



AUSTRALIAN
WAGERING
COUNCIL

16 April 2013

The Secretary
Joint Select Committee on Gambling Reform
Parliament House
Canberra ACT 2600
By Email

Dear Ms Beverley,

RESPONSES TO QUESTIONS ON NOTICE

Further to the Australian Wagering Council's (AWC) appearance before the Committee on 27 March this year, please see below a response to the questions on notice in terms of the provision of further information as requested by members of the Committee.

Marketing Spend

The first concerned marketing spend by AWC members. In 2012, the total marketing spend was approximately \$90 million.

Size of Illegal Online Gambling Market

With regard to the size of the spend on the illegal online gambling market Australians still spend a significant amount of money gambling with offshore operators as outlined on page 6 of the AWC submission.

The Productivity Commission reported that the illegal offshore online gambling market was estimated to be nearing \$800 million in 2009. It also estimated that despite the prohibitions contained in the Interactive Gambling Act 2001 almost \$2 out of every \$3 spent by Australians gambling on the internet is with illegal offshore providers on prohibited forms of gambling¹. These illegal offshore providers are not accountable to Australian regulators or Australian parliaments.

KPMG in its report attached to the final DBCDE report on the review of the IGA estimated that assuming no changes are made to the current legislative and regulatory environment in Australia, the:

- gross gambling yield (GGY) of the legal land-based gambling market in 2011-12 is expected to be \$19.1 billion, and is expected to grow at an average annual rate of 3.4 per cent to \$26.8 billion in 2021-22;
- GGY of the legal online gambling market in 2011-12 is expected to be

¹ Source: Productivity Commission, H2 Global Capital, Australian Racing Factbook.

\$630 million, and is expected to grow at an average annual rate of 6.8 per cent to \$1.2 billion in 2021-22; and

- GGY of the illegal online gambling market in 2011-12 is expected to be \$1.3 billion, and is expected to grow at an average annual rate of 6.3 per cent to \$2.4 billion in 2021-22.

H2 Gambling Capital, eGaming Data Set, February 2012 showed there has been an overall decline in the percentage of wagering turnover estimated to be offshore from 37.7% in 2003 to 13.8% in 2011. This shift of turnover wagered by Australians from illegal, offshore websites to licensed, domestic wagering operators has been driven by the competition, innovation, improved product and advertising provided by Australian wagering and sports betting operators. Having this turnover onshore not only provides significant benefits to consumers in terms of customer protection and harm minimisation measures but is also critical to maintaining the integrity of racing and sports in Australia due to the integrity agreements which licensed Australian wagering operators have with the racing and sporting bodies.

Evidence presented by Dr Charles Livingstone

The AWC wishes to clarify information presented in evidence by Dr Charles Livingstone to the Committee at its hearing in Melbourne on 5 March. In his evidence Dr Livingstone claimed:

1. *“the best estimate of the value of sports betting in Australia at the moment is between \$300 million and \$400 million....”.*

The Productivity Commission estimated sportsbetting was 1.2 per cent of total gambling spend in Australia which equates to \$200 million as outlined in the AWC’s submission.

2. *“The bulk of what I want to say today is referred to in some tables that I have prepared and abstracted.... The first of those is headed ‘Table 7: Sponsorship of Sporting Organisations and Clubs operating in Victoria 2011.’... Cricket Australia had arrangements with 11 gambling organisations at that time.”*

The inference from Dr Livingstone’s remarks and presentation appeared to be that Cricket Australia had sponsorships from 11 sports betting organisations.

In fact, the companies listed have product fee and integrity agreements with Cricket Australia. This is a very different proposition to “sponsorship” as inferred by Dr Livingstone. This can be clarified by simply looking at the Cricket Australia website which clearly shows these organisations as “Official Betting Partners.”

As outlined in the AWC submission, all major sports have product fee and integrity agreements with wagering and sportsbetting operators. These agreements require the wagering and sports betting operators to pay a fee for the right to offer bets to their customers on games promoted by the particular sporting code.

Official betting partners also assist sporting bodies, such as Cricket Australia, in their ongoing management of the integrity of competitions by voluntarily entering

into information sharing about suspicious betting activity/trends and integrity arrangements with the major sporting bodies.

In evidence presented to the Committee, the NRL, for example, indicated that such fees amount to approximately \$3 million to \$4 million for the NRL. There is a clear separation between integrity agreements/approved betting partners and the commercial sponsorship of sporting organizations.

Comparisons to Tobacco

The AWC also rejects as grossly misleading the comparisons, which have been drawn between the regulated online sports betting and wagering industry and tobacco products, in an attempt to ban sports betting advertising. There is no safe level of tobacco use. By contrast, the overwhelming majority of the 2 million Australians who bet on racing and sport online do so safely. What's more, it is a legitimate form of entertainment for them.

Moreover, it is widely accepted both in Australia and in overseas jurisdictions that online sports betting and wagering needs to be considered differently to land-based activities when it comes to regulation. Regardless of any restrictions on advertising or any aspect of operations placed on licensed and regulated Australian wagering and sports betting operators, illegal offshore websites will continue to freely offer their services to Australians, free from such restrictions. In other words, a ban on advertising or other prohibitive regulation only hurts the legal regulated Australian industry and gives a free kick to unregulated and/or illegal overseas operators. This will result in a significant detriment to the protections provided to consumers and to the integrity of sport in Australia.

Yours sincerely,

Chris Downy
CEO