



12 February 2016

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

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

Dear Chair,

Submission: Interactive Gambling Amendment (Sports Betting Reform) Bill 2015

Tatts Group Limited (**Tatts**) welcomes the opportunity to provide a submission to the Senate Standing Committee on Environment and Communications in relation the *Interactive Gambling Amendment (Sports and Betting Reform) Bill 2015*.

Tatts' Operations

As Australia's largest non-casino gambling group, Tatts' operations traverse wagering and lotteries.

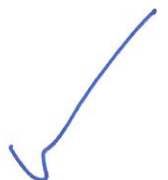
Tatts' wagering division, UBET, holds a combination of totalisator (pari-mutuel) and fixed-price betting licences that authorise the conduct of retail ('bricks and mortar') betting operations in Queensland, South Australian, the Northern Territory, and Tasmania together with a nationwide telephone, mobile and online betting service. Alongside its wagering operation, the Group also operates all state and territory lotteries in Australia (with the exception of Western Australia) together with a gaming machine monitoring, services and technical support business.

The wagering licences held by Tatts were issued in return for significant upfront licence payments and, in some cases, ongoing licence fees. These licences oblige Tatts to make sizable wagering tax payments to the relevant state and territory governments with these requirements additionally accompanied by direct funding obligations to support the local state and territory racing industries (over \$2 billion since 2000) and are enshrined in contractual agreements and state legislation.

The wagering frameworks under which Tatts operates have been structured by our partner governments on the basis that a state based and regulated licence regime is the optimal structure to ensure these complex, diversified, multi-billion dollar gambling businesses are conducted in a manner that meets the requirements of all stakeholders, from a risk management, industry support, integrity, probity and responsible play perspective. This framework has underwritten significant contributions to:

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- the state and territory governments that issued UBET's licences;
- UBET's 1,400 small business wagering partners;
- the state and territory based racing industries in UBET's operating jurisdictions; and
- the broader Australian economy.

By way of specific example these contributions include:

- direct and indirect support of over 11,800 Australian jobs;
- a combined annual economic contribution of over \$2.8 billion to the economy;
- over \$5 billion in lotteries duties paid to our State Government partners since 2011;
- more than \$2 billion to UBET's racing industry partners in direct payments since 2000;
- more than \$500 million in wagering tax to UBET's partner governments since 2000;
- \$234 million paid by UBET to governments and industry in racing related payments in the 2015 financial year; and
- Australia's largest corporate Wide Area Network (WAN) connecting us with a retail footprint of more than 10,000 outlets and venues across the Group's business units.

Australian Wagering Regimes

The history of and rationale for the state-based wagering regime in Australia is relevant in considering the matters flagged in the legislation. The various state-based pari-mutuel and fixed-price betting businesses (such as UBET) were originally established in the 1960s and 1970s to act as licensed, regulated and accountable entities, charged with ensuring the effective collection of funds to support the individual state-based racing industries and creating a source of new revenue for government through wagering taxes. These operations were established in unison with decisive action to close down illegal bookmaking operations that were prevalent at the time. The formation of this regime has played a key role in upholding the integrity of the industry and ensuring player protection.

Whilst much has changed since those formative years in terms of the number of Australian licences issued, technology and how operators interact with their customers, the fundamental fact remains that Australia's licensing regimes for wagering operators ultimately exist to ensure Government retains regulatory oversight of an industry which if not monitored is open to manipulation and exploitation.

In these circumstances **Tatts submits** that operators wishing to engage with Australian domiciled customers on approved events using an *interactive gambling service* must require individual operators to:

- hold an Australian wagering licence issued by a state or territory government; and
- fulfill all of the associated obligations required under Australian law including paying appropriate levels of tax (federal and state/territory) as well as appropriate industry product fees.

Taking the above into account it is imperative for policy makers to acknowledge that regulation and licensing is a two-way street. Credible operators such as Tatts that comply with Government licensing and regulatory requirements justifiably have an expectation that Government will enforce the existing legislative provisions and take action against entities acting outside of the law.



Rogue Australian Licensed Operators Actions Necessitate Reforms to Domestic Licensed Wagering Industry

The bottom line is that if the IGA is watered down, we will see the following impacts in the Australian wagering landscape:

- an unacceptable acceleration of betting activity and betting advertising as all operators aggressively seek to ride the next wave of gambling growth;
- significant damage to each State and Territory's racing industry as customers are induced to move their activity away from racing to in-play betting on sport;
- no new wagering tax collection for the States;
- damage to retail wagering outlets (pub, club and standalone) as one betting privilege held exclusively by them is removed.

Whilst competition is to be welcomed and has undoubtedly grown the wagering sector as a whole, inconsistent and contradictory approaches around issues such as click to call "online" in-play betting, credit betting, the explosion of advertising and cash inducements have and continue to do great harm to the entire industry's reputation.

The unfortunate reality is that a very well orchestrated campaign is currently underway from self-interest corporate bookmakers as they go about advocating for the 'watering down' of the IGA, including their proposal to see the current prohibition on high volume online in-play sports betting products extinguished.

We note that the aggressive activity of these operators has caused a significant shift in community sentiment with many people, particularly parents, voicing concern about the level and type of advertising, the nature of inducements, the availability of credit betting and the types of products being offered, namely click to call products which seek to circumvent both the spirit and intent of the *Interactive Gambling Act 2001*.

Tatts submits that the activities of a number of Australian licensed operators, as well as an unwillingness of the jurisdictions that issue their licenses to act to rein in these unacceptable activities has necessitated an environment in which the formal legislating of many of the reforms proposed in Senator Xenophon's bill, particularly as it relates to continuing the prohibition on high volume online in-play betting and micro betting products, has become the only tool available to clarify these issues in the short term.

In order to ensure a best practice sustainable Australian wagering industry that maintains its social licence to operate whilst fulfilling its obligations to all stakeholders exists into the future, Tatts urges the committee to:

- **Continue the prohibition on live in-play online betting, including introducing amendments to the IGA to remove the so-called 'click to call' products which seek to represent themselves as a permitted phone based transactions.**
- **Introduce a total ban on television and radio betting related advertising at times at which minors might reasonably be expected to be aware of such messaging (for example 6 am to 9 pm).**
- **Institute a complete ban on wagering operators or subsidiaries from offering lines of credit to customers, fulfilling the Liberal Party's 2013 election**

commitment.

- **Institute a prohibition on persons providing target customer contact lists and receiving remuneration based on the losing betting activity of such customers.**
- **Introduce consistent national rules (and definitions) as to what constitutes sports betting products, including the banning of non-sporting contingencies. Those being betting products currently offered through a state or territory issued sports betting licence that do not relate to the outcome of an event sanctioned by recognised sporting body.**
- **Introduce a consistent national approach to the offering of cash and credit inducements to open an account, noting that these inducements are often provided in a manner which traps the customer into spending significant amounts of money.**

Responsible Gambling

As a long term Australian licensed operator Tatts subscribes to the highest levels of responsible gambling compliance. It is Tatts' view that responsible gambling occurs in an environment where people make informed and rational decisions about their participation in gambling, based on their own individual circumstances. Responsible gambling occurs as a result of the collective actions and shared responsibility of individuals, communities, the gambling industry and governments, to achieve outcomes that are socially responsible and responsive to community concerns.

The proposed amendments seek to progress a number of initiatives relating to harm minimisation and responsible gambling, such as the introduction of mandatory betting loss limits for online account customers, enhanced sign-up verification processes and a national self-exclusion register.

Tatts in-principle support to these initiatives, however we remain concerned that unless the Commonwealth reforms are complemented by corresponding reform at a state level to repeal their own individual schemes, then the amendments would simply be adding another layer of red tape to the existing nine state and territory-based legislative and regulatory regimes and responsible gambling codes that Tatts already complies with.

Black Market Wagering Industry Supply Chain

Tatts considers the current Committee process provides an opportunity to go beyond the proposed amendments, and urges the Committee to consider other measures to target and disrupt parts of the 'black market' wagering supply chain - with the reference to 'black market' referring to unlicensed wagering operators (based both here and abroad) who are interacting with Australian domiciled customers. Besides targeting illegal wagering providers, areas that Tatts believes also warrant particular focus include:

1. Australian based agents acting for black market wagering service providers.
2. Consumers of black-market wagering products.
3. Internet Service Providers (**ISP**) transmitting content for black market wagering service providers.
4. Financial institutions facilitating funds transfers between black market wagering service providers and customers.

To address items 1 to 4 above it is **Tatts' submission that** the Committee should consider adopting an end-to-end federally legislated approach, which not only puts a renewed focus on enforcement and prosecutions for breaches of existing laws (such as the IGA), but which adopts existing successful frameworks from other relevant overseas legislation (for example Singapore's *Remote Gambling Bill 2014*).

Specifically:

- **Enforcement of Existing Legislation** – The provisions of the existing IGA already provide solutions for addressing black market wagering operators as well as licensed operator who are breaching the current laws. However, presumably through a lack of resourcing, Australian authorities have found it challenging to pursue those entities engaging in possible illegal behaviour.

For example, the 2015 Department of Communications 2014 report: "*The Operation of the Prohibition of Advertisements of Interactive Gambling Services under the Interactive Gambling Act 2001*", published in September 2015 found that of the 25 complaints received for breaches of Section 7A of the *Interactive Gambling Act 2001* relating to advertising, 17 were referred to the AFP for investigation. Of the 17 referrals, on 16 occasions, or 94% of the time, the report states that the "AFP advised that the referral had not been accepted for investigation due to other priorities."

- **New Enforcement and Penalty Provisions** – In addition to Tatts' desire to see breaches of the existing law properly investigated and actioned, Tatts submission is that new measures should be enacted to put enforcement and prosecutions at the forefront of addressing the black market wagering industry at all points in the supply chain.

Tatts suggests similar measures to those taken by the Singaporean Government be adopted. In 2014 the Singaporean Government introduced legislation that applied criminal penalties, in the form of fines and in some cases imprisonment to providers, users and facilitators of unlicensed and unregulated gambling providers, both onshore and offshore. The intent of the reform was to regulate remote gambling, which is broadly defined as gambling in which a person participates by the use of remote device and communications tool, including but not limited to the Internet and any other kind of electronic or other technology for enabling communication. In short the legislation prohibits all forms of remote gambling activities in Singapore unless exempted. The equivalent for Australia would be a total prohibition on consumers gambling with an operator unless they held an Australian issued licence.

To address the trans-national and multi-party nature of remote gambling activities, this prohibition would (as it does in Singapore) apply to facilitators and remote gambling operators even if they reside overseas, as long as their customers are in the jurisdiction. In the case of Singapore the offences and penalties are as follows:

- It is an offence for an individual in Singapore to gamble remotely with an unauthorised operator. The penalty is a fine not exceeding \$5,000 or imprisonment not exceeding 6 months or both.
- It is an offence for a remote gambling operator, whether based in Singapore or



overseas, to provide this service to a person in Singapore. The penalty for such an offence is a fine of not less than \$20,000 and not more than \$500,000, or imprisonment not exceeding 7 years, or both.

- It is an offence for a person to publish or authorise the publication of a remote gambling advertisement in Singapore, unless it is an exempt operator. The penalty for each of these offences is a fine not exceeding \$20,000.
- The legislation empowers the relevant government authority to issue access-blocking orders to Internet Service Providers (ISPs). The orders require that the ISP take reasonable steps to disable access to websites identified by Singaporean regulators. The penalty for not complying is a fine not exceeding \$20,000 for each day or part thereof for each website not blocked, subject to a total of \$500,000.
- The legislation provides for the issuance of payment transaction blocking orders in respect of a remote gambling operator to financial institutions, and other financial transaction providers. Failure of a financial institution to comply is an offence punishable by a fine not exceeding \$20,000 for each prohibited transaction, up to a total of \$500,000 per account.

Conclusion

Tatts appreciates the opportunity to make the above submission. A Tatts representative would be pleased to appear before the Committee during its public hearing phase.

If you require further information or clarification on any of the above please feel free to contact Tatts Group's Head of Government and Industry Affairs, Rhys Turner on +61 419 850 221 or email on rhys.turner@tattsgroup.com.

Yours sincerely,

Robbie Cooke
Managing Director | CEO
Tatts Group Limited