

The logo for bet365, featuring the text "bet365" in white and yellow on a dark green background.

**bet365**

**Submission to the Senate  
Environment and  
Communications Committee  
Inquiry – Interactive  
Gambling Amendment Bill  
2016**

**21 November 2016**

## Executive Summary

- bet365 is strongly committed to the promotion of responsible gambling and strongly supports licensed and regulated online wagering.
- It is far more effective for consumers to have a regulatory regime for online gambling which allows, controls and protects than one which bans or filters the internet – banning or filtering of the internet rarely works as consumers can easily circumvent such measures.
- The current level of illegal offshore gambling in Australia is one of the highest of any country in the developed world – about 75 per cent of money gambled by Australia consumers via the internet is through overseas-based websites.
- Illegal offshore wagering by Australian customers can be substantially reduced only if the Interactive Gambling Act 2001 is amended so that the existing prohibition on online in-play sports-betting is removed and Australian wagering operators are able to fully meet the demands of Australian customers.
- bet365 is strongly opposed to the measure in the bill which relates to a “place-based betting service” and believes that this measure should be deleted. Whilst bet365 believes that the existing prohibition on online in-play sports-betting should be removed from the Interactive Gambling Act 2001, it does not believe that, whilst this prohibition remains in place, in-play betting that takes place via self-service terminals and/or tablets and other devices should be allowed. There is no justification for this carve-out.
- Introducing a “place-based betting service” provision for the first time will specifically allow for a very rapid expansion – especially by TAB outlets – of tablet/iPad-style devices with in-play sports-betting functionality into many more locations, including public locations such as Martin Place (Sydney), Federation Square (Melbourne) and major sporting grounds such as the Melbourne Cricket Ground.
- Further, bet365 believes the online in-play sports-betting functionality on existing self-service terminals located in retail wagering outlets is illegal under the Interactive Gambling Act 2001, which prohibits all interactive betting over a “listed carriage service”, not just in-play bets placed via a website.

## **About bet365**

bet365 is a privately held group of companies which was founded in Stoke-on-Trent in the UK in 2000 and, through its subsidiaries, is now one of the largest online betting and gaming companies in the world. bet365 has over 3000 employees and 21 million customers worldwide. The bet365 websites are available in 18 different languages and accept 22 different deposit currencies.

bet365 is licensed and regulated for online wagering in Australia by the Northern Territory Government. In 2015/16, bet365 Australia paid \$26.6 million in product fees (a form of wagering tax) to racing and sports bodies and other Government taxes or fees. The company is a relative newcomer to Australia – bet365 commenced operations in Australia in 2012 – and has a small online and telephone market share compared to other online wagering companies which are licensed in Australia. The company employs over 220 staff in its two main Australian offices which are located in Sydney and Darwin.

bet365 is also licensed and regulated by, among others, the British Gambling Commission, the Danish Gaming Authority, the Spanish General Directorate, the Amministrazione Autonoma dei Monopoli di Stato in Italy, the Gibraltar Regulatory Authority and the Malta Gaming Authority. The company has substantial experience in working with online gambling legislators and regulators around the world.

## **Policy Context**

bet365 has had a high level of involvement in the processes relating to reform of the regulation of online gambling in Australia. This has included actively participation in the following:

- “Review of Illegal Offshore Wagering” (led by Hon Barry O’Farrell) – September 2015-December 2015;
- Government response to the Review of Illegal Offshore Wagering – January 2016-April 2016;
- Consultation regarding the exposure draft of this bill – September 2016;
- Senate Environment and Communications Committee Inquiry into “Interactive Gambling Amendment (Sport Betting Reform) Bill 2015” – November 2015-current; and
- Consultation regarding “A National Consumer Protection Framework for Online Wagering in Australia” – October 2016-current.

This submission should be read in conjunction with our formal responses/submissions to the processes listed above.

## **Commitment to Responsible Gambling – Summary**

bet365 is strongly committed to the promotion of responsible gambling and strongly supports licensed and regulated online wagering.

The exponential growth in illegal offshore wagering and our global experience has demonstrated that it is far more effective for consumers to have a regulatory regime for online gambling which allows, controls and protects than one which bans or filters the internet. Banning or filtering of the internet rarely works as consumers can easily circumvent such measures.

The current level of illegal offshore wagering in Australia is one of the highest of any country in the developed world – about 75% of money bet by Australia consumers via the internet is through overseas-based websites.

Regulatory reform of the wagering industry in Australia should meet the following objectives:

- Protect vulnerable Australians by minimising the incidence of problem gambling. This is not possible if the wagering is conducted offshore (i.e. via overseas-based websites).
- Keep crime (such as corruption in sport) out of wagering. This is not possible if the wagering is offshore and unregulated.
- Keep the economic activity within Australia and to Australia's economic benefit. This is not possible if the wagering is offshore.

## **Measures in this legislation will increase the level of illegal offshore wagering**

The proportion of illegal offshore wagering by Australians is currently substantially higher than that in any other jurisdiction where bet365 is licensed.

We believe that this is largely the direct result of the Interactive Gambling Act 2001 which prohibits online in-play sports-betting. Online in-play sports-betting, which we obviously do not offer to Australian residents, is by far the largest of bet365's wagering segments and accounts for 75% of our worldwide wagering turnover (even after turnover on racing is taken into account). Since the Interactive Gambling Act 2001 took effect, 35 other overseas jurisdictions have passed legislation permitting online wagering and not one has prohibited online in-play sports-betting.

Even though online in-play sports-betting is not legal in Australia, Australian consumers can still bet online in-play on sport through overseas-based websites, as these websites choose not to comply with Australian law (hence they are "illegal offshore websites"). Betting by Australians through illegal offshore websites is increasing:

- In 2012, KPMG estimated that in 2014/15, annual spending on in-play betting on sport through illegal offshore websites by Australians was \$127.1 million.
- H2 Gambling Capital estimated that, in 2014, the amount spent by Australians on in-play betting on sport through illegal offshore websites was \$200-225 million (of the \$400 million wagered in total by Australians through illegal offshore websites in 2014).

- H2 Gambling Capital estimated that, in 2015, the amount spent by Australians on in-play betting on sport through illegal offshore websites increased to \$275-300 million (of the \$480 million wagered in total by Australians through illegal offshore websites in 2015).

If illegal offshore wagering is to be substantially reduced, then the Interactive Gambling Act 2001 has to be amended so that the existing prohibition on online in-play sports-betting is removed. Such reform would have clear benefits in meeting the three objectives stated above. No other strategy to reduce illegal offshore wagering will suffice – payment blocking and site blocking simply do not work and the offshore leakage in Australia is simply too big, and the resources too small, for other measures to do anything more than tinker around the edges of the problem.

To illustrate the scale of illegal offshore wagering in Australia, we have provided below an analysis of the estimated total UK online gambling market in 2014. We selected the UK as a case study because a) the data sources are generally reliable and b) like Australia, the UK has a strong racing industry – so it is a good proxy. The UK summary is:

- Excluding lotteries, the total online market, measured by revenue, was £2,644 million (\$AUD 5,730 million) and was split 56% online gaming (casino, slots, bingo, poker, etc) and 44% online wagering (sports and racing).
- Within the 44% represented by online wagering, by far the biggest segment – 45% – is online in-play sports-betting.
- So, if Australia’s “normal distribution” of revenue is similar to that in the UK, and we believe strongly that it is, 56% of all online gambling transactions made by Australian consumers are gaming (casino, slots, bingo, poker, etc) transactions and are, therefore, prohibited (ie they are necessarily completed via illegal offshore gaming websites).
- Further, in an Australian context, nearly half of the remaining 44% - ie the 45% which represents online in-play sports betting - of gambling transactions are prohibited.
- Drawing an analogy between the UK and Australia based on these figures, only 24% of the total gambling transactions made online by Australian consumers relate to gambling products that are legal under Australian law - 76% of the market is prohibited. Please see the below table for an illustration of this analogy.

No other jurisdiction in which bet365 is licensed in attempts to prohibit what constitutes approximately 75% of the “natural market” since the policy objectives – keeping crime (including sports corruption) out of gambling, ensuring gambling is fair and open and protecting children and vulnerable people – simply could not be accomplished to any meaningful extent.

In summary, though online gaming is a longer term question to be addressed, this bill is about online wagering only and by far the most effective single measure to reduce illegal offshore wagering is to remove the prohibition on online in-play sports-betting.



**Place-Based Betting Service – Proposed Amendment to the Interactive Gambling Act 2001**

bet365 is strongly opposed to the measure in the bill which relates to a “place-based betting service” (i.e. betting that takes place in a TAB or Tatts outlet, clubs, pubs, sporting grounds as well as wherever the TABs park mobile outlets). This measure, if adopted, will mean that Commonwealth legislation for the first time will make certain types of online in-play betting on sport legal in Australia. There is no justification for why these “placed based” types of in-play betting will be legal but the prohibition on in-play bets placed online will remain.

The proposed change will retrospectively legitimise the in-play sports-betting functionality on around 5000 self-service betting terminals in TABs, clubs and pubs:

- These terminals are funded by anonymous cash deposits, giving rise to money laundering and match-fixing risks.
- They also have no responsible gambling controls, such as the ability to set deposit limits and are available in venues which can stay open until 3am (or later) and serve alcohol.
- We believe that the online in-play sports-betting functionality on these terminals (not the terminals themselves) is illegal under the Interactive Gambling Act 2001, which prohibits all interactive betting over a “listed carriage service”, not just online/internet betting.

The proposed change will specifically allow for a very rapid expansion – especially by TAB outlets – of tablet/iPad-style devices with in-play sports-betting functionality into many more locations:

- This scenario is referred to in the Explanatory Memorandum to the bill (page 54) which states that providers may be authorised to provide terminals in locations such as Martin Place in central Sydney or Federation Square in Melbourne. It is not a hypothetical expansion and the TABs are ready to take advantage, as described in the following media report:  
*“Self-service TAB terminals in mainstream venues such as newsagents and shopping centres will be part of TattsBet’s new world of wagering in the wake of the company’s history \$4.5 billion deal with the State Government”* (as quoted in the Sunday Mail, Queensland, 5 July 2014).
- In addition, a Tatts media release issued on 9 April 2015 stated: *“UBet Live is a digital in-play sports-betting solution which will allow punters to be through a customised app on a tablet device”* and is expected to *“attract a younger more sports-focused punter”*.

The proposed change is completely contradictory to the Government’s public election commitment that “it does not intend to further expand the Australian gambling market”:

- Interactive in-play sports-betting, including “place-based” in-play betting, was prohibited by the Interactive Gambling Act 2001.
- “Place-based” in-play sports-betting was not covered in the O’Farrell Review of Illegal Offshore Wagering, it was not mentioned in the Government’s response to the review and was not even mentioned in the Minister’s second-reading speech to the bill.
- “Place-based” in-play sports betting has been introduced into the proposed amendments to the legislation without proper discussion, debate and consultation. It has been hidden and “snuck in” without explanation.

To clarify bet365’s position on online in-play sports-betting, we do not believe that it poses any particular sports integrity or problem gambling risk and agree with the O’Farrell Review recommendation (which the Government noted) that it should be regulated in Australia when the necessary responsible gambling controls are in place. The British Gambling Commission (which has actual experience on the matter) re-affirmed its positive position on online in-play sports-betting as recently as September 2016.

However, as quoted in the Explanatory Memorandum to the bill (page 30), other gambling industry stakeholders sought to maintain the prohibition on online in-play sports-betting, citing concerns about sports integrity and match-fixing, a reduction in the amount of money spent on racing and an expected increase in problem gambling. We completely fail to see, if these concerns are genuine, why they do not equally apply to “place-based” in-play betting on sport.

There is no independent policy evidence supporting the prohibition applying to the internet channel, whilst the “place-based”/retail channel for TABs and others is carved out from this prohibition. In other words, in-play betting via this channel is not only proposed to be retrospectively legitimised but also greatly expanded.



It is bet365's submission that the "place-based" provision should be deleted from the bill – because it legitimises in-play sports-betting functionality on cash-fed terminals in TABs, clubs and pubs, leads to in-play apps on tablets that attract a younger punter and to more TAB betting in mainstream places such as newsagents and shopping centres or, even further, in locations like Martin Place, Federation Square or major sporting grounds like the Melbourne Cricket Ground.