



Mr Andrew Wallace MP
Chair
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: corporations.joint@aph.gov.au

Inquiry – Regulation of the use of financial services such as credit cards and digital wallets for online gambling in Australia

Dear Mr Wallace,

Tabcorp Holdings Limited (**Tabcorp**) appreciates the opportunity to respond to the Parliamentary Joint Committee on Corporations and Financial Services (**the Joint Committee**) Inquiry into the regulation of the use of financial services such as credit cards and digital wallets for online gambling in Australia (**the Inquiry**).

About Tabcorp

Tabcorp operates wagering (both totalisator and fixed odds) and lotteries in all Australian states and territories (excluding Western Australia). Through our subsidiary brands (e.g., The Lott, Powerball, TAB, Sky Racing, Keno, MAX Gaming), Tabcorp makes **an economic contribution in Australia of over \$4.3 billion per year**. This includes more than \$2 billion in taxes, over \$850 million in support to the racing industry and more than \$460 million in commissions to pubs, clubs, TAB agencies and lottery retailers. In addition to this, Tabcorp's products support over 4,000 direct and 500,000 indirect jobs across Australia.

Tabcorp has a proud Australian history dating back to 1881 – collaboratively working with governments and partnering with the community, particularly in times of need. We have always made significant contributions to natural disaster recovery efforts – Australian drought, floods, cyclones and bushfires, including more than \$1.9 million to the 2019/20 bushfire recovery effort.

To support small and family businesses and protect jobs during the COVID-19 pandemic, Tabcorp **waived over \$100 million in contracted fees for local pubs and community clubs across Australia**. Tabcorp also provided concessions for its lotteries commission program which meant extra revenue for newsagents.

During the pandemic, Tabcorp supported the government's COVID-19 messaging with more than \$1 million worth of free television and radio advertising via our media platforms (i.e. Sky Racing TV and Sky Sports Radio), the Golden Casket, part of the Lott, Australia's official lotteries, funded a \$1 million donation from unclaimed prize money to support Australia's COVID-19 vaccine research.

Tabcorp's responsible gambling measures

Tabcorp's vision is to be the trusted gambling entertainment company. We take responsible gambling seriously and are committed to minimising gambling harm. Tabcorp is a leader in promoting responsible gambling practices – we understand that caring for our people and customers is at the heart of any sustainable business.

Tabcorp has developed customer care technologies and tools to understand gambling behaviour better and empower customer choice. Tabcorp is constantly updating our training, our systems and our processes to minimise harm from gambling – which includes gambling with credit cards (e.g. credit card 'bounces' are one of the data points already used for assessment of cases by our responsible gambling team). More information is available on the TAB Assist website: <https://responsiblegambling.tab.com.au/tab-assist>

The gambling industry in Australia is heavily regulated. In addition to complying with the strict requirements from Commonwealth, state and territory gambling regulators, Tabcorp actively engages with governments, venues and communities to improve responsible gambling practices.

Senate Committee Inquiry

Tabcorp recently made the attached submission to the Senate Standing Committee on Environment and Communications (**the Senate Committee**) Inquiry into the *Interactive Gambling Amendment (Prohibition on Credit Card Use) Bill 2020* (**Senate Inquiry**). That submission includes relevant background for the Joint Committee's Inquiry and should be read together with this submission. That submission can be summarised as follows:

- Gambling is legal in Australia, and most Australians who gamble do so as a safe and legitimate form of recreation for enjoyment and entertainment. However, Tabcorp recognises that there are some people for whom this form of entertainment has become a problem¹.
- Governments, regulators, the Australian banking sector and gambling operators already have well-developed controls to minimise and mitigate gambling harm. Many of these have been implemented in response to government regulation and community sentiment.
- Based on Tabcorp estimates a ban on credit cards for online wagering will have unintended consequences on: customers who are not problem gamblers and prefer the convenience of credit cards; the racing industry which will experience a reduction in funding of up to \$40 million p.a.; state and territory tax revenue which will reduce up to \$25 million p.a.; and the incomes of lottery agents and newsagents which has the potential to reduce by up to \$44 million p.a. – lottery products should be expressly excluded in any consideration of a credit card ban.
- The definition of credit card in the Senate Inquiry Bill is broad, and Paragraph 15J(b) read in conjunction with paragraph 15J(c) would inadvertently capture betting vouchers, and potentially bonus bets, given that betting vouchers and bonus bets are essentially a promise of potential future value, and therefore may be classified as "credit". Accordingly, to avoid any confusion, we recommend that betting vouchers and bonus bets are expressly excluded from the definition of a credit card. This also applies to the Joint Committee's proposed amendments to the Interactive Gambling Act 2001 (Cth) – inserting the following after Clause 15C(1)(b)(iii) to the proposed amendment would achieve this outcome:
 - "For the avoidance of doubt, 15C(1)(b)(iii) does not apply to debit payments, wagering operator issued betting vouchers or bonus bets."
- Tabcorp urges consideration of a transition period of one year on any ban to limit the unintended consequences on customers, the racing industry, and lottery and newsagents.

Joint Committee Inquiry

Whilst the Joint Committee appears to have a specific interest in credit cards for online gambling, Tabcorp welcomes its general interest in any related online gambling matters.

Tabcorp is concerned that the Australian racing industry, retail venues, such as pubs and clubs, and Australian governments are missing out from the significant growth of overseas-owned online-only gambling companies licensed in the Northern Territory (**online gambling companies**).

Online gambling companies have been making super-profits in recent years – including during the COVID-19 pandemic when other Australian businesses, including TABs, are being challenged¹²³⁴. Despite making super-profits, online gambling companies contribute less racing industry funding and less taxes to governments than Australian TABs.

There are also consumer protection concerns, and in fact many Australians would not realise that the online betting apps that they are using may be operated by subsidiaries of giant multi-national gambling companies making super-profits at the expense of local Australian industries.

Online gambling background in Australia

The deregulation of the Northern Territory (**NT**) wagering licensing framework in the 1990's allowed online gambling companies to enter the Australian market. Over the last decade they have rapidly grown their market share – to 55% of total market share 70% of online market share – using the low cost and favourable regulatory landscape in the NT, as well as changes in technology and consumer behaviour, and tote derivative products to attract customers from gambling in retail venues across Australia.

The forced shutdown of retail venues during the COVID-19 pandemic accelerated many of these changes. Since the forced shutdown, customers who traditionally place cash bets in the supervised environment of a retail venue have opened online gambling accounts to continue enjoying a bet on races and sport. Some of these customers who have transitioned to online betting will not come back to place bets in retail venues.

These structural changes have been to the particular detriment of the Australian racing industry (which relies on TABs for around 60% of its funding) and retail venues (i.e. pubs, clubs and agencies) that can receive a commission for every bet placed with the TAB. Generally, every time an Australian bets with an online gambling company instead of the TAB (in a venue and online via the TAB app), the local racing industry, local pubs and local clubs miss out.

It should also be noted that TABs incur substantial costs to meet probity and regulatory requirements for the safe, sustainable, and compliant operation of around 4,000 retail venues across Australia – many of which are small and family business operations. This local licensed retail infrastructure is leveraged at no cost by online gambling companies when a person bets in a retail venue on a mobile device with an online gambling company.

The licensing and regulation of wagering has historically been the responsibility of state and territory governments. However, the significant shift to online wagering has challenged the effectiveness of the existing environment and reform is well overdue.

¹ ASX Market Announcement, 3 August <https://wcsecure.weblink.com.au/pdf/TAH/02262106.pdf>

² Q2 Trading update to 17 May 2020, <https://www.flutter.com/sites/paddy-power-betfair/files/2019-05/flutter-q2-to-date-trading-update-28-05-2020.pdf>

³ Flutter Entertainment plc 0 2020 Preliminary Results - https://www.flutter.com/sites/paddy-power-betfair/files/preliminary-results-2020_0.pdf

⁴ Australian punters propping up global bookmaker profits, SMH 3 August 2020 <https://www.smh.com.au/politics/federal/australian-punters-propping-up-global-bookmaker-profits-20200802-p55ht8.html>



Australian's support change to the regulation of online gambling

Research commissioned by Tabcorp found that over half of Australians were negative about the increased number of online gambling companies operating in Australia and the overall increase in the amount of gambling activity taking place online. The research also found that Australians strongly support changing online gambling regulations. For example,

- 71% support **increasing taxes** for overseas-owned online gambling companies (6% oppose)
- 66% support **reducing the overall amount of advertising** by gambling companies (8% oppose)
- 62% support **preventing overseas-owned online gambling companies from deliberately registering their business in the Northern Territory** – where regulation is less strict than other parts of Australia (12% oppose)
- 61% support having **the Federal Government regulate gambling** instead of state/territory governments to ensure there is a consistent approach across Australia (9% oppose)

The Joint Committee should consider changes which would allow the Commonwealth Government to have a far greater impact in protecting Australian consumers, and limiting the potential detriment from online gambling, than the proposed restrictions in the use of credit cards. Some of these are outlined below:

- **Restrictions to wagering advertising**, excluding exclusive racing media platforms, particularly between the hours of 6:30am and 8:30pm where exposure to children is high;
- **A single national wagering regulator**, or **national harmonisation of wagering regulations**, to ensure that there is integrity and consistency in the application and enforcement of regulations across Australia's wagering industry. This could involve a single Commonwealth Government agency exclusively administering the licensing and regulation of online gambling companies to ensure that there are adequate consumer protections.

The Interactive Gambling Act 2001 (Cth), and potentially other Commonwealth government agencies, have authority and jurisdiction to advance these changes.

Conclusion

Tabcorp appreciates the opportunity to respond to the Inquiry. We are committed to ensuring that racing in Australia remains strong, small businesses such as pubs, clubs and newsagents are supported, and that gambling is delivered responsibly in the community.

Yours sincerely

Tom Callachor

General Manager – Government & Industry Affairs

Tuesday, 29 June 2021

29 April 2021

Senator the Hon David Fawcett
Chair
Environment and Communications Legislation Committee
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: seniorclerk.committees.sen@aph.gov.au

Inquiry – Interactive Gambling Amendment (Prohibition on Credit Card Use) Bill 2020

Dear Senator Fawcett,

Tabcorp Holdings Limited (**Tabcorp**) appreciates the opportunity to respond to the Senate Standing Committee on Environment and Communications' (**the Committee**) Inquiry into the Interactive Gambling Amendment (Prohibition on Credit Card Use) Bill 2020 (**the Bill**).

Tabcorp's vision is to be the trusted gambling entertainment company. We take responsible gambling seriously and are committed to minimising gambling harm. Tabcorp is a leader in promoting responsible gambling practices – we understand that caring for our people and customers is at the heart of any sustainable business.

Gambling is legal, and most people who gamble do so as a safe and legitimate form of recreation for enjoyment and entertainment. However Tabcorp recognises that there are some people for whom this form of entertainment has become a problem¹.

Summary of Tabcorp's position

- Tabcorp notes that governments, regulators, the Australian banking sector and gambling operators already have well-developed controls to minimise and mitigate gambling harm. Many of these have been implemented in response to government regulation and community sentiment.
- A ban on credit cards for online wagering will have unintended consequences on: customers who are not problem gamblers and prefer the convenience of credits cards; the racing industry which will experience a reduction in funding of up to \$40 million per year; state and territory tax revenue which will reduce up to \$25 million per year; and the incomes of lottery agents and newsagents which has the potential to reduce by up to \$44 million per year – lottery products should be specifically excluded in any consideration of a credit card ban.

- The definition of credit credit card in the Bill is broad, and paragraph 15J(b) read in conjunction with paragraph 15J(c) would inadvertently capture betting vouchers, and potentially bonus bets, given that betting vouchers and bonus bets are essentially a promise of potential future value, and therefore may be classified as “credit”. Accordingly, to avoid any confusion, we recommend that betting vouchers and bonus bets are expressly excluded from the definition of credit card.
- Tabcorp urges consideration of a transition period of one year on any ban to limit the unintended consequences on customers, the racing industry, and lottery and newsagents.

About Tabcorp

Tabcorp operates wagering (both totalisator and fixed odds) and lotteries in all Australian states and territories (excluding Western Australia). Through our subsidiary brands (e.g., The Lott, Powerball, TAB, Sky Racing, Keno, MAX Gaming), Tabcorp makes **an economic contribution in Australia of over \$4.3 billion per year**. This includes more than \$2 billion in taxes, over \$850 million in support to the racing industry and more than \$460 million in commissions to pubs, clubs, TAB agencies and lottery retailers. In addition to this, Tabcorp’s products support over 4,600 direct and 500,000 indirect jobs across Australia.

Tabcorp has a proud Australian history dating back to 1881 – collaboratively working with governments and partnering with the community, particularly in times of need. We have always made significant contributions to natural disaster recovery efforts – Australian drought, floods, cyclones and bushfires, including more than \$1.9 million to the 2019/20 bushfire recovery effort.

The use of credit cards for gambling

Gambling is legal, and most people who gamble do so as a safe and legitimate form of recreation for enjoyment and entertainment. However Tabcorp recognises that there are some people for whom this form of entertainment has become a problem¹.

Credit cards are used as one of the convenient methods for depositing into gambling accounts. The concerns raised are around the perceived increased risk of problem gambling associated with the use of credit for these deposits. Tabcorp notes that there are already restrictions on the use of credit cards in certain gambling environments.

Tabcorp notes that governments, regulators, the Australian banking sector and gambling operators already have well-developed controls to minimise and mitigate gambling harm. Many of these have been implemented in response to government regulation and community sentiment. For example:

- All Australian governments and gambling operators have enacted additional credit, responsible gambling and harm minimisation regulation as part of the NCPF. The Commonwealth Government banned lines of credit following the O’Farrell Review into Illegal Offshore Wagering. Reforms soon to be implemented include the National Self Exclusion Register.

- Most banks have existing controls in place that help customers manage and mitigate gambling account deposits using credit cards – including customer directed blocks, tools to help track spending, trained customer support teams, restrictions on the percentage of credit allowed for gambling deposits (e.g. ANZ restrict to 85% of credit limit), higher rates for gambling deposits and some have already separately prohibited the use of credit cards for gambling transactions (e.g. Suncorp, Macquarie, Citibank, Bendigo, Bank of Queensland, Bank of Australia). These controls are in addition to standard credit and lending controls.

The United Kingdom implemented a ban in April 2020, with certain exclusions for lotteries. This will could provide further insights and the opportunity to evaluate the effectiveness of these restrictions in minimising gambling harm. The ban by the UK Gambling Commission is expected to be evaluated from next month – May 2021.

Responsible gambling measures

Tabcorp is committed to minimising gambling harm and has a strong track record for facilitating responsible gambling in Australia.

Tabcorp has developed customer care technologies and tools to understand gambling behaviour better and empower customer choice. Tabcorp is constantly updating our training, our systems and our processes to minimise harm from gambling – which includes gambling with credit cards (e.g. credit card 'bounces' are one of the data points already used for assessment of cases by our responsible gambling team). Further information can be found on the TAB Assist website: <https://responsiblegambling.tab.com.au/tab-assist>

The gambling industry in Australia is heavily regulated. In addition to complying with the strict requirements from Commonwealth, State and Territory gambling regulators, Tabcorp actively engages with governments, venues and communities across Australia to improve responsible gambling practices.

Unintended consequences

A ban on the use of credit cards for online wagering transactions will have unintended consequences on customers who are not problem gamblers and prefer the convenience of credit cards. Other unintended consequences include:

- **Reduction of funding to the racing industry and taxation** – Our projections suggest that a prohibition on credit cards will reduce distributions to the Australian racing industry from online gambling operators by up to \$40 million per year and reduce the gambling taxes collected by state/ territory governments by around \$25 million per year – much of which is used for hospitals, disaster relief and charitable causes.
- **Lottery sale restrictions** – The merchant category code used for the purchase of lottery tickets in retail settings and online is a generic code for gambling (MCC 7995 – betting, including lottery tickets, casino chips, off track betting, and wagers at racetracks). Financial institutions are likely to block credit card payments to this code if there is a ban on the use of credit cards for online wagering. This has the potential to impact all lottery sales and reduce the incomes of lottery agents and newsagents by approximately \$44 million per year – and many of those impacted are small and family business operators.

Comments on the Bill

Definition of credit card

We consider that the definition of credit card is broad, and paragraph 15J(b) read in conjunction with paragraph 15J(c) would inadvertently capture betting vouchers, and potentially bonus bets, given that betting vouchers and bonus bets are essentially a promise of potential future value, and therefore may be classified as “credit”. Our understanding is that this is not the intention of the Bill. Accordingly, to avoid any confusion, we recommend that betting vouchers and bonus bets are expressly excluded from the definition of credit card.

Transition period

Tabcorp urges the Committee to consider a transition period of at least one year to limit the unintended consequences on customers, the racing industry, and lottery and newsagents.

Exclusions

We note that the Bill does not apply to regulated interactive gambling services falling within paragraphs (c) – (f) of the definition of ‘gambling service’ in section 4 of the Act, such as a service for the conduct of a lottery or for the conduct of a game of mixed chance and skill. It would also not apply to face-to-face betting, which is outside the scope of the Interactive Gambling Act.

Tabcorp submits that lottery products should be specifically excluded in any credit card ban. Implementation measures should also ensure that financial institutions do not implement a blunt block on the use of the relevant merchant category code (MCC 7995 – betting, including lottery tickets, casino chips, off track betting, and wagers at racetracks) without an alternative for retail and online lottery sales (i.e. the establishment or use of an alternate merchant code).

Lottery customers have a very low incidence of problem gamblingⁱⁱ and will be unnecessarily inconvenienced by further restrictions or a prohibition that will not address the overall policy objective. According to Tabcorp internal research, 37% of retail lottery customers said they would likely purchase less from a newsagent if they could no longer use their credit card. Over 40% of lottery customers use credit cards for convenience and often purchase lottery products as a lifestyle choice in a bundle with other everyday lifestyle consumer products (i.e. a magazine, birthday card, milk etc.). Assuming that 75% of lottery customers are willing to transfer to an alternative payment method, a prohibition could reduce the incomes of lottery agents and newsagents by approximately \$44 million per year – many of those impacted are small and family business operators.

Conclusion

Thank you again for the opportunity to respond to the Bill. We are committed to ensuring that racing in Australia remains strong, small businesses such as pubs and clubs are supported, and that gambling is delivered responsibly in the community.

Yours sincerely

Tom Callachor

General Manager – Government & Industry Affairs

ⁱ Browne, M., Rockloff, M., Hing, N., Russell, A., Boyle, Cailem Murray, Rawat, Vijay, Tran, Katherine, Brook, Kate and Sproston, Kerry (2019) *NSW Gambling Survey 2019*, NSW Responsible Gambling Fund

ⁱⁱ “Some prevalent forms of gambling – notably lottery tickets or instant scratchies – are associated with low rates of problem gambling and harm.” Browne, M., Rockloff, M., Hing, N., Russell, A., Boyle, Cailem Murray, Rawat, Vijay, Tran, Katherine, Brook, Kate and Sproston, Kerry (2019) *NSW Gambling Survey 2019*, NSW Responsible Gambling Fund