracy, it is ideally structured to carry out this role. To the extent that State Governments across the country are enacting legislation to permit wider access to gambling through casinos, lotteries, gaming machines and the like, the WA Lotteries Commission is an effective model for the use of gambling-derived State revenues to promote community economic development and employment and to return these revenues back to local communities in a socially beneficial way."

By way of contrast with the other Australian States, the National Competition Policy Review of the LCWA model could find no compelling reason to modify the Western Australian model, in fact the review indicated that existing public benefits would be lost if the State followed the trends being pursued in other States.

Although the Western Australian model may have been initially created by "accident", contemporary analysis indicates that it should be given wider consideration by governments.

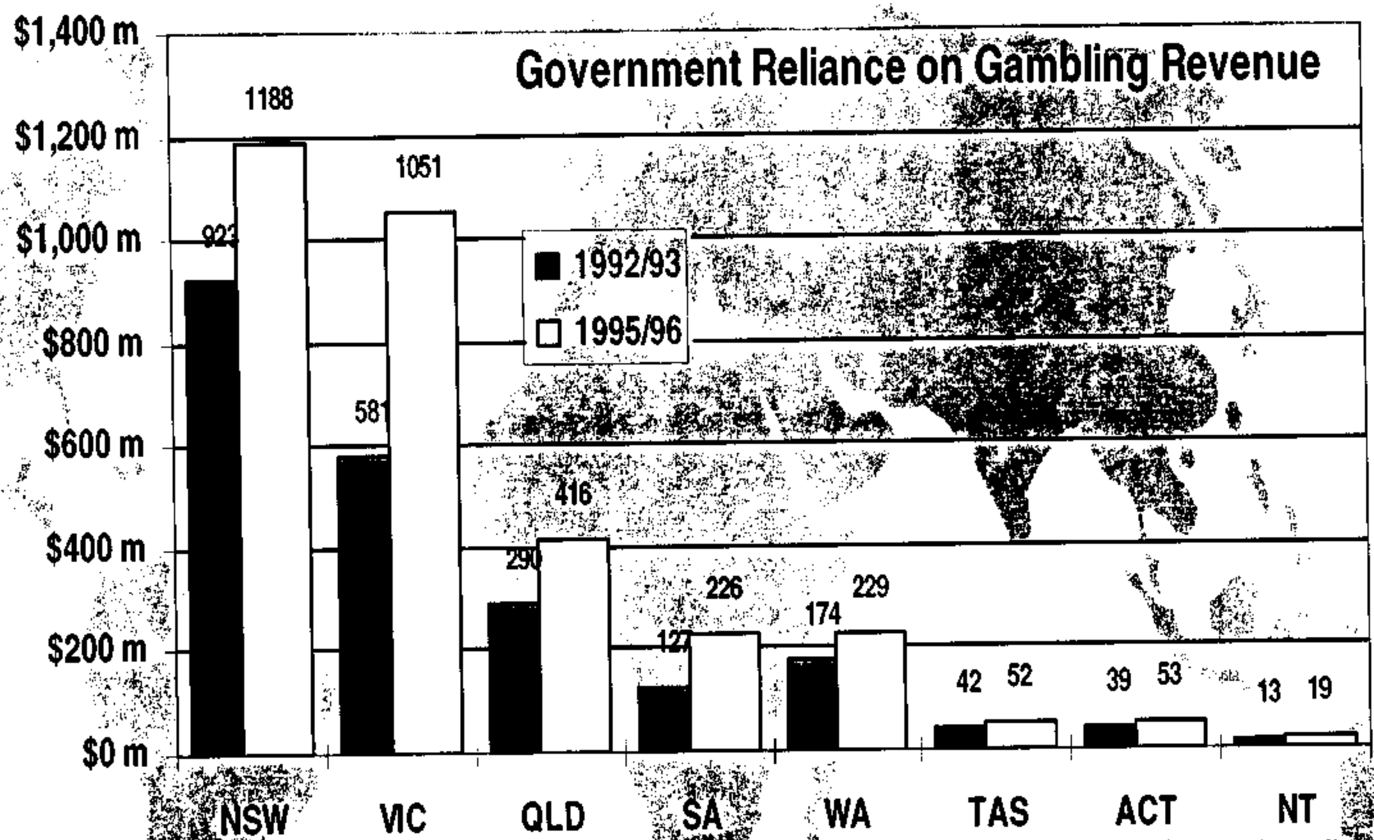
It has in recent times been maintained as a very positive and deliberate approach to the support of the non-government sector by the LCWA, a position supported by the Western Australian Government.

11. VARIOUS NATIONAL AND STATE GAMING STATISTICS

The following pages contain information collected by the LCWA for research and comparison purposes.

National data has been obtained from the Australian Gambling Statistics published annually by the Tasmanian Gaming Commission.

The Western Australian data is from the LCWA's Annual Reports.



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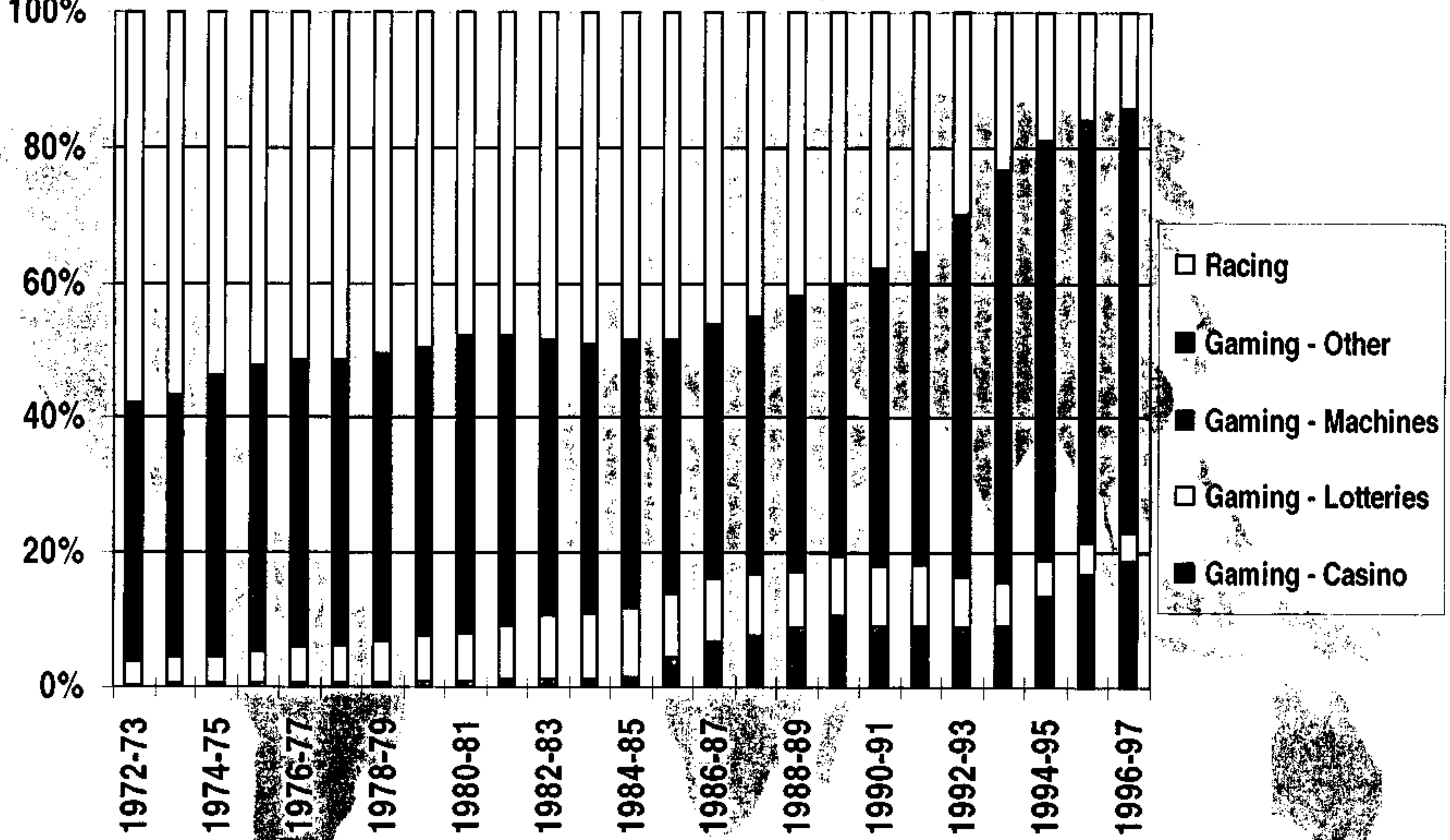
Lotteries Western Australia
Millions Won. Thousands Helped.

Australian Gambling Expenditure - Change in Market Share



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Source: Australian Gambling Statistics - Tasmanian Gaming Commission

Productivity Commission: 3
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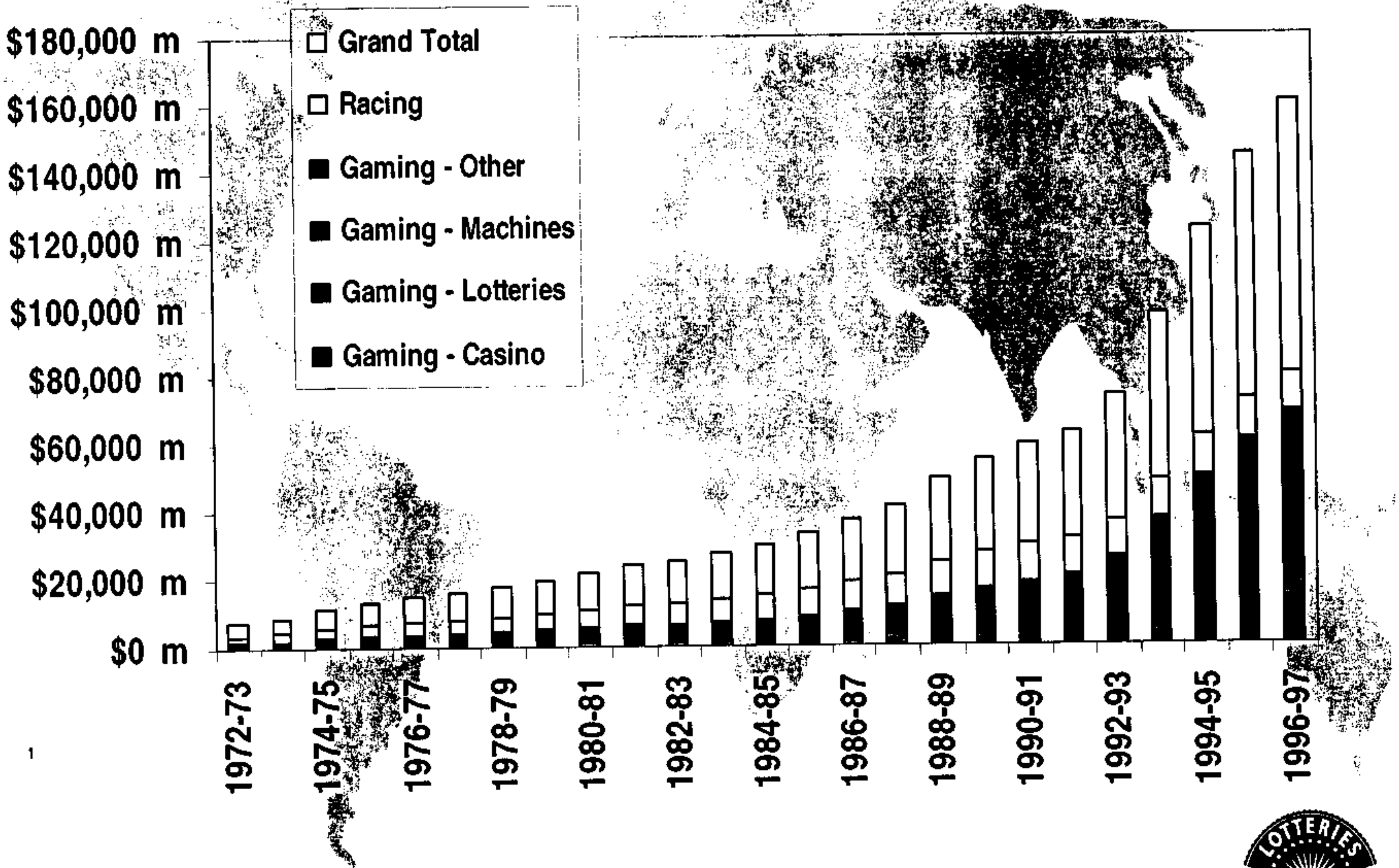
Lotteries Western Australia
Millions Won, Thousands Helped.

Australian Gambling Expenditure - Change in Market Share



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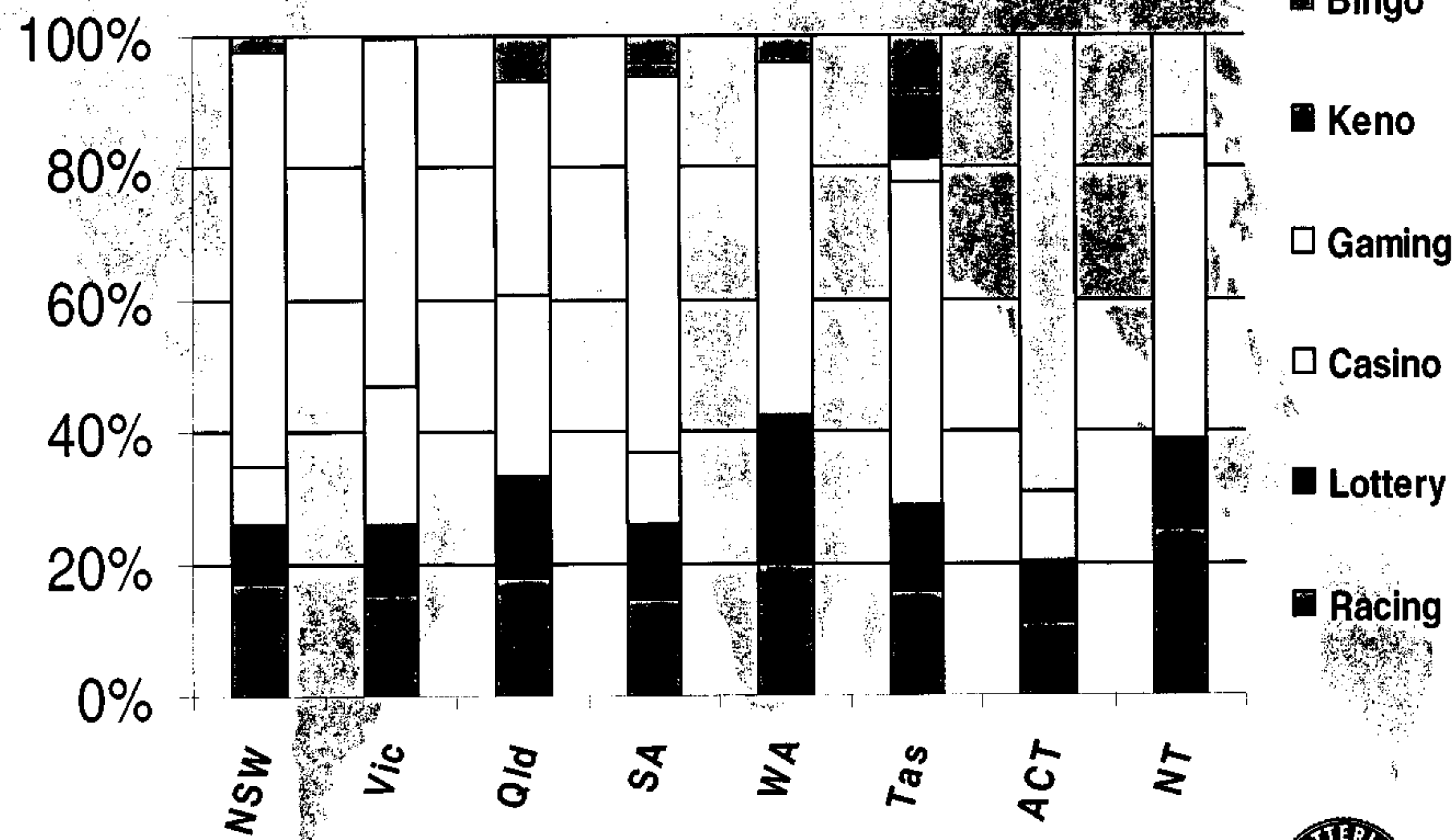
Productivity Commission: 4
02/11/98

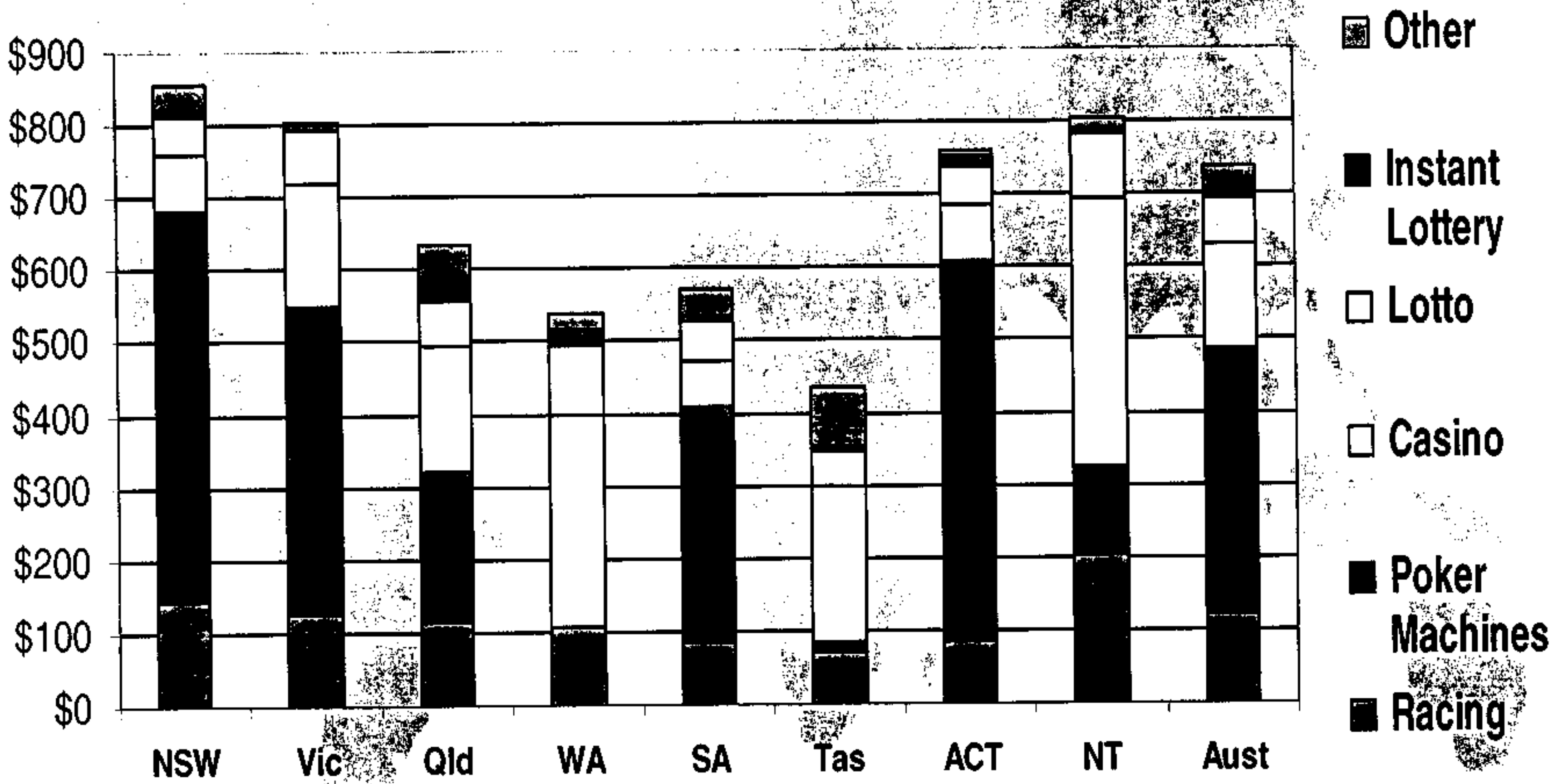
Western Australia
Millions Won. Thousands Helped.

Forms of Gambling by State 96/97



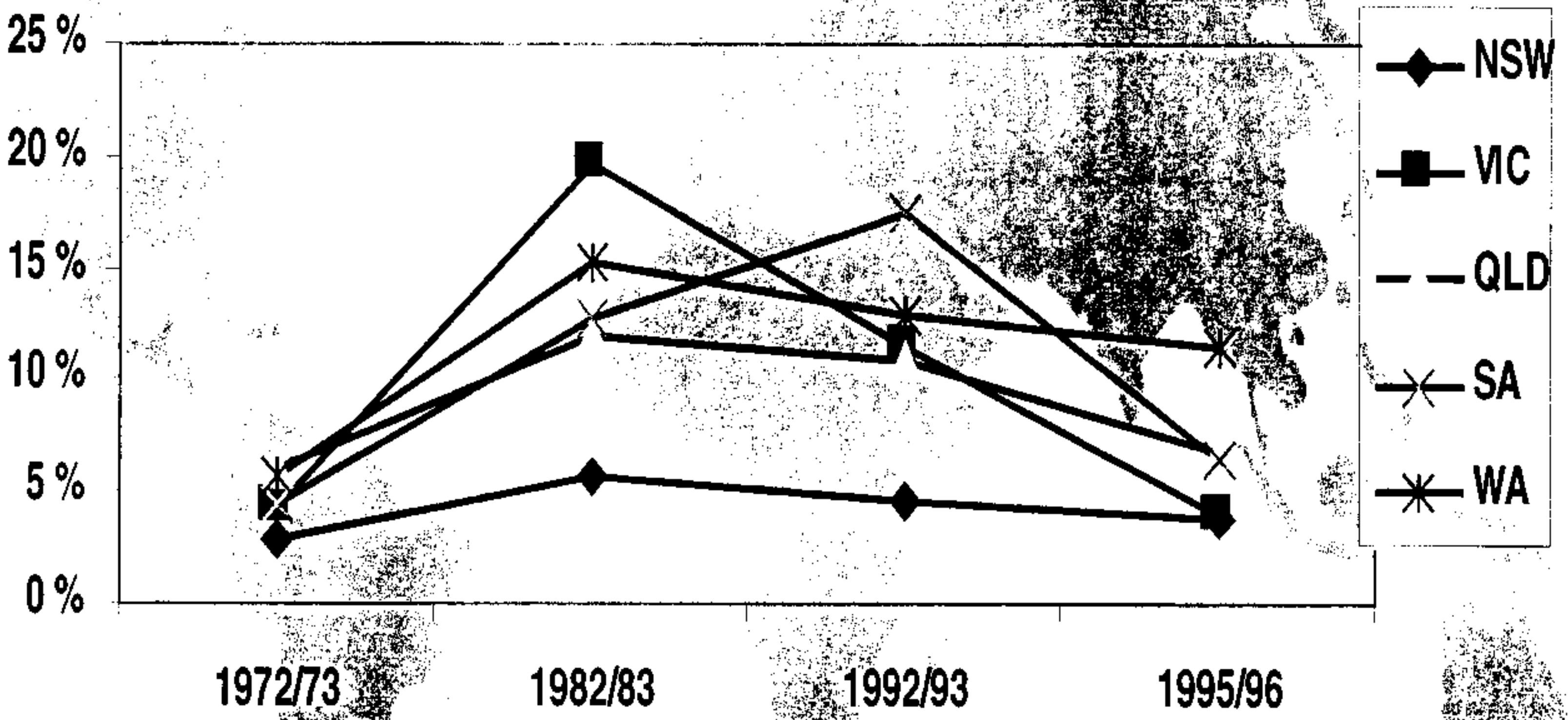
Western Australia
Millions Won. Thousands Helped.

Per Capita Spending 1996/97



Western Australia
Millions Won. Thousands Helped.

Change in State Lotteries Share of State Gambling Market



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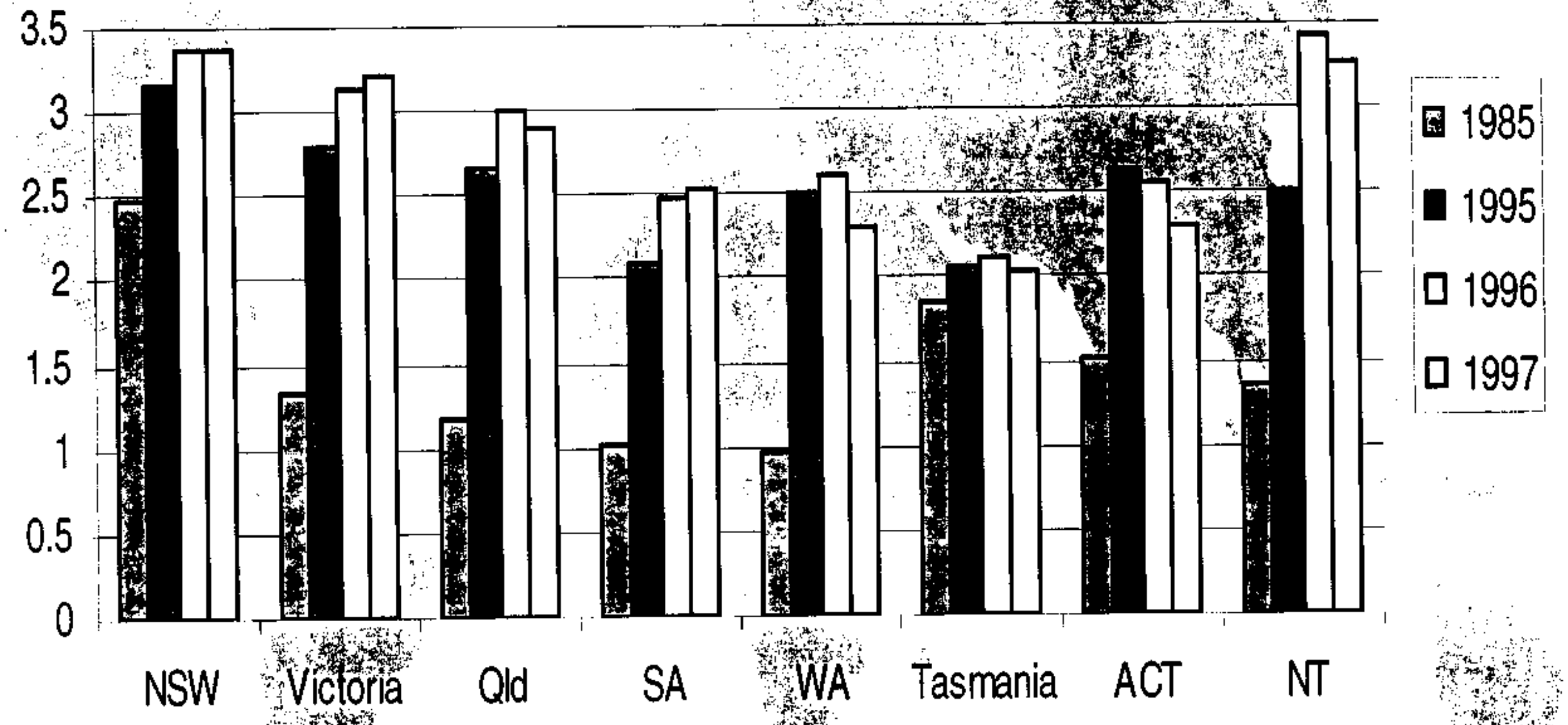
Gambling as a % of HDI



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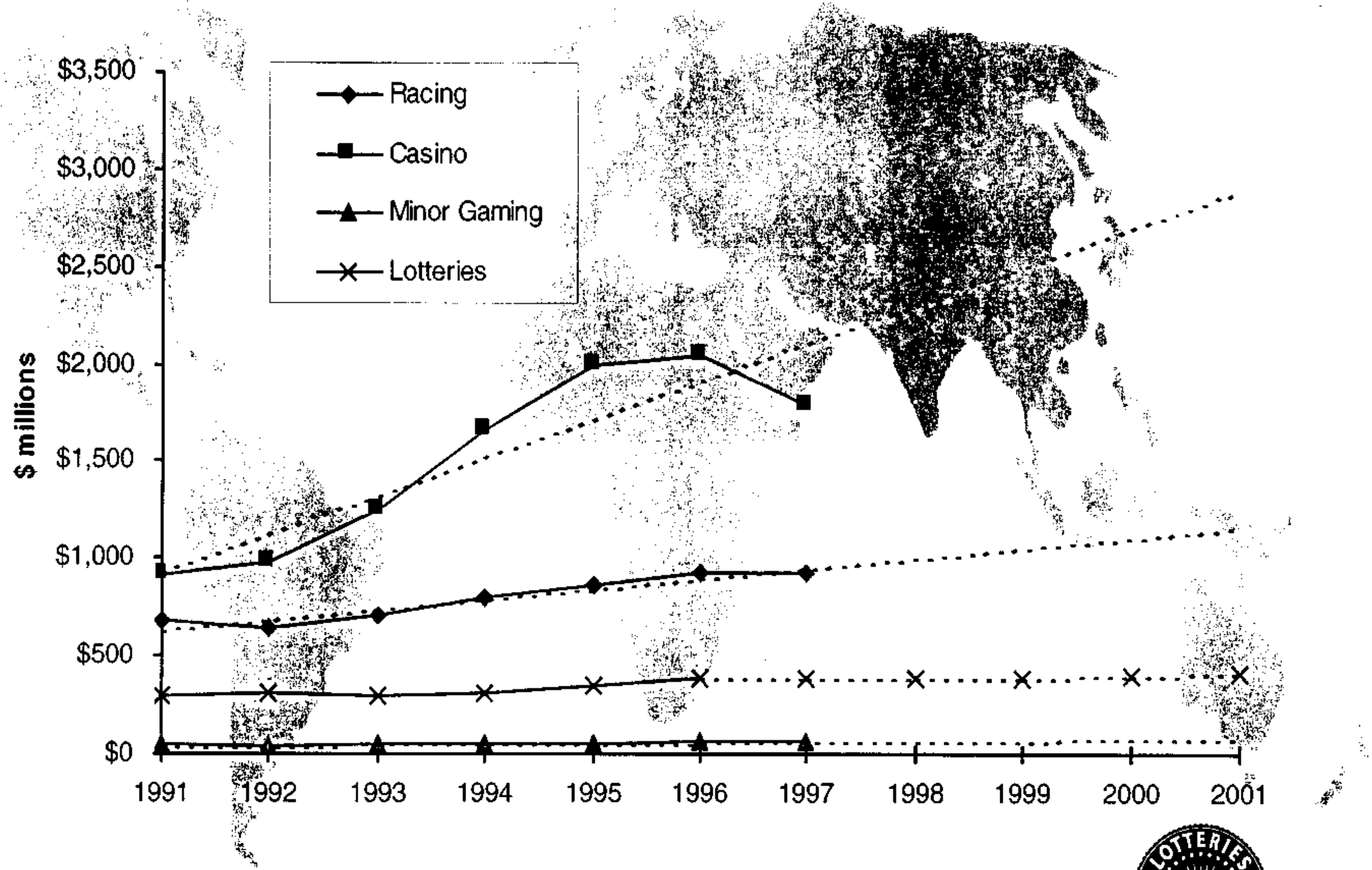
West Australian Gambling Sales Turnover - 5 Year Trend



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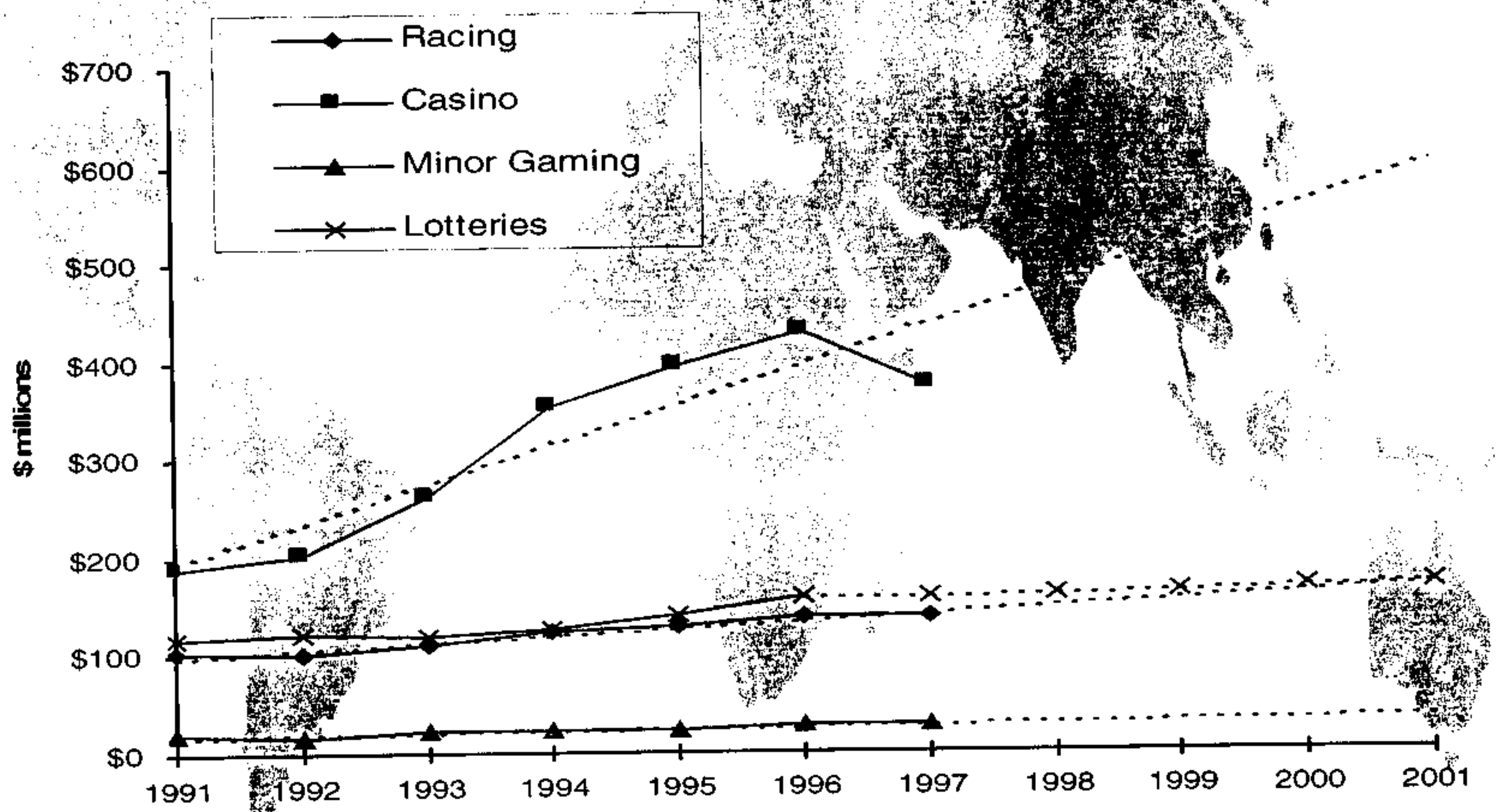
West Australian Gambling Expenditure 1991 -1997 and 5 Year Trend



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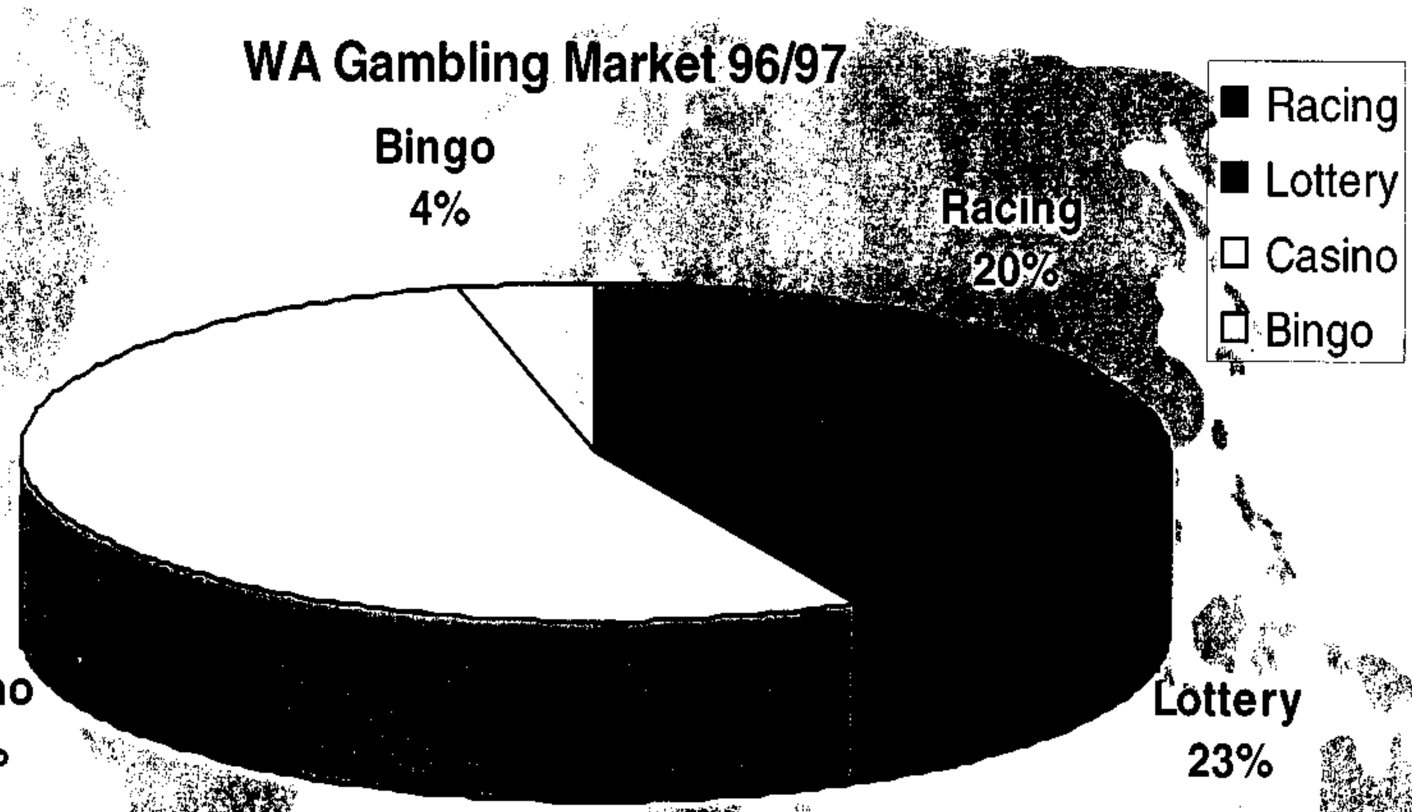
WA Gambling Market 96/97



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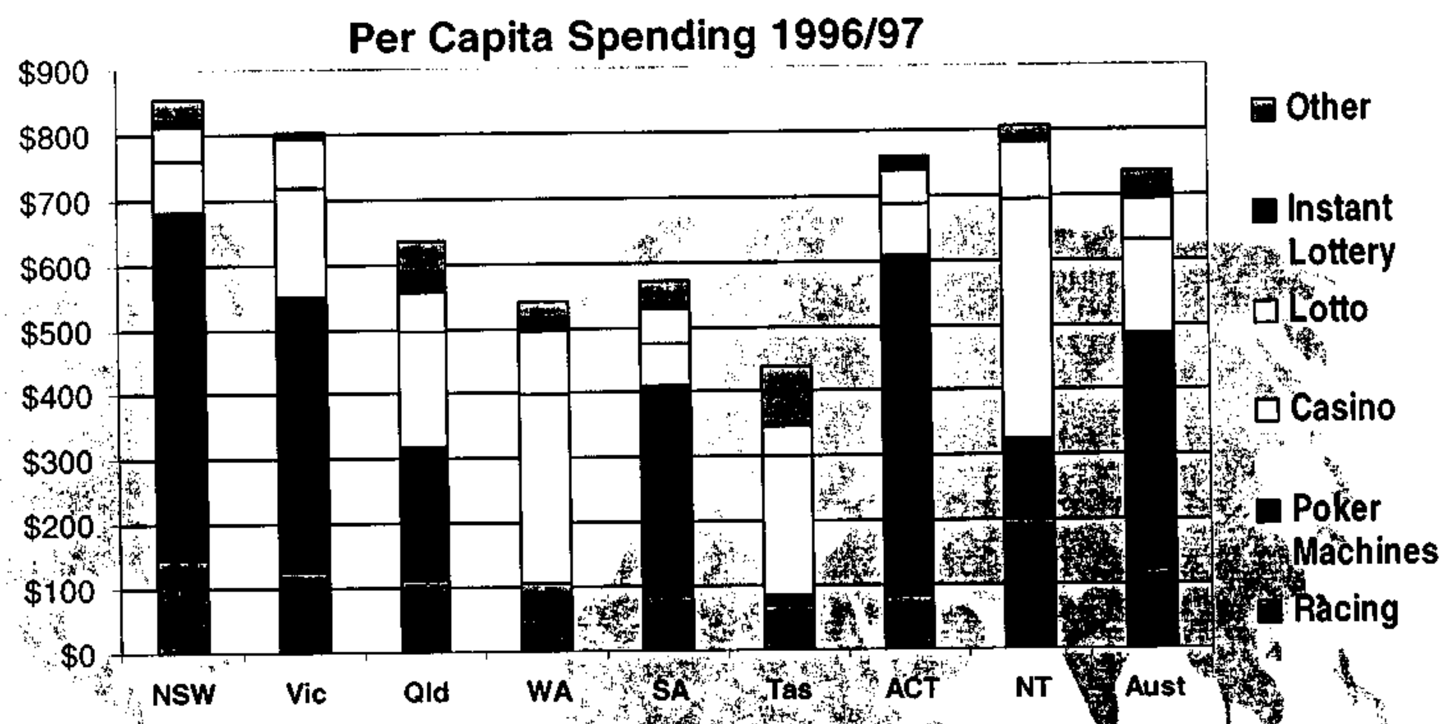

Per Capita Spending (Source: Tasmanian Gaming Commission)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Racing	$145	$124	$113	$107	$84	$70	$83	$202	$123
Poker Machines	$536	$425	$207		$326	$16	$525	$123	$363
Casino	$76	[illegible]	$176	$290	[illegible]	$214	$79	$368	$144
Lotto	$52	$75	$61	$98	$56	$47	$52	$89	$64
Instant Lottery	$13	$7	$34	$23	$7	$7	$15	$9	$16
Other	$30	$4	$44	$22	$35	$83	$5	$14	$27
TOTAL	$854	$804	$635	$540	$571	$437	$759	$805	$737
Change 1995/96 to 1996/97	6.6%	22.3%	8.6%	-7.8%	8.8%	5.1%	-4.7%	3.3%	10.6%

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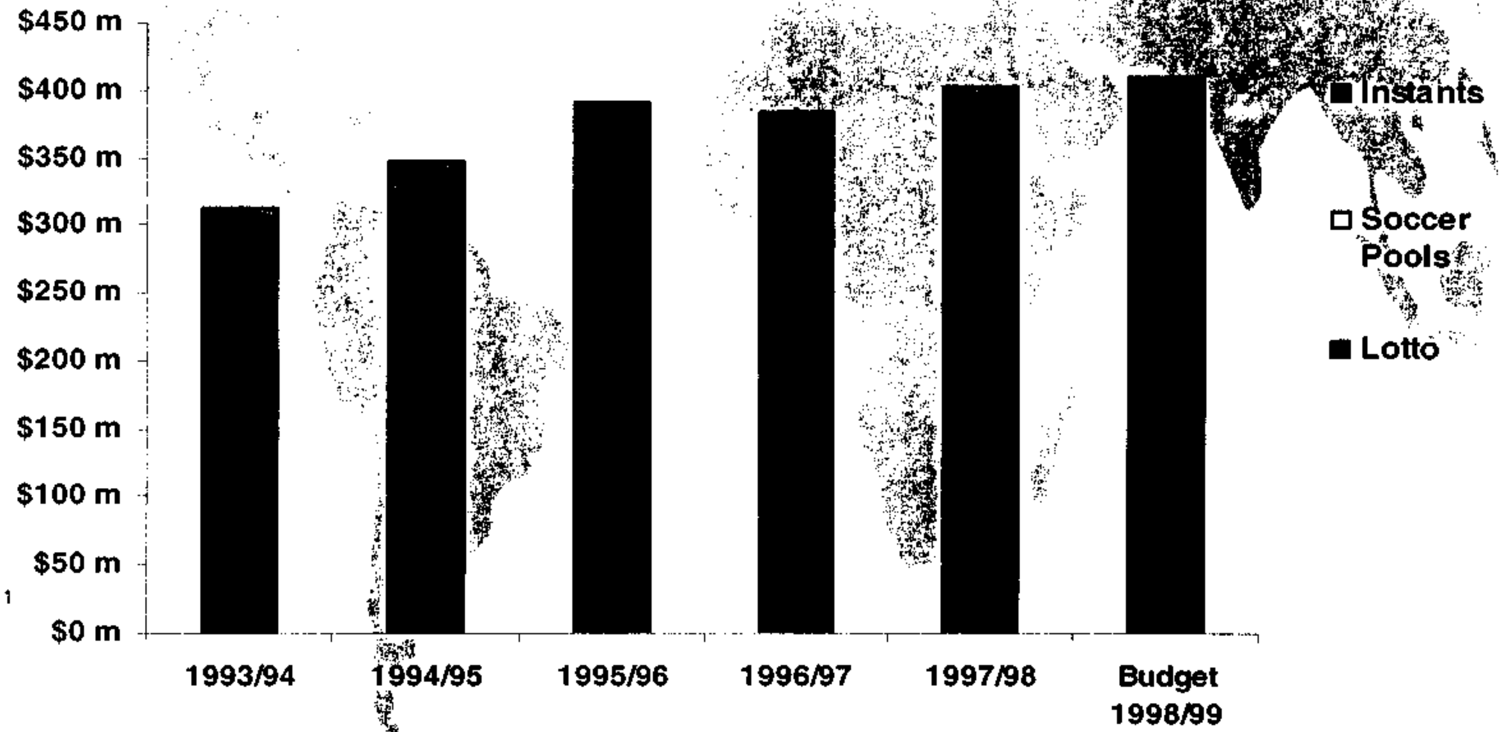
WA Lotteries Commission Sales Revenue (Figures in $m)

Year	*1993/94*	*1994/95*	*1995/96*	*1996/97*	*1997/98*	*Budget 1998/99*
Lotto	240.2	274.8	310.4	306.5	327.8	326.9
Soccer Pools	3.8	1.8	2.4	1.8	1.6	1.8
Instants	69.5	71.0	78.8	75.2	74.1	81.4
Total	313.5	347.7	391.5	383.5	403.6	410.1



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Western Australian Gaming Market Participation *

PRODUCT	REGULAR PLAYERS **	INFREQUENT PLAYERS	NON PLAYERS
LOTTO (Saturday)	47%	29%	22%
INSTANT LOTTERIES	15%	48%	36%

* Adults Over 18

** Play once per week

(Source - The Marketing Centre, Benchmark Study 1996)

LOTTERIES
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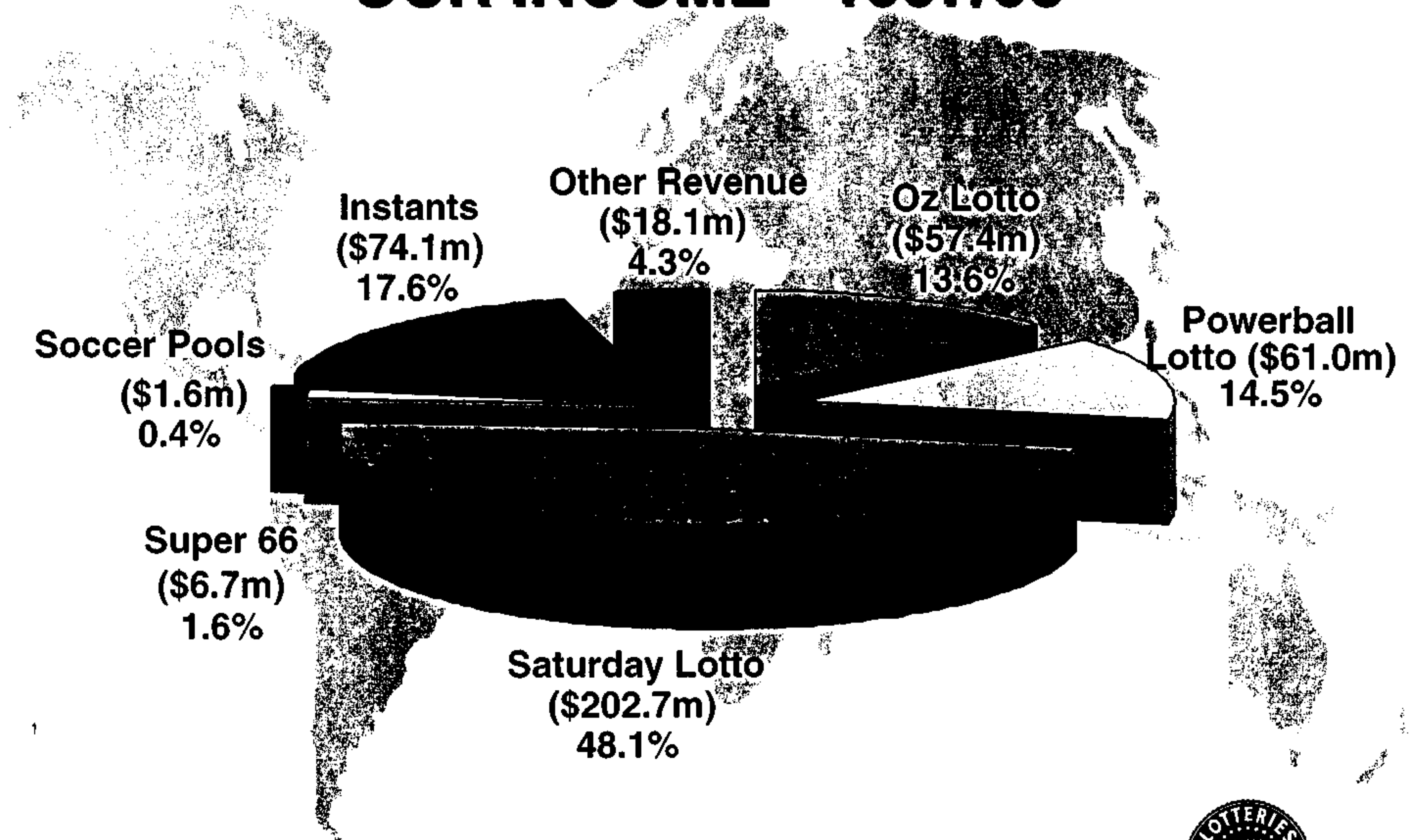
OUR INCOME - 1997/98



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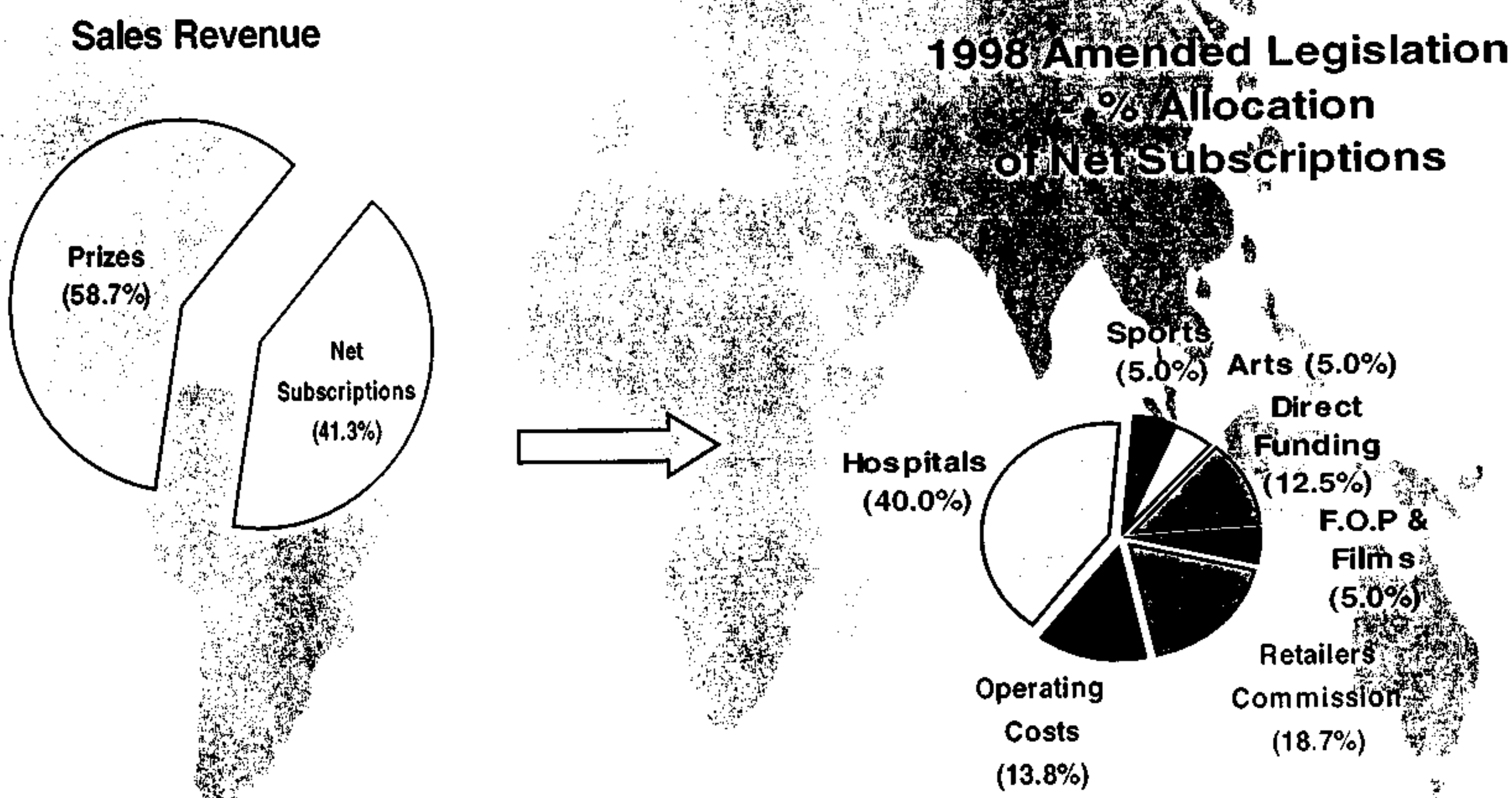
How is Lotteries Commission Profit Distributed

Legislative Amendment - 22nd July 1998



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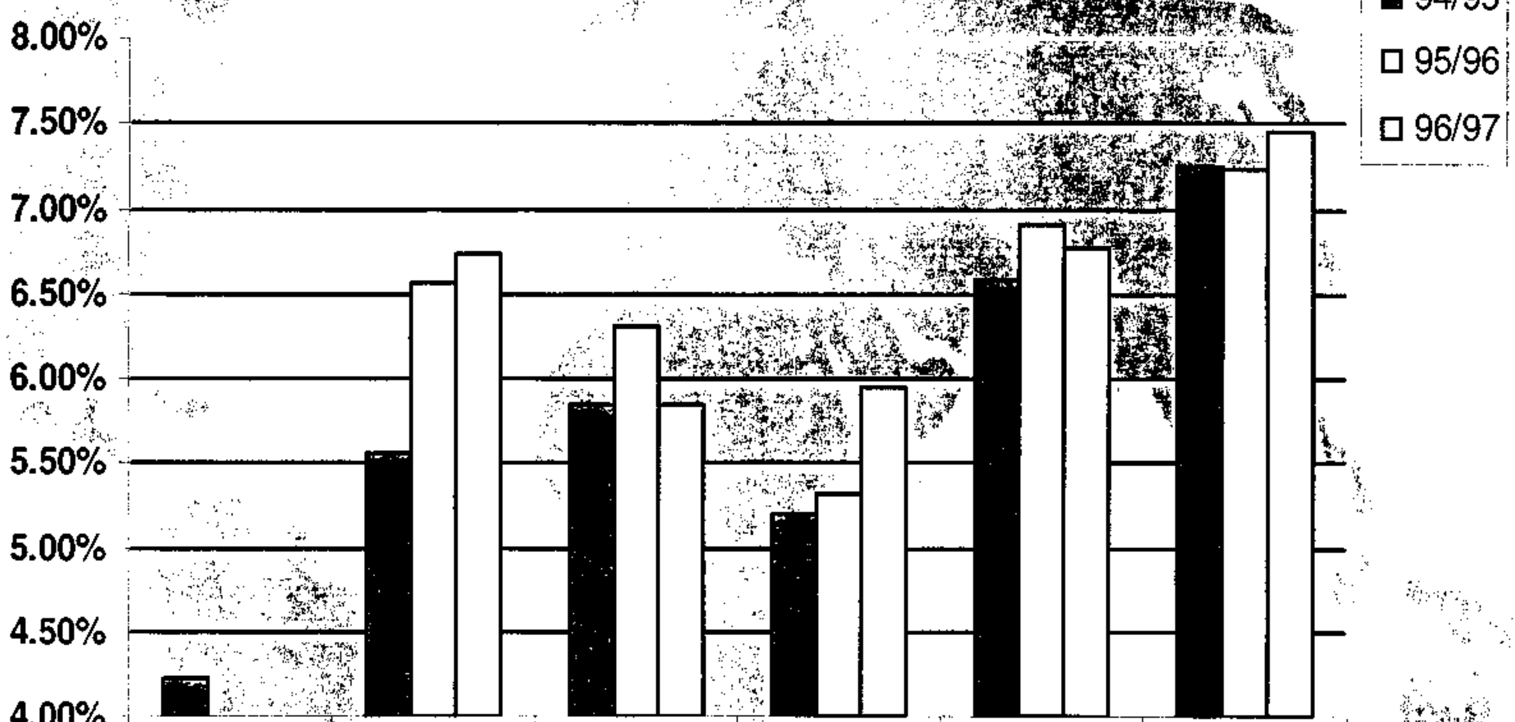
Lottery Industries Operating Costs as % of Sales



	TATT	QLD	SA	WA	NSW	NZ
94/95	4.23%	5.55%	5.85%	5.19%	6.58%	7.26%
95/96	0.00%	6.57%	6.31%	5.31%	6.90%	7.24%
96/97	0.00%	6.73%	5.84%	5.94%	6.78%	7.44%

Productivity Commission: 26
02/11/98

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Our Mission

"To enhance the quality of life for Western Australians by maximising our funding and support of the community through excellence and integrity in the lottery and entertainment business."

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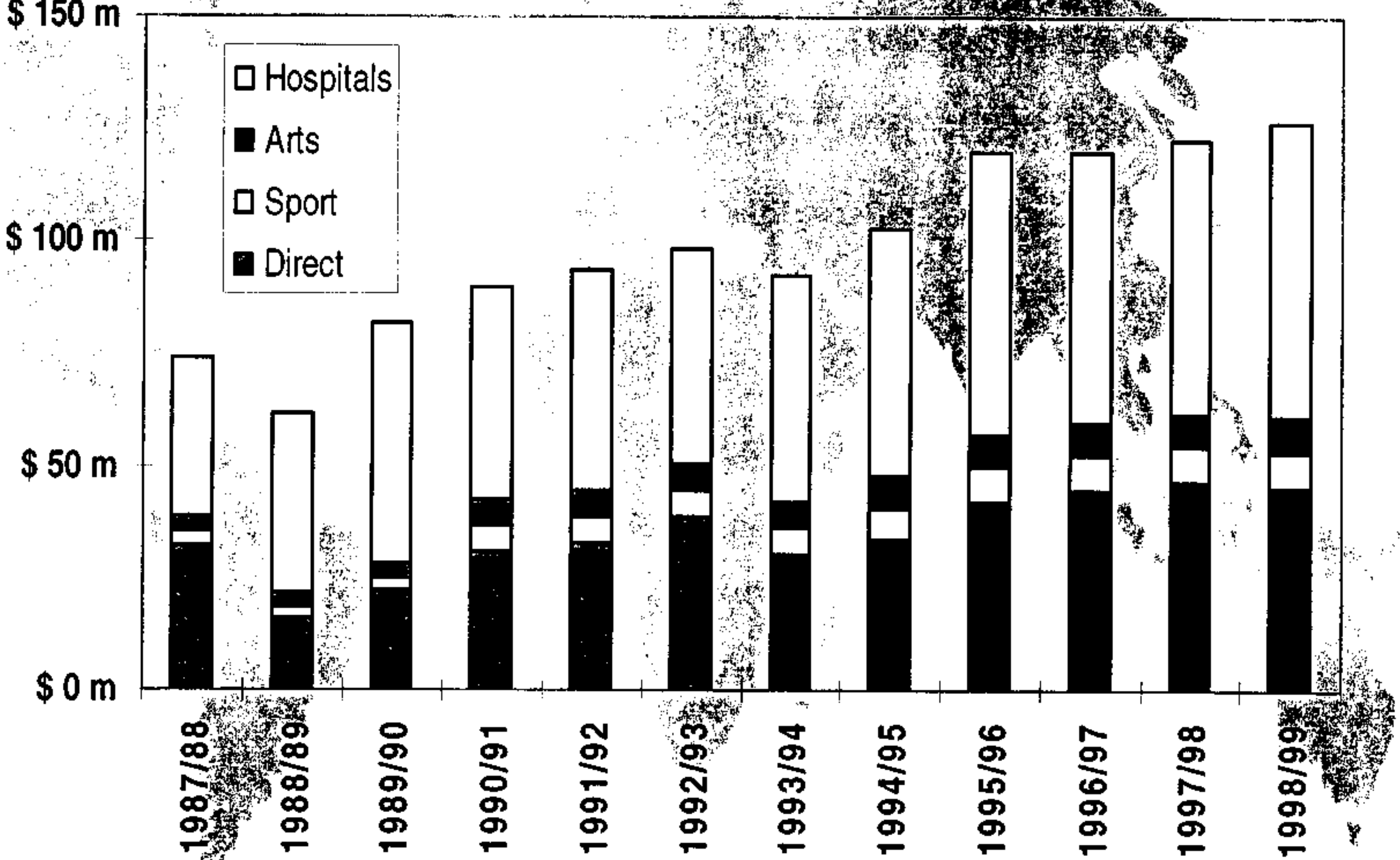
LCWA Community Funding Commitments



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GRANTS ELIGIBILITY

- Not-for-profit community organisation or group which has a purpose which is benevolent or charitable
- Local Government Authorities in support of activities which are benevolent or charitable

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GAMING AND COMMUNITY BENEFIT

- Market Research undertaken by The Marketing Centre in 1996 found that:
  - **89% of respondents were in favour of gaming being run to raise funds for worthy causes.**

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