

# **Submission to Senate Community Services Committee Review of the Prevalence of Interactive and Online Gambling in Australia**

## **1. Introduction**

The NSW Bookmakers Co-operative Ltd ('the Co-op') makes the following submission to this review.

Our organisation is the representative body for licensed on-course bookmakers in NSW and performs a number of functions including provision of fiduciary guarantees covering individual members' betting activities and representation of members' interests to government and industry bodies on a wide range of issues.

The Co-op currently represents some 252 bookmaking members in NSW, making up 95% of the total bookmaking license holders in this State. The Co-op is affiliated with the Australian Bookmaking Association (ABA) which is the national representative body for on-course bookmakers, and our organisation directly provides delegates to the board of that national body.

## **2. Overview :- Importance of Internet Wagering to Bookmakers and the broader Australian Racing Industry:**

The Australian Racing Industry, including its associated wagering sector, is an important part of the Australian economy and provides tangible benefits to participants, stakeholders, customers and the wider community in general. The Productivity Commission has previously acknowledged (and attempted to quantify) these benefits.

Critics of gambling, including some groups making submissions to this review, often seek to limit the range of legal activities that many Australian consumers enjoy as part of their chosen leisure activities. The problem gambling harm that is felt by a proportion of gamblers is put forward by these groups as reason to restrict or even wind back consumer options.

Credible research concerning the industry does acknowledge that some harm will occur wherever legal gambling is made available. These harms should be minimised wherever possible, but public policy outcomes should not jeopardise the overall benefits enjoyed by the vast majority of responsible consumers of gambling.

There also needs to be recognition that very negative consequences arise from illegal gambling, which invariably increases wherever legal options are too heavily restricted or denied altogether. Balancing consumer demand for gambling and appropriate restrictions in the community interest is important.

'Online' forms of gambling are a relatively recent development in this country and therefore among the most contentious. This is understandable. The internet has changed the nature of many industries, including that involving racing and sports wagering.

The Co-op believes that the additional consumer and commercial benefits derived from these new technologies are overall very positive. They should be preserved and wherever appropriate enhanced.

The Productivity Commission has reached similar conclusions in its latest report on gambling. For example the Commission has advocated the dropping of some existing local prohibitions such as in respect of online poker gambling. They argue that proper local regulation of the activity with appropriate consumer safeguards is a better option than exposing consumers to offshore operators and doubtful regulatory standards.

In respect of other legal online forms already offered within Australia, the Commission appears to advocate the careful assessment of any additional restrictions that may be proposed, to ensure that consumer benefits are not eroded via poorly targeted harm minimisation measures.

From a racing and wagering industry perspective, internet betting is a vital business tool for many Australian on-course bookmakers and other wagering operators in general. It has enabled the industry to maintain consumer interest at a time when competition for the gambling dollar has been high and in an era where race wagering has consistently lost market share to other forms, especially gaming machines.

Put simply, the consumers of race and sports wagering services highly value the benefits and convenience that the internet has provided. They are progressively shifted their access methodology from traditional “face to face” and telephone forms of betting, to the internet and other newer communications technologies.

This is not to say that overall levels of participation or expenditure on wagering have significantly increased in this period.

Race wagering participation rates are generally flat and falling in many instances. On-course racing attendances, which vitally affect our members’ viability, are stagnant. Excluding “once a year” days and prime carnivals, “normal” meeting attendances are generally in long term decline.

Whilst off-course race betting expenditure levels remain more stable, only sports betting has shown any significant growth in participation rates and consumer expenditure, and this is off very low base levels when compared with racing and other mainstream forms of gambling.

To summarise, the internet and similar telecommunications technologies are keeping the wagering market share in the broader gambling industry afloat. These technologies are vitally important to the consumers of betting services, the providers of these commercial activities (including bookmakers) and the Australian Racing Industry which relies heavily on the resultant revenues for its viability and growth. Any policy changes that move to further restrict current online wagering options will have negative consequences for all of these groups.

The following section deals with some of the key issues raised in the Terms of Reference set for this review. Much of the Co-op’s commentary on these issues will directly reference the latest reputable research and policy analysis on the subject as provided by the Productivity Commission in its final report on Gambling, dated 26 February, 2010.

### **3. Terms of Reference Comments:**

#### **(a) ‘the recent growth in interactive sports betting and the changes in online wagering due to new technologies’:**

The Productivity Commission’s report (ch 2.37, Figure 2.9) notes significant increases in sports betting expenditures over the past 2 decades although total expenditures on this sector remain very low in comparison with wagering on racing events. (viz \$171m sports versus \$2.37b racing in 2006/7).

An updated assessment for the 2008/9 year (Overview, Figure 2.1) provides a snapshot of comparative market shares of both racing (14%) and sports betting (1%) expenditure in the overall Australian gambling market. Chapter 16.10, Figure 16.1 points to some recent growth in the wagering (racing & sport) sector, largely attributed to corporate bookmaking sector growth during the last decade. However by any reasonable assessment it can be said that: (1) overall wagering expenditures remain in a fairly long term ‘low growth’ pattern; and (2) whilst sports betting growth rates are high, its overall share of both the wagering market and the broader gambling market remain small.

The Commission's latest work does not appear to readily identify 'online versus traditional' components of this growth, although there are a number references to overall growth in interactive betting, whether attributed to corporate bookmakers or the TABs. It is reasonable to attribute a significant proportion of this growth to transfers of traditional telephone and 'retail' forms of betting. In other words, many consumers have found that interactive channels of betting are more convenient and 'informative' than the traditional means.

On-course bookmakers have been slower to take up these interactive options for doing business with their customers. Much of this 'slowness' may be attributed to the regulatory arrangements that govern their sector of the industry. Governments and Racing Industry regulatory bodies in the major States have generally responded cautiously to the progressive regulatory reforms in the 'corporate' bookmaking strongholds of Northern Territory and the Australian Capital Territory.

Traditional on-course bookmakers have in some part 'missed the bus' in terms of new opportunities to reach out to the off-course wagering market via new technologies. This situation is changing, including in NSW via some recent regulatory reforms supported by both Government and the Racing Industry. However the corporate bookmakers' and TAB's have benefitted from being 'first movers' in interactive wagering technology and it will be difficult for on-course bookmakers to win back lost customers.

As an overall statement the Co-op would caution against 'knee jerk' government reactions concerning any new restrictions in the interactive wagering field. The recent growth in betting expenditures in this sector is not considered to be extravagant given the 'newness' of legal sports betting, the transfers from pre-existing (traditional) race wagering forms and the long term low growth pattern that continues to typify the overall wagering sector.

It is clear however that wagering consumers highly value the new technology. It has allowed the wagering sector to somewhat stem the long term 'leakage' trend to the gaming sector and the technology has demonstrable commercial benefits to wagering providers across the board.

Finally, there appears to be no compelling evidence to date to indicate that interactive forms of wagering present significantly greater problem gambling risks than other existing forms of gambling. In some areas such as player activated limit setting and other exclusion options there are demonstrable benefits available within the technology.

**(b) 'the development of new technologies, including mobile phones and interactive television, that increase the risk and incidence of problem gambling':**

The Co-op's comments on the above are similar to those made in respect of part (a). There is much focus on these technologies because they are relatively new. However experience to date indicates that their availability has not resulted in any significant increase in overall wagering expenditures.

As such there is strong evidence to suggest that their individual appeal comes at the expense of more traditional channels of wagering – including on-course, off course 'retail' and traditional telephone betting.

In addition, there does not appear to be any compelling evidence to date to suggest that problem gambling rates / risks are significantly impacted via the availability of these options. The Productivity Commission notes (ch 15.11-15) that statistical data on this relatively new gambling form is limited, and that 'online gamblers' as a group are difficult to define. Overall the Commission advocates the 'careful regulation' of online gambling rather than any blunter approach.

In summary, although some of these newer forms of online wagering often present a commercial challenge for traditional on-course bookmakers, the Co-op is not opposed to their availability provided that there are no direct exclusions for bookmakers seeking to participate in the same or similar options.

**(c) 'the relative regulatory frameworks of online and non-online gambling':**

The Co-op sees considerable merit in the Productivity Commission's proposals concerning a national regulatory body for online gambling services. According to the Commission, this body's primary task would be to establish, under Federal legislation, a consistent regulatory platform for the provision of online gambling - especially in the area of problem gambling harm minimisation measures.

The inconsistent online betting regulations currently in force across Australia present a difficulty for bookmakers and wagering operators in general. A single set of national regulations – if only in the area of harm minimisation and related advertising and promotions, would be of significant advantage and would negate the attraction of 'border hopping' by wagering licensees.

We note that such a Federal body would not override individual State and Territory government decisions in respect of any prohibited services. We do wonder how this could work in practice, given the 'reach' of new technologies and the penchant for online gambling consumers to seek out online gambling services wherever they are available (e.g. offshore gaming sites)?

As with online regulation, the Co-op would argue that non-online regulatory inconsistency across the nation has resulted in poor outcomes for bookmakers who – at least at an on course level – do not have the ready ability to 'relocate' their licenses to more 'favourable' jurisdictions. Whilst we understand the challenges in doing so, jurisdictions should wherever possible provide for nationally consistent State and Territory non-online gambling regulations (and taxes) to avoid competitive bias and the negative commercial and public policy impacts that this brings.

Finally we note that the Productivity Commission (ch 16.46) recommends that, unless the Australian Racing Industry is able to deal with the current problems associated with race fields legislation, the Federal Government should move towards the establishment of a national price setting body to achieve an equitable outcome.

The Co-op, in line with views previously expressed to the Commission on this issue by the Australian Bookmaking Association, would support such an intervention if a workable outcome is not achieved by the Industry itself.

Our on-course bookmaking members are at present disadvantaged by the complexity of the various State and Territory based fee models. Put simply, the fees charged by each racing code in each jurisdiction are too inconsistent to allow holders of bookmaking licenses to operate under level competitive arrangements. As with inconsistent regulatory standards, this results in commercial disadvantage for those operators who are located in higher fee paying jurisdictions.

In addition, our members are now burdened with the unprecedented requirement to obtain 'multiple' regulatory (race fields) approvals from each racing authorisation body within each Australian jurisdiction that he or she operates betting upon. This exponential increase in required regulatory approvals provides a huge additional administrative burden on bookmakers, the majority of whom operate as small businesses / sole traders.

A single national licensing process, or at minimum a system of mutual recognition of State / Territory approvals, must be a more logical solution.

**(d) 'inducements to bet on sporting events online':**

We note that the Productivity Commission has found (ch 16.58-59) that betting inducements, including the offering of free bets to open betting accounts, are not necessarily harmful in terms of problem gambling risks to consumers.

The Commission advocates that any perceived risks of inducements should be properly assessed, and that, regardless of whether prohibition or managed liberalisation is the appropriate outcome, *a nationally consistent approach would be warranted*.

The Co-op fully supports the Commission's findings, its recommended approach, and in particular the need for nationally consistent standards.

**(e) 'the impact of betting exchanges, including to bet on losing outcomes':**

The Co-op acknowledges that betting exchanges are now a legitimate component of the Australian wagering industry.

As with other technological advances within the industry, our main concern is that bookmakers are legally allowed to access these options whilst conducting their businesses, and that there are no regulatory- imposed commercial disadvantages for our members in terms of this access and related costs.

The Co-op is aware that persons 'betting to lose' via betting exchanges are often closely following the business practices of licensed bookmakers who accept bets 'against' racing and sporting contestants as their main business trade.

Whilst we would not advocate the prohibition of unlicensed persons 'laying' contestants in this manner, we would suggest that the enhanced focus of racing and sports regulatory bodies is warranted in respect of these transactions, given the potential for inappropriate betting activities.

**(f) 'appropriate regulation, including codes of disclosure, for persons betting on events over which they have some participation or special knowledge, including match fixing of sporting events':**

The Co-op would suggest that additional regulatory controls and a higher level of regulatory scrutiny should be required in circumstances where participants of sporting and racing events are concerned.

However this is a very complex area and not one that can be fully discussed in a submission of this type.

In the circumstances the Co-op would be willing to offer its further advice and assistance to government in respect of any further consideration of this matter. We assume that the Australian Bookmaking Association ('ABA') would similarly be willing to be further consulted on any measures / policies that are to be considered in this area.

As the lead agencies representing on-course bookmaking in both NSW and Australia we feel that we could add value to such discussions if they are to take place.

**(g) 'other related matters':        - Credit Betting and Use of Credit Cards**

As a final matter, the Co-op would like to comment on the related issues of credit betting and credit card usage in the context of online wagering activities.

Both options are an important part of bookmaking practices in the modern era.

The Co-op notes that the Productivity Commission found in its recent review that there were insufficient grounds to prohibit either of these services.

In respect of credit card usage for online gambling the Commission (ch 15.27) stated that it did not see net benefits in, and is not recommending, a ban on the use of credit cards in either the online wagering or online gaming environment.

Accurately in our view, the Commission cited a number of reasons for this conclusion, including the likelihood that many online wagering consumers would transfer their betting activities to unregulated offshore sites in order to obtain the associated benefits of credit card usage convenience.

In respect of traditional forms of credit betting facilities offered by wagering operators the Commission similarly found insufficient reason to justify its complete prohibition. In particular it referenced the different aspects involved in bookmakers offering these services to their larger clients (including convenience).

The Commission also noted at ch 16.55 that bookmakers (quote) *... "have a commercial interest in the prudent provision of credit facilities as they bear the cost of the collection of outstanding debts, as well as the risk of default. As credit seems to be offered to well known and established clients, bookmakers' commercial interests may be reinforced by a personal interest arising from the ongoing relationship they have with their clients. Such relationships are likely to be stronger in the face-to-face environment on-course, than they are over the internet."*

The Co-op totally supports this view, and strongly advocates the retention of credit betting as an essential tool in doing business established clients who have demonstrated a capacity to bet (and settle any debts) at a level appropriate to their personal financial circumstances.

Finally, should any further policy discussions be contemplated in this area, the Co-op and/or its national counterpart (the ABA) would seek to be directly involved or consulted.

#### **4. Conclusion**

The Co-op wishes to thank the Committee for the opportunity to contribute to this review. We would be happy to provide any follow-up information, advice or other assistance as may be valuable to the process.

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