

**Inquiry into online gambling and its impacts
on those experiencing gambling harm**

11 November 2022

Ms Peta Murphy MP
Chair
Standing Committee on Social Policy and Legal Affairs Committee
PO Box 6021
Parliament House
Canberra ACT 2600

Via email: spla.reps@aph.gov.au

Inquiry into online gambling and its impacts on those experiencing gambling harm

Dear Ms Murphy,

The Lottery Corporation appreciates the opportunity to respond to the Standing Committee on Social Policy and Legal Affairs (**the Committee**) Inquiry into online gambling and its impacts on those experiencing gambling harm (**the Inquiry**).

Our submission is attached.

Should the Committee require any further information from The Lottery Corporation in relation to this Inquiry, please initially contact Emma Murphy, Head of Government Relations at

[REDACTED]

Yours faithfully

[REDACTED]

Sue van der Merwe
Managing Director & CEO

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1. EXECUTIVE SUMMARY

The Lottery Corporation is a newly listed ASX company, but our businesses and our people have a deep history when it comes to operating Australian lotteries under long-term licence arrangements.

The Lottery Corporation is the home of Australia's official lotteries. We operate in every state and territory except Western Australia, offering the games Australians enjoy playing such as Powerball, Oz Lotto, Instant Scratch-Its and Keno. Our games date back to the first Tattersall's draw in 1881.

Lotteries are a popular recreational product for many Australians, with the equivalent of one in two Australian adults purchasing a lottery ticket in the past year. The industry is characterised by participation across different demographics, with modest purchase levels.

Participation in lotteries is restricted to adults in the states/territories in which The Lottery Corporation operates. While participation is broad based, it skews to older Australians in many of the product segments. About 43% of Australian adults are aged 50 and over, whereas 58% of The Lottery Corporation's registered lottery players are aged 50-plus.

Lotteries have long been linked to generating funds to support the community and small businesses – a model that is common across the globe. In Australia, like many other jurisdictions, the bulk of lotteries turnover is distributed to players as prizes, and to governments in duties and taxes. In the 2021/22 financial year (FY22), taxes generated by The Lottery Corporation's operations exceeded \$1.7 billion while more than \$500 million in commissions were paid to our retail distribution partners, primarily newsagents and licensed venues.

Lottery products by their nature are very different to other forms of gambling. Independent research over a long period of time has found that buying lottery tickets is associated with much lower risks of gambling harm than other forms of gambling. Notwithstanding this, The Lottery Corporation takes responsible play seriously.

The Lottery Corporation acknowledges the concerns about the growth of online gambling in Australia and the potential impact this has on people susceptible to gambling harm.

However, The Lottery Corporation submits that it is important for the House of Representatives Standing Committee on Social Policy and Legal Affairs to differentiate lotteries from other forms of gambling. In contrast to a one-size-fits-all response, we recommend the adoption of a risk-adjusted approach to managing gambling-related harm, based on the profile of each individual product type.

The Parliamentary Joint Committee on Corporations and Financial Services adopted this approach when it acknowledged the lower risk profile of lottery products in its recent inquiry into the use of credit cards and digital wallets for online gambling by excluding lotteries from its recommendations on a ban.

The Lottery Corporation also acknowledges concerns centring on the growing exposure young Australians have to the promotion of gambling, particularly online sports betting.

The Lottery Corporation advertises to inform customers of our products, including our popular jackpot draws, and does so adhering to all relevant codes. Advertising on lotteries is about the lottery itself and not about betting on a sporting event, as is the case with sports betting advertising.

The Lottery Corporation supports consideration of further restrictions on advertising to limit children's exposure to gambling products, but any response must be proportionate to the risk profile of the product type advertised and not have unintended consequences.

Given that lotteries are generally accepted to be a lower harm product, we submit that lottery products should be excluded from any new recommended advertising restrictions.

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2. COMMENTS IN RESPONSE TO THE INQUIRY TERMS OF REFERENCE

Below is The Lottery Corporation's specific response on the Inquiry's terms of reference relating to: The effectiveness of current gambling advertising restrictions on limiting children's exposure to gambling products and services (e.g. promotion of betting odds during live sport broadcasts), including consideration of the impact of advertising through social media, sponsorship or branding from online licenced gambling operators.

The Lottery Corporation understands the Committee's interest in examining the level of gambling advertising, its impact on those experiencing gambling harm and exposure to children, with the Terms of Reference particularly citing sports betting advertisements. The proliferation of sports betting advertisements has led to significant negative community sentiment and commentary on the amount of sports betting advertising (especially the close proximity of the advertisement to the sports event) and strong reported support for further advertising restrictions.

The Lottery Corporation's approach to advertising is different. Lottery products had been advertised for decades in Australia without ever giving rise to any notable concerns about its frequency or exposure to children. The Lottery Corporation advertises to inform customers of its products, including popular jackpot offerings, such as the \$160 million Powerball draw in October 2022. Advertising is an important way to reach these customers – many of whom are occasional, while others are regular players. Our offers change week-to-week and advertising is therefore often aimed at providing customers accurate and up-to-date information.

The Lottery Corporation's spend on marketing and promotions is relatively stable and much lower compared with other gambling industry operators. Unlike in racing and sports betting, Australia does not have multiple lottery operators advertising aggressively for market share and customer acquisition. While there are different figures quoted in relation to media spend by gambling operators, Australian-licensed online bookmaker Sportsbet said it spent A\$139 million on marketing in 2020 and estimated five of its competitors spent a further \$245 million between themselves¹.

Lottery purchases are a low-involvement purchase decision involving a low spend. Our promotions are for draw events and products that are distributed widely throughout the 3,800-plus distribution network (primarily small businesses, such as newsagents), as well as our online offering.

Globally, The Lottery Corporation significantly under-indexes among lotteries companies on our level of advertising spending, with an advertising/revenue ratio of 0.66% compared to equivalent operators who typically spend 1% to 2% and, in some cases, more.

Our focus on player registration also helps us maintain direct relationships with customers who have opted-in to our products and games, reducing the need for excessive mass marketing and advertising.

The Lottery Corporation strives to advertise responsibly, including:

- adhering to various State and Territory Responsible Gambling Codes which include requirements around the extent and nature of promotional activities;
- adhering to the relevant advertising codes and standards;
- checking placement for all television campaigns to ensure that ratings are PG or higher;
- checking the naming of programming to make sure it is appropriately not targeting minors;
- considering proximity to schools as part of our outdoor media placement; and
- all talent featured in any campaigns must be aged at least 25.

The Lottery Corporation receives very few inquiries about our advertising and those inquiries are generally related to clarification of offers or products.

¹ Sportsbet Investor Day presentation, 22 September 2021.

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Recently, the ACT Chief Minister and the Labor Caucus put their weight behind the Bets Off, Game On campaign launched by ACT MLA Dr Paterson aimed at reducing the impact of advertising by online sports betting companies. The ACT Gaming Minister is also reportedly examining if the ACT could potentially restrict betting advertisements by following a model that was introduced in South Australia.

The Leader of the Nationals David Littleproud recently called for changes and said “*changes to online betting ads need a common sense approach and a discussion about how to protect children from gambling*”. The CEO of the Victorian Responsible Gambling Foundation, Shane Lucas, recently pointed out that “*the normalisation of sports gambling through excessive advertising is problematic*”.

The Lottery Corporation respectfully urges the Committee to ensure that any proposed changes to advertising restrictions address the current concerns with the level of advertising, particularly relating to sporting events. Sport is a much-loved Australian pastime that is enjoyed by children. Advertising on lotteries, on the other hand, is about the lottery or draw itself rather than being linked to an event enjoyed by families.

In its consideration of any potential reform, we request the Committee’s recommended approach is proportionate to the risk profile of the gambling product advertised and guards against unintended consequences, including for small businesses.

The Lottery Corporation’s promotional activities generate awareness of our retail partners as a sales channel, generating foot traffic which supports their revenue stream. Restrictions on lottery advertising would negatively impact the games and therefore, negatively impact small businesses – many of which are family run – as well as the community through reduced taxation.

Lottery sales are the primary traffic driver in many of these small and often family-owned businesses. If lottery products were covered by a one-size-fits-all gambling operator advertising blackout (television/radio/social media/online news sites/streaming services/digital displays etc.) for example, between 6am–8:30am and 4pm-7pm in order to minimise to exposure to children, The Lottery Corporation estimates this could result in, on average over a five-year period, a reduction in lotteries duties and taxes of as much as \$128 million per year and a reduction in commissions to retailers of as much as \$33 million per year.

Given that lotteries are generally accepted to be a lower harm gambling product, we urge the Committee to exclude lotteries from any further restrictions on advertising.

3. ABOUT THE LOTTERY CORPORATION AND LOTTERIES IN AUSTRALIA

An overview of the lotteries industry in Australia and the operations of The Lottery Corporation

3.1 Lotteries have a long history in Australia

Australian lotteries date back to 1881 when the first Tattersall’s public sweep was conducted on the Sydney Cup. Since then, lotteries have been adding excitement to Australians’ lives, while at the same time driving substantial levels of revenue for governments to help fund public services and infrastructure such as hospitals. The construction of the Sydney Opera House was predominantly financed by lotteries. Such is the popularity of Australia’s official and trusted lottery games, 46 per cent of Australian adults – the equivalent of 8.3 million Australians - purchased lottery products in the past 12 months².

The Lottery Corporation had 4.1 million registered customers as at 30 June 2022. The average weekly spend of a registered customer is \$17.46 and \$8.23 for a customer who is not registered.

This relatively small level of expenditure is indicative of the inherent recreational nature of the product. Our research shows the most popular reasons why Australians play lotteries are: they’re a bit of fun; people can dream about what they’d do if they won; and they support the community – directly or indirectly through taxes into consolidated revenue or direct donations by The Lottery Corporation.

3.2 About The Lottery Corporation

The Lottery Corporation is Australia’s leading lottery and Keno operator with a portfolio of high-profile brands and games. The company was created following its demerger from Tabcorp Holdings Limited and listed on the Australian Securities Exchange in May 2022. The Lottery Corporation has a market capitalisation of circa \$10 billion, with almost 160,000 shareholders. It has corporate offices in Brisbane, Sydney, Melbourne and Adelaide, with almost 800 employees.

The Lottery Corporation is committed to high standards of corporate governance and operating with integrity.

3.3 Licences operated

Lotteries – The Lottery Corporation holds exclusive and/or long-dated licences or approvals to operate in all Australian states and territories (excluding Western Australia). These licences are critical to ensuring lottery products are offered safely and in compliance with federal, state and territory laws and community expectations, including responsible play.

Keno – The Lottery Corporation is also licensed to provide Keno products to venues across New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory (including digital approvals in the Australian Capital Territory and Victoria).



Figure 1: Lotteries licences/approvals year of maturity



Figure 2: Keno licences/approvals year of maturity

² Roy Morgan Gambling Monitor, April 2021–March 2022. Based on percentage of respondents who had purchased a lottery product over the last 12 months in The Lottery Corporation’s jurisdictions of operations, and Australian adult population as at March 2022, based on Australian Bureau of Statistics monthly estimates.

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3.4 Operations

Lotteries: The Lottery Corporation sells lottery products through The Lott® brand, which is the official home of Australia’s lotteries by Tatts (Victoria, Tasmania and Northern Territory), NSW Lotteries (NSW and the Australian Capital Territory), Golden Casket (Queensland) and SA Lotteries.

The business has a significant retail presence across Australia (excluding WA) through its distribution of lottery products in 3,857 retail outlets and online (through its website and app). Lotteries has one of Australia’s largest retail franchise networks and supports these small businesses who, in turn, provide valuable services to their local communities.



Figure 3: The Lott product portfolio

Keno: Keno is a social game played in venues such as clubs, hotels and casinos, with games typically running every three minutes. It is a random number game in which 20 numbers between 1 and 80 are randomly drawn with the chance for customers to win instant prizes and jackpot amounts.

The Lottery Corporation operates a Keno distribution network of 3,412 venues in New South Wales, Victoria, Queensland and the Australian Capital Territory, as well as online through its Australian Capital Territory and Victorian approvals. Keno is delivered through an additional 621 South Australian outlets, which also sell lottery products.

The Lottery Corporation has an omni-channel approach that aims to integrate the retail and digital customer experience. We are committed to our retail operations and continue to invest in the network to build a contemporary and accessible retail presence.



Figure 4: The Lottery Corporation map of distribution as at 30 June 2022

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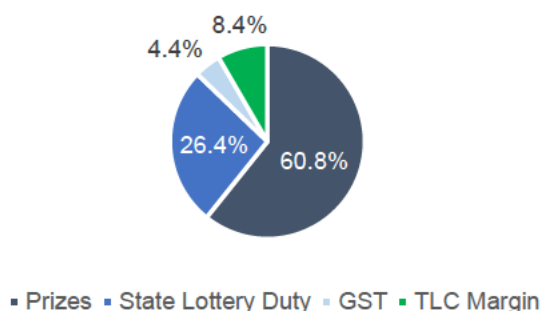


3.5 The majority of Lotteries turnover is returned to players and governments

Lotteries have a history of making a positive impact in the community and The Lottery Corporation's model is such that the benefits of its operations are widely shared. In FY22 (2021/22 financial year), The Lottery Corporation's businesses generated:

- \$1.7 billion in lottery and Keno taxes for governments, contributing to Australian communities;
- More than \$500 million in commissions to newsagents, licensed venues and other retail partners;
- \$4.9 billion in lottery and Keno prize money to more than 195 million winners; and
- 300+ millionaires.

The bulk of Lotteries turnover is distributed to players in the form of prizes, along with duties and taxes paid in Australia.



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- The Lottery Corporation margin (8.4%) represents ticket sales, less prizes, state lottery duty and GST. This TLC margin is then used to cover the costs incurred to operate our licences. It does not represent profit alone.
 - The breakdown is a blended outcome based on The Lottery Corporation's FY22 Lotteries financial statements and therefore isn't representative of one product or state as they all slightly vary.
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Figure 5: Breakdown of Lotteries turnover (excluding commissions paid to outlets)

3.6 Lotteries are vitally important to small businesses and state governments

Lotteries have long been a source of substantial revenue for state governments in Australia.

The percentage of taxation revenue that lottery duties represent for state governments is: NSW (1.5%), Queensland (1.9%), South Australia (1.9%), Victoria (2.2%) and Tasmania (2.9%)³.

Lotteries and Keno also make a significant contribution to the incomes of businesses, which sell our products, with more than \$500 million returned nationally in FY22.

3.7 Supporting the community is integral to The Lottery Corporation's purpose

In addition to returning \$1.7 billion in state lottery taxes in FY22, The Lottery Corporation contributed \$4.8 million to 18 not-for-profit organisations through donations, unclaimed prize money, state lottery proceeds and sponsorships. A recent campaign, 'A Lott More to Play For', highlighted how the community benefits when Australians play with The Lott. It drove awareness of The Lott's community contribution from 15% to 47%.

We also raised \$2.6 million for community organisations through Charitable Games. This arm of The Lottery Corporation supports the 50-50 Foundation (a charity registered with the Australian Charities and Not-for-profits Commission) to help more than 500 charities and sporting clubs raise significant funds through two raffle products: 50-50 Charity Raffle and Play For Purpose.

³ Based on 2022 lottery taxes/duties and total government tax receipts in FY22. Sourced from respective 2022/23 budget papers.

4. LOTTERIES AND THE AUSTRALIAN GAMBLING MARKET

An overview of the size of lotteries and Keno as part of the Australian gambling market and online lotteries and Keno sales trends relative to other gambling products

4.1 Lotteries and Keno attract a relatively small share of annual gambling turnover in Australia

The Australian gambling market is large and competitive. Based on the most recently publicly available data, the market is made up of \$25.1 billion in annual revenue (defined as turnover less returns to player), with lotteries making up 10.3% and Keno 1.3%. The Australian industry has had a long-term (2000-2019) revenue growth rate of 3.2%. Over the same period, the lotteries and Keno market grew 3.5%⁴.

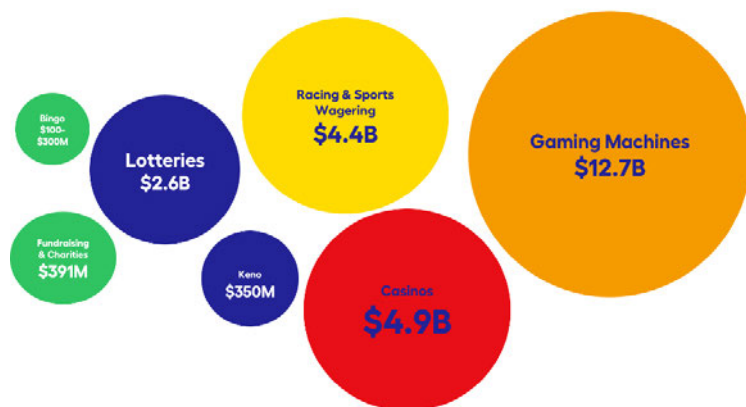


Figure 7: 2019 Australian Gambling Market A\$25bn (Turnover – Prizes)

4.2 Lotteries and Keno online play is growing, but not as rapidly as other gambling products

The *Interactive Gambling Act 2001 (Cth)* has significant restrictions on general gambling but enables Australian licensed lottery products to be sold online. Lottery products are generally exempt from the prohibitions on interactive gambling services by virtue of being classified as an ‘excluded lottery service’. As a result, in addition to The Lottery Corporation’s extensive retail network, tickets are sold through digital channels such as The Lott app and thelott.com. Instant Scratch-Its (scratch lottery tickets) are not permitted to be sold online in Australia, unlike in other countries such as New Zealand and the United Kingdom.

In FY22, digital sales accounted for 37.7% of The Lottery Corporation’s lotteries sales, with retail sales making up 62.3%. Whilst there has been strong growth in digital sales in recent years, retail sales remain resilient and grew in FY22. In terms of Keno, digital sales accounted for 18.8% of turnover in FY22.



Figure 8: Retail/Digital %Share of Lotteries Turnover for The Lottery Corporation

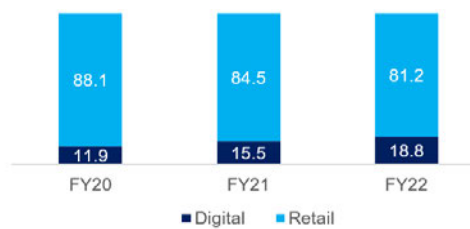


Figure 9: Retail/Digital %Share of Keno Turnover for The Lottery Corporation

Digital share of our overall sales has naturally grown in recent years, supported by the growth of e-commerce and changes in consumer purchasing habits impacted by COVID-19. In contrast, the online take-up of racing and sports betting has been much greater. In-person betting in a retail environment accounted for just 5.7% of sports betting turnover in Australia in 2020/21, with the remainder primarily online. This has been fuelled by the growth of the online-only operators licensed in the Northern Territory and their substantial marketing spend. As 2020/21 was impacted by COVID lockdowns, it is worth noting that retail betting made up only 8.9% of sports betting turnover in the pre-COVID 2018/19 financial year⁵. The extent of the shift from retail to online sales in racing and sports betting has not been experienced in lotteries or Keno.

⁴ Australian Gambling Statistics, 1993-94 to 2018-19 (36th edition).

⁵ Racing Australia Fact Books, 2020/21, 2018/19.

5. THE LOTTERY CORPORATION & OUR APPROACH TO RESPONSIBLE PLAY

An overview of the low harm nature of lottery products and The Lottery Corporation's approach to offering its products responsibly and in line with community expectations

5.1 Our ethos – a commitment to ensuring lotteries and Keno are a fun and safe experience

The Lottery Corporation actively strives to minimise potential harm to people and society from gambling harm. This goal is entrenched strategically, culturally and in all day-to-day operations.

We report on our performance in this area internally at the executive management and Board level, and externally through our annual report and via regular compliance reporting to government regulators.

The Lottery Corporation has adopted the responsible gambling principles of the global authority on lotteries, the World Lottery Association (WLA), a member-based organisation of more than 200 authorised state and national lottery operators committed to achieving, among other things, the highest standards of corporate responsibility and responsible gambling. The Lottery Corporation has achieved the WLA's highest level of Responsible Play certification (Level 4) and was awarded a Responsible Play Award for Best Overall Program for Level 4 Accredited Lotteries at the World Lottery Summit in Canada in October 2022. To maintain this accreditation, we must demonstrate, with evidence, our commitment to the continuous improvement of our responsible gambling practices.

5.2 Research over a long period of time reports lotteries as a low harm product

It is important for the Committee to appreciate that lottery products have characteristics that clearly differentiate them from other forms of gambling. The features of lottery products – such as the limited frequency of the draws and therefore delayed outcomes, as well as largely lower transaction values – mean the game structure is not as conducive to excessive play.

Any policy response on the impacts of online gambling should acknowledge the distinctive nature and the different harm profile associated with lottery games as compared to other forms of gambling and should embrace a risk/harm-based approach with descending level of regulation if the harm/risk is lower.

Independent research in Australia and internationally over a long period of time has found that buying lottery tickets is associated with much lower risks of problem gambling than other forms of gambling. Some of the more recent studies have stated:

Lottery gambling is also traditionally the least associated with problem practices in the literature (Productivity Commission 2010; Wardle et al. 2011; Welte et al. 2009). In Binde's (2011) review of 18 national studies on gambling prevalence in various parts of the world, with rare exception, lotteries were the gambling activity with the weakest association to problem gambling and in no case was the association between lottery participation and problem gambling strong. – Where Lies the Harm in Lottery Gambling?, Journal of Gambling Studies, 2018

Some prevalent forms of gambling – notably lottery tickets or instant scratchies – are associated with low rates of problem gambling and harm. – Responsible Gambling Fund NSW Gambling Survey, 2021

Conversely, increases in the proportion of lottery played online was associated with a decreased likelihood of being a moderate risk/problem gambler. Although this finding was not hypothesised, lottery gambling is rarely associated with gambling problems (Browne et al., 2019; Rockloff et al., 2018) – The Second National Study of Interactive Gambling in Australia (2019-2020), Gambling Research Australia

It is not surprising therefore, that lotteries are the most positively perceived gambling activity in Australia – including purchasing lottery tickets online.

5.3 Lotteries' lower-risk profile was acknowledged by a recent Parliamentary Joint Committee

In 2021, the Parliamentary Joint Committee on Corporations and Financial Services held an inquiry into Regulation of the use of financial services such as credit cards and digital wallets for online gambling.

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The Committee's final report acknowledged the lower-risk profile of lotteries as compared to other forms of gambling, by expressly excluding lotteries from the recommendation that the Australian Government develop and implement legislation to ban online gambling service providers of wagering, gaming and other gambling services from accepting payment by credit cards, including via digital wallets.

The Committee also understood the potential impact of a ban on credit card sales on lottery retailers by recommending that the Australian Government ensure that, in designing and implementing the recommendation, *"these measures have no adverse consequences for lotteries, including the activities of not-for-profits, charities and newspapers"*.

The Parliamentary Joint Committee also recognised that: *"Online gambling is currently the fastest growing section of the gambling market. Evidence to the inquiry identified substantial harm resulting from the ability to gamble online with credit. To be clear, this harm results primarily from online wagering with credit, not using credit to purchase lottery tickets and scratchies."*

The Committee concluded: *"The committee acknowledges gambling is a legitimate form of entertainment for many Australians. The committee considers that both for-profit and not-for-profit lotteries (as defined under the Interactive Gambling Act) lead to relatively lower harm than other forms of online gambling, and therefore should be exempt from any ban⁶."*

5.4 The Lottery Corporation has a comprehensive Responsible Play Framework

The Lottery Corporation has a national program in place that applies to our business and lottery licensees, and is governed by an overarching Responsible Play Framework. The Lottery Corporation aims to keep its games as a socially responsible and rewarding entertainment activity through education, by encouraging responsible play and providing tools and support for those seeking help.

Our Responsible Play Framework combines government regulation, self-regulation and individual responsibility, and highlights the important role The Lottery Corporation plays in educating and enabling players to make informed decisions, develop responsible play habits and seek help if needed.

The Responsible Play Framework is very comprehensive, but to provide the Committee with an overview, it encompasses these elements: Research; Employee Program; Retailer Program; Game Design; Safe Online Environment; Advertising and Marketing; Player Education; Treatment Referral; Stakeholder Engagement; Measurement; and Reporting.

5.5 The Lottery Corporation's Responsible Play tools in action

The Lottery Corporation deploys multiple customer care tools as part of its Responsible Play initiatives. These include self-exclusion, in which customers can exclude themselves from playing online games for a minimum of 180 days, during which they cannot access their account and are required to contact us to re-activate their account after the exclusion period has ended.

Our early intervention models for online lotteries and Keno have created an extra layer of customer engagement and allow us to reach out to the small number of customers whose patterns of play suggest the potential for problem gambling. Support extends to retail customers, including prominent messaging on responsible gambling, training deployed to all agency staff on responsible gambling and the ability to escalate issues. Another tool that customers can access is contacting one of our Responsible Play Liaison Officers, who can provide contact details for gambling-related support services as well as assist with excluding customers from play, opting out of receiving communications and deactivating memberships.

The Lottery Corporation is committed to evolving its Responsible Play practices to ensure they remain aligned with customer and community expectations and leverage advancements in technology and leading gambling harm minimisation research.

SUBMISSION ENDS

⁶ Parliamentary Joint Committee on Corporations and Financial Services Report. Regulation of the use of financial services such as credit cards and digital wallets for online gambling in Australia. November 2021.