



Australian Hotels Association

**Submission to the inquiry
Environment and Communications Legislation Committee
Interactive Gambling Amendment Bill 2016
Report by 30 November 2016**

http://www.aph.gov.au/Parliamentary_Business/Committees/OnlineSubmission.

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1 ABOUT THE AUSTRALIAN HOTELS ASSOCIATION (AHA)

The Australian Hotels Association (AHA) is the national voice of Australia's vibrant hotel industry. The AHA is an organisation of employers in the hospitality industry, federally registered under the *Fair Work (Registered Organisations) Act 2009*. The AHA represents more than 5,000 members across Australia with a network of branches based in every state and territory.

Australian owned

The overwhelming majority of Australian hotels are owner-operated small businesses serving their local communities, with a proportion of hotels forming part of national or international chains. Hotels are located in nearly every city across the country. AHA members invest millions in capital infrastructure, employ over 250,000 Australians, and assist over 50,000 community groups. Hotels provide wagering via their Pub Tabs, which are regulated by the relevant state and territory governments.

2 SUPPORT FOR THE BILL

Up until the mobile phone, personal computer, internet and digital revolution, gambling was only allowed to occur at places such as hotels, clubs, racecourses, casinos and TAB agencies. Today, the ability (and encouragement) to gamble is present on all personal computers and the over 20,000,000 mobile phones owned by Australians.

State and territory regulation

Australian state and territory governments had been effective in providing regulatory regimes that minimised negative social impacts on consumers from gambling. State and Territory governments also ensured that businesses providing gambling paid for the opportunity to provide gambling services. State and territory governments have always attempted to ensure that, on balance, the community and the racing codes benefited from gambling and that harm was minimised. The objects of the various state/territory wagering, gaming and racing Acts include, e.g.:

- Minimise harm associated with the misuse of gambling activities
- Foster responsible conduct in relation to gambling
- Facilitate the balanced development, in the public interest, of the gambling industry
- Ensure the integrity of the gambling industry
- Ensure the integrity of racing in the public interest
- Ensure that certain betting activities by licensed bookmakers are conducted properly
- Protect a source of public revenue

Federal vacuum

The federal government has limited involvement relating to the regulation of gambling with the *Interactive Gambling Act 2001* (IGA) being its main regulation. However, the ingenuity of illegal foreign operators in the new digital economy, coupled with the lack of an appropriate federal government framework, have seen these operators effective in bypassing the protections, structures and returns set by the Commonwealth, states and territories. Illegal operators have also been well aware that the current federal laws are rarely if ever enforced. This Bill is welcomed as it aims to

provide a legislative and regulatory framework to replace the current vacuum that exists at a federal level.

Key measures

The AHA believes the Bill will deliver improved harm minimisation for consumers, integrity of sport, and protection of Australian sports and industry. This will be achieved by the following key measures:

- Prohibit illegal interactive gambling providers
- Introducing a civil penalty regime to enable the ACMA enforce the Act
- Enable ACMA to notify international regulators of breaches of the IGA
- Establishing a register of eligible regulated interactive gambling services
- Enabling the principals of offending gambling services to be placed on the Movement Alert List
- Prohibit “click to call” in play betting services
- Defining what are and aren’t sporting events for the purpose of in play betting

It is also noted that the Federal Government is seeking input from the States and Territories to establish a National Consumer Protection Framework for Online Wagering in Australia including measures such as:

- National self-exclusion register for online wagering
- Voluntary pre-commitment for online wagering
- Banning lines of credit offered by online wagering operators
- Harmonizing inducements offered by online wagering providers
- Staff training in responsible conduct of gambling
- Greater national consistency in advertising of online wagering services

Points of difference

It seems that all legal providers of gambling services agree that the vast majority of these reforms are supported. It appears that the only major point of disagreement relates to “in play” betting.

3 IN PLAY BETTING

Federal Parliament considered online in play betting when the IGA was enacted in 2001. It considered that online in play betting could exacerbate problem gambling owing to its capacity to “evolve into highly addictive and easily accessible forms of interactive gambling”. Therefore, the Government resolved to the effect of only permitting in play betting within premises licenced to offer gambling, or telephone by way of voice call. This was because place-based betting and telephone voice calls are far more likely to slow down the rate and volume of betting and reduce the risk of problem gambling, particularly among younger people.

“Click to call” undermined the intent of the Act

Due to the ingenuity of some corporate bookmakers to undermine the intent of the Act via “click to call”, this Bill redefines the ways by which in play betting can occur. The essence of the current Act remains that in play betting can occur over the telephone by way of a voice call, or within a place

licensed to offer gambling, e.g. a hotel or racecourse. Both of these methods are believed to slow down the rate of betting compared to the more rapid methods available using personal computers and personal digital devices.

Disingenuous argument by corporate bookmakers

The arguments from some of the foreign owned corporate bookmakers against this redefinition are disingenuous. Their argument often has two circular parts:

- Online in play betting should be permitted because it will decrease the volume of illegal offshore wagering
- If online in play betting is not permitted, then place-based in play betting should be prohibited

Rather than being based on principles of harm minimisation or consumer protection, the above argument is simply aimed at neutralising what the corporate bookmakers see as a lost commercial opportunity.

It is noted that many of the corporate bookmakers originate from the UK where they have always operated place-based wagering services. I am not aware of them requesting the UK regulators to restrict place-based in play betting in the UK. There are three key reasons driving the attitudes of corporate bookmakers towards in play betting in Australia:

- Telephone calls wholly by way of voice are expensive and slow
- Minimising state/territory taxes and other costs
- Sport betting generates higher returns than racing

Telephone calls wholly by way of voice are expensive and slower

The corporate bookmakers can offer in play betting by way of a telephone wholly by way of voice. Their difficulty is that a voice call is more expensive for them to operate than a bet made by digital means. Voice calls cannot be placed as fast as by digital means such as "click to call", thus minimising the turnover of sales.

Minimising state/territory taxes and other costs

The corporate bookmakers complain that place-based betting has an advantage over interactive gambling. They fail to note that it is also open for the corporate bookmakers to gain place-based wagering licences, however they choose not to do so. This is because of the higher entry costs, their strong desire to not pay state based taxes, and the higher capital and servicing costs required to service place-based customers.

Their desire to not pay state/territory taxes is the reason most are harboured in low licence fee jurisdictions such as the Northern Territory and Norfolk Island (until its licence was recently stripped from it by the Federal Government). The NT is used just too basically house their computer servers with most of their senior executives living in Sydney, Melbourne and Brisbane. The desire to avoid or minimise fees and taxes is also the reason that corporate bookmakers appealed to the High Court (and lost) against the right of the racing industry to set and be paid a fee from wagering operators that used their product.

It is noted that the South Australian Government is attempting to introduce a state based consumption tax so that South Australians make a contribution to their state when gambling with a corporate bookmaker. If this legislation is successful and rolled out Australia wide, it could generate

an additional \$200 Million in state/territory revenue. Of course, the foreign owned corporate bookmakers are opposed to this tax. AHA notes in general terms that of every bet placed at a Pub Tab, about two cents is collected by the state/territory, depending on local regimes.

Sport betting delivers higher margins than racing

To understand the desire of corporate bookmakers to offer in play betting, the mix of wagering between wagering and sport between Australia and the UK is illuminating. Sports betting is far more suited to in play betting than racing and generates higher margins.

| Bet Volume | Australia | UK |
|------------|-----------|-----|
| Racing | 80% | 20% |
| Sport | 30% | 70% |

If on line in play betting was liberalised in Australia, the Australian market would likely shift to a similar mix as the UK, thus generating higher margins for the largely UK owned corporate bookmakers.

Electronic equipment

The Bill proposes to the effect to continue allowing place-based customers to use electronic equipment provided by a venue to place bets. It seems that this provision has raised objections amongst corporate bookmakers. The clear distinction between a Pub Tab and a corporate bookmaker is that the Pub Tab still offers better harm minimisation and consumer protection measures than an online corporate bookmaker.

For example, a key distinction between Pub Tabs and corporate bookmakers is that any bet placed with a Pub Tab by way of electronic equipment is that they must be by way of cash or a cash based card; credit card betting is expressly prohibited. In comparison, corporate bookmakers take deposits via credit card, thus enabling punters to bet with money they don't have.

4 CONCLUSION

The AHA supports the Bill and thanks the committee for the opportunity to make a submission.
