

22nd of September 2023

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

By email: ec.sen@aph.gov.au

**ALNA Submission - Interactive Gambling Amendment (Credit and Other Measures) Bill 2023 -
Committee Inquiry**

Dear Committee Secretary,

On behalf of the Australian Lottery and Newsagents Association (ALNA), thank you for the opportunity to share our insights to the committee inquiry. We understand that the committee will be exploring the 'potential to include other harmful interactive wagering services like, for example, lotteries' in the proposed credit card ban. It is important to note that while there may be worthwhile investigation to be had into overseas lottery like products and their impacts, it is our firm view that domestic licensed lottery products (which are not wagering products) such as those sold by our members present very low levels of harm, as such we believe the committee should support the governments bill in its current form.

About ALNA

ALNA is the peak national industry body representing lottery agents, retail newsagents and distribution newsagents who are small businesses located in almost every rural town, regional centre and metropolitan shopping centre in Australia.

There are over 4000+ Lottery Agents and Newsagents in Australia employing close to 20,000 people. They are generally family run businesses and are an important and trusted part of Australian communities and approximately 2.5 million Australians shop at their local agency every day.

Background on the issues and our engagement

Lottery sales are extremely important to the ongoing viability of our member businesses and the association has previously engaged extensively on the issue of reforms considering the use of credit cards with gambling products.

While our members do not currently sell extensively online, reforms for online sales will certainly impact them, as they receive shared commission revenue from customers who purchase both in-store and online, and they also sell syndicate lottery shares online, and this is a retail exclusive product.

It is well established in multiple reviews both in Australia and overseas that the type of lottery products our members sell, which are relatively infrequent compared with other gambling models, are low harm, and are a net community benefit. They provide significant state taxes and community grants in the case of Western Australia with approximately 25% of sales being contributed, they offer integrity for consumers and a guaranteed prize pool with approximately 60% of sales going back to customers, and they are well managed. A significant portion of the Australian community participate in purchasing lottery products regularly and so accordingly credit cards are often used to purchase these products as well.

ALNA submitted to the Australian Banking Association consultation in 2019 on the use of credit cards for gambling, and then in 2021 we engaged with the Parliamentary Joint Committee on Corporations and Financial Services inquiry into Regulation of the use of financial services such as credit cards and digital wallets for online gambling in Australia. ALNA was asked to appear before the committee and gave evidence. We explained that domestic state licensed lottery draws are a very different product to other forms of gambling and so should be considered very differently from other gambling products.

We greatly appreciated the effort made by the committee at the time to understand this issue, and their recommendations to exclude lotteries from proposed changes and that the measures have no adverse consequences for lotteries, including the activities of not-for-profits, charities and newsagents. This was consistent with other similar reviews conducted, such as in the United Kingdom for example.

In May 2023 the government responded to the report and the recommendations of the committee. In its response, which included support for all the recommendations, it said that it will take into account any adverse impact on lotteries, including those offered by not-for-profits, charities and newsagents.

We thank the government for their support of our member businesses and our industry, and we support the approach being taken on these issues. We would like to ensure that we can determine a clear path of execution to make sure that the end outcome for our retailers, their employees and their customers is consistent with this.

We discussed in our submission (*remaining sections copied below*) to the consultation paper on the Bill, our views on the mechanisms being considered to block credit usage and also highlighted the potential harm from illegal offshore gambling operators and its impact on domestic lottery retailers.

We are committed to working with relevant organizations to develop models that better address illegal offshore gambling while ensuring consistency and clarity for local retailers and lottery operators.

We hope that our submission helps the committee in understanding some of the challenges to navigating this important reform from our industries perspective.

Yours sincerely,

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Appendix (The remainder of our previous submission to the consultation paper)

Our Submission

ALNA has considered the questions that are posed in this consultation, and we have responded below to those that are most relevant to our members:

1. The draft Interactive Gambling Amendment (Credit Card and Other Measures) Bill 2023 (the draft Bill)

ALNA appreciates that the draft bill will not capture lottery services (profit and not-for-profit lotteries). We believe that under the current operating model of expanding ACMA's administrative powers utilising enforceable undertakings with operators, and the intent to utilise BIN codes, that there should be no unintended consequences for lottery retailers.

2. The technical mechanism and regulatory costs of implementing the proposed credit card ban using Bank Identification Numbers (BINs)

The PJC Inquiry identified BINs as the preferred mechanism to implement a credit card ban, as one possible negative outcome of blocking MCCs, was that this could inadvertently capture newsagents and lotteries sold by charitable organisations.

Our only concern with the draft bill, is it does not specify the technical mechanism that must be used to block the use of credit, but it is expected wagering operators will use BINs to identify and block credit card payments as has been done by Casinos and Poker Machine operators.

ALNA has done a lot of work with the card schemes, the ABA, AusPayNet and others to address existing weaknesses with using MCC Codes to identify gambling. There are existing unfair impacts on our members who sell lotteries, and their customers, from broad based decisions made by some financial institutions utilising MCC codes as a blunt tool.

We would be very concerned if there was any movement back to utilising MCC7995 for example as a mechanism, as there could be potential unintended consequences for small businesses who sell lottery tickets. It is important to note that the small businesses who sell lotteries are not easily classed as just newsagents for example, it is increasingly a broader group of small business types, which includes standalone kiosks in shopping centres and other small businesses, making classification under present MCC models difficult.

Our general view is that in the absence of much more certainty around consistent outcomes and clarity for retailers/lottery operators with MCC codes that don't incur a further burden on them, that legislating to require gambling providers to block credit cards using bank identification numbers (BINs) is the preferred option when it comes to immediate effect without unintended consequences. If this model is not to be made explicit in the legislation, we encourage the department to consider how regulations could be used that encourage this outcome so it can be enforced throughout implementation.

We understand this would require an investment by some gambling providers to have adequate sophistication, but then this model could achieve the desired policy outcome.

3. Addressing illegal offshore gambling

ALNA is very cognisant of the potential for harm from illegal offshore gambling operators and there are very real consequences for our lottery retailers from this activity as well.

ALNA has explored a range of options to better delineate legitimate licensed domestic lottery sales payments from other gambling products due to existing consequences, and we have previously proactively sought the use of new MCC codes to achieve this.

The issue here is that these are international codes, and they don't currently have the flexibility to be a one size fits all solution for achieving this outcome for lottery services (profit and not-for-

profit lotteries) in Australia. As we have said, in the absence of much more certainty around consistent outcomes and clarity for retailers/lottery operators with MCC codes that don't incur a further burden on them, using bank identification numbers (BINs) is the preferred option.

That said, we will continue to work with the Card Schemes, the ABA, and AusPayNet to work on this and to help develop models that would better assist in addressing illegal offshore gambling.
