

Submission to the Senate Community Affairs Committee
Inquiry into the Prevalence of Interactive and Online Gambling in Australia

July 2010

1. Introduction

- 1.1 Online wagering is a growing sector of the gambling landscape. Due to its dependency on technology (for example, as the basis of its business models and its future development), it presents considerable challenges and opportunities for policymakers in striking the right balance for stakeholders.
- 1.2 Betchoice thanks the Senate Community Affairs Committee for the opportunity to make a submission to the Inquiry into the Prevalence of Interactive and Online Gambling in Australia.
- 1.3 Betchoice makes 7 major submissions to the Committee:
 - (a) **Submission 1:** Responsible adults should be free to choose what entertainment activities they wish to pursue.
 - (b) **Submission 2:** Wagering presents a problem gambling risk profile that is lower than for other forms of gambling – particularly, gaming machines.
 - (c) **Submission 3:** Online wagering provides the potential for greater protection measures than terrestrial wagering.
 - (d) **Submission 4:** Betchoice has no objection to further harm minimisation regulations being introduced provided it is consistent, effective and is proportionate to any problem gambling concerns it is seeking to address.
 - (e) **Submission 5:** A central agency should be established to coordinate and harmonise harm minimisation regulation.
 - (f) **Submission 6:** The best means of dealing with integrity concerns is to strengthen and improve the information sharing mechanisms between betting operators, regulators and controlling authorities. This would be best achieved through the creation of a central agency. This will avoid the excessive cost and duplication that exists in the race fields regulatory regimes that apply to the wagering sector.
 - (g) **Submission 7:** Inducements are a legitimate business activity and are essential to ensure ongoing competition in any business sector. This is also true in the wagering space. It is important to note that inducements are not primarily targeted at new and/or vulnerable customers. Inducements are primarily targeted at the customers of competitors in an effort to cause them to change their custom. In any event, there is no empirical evidence which suggests that inducements are inherently flawed on the basis that they pose a danger to problem gamblers.
- 1.4 To further assist the Committee, in addition to this submission, we attach our submissions to the Productivity Commission's recent inquiry into gambling.

2. Background

We are concerned that some of the submissions made to the Committee so far do not take into account the specific characteristics of the wagering industry and online wagering in particular. This section attempts to provide that background.

Who is Betchoice?

- 2.1 Betchoice is a corporate bookmaker¹ based in the Northern Territory. It is licensed by the Northern Territory Racing Commission and offers telephone and Internet wagering on racing and sporting events to a variety of customers both in and out of Australia.

What is wagering?

- 2.2 Gambling is a broad term that encompasses a variety of different recreational activities from casinos to lotteries to gaming machines to wagering on sport and racing. When analysing issues related to gambling, it is important to be clear about the activity being discussed.
- 2.3 Traditionally, gambling has been divided into two categories: (1) gaming and (2) wagering.
- 2.4 Gaming encompasses all types of gambling where money is staked on the outcome of a random event or series of random events. Casino games, lotteries and gaming machines are encompassed by this definition.
- 2.5 Wagering² covers those activities where money is staked on a contingency, such as a sporting event, that is not dependent solely on chance. It is not appropriate to state that the winner of a sporting match is determined by luck; instead, we consider the winner is the more skilful player or team. Wagering provides the opportunity for those willing to make a judgment on the better player or team to place a bet on the basis of that judgment.
- 2.6 Some of the submissions received by the Committee refer to gaming and wagering (as if they were indistinguishable) without being clear about which form of gambling is being discussed. Gaming and wagering are distinct activities (with different benefits and dangers) and deserve separate consideration. It is inappropriate for studies relevant to one type of gambling activity to be applied to others: to do so would be confusing and of limited benefit.

¹ Traditionally, corporations were not permitted to apply for bookmaking licences; however, in the 1990s, the Northern Territory and the Australian Capital Territory began to grant bookmaking licences to corporations.

² Wagering is sometimes used to refer solely to betting on thoroughbred, harness and greyhound racing as distinct from sports betting. For the purposes of this submission, we use the term wagering to cover betting on both racing and sport.

What is the history of remote wagering³?

- 2.7 It is important to note that remote wagering is not a new phenomenon. In the 1930s, the mass commercialisation of radio and telephone services led to growth in off-course SP (or “starting price”) bookmakers. Despite the fact that those activities were illegal, the practice boomed.
- 2.8 In the 1960s and 70s, the popularity of remote wagering and the failure of prohibition led State and Territory governments to permit government-owned totalisator operators to open off-course wagering outlets. Off-course betting was legalised first in Victoria with other jurisdictions following. In the mid-60s, totalisator operators began accepting bets by telephone.
- 2.9 In 1996, Centrebet became the first bookmaker to accept online sports bets on the Internet. Since then, numerous online wagering operators have established businesses around Australia. These operators are licensed and closely regulated in the jurisdictions in which they are based.

Why have corporate bookmakers grown?

- 2.10 The development of corporate bookmaking has been driven by two factors, namely:
- (a) the consumer; and
 - (b) corporatisation.
- 2.11 Consumers have more options than ever before in terms of their entertainment dollar and have become more demanding in terms of the events on which they want to bet and the prices they are willing to pay. Wagering operators (and, in particular, corporate bookmakers) have responded by providing the consumer greater wagering variety and more competitive returns.
- 2.12 This has partly been achieved by being able to offer markets on a wider range of events, particularly sport. Much of the growth in online wagering has come from sports betting and it is clearly a form of betting from which many consumers derive enjoyment.
- 2.13 The flexibility of corporate bookmakers, as compared with totalisators, in conducting their wagering operations has put them in a better position to provide wagering services to these customers. Legacy systems and large fixed costs have made it far more difficult for totalisators to respond to customer demand and allowed corporate bookmakers to obtain a foothold.
- 2.14 Corporatisation has also permitted the corporate bookmakers to grow. Traditionally, bookmakers were required to conduct business as a sole trader or in partnership (with another bookmaker) with strict restrictions on the manner in which they conducted their bookmaking activities. This necessarily restricted development of each bookmaker’s business.

³ “Remote wagering” means any type of wagering where the customer is not at the point of sale. Customers may instead place bets using voice calls, SMS, web sites and mobile phone applications.

- 2.15 Corporatisation provides bookmakers with a more efficient and cost-effective way of doing business. Corporate bookmakers are better able to structure their operations, manage risk and administer their businesses. Jurisdictions that have welcomed corporate bookmakers have a regulatory regime which provides greater flexibility than other States and Territories.
- 2.16 In addition, jurisdictions that have welcomed corporate bookmakers have typically offered a more competitive taxation rate than other jurisdictions. This has manifested itself in limits on the amount of tax that is paid and the adoption of revenue as a basis for taxation rather than turnover. This is an important distinction for bookmakers because the nature of their product (low margin/high volume) often results in a much higher turnover to revenue ratio than other wagering operators and puts them at a competitive disadvantage to those operators when fees or taxes are levied on a turnover basis.

Submission 1

As far as reasonably practicable, the choice of consumers should be respected. For those consumers who do wish to bet online, we consider that any regulation which is imposed should balance the interests of the various stakeholders, including recreational customers, professional punters, wagering operators and those parties adversely affected by problem gambling.

3. The Risk Profile of Online Wagering

It is challenging to state with certainty the extent to which online wagering presents problem gambling risks. This section compares the risk profile of wagering compared with other forms of gambling.

What is the state of the evidence?

- 3.1 Unfortunately, the research which has been conducted on online gambling is still in its infancy. As is noted in the submission by Dr Sally Gainsbury and Professor Alex Blaszczynski to the Committee⁴:

The interactive gambling literature is characterised by few, small-scale studies, the finding of which rapidly date as result of constant changes in technology and the market. In addition, very little research has directly examined interactive gambling in Australia. Consequently, there is little information about the demographics of users, extent of use and/or impact of online gambling in Australia making it difficult to develop appropriate policy responses or predict market trends.

- 3.2 Given this state of affairs, it is easy for results to be misinterpreted or misapplied and caution must be exercised when considering the findings of various reports. We draw to the Committee's attention the risks involved by considering the online gambling data in the Clubs Australia submission. In its submission, Clubs Australia claims that

⁴ S Gainsbury & A Blaszczynski, Submission to the Senate Community Affairs Committee Inquiry into the Prevalence of Interactive and Online Gambling, 2010, <https://senate.aph.gov.au/submissions/comitees/viewdocument.aspx?id=650b108e-bf1e-4e03-8643-bc601f26af34>.

a report by Robert Wood and Robert Williams⁵ demonstrates the large individual amounts being gambled online by Australians. This is misleading.⁶

- 3.3 The study on which the report is based involved 12,521 adults from 105 countries who undertook a self-administered online test. Of the 12,521 subjects, 59 were from Australia and New Zealand and, of this amount, 32.2%, or 19 Australian and New Zealanders, reported gambling online. Professor Williams has explained⁷ that, as a result:

This means that all the results with respect to individual gambling behaviour are extremely tentative, and probably not even worth reporting.

- 3.4 The statistic cited by Clubs Australia is particularly problematic. Although Australia and New Zealand were ranked second with a mean expenditure of US\$300, median expenditure was only US\$9. Professor Williams explained the disparity by stating that the difference was “due to a single individual with a very large expenditure.” According to Professor Williams:

The median expenditures reported in our study are the best way of comparing regions, and they show AUS/NZ to have the lowest expenditures.

Indeed, median figures are generally preferred because they are less susceptible to being skewed by one or two points of data.

- 3.5 All of which is to say that, in the absence of more authoritative studies, there are considerable dangers of misinterpreting data in relation to online gambling.

How does wagering compare to other forms of gambling in terms of problem gambling?

- 3.6 The differences between wagering and gaming have been explored previously by the Parliament. We refer the Committee to the Explanatory Memorandum to the *Interactive Gambling (Moratorium) Bill 2000* (Cth) which was passed in 2000. The Memorandum notes that:

Wagering services are different to gaming services. Wagering is focused on a bet on an event or contingency while gaming is focused on playing games of chance for money or something else of value. In a wager, the bettor usually does not participate in the actual event or contingency. In contrast, [gaming] involves the bettor in the game.⁸

- 3.7 This distinction was noted again in the Explanatory Memorandum to the *Interactive Gambling Bill 2001* (Cth).⁹

⁵ R T Wood & R J Williams, “Internet Gambling: Prevalence, Patterns, Problems and Policy Options”, Final Report prepared for the Ontario Problem Gambling Research Centre, Guelph, Canada, 2009.

⁶ This report, and this statistic in particular, was examined in an episode of the television program Media Watch in April 2009. A transcript of the program is available on the Media Watch website at <http://www.abc.net.au/mediawatch/transcripts/s2536433.htm>.

⁷ See http://www.abc.net.au/mediawatch/transcripts/0909_profwilliams.pdf. This email was sent in response to an enquiry from the ABC’s Media Watch.

⁸ Explanatory Memorandum to the *Interactive Gambling (Moratorium) Bill 2000* (Cth), Canberra, 2000, p 22.

⁹ Explanatory Memorandum to the *Interactive Gambling Bill 2001* (Cth), Canberra, 2001, p 40.

- 3.8 Betchoice submits that, to understand the risk profile of online wagering, it is best to consider wagering first in the broader gambling context and then to analyse this data together with information about online gambling trends.
- 3.9 The NSW Responsible Gambling Fund Client Data Set provides an indication of where problems occur. The NSW Responsible Gambling Fund funds treatment and support services to people struggling with problem gambling. Statistics on these services are submitted back to the Fund and form the basis of the data set.
- 3.10 Using the most recent data available¹⁰, it is clear that gaming machines are the preferred gambling activity of people exhibiting problem gambling behaviour. 72.1 per cent of male problem gamblers and 93.0 per cent of female problem gamblers reported gaming machines to be their principal gambling activity.¹¹ This compares with 19.2 per cent of male problem gamblers and 0.8 per cent of female problem gamblers reporting wagering as their principal wagering activity. This data is set out in Table 1 below.

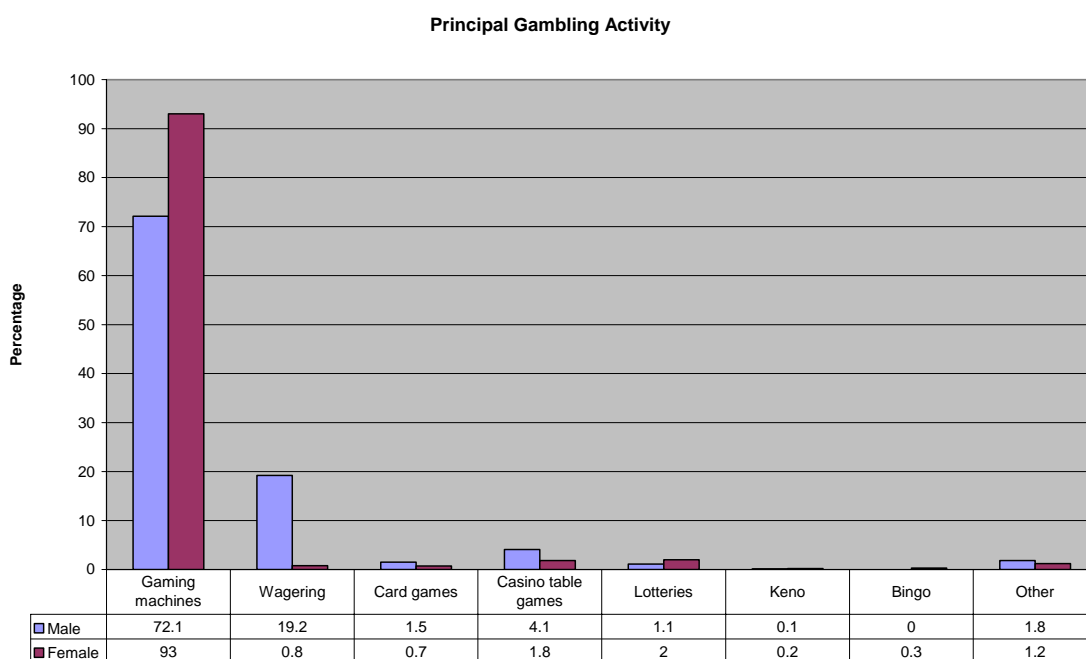


Table 1. Principal Gambling Activity

Source: NSW Office of Liquor, Gaming and Racing, Responsible Gambling Fund Client Data Set, Annual Report 2007/2008.

- 3.11 Even when problem gamblers who identify wagering as a secondary gambling activity are added, the total comes to 19.8 per cent. Similar statistics have been

¹⁰ NSW Office of Liquor, Gaming & Racing, "Responsible Gambling Fund Client Data Set – Annual Report 2007/2008", NSW Department of Arts, Sport and Recreation, http://www.olgr.nsw.gov.au/pdfs/CDS_07_08.pdf, Accessed 18 August 2010.

¹¹ "Responsible Gaming Fund Client Data Set – Annual Report 2007/2008", Table 23, p 36.

reported in Tasmania and Victoria¹² and correspond with the findings of the Productivity Commission's recent gambling inquiry. In its final report, the Commission wrote¹³:

drawing on strands of evidence from many sources suggests that gaming machines *are* the likely source of most gambling problems in Australia.

- 3.12 Betchoice is concerned that, while problem gambling is of concern, any regulatory measures introduced to minimise problem gambling should be proportional to the scale of the problem.

What is the relationship between online wagering and problem gambling?

- 3.13 This submission has been careful in distinguishing between different gambling activities but many studies are often unclear as to what they refer to when discussing "online gambling". It is difficult, then, to understand the risks to problem gamblers arising from participation in online wagering from reports that look at "online gambling" as a single, indistinct sector. Betchoice agrees with the submission of Dr Gainsbury and Professor Blaszczynski that more detailed research is needed.

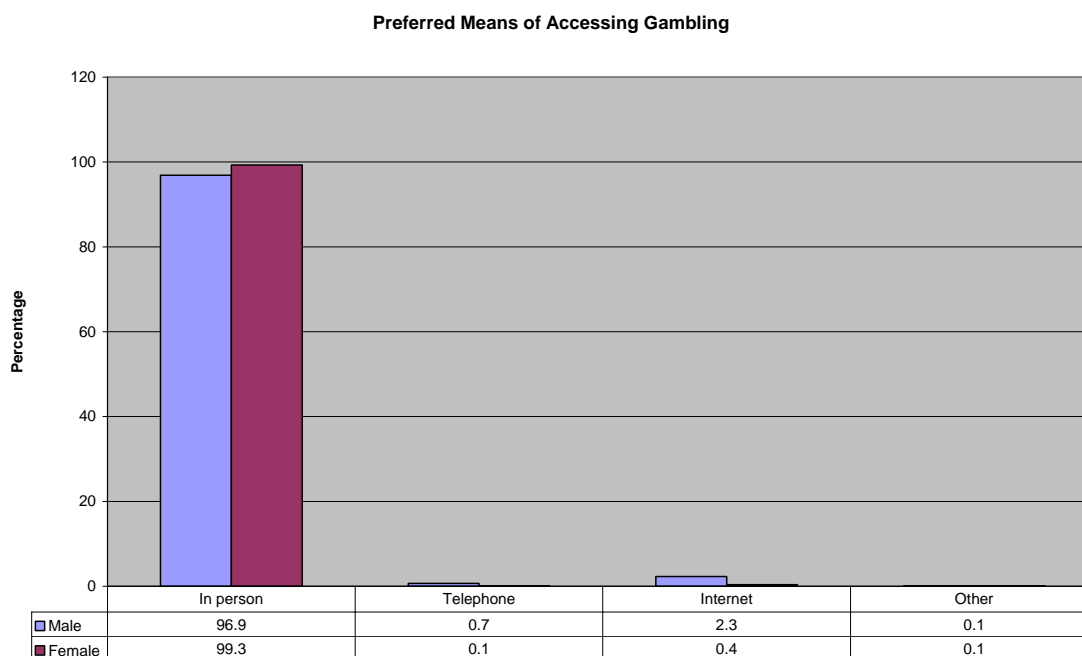


Table 2. Preferred Means of Accessing Gambling

Source: NSW Office of Liquor, Gaming and Racing, Responsible Gambling Fund Client Data Set, Annual Report 2007/2008.

- 3.14 Notwithstanding these difficulties, Betchoice submits that the NSW Data Set provides a useful measure in assessing the extent to which problem gamblers prefer to

¹² Australian Gaming Council, "A Database on Australia's Gambling Industry 2008/09", Sydney, 2009, p 158.

¹³ Productivity Commission, Gambling, 2010, Report No. 50, Canberra at [5.25].

participate in online wagering. According to the Data Set, the preferred method of accessing gambling services for:

- (a) 96.9 per cent of male problem gamblers and 99.3 per cent of female problem gamblers is to gamble in person;
- (b) 2.3 per cent of male problem gamblers and 0.4 per cent of female problem gamblers is to gamble over the Internet; and
- (c) 0.7 per cent of male problem gamblers and 0.1 per cent of female problem gamblers is to gamble over the telephone.

This data is set out in Table 2 above.

Does online gambling create problem gamblers?

- 3.15 While studies have indicated that the prevalence of problem gamblers participating in online gambling is higher than the average¹⁴ the same studies often note there is no conclusive evidence to suggest that online gambling is more likely than other forms of gambling to cause problem gambling.¹⁵ Betchoice considers that, to the extent the figures are higher for online gambling, they are likely being caused by unregulated gaming websites which lack the controls required of an operator such as Betchoice
- 3.16 Indeed, in the case of Betchoice, fewer than 1 in 2,000 customers have self excluded and it is Betchoice's experience that the number of customers affected by problem gambling is very small. The vast majority of customers have no difficulty regulating their own activity.
- 3.17 Based on the above, Betchoice submits that caution should be exercised in making determinations about the risks posed by online gambling.

Submission 2

Wagering presents a reduced risk profile in comparison with other gambling activities, particularly gaming machines. A lack of evidence creates difficulties in drawing definitive conclusions but indications are that problem gambling behaviour online is of far lesser concern than terrestrial gambling activities.

4. Harm Minimisation

There are a number of harm minimisation measures that online wagering can provide. This section sets out what these measures are and how they can best be implemented.

¹⁴ See in particular M Griffiths et al, "Sociodemographic Correlates of Internet Gambling: Findings from the 2007 British Gambling Prevalence Survey", *CyberPsychology & Behaviour*, Volume 12, Number 2, 2009.

¹⁵ See M Griffiths et al, "Sociodemographic Correlates of Internet Gambling", (2009), p 1 referred to in footnote 10. Betchoice notes that this correlates with the findings of work undertaken on behalf of the Department of Communications, Information Technology and the Arts. See Allen Consulting Group, "Final Report on Issues Related to Commonwealth Interactive Gambling Regulation", 2 July 2003 (amended 4 February 2004), Report for the Department of Communications, Information Technology and the Arts, pp 7-8.

How is wagering regulated?

- 4.1 Wagering is a pastime with a long history in Australia. As a result, wagering in Australia is regulated extensively by legislation at the State and Federal levels. In many jurisdictions, the same legislation applies to both online and terrestrial operators.¹⁶

Licensing

- 4.2 All States and Territories in Australia prohibit the provision of gambling services but create an exception to this prohibition for operators who are licensed.
- 4.3 Licensing typically involves extensive probity checks being conducted to ensure that an operator that is granted a licence is a fit and proper person. For corporate entities, this includes probity checks of parent companies, subsidiaries and associated shareholders. In addition to the background checks that are conducted by regulators, potential operators must submit systems for testing and analysis, provide business plans and demonstrate the necessary financial resources to successfully maintain a business.
- 4.4 Upon the grant of a licence, operators must comply with the conditions of the licence, all relevant legislation, codes of conduct and directions from the regulator, many of which contain specific provisions aimed at harm minimisation.

Advertising

- 4.5 The decision of the High Court of Australia in *Betfair v Western Australia* [2008] HCA 11 makes it clear that operators licensed in one Australian State or Territory cannot be prohibited from advertising in another State and Territory if such a prohibition would be discriminatory and protectionist. In other words, prohibitions contained in the law of any State or Territory are enforceable against wagering operators based in another State or Territory where the legislation is *not* discriminatory.
- 4.6 Advertising regulations exist and remain enforceable against wagering operators in all States and Territories. Regulators remain vigilant and have warned operators when advertising campaigns are in danger of breaching the law.

Product Approvals

- 4.7 Legislation exists in New South Wales, Queensland, Victoria, Tasmania, South Australia, Western Australia and the ACT requiring wagering operators to either hold approval or meet legislative conditions in order to use race information (typically

¹⁶ See particularly the *Racing Administration Act 1998* (NSW), the *Racing Act 2002* (Qld), the *Gambling Regulation Act 2003* (Vic), the *Racing Regulation Act 2004* (Tas), the *Betting Control Act 1954* (WA), *Racing and Betting Act 1983* (NT) and the *Racing Act 1999* (ACT). In South Australia the *Authorised Interstate Betting Operators Act 2000* (SA) applies to wagering operators located outside South Australia.

referred to as a “race field”¹⁷) and sporting fixture information for the purposes of betting.¹⁸

- 4.8 These pieces of legislation generally grant the power to issue these approvals to the control bodies for a respective code of racing or sport. Applicants that apply for approvals may be required to undergo further probity checks and are often required to comply with conditions that aim to ensure the integrity of racing and sporting events and generate a fee (known as a “product fee”) for the relevant racing code or sport.

Money Laundering

- 4.9 Licensed operators must comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth). Compliance is the responsibility of Australian Transaction Reports and Analysis Centre (**AUSTRAC**). AUSTRAC conducts regular audits of licensed operators to ensure compliance with anti-money laundering and counter-terrorism financing obligations.

Service Restrictions

- 4.10 As the Committee would be aware, the *Interactive Gambling Act 2001* (Cth) prohibits the provision of remote gambling services to persons resident in Australia. A specific exemption is created for wagering operators in respect of most services.
- 4.11 One service which is not exempted is “in the run” betting on sport. In the run betting involves betting on events after they have commenced. If a customer is wagering online, he or she may place a bet on the outcome of an event (say, a sporting team winning a game) before the event commences but may not bet on that outcome after the event commences. Betchoice, together with other online wagering operators, have made the submission to the Productivity Commission that this distinction is inconsistent given that it does not apply to wagering on racing or to bets placed by telephone.¹⁹

What harm minimisation measures can online wagering provide?

- 4.12 Betchoice submits that greater controls exist in regulations, and in practice, for online operators than terrestrial operators. Partially, this is because the technology that is integral to online wagering businesses puts them at an advantage compared to terrestrial operators in terms of implementing harm minimisation measures. For instance, as a result of anti-money laundering requirements, customers may only place online bets with an Australian licensed wagering operator through an account and must have their identity verified before withdrawing any funds. If an account is not verified within 90 days, it must be frozen.

¹⁷ A race field is information about a race. It includes the names of the animals, the jockeys, weights, starting positions, etc.

¹⁸ Product approvals are available from Racing NSW, Harness Racing NSW, Greyhound Racing NSW, Racing Queensland, Racing Victoria, Harness Racing Victoria, Greyhound Racing Victoria, the Tasmanian Director of Racing, SA Racing, the Gaming and Wagering Commission of Western Australia, the ACT Gambling Commission, the Australian Football League, the Australian Rugby Union, Cricket Australia, the National Rugby League, the Professional Golfers Association of Australia and Tennis Australia.

¹⁹ Betchoice, Submission to the Productivity Commission Inquiry into Gambling, 2009, p 25.

- 4.13 This is not the case with terrestrial wagering operators (whether they be electronic gaming machine operators or totalisator retail outlets). In these venues, it is still possible to bet anonymously with cash. There are no identity checks conducted which could identify problem gamblers or those at risk.
- 4.14 Account-based betting makes it relatively straightforward to offer pre-commitment services to customers. The South Australian Independent Gambling Authority has recently made it a requirement for wagering operators to offer such services to new customers from 1 September 2010, with a roll out of the systems to all customers to be complete by 28 February 2011.²⁰ When implemented, this will mean that all customers are able to limit their losses and are prevented from making changes to their limit preference until a 7-day cooling off period has passed. The Independent Gambling Authority has engaged with industry players from the beginning of the process and operators have shown a willingness to negotiate an outcome that achieves the Authority's objectives.
- 4.15 As customers must bet through an account, wagering operators provide account statements so that customers can better understand how their money is being spent. Most operators display a customer's account balance at all times and allow a customer to check their wagering history. This is contrasted with terrestrial gambling where it is difficult for customers to understand their spending habits in any detail and, accordingly, complicates the extent to which customers are able to make informed decisions about their gambling.
- 4.16 It is a requirement of the Northern Territory Code of Practice for Responsibly Gambling that customers are provided with the ability to self-exclude. Because customers can only bet through accounts and because account holders must have their identity verified, a customer who self-excludes can be confident that they will not be able to bet with a particular provider. This should be compared with terrestrial operators where exclusion is dependent on staff of a venue being able to identify an excluded gambler.

Submission 3

Technology offers important new means of minimising harm to gambling customers. Online wagering operators are already implementing measures to improve protection which go beyond that which is provided by terrestrial wagering operators.

What concerns do wagering operators have?

- 4.17 Wagering operators wish to make sure that any harm minimisation measures do not increase the regulatory burden and drive operators off-shore. We note at paragraph 4.11 above that wagering operators are not permitted to accept "in the run" bets. To be clear, this does not mean that customers in Australia cannot find these services. It simply means that, in order to do so, they must bet off-shore with operators who are not licensed in Australia and not subject to Australian regulatory standards. Betchoice

²⁰ We contrast this approach with calls for gaming machines to implement pre-commitment systems, most recently in the Productivity Commission's report. Despite not coming into force until 2016, there has been resistance from numerous members of the gaming machine lobby who claim it is not feasible in terms of cost and impractical in terms of implementation.

cautions against any moves which would cause operators to shut down Australian businesses and result in more betting being done overseas.

- 4.18 It is important to recognise that online wagering operators have a strong commercial interest in preventing problem gambling. Online wagering operators are looking to forge long-term relationships with customers who consistently bet within their means. Accordingly, wagering operators have a strong commercial incentive to work with policy makers and regulators to implement effective harm minimisation measures.
- 4.19 While wagering operators such as Betchoice are happy to engage in genuine discussions on the development and implementation of new policies, operators are acutely aware of the significant regulatory burden currently borne by the industry. It is therefore important that any additional regulatory requests be researched to ensure that they are an effective and efficient means of achieving harm minimisation (which must be analysed to ensure that it is realistic). The patchwork of State, Territory and, potentially, Federal legislation is a concern and one that should be reviewed and made consistent. Harmonising harm minimisation and legislative requirements can help assist in this respect.
- 4.20 Dialogue between industry and Government is critical. Too often, industry is not consulted and only becomes aware of the new regulatory requirements only once a policy and its implementation have been decided. The example of the South Australian Independent Gambling Authority's pre-commitment system demonstrates how a cooperative approach can produce real outcomes.

Submission 4

Additional harm minimisation measures should not increase the regulatory burden. Policy makers should work together with industry to harmonise existing regulation so that compliance becomes simpler and more attractive.

How can things be improved?

- 4.21 Betchoice acknowledges that differences exist in the regulatory treatment of gambling activities and supports moves to greater regulatory harmonisation. In our view, all gambling operators should be required to have in place systems to determine the identity of their customers, the amounts they are betting and the frequency with which they are betting. Such systems would enable all gambling operators to better monitor those customers who are at risk of developing problem gambling issues and provide assistance as early as possible. The systems would also allow greater confidence in self-exclusion mechanisms.
- 4.22 Betchoice recognises that any movement towards harmonisation will incur difficulties for some parties. As many participants have legitimate concerns about the costs of certain harm minimisation measures, Betchoice recommends that they should be introduced over time.
- 4.23 For harm minimisation measures to be effective, data needs to be shared between operators. As Betchoice submitted to the Productivity Commission, we believe a central Federal agency should be established that enables the collection of data for customers who exhibit problem gambling behaviour (this could include customers who exceed a certain frequency of bets per hour, customers who exceed certain

periods of time logged into the website as well as other indicia associated with problem gambling). This data can be used to identify those at risk and ensure they cannot simply move between operators.

- 4.24 A central agency would make possible a range of other harm minimisation measures. All States and Territories have implemented exclusion provisions that allow problem gamblers to exclude themselves from venues. For terrestrial gambling activities, this is done on a venue by venue basis and has obvious limitations. A central agency, coupled with a mandatory pre-commitment system, would allow individuals to ensure exclusions were broad and effective.

Submission 5

A central agency should be established to coordinate harmonisation and harm minimisation efforts. The central agency could collect data on customers whose betting frequency is over a certain limit to help identify those at risk.

5. Integrity Concerns

This section attempts to set out the integrity concerns that wagering presents and how they are best dealt with through consistent regulation.

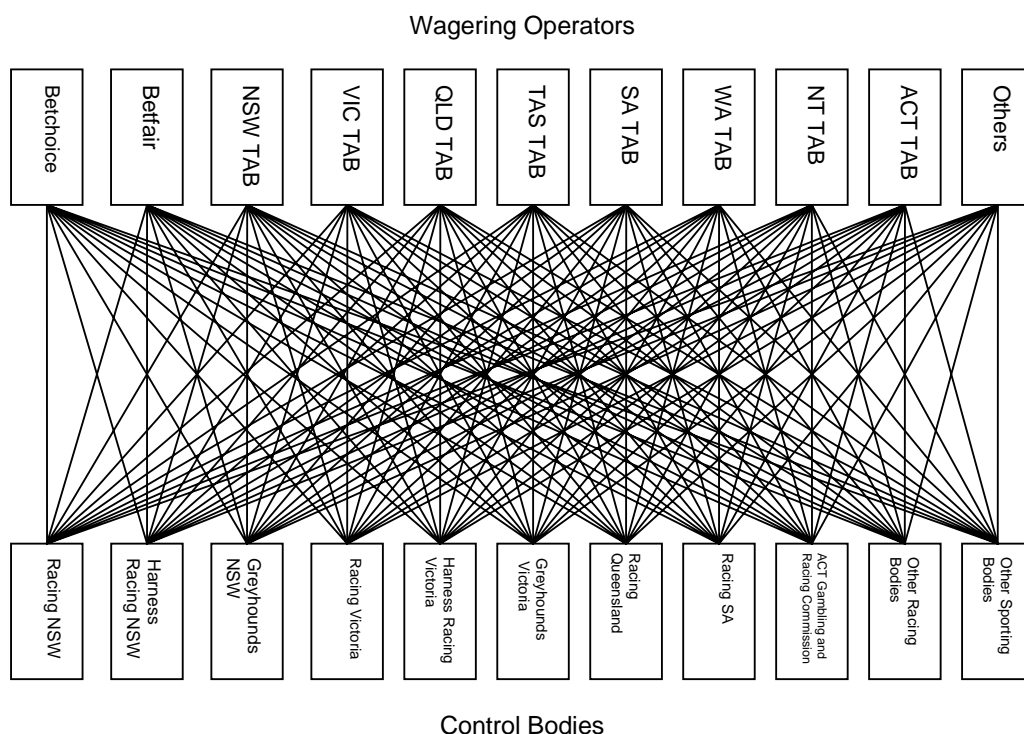
What integrity protections does online wagering provide?

- 5.1 As is the case with harm minimisation, wagering operators have no interest in allowing the integrity of racing and sport to be impugned. Not only do wagering operators stand to lose money when events are manipulated but integrity issues discourage customers from wagering on events they do not think are fair.
- 5.2 To ensure the situation is properly understood, we think it is important to highlight the measures that are already in place.
- 5.3 As noted above, Australian licensed wagering operators are required to hold product approvals in relation to racing in almost all jurisdictions. Similar product approvals are held by almost all Australian licensed wagering operators in relation to major sporting codes. It is a condition of the approvals that wagering operators cooperate with investigations into suspicious betting activity: wagering operators are happy to do this.
- 5.4 The account-based betting referred to above provides for additional integrity protections that often go beyond what is possible with terrestrial operators.

How can things be improved?

- 5.5 A central agency of the kind referred to in the previous section would also be able to collect betting information and ensure event integrity. Since online wagering operators are required to log customer data, great potential exists for using this information to help prevent illegal conduct and preserve the integrity of sport.
- 5.6 Unfortunately at the present time, this is neither simple nor straightforward. A corporate bookmaker, such as Betchoice, is required to have a separate consent agreement with each sporting body for the disclosure of information to that sporting

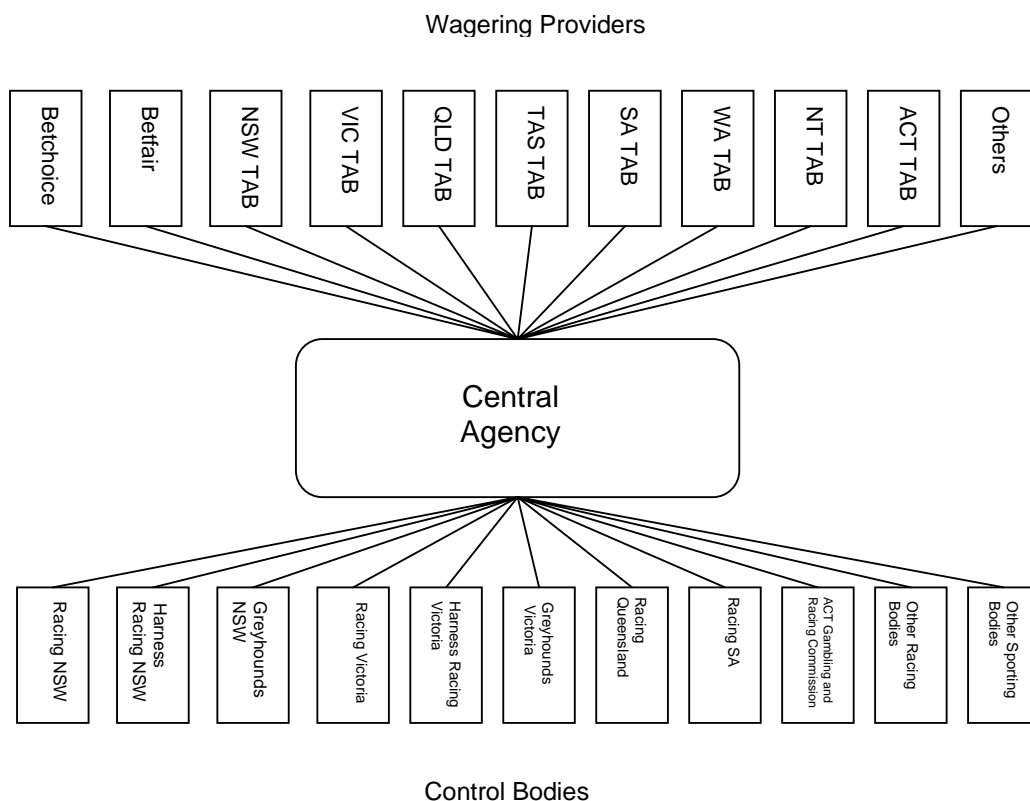
body. This process is repeated for each provider leading to a web of different agreements as the chart below sets out.



- 5.7 The inefficiencies and resulting costs for each wagering operator of the current arrangements cannot be overstated. Separate approvals and agreements are required from numerous different bodies (even within the same jurisdiction) and each body has different requirements as to forms, reporting periods and methods of calculation. There is little to no standardisation, even within jurisdictions or codes. Significant time and money is being wasted at both ends as a result. Betchoice estimates that some of its staff spend 50 per cent of their time completing different reports for each control body.
- 5.8 A central agency would simplify this considerably as demonstrated below.
- 5.9 While Betchoice supports the creation of a central agency, we stress that it should not be for the sake of creating further regulation. For improved integrity measures to be effective, the mess of existing and inconsistent regulations across jurisdictions need to be consolidated and harmonised and the creation of a central agency should be conducted as part of this broader effort.

Submission 6

Strong information sharing frameworks exist as a result of the product approvals that wagering operators are required to hold. These systems could be improved by the creation of a central body which would reduce costs and improve data flow.



6. Inducements

It is important to understand the role that inducements play in a competitive business environment. This section explains the legitimate uses of inducements and explores the risks that they present.

- 6.1 Concern has been raised as to the inducements which some wagering operators utilise in order to attract customers.
- 6.2 Betchoice submits that inducements are a legitimate business activity and one that is important, especially for new market entrants. We refer the Committee to Finding 16.5 of the Productivity Commission's report:

Offering inducements to wager through discounted prices to new customers is not necessarily harmful, and may primarily serve to reduce switching costs between incumbent wagering operators and new entrants, enhancing competition. The risks for problem gamblers should be assessed and, regardless of whether prohibition or managed liberalisation is the appropriate action, a nationally consistent approach would be warranted.

- 6.3 As far as Betchoice is aware, no evidence has been presented to indicate that inducements contribute to problem gambling. We concur with the findings of the Productivity Commission that inducements are primarily aimed at customers of other operators. As was noted above, creating and verifying an account with a wagering

operator can take time and, in order to foster competition, inducements are important tools.

- 6.4 Betchoice submits that problem gamblers are best protected by providing appropriate tools and mechanisms, such as account betting and pre-commitment, rather than prohibiting legitimate business tactics.

Submission 7

Due to the switching costs caused by necessary compliance requirements, inducements are an important and legitimate business activity, vital for sustaining competition in the wagering sector. Policy makers should not prohibit these activities until more conclusive evidence is obtained.

7. Conclusion

- 7.1 Concern about the dangers posed by online gambling are largely misplaced. Although risk exists, the experience of online wagering operators indicates how the best way to manage these risks is licensing and regulation.
- 7.2 Betchoice submits that, although improvements can be made, the existing regulatory system works well and provides harm minimisation measures and integrity controls that terrestrial operators have yet to implement and suggest are impractical for the foreseeable future.

Mark Morrissey
Chief Executive Officer

24 August 2010