



AUSTRALIAN  
W A G E R I N G  
C O U N C I L

18 March 2013

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

Dear Ms Beverley,

**SUBMISSION TO THE JOINT SELECT COMMITTEE ON GAMBLING REFORM FOR  
INQUIRY AND REPORT INTO THE ADVERTISING AND PROMOTION OF GAMBLING  
SERVICES IN SPORT**

The Australian Wagering Council (AWC) is the peak industry body for the online wagering and sportsbetting industry in Australia. The AWC's members are:

- Betfair;
- Bet365;
- Betchoice (operating as Unibet);
- Eskander's Betstar;
- Sportsbet (including its subsidiary IASbet);
- Sportingbet Group Australia (which includes Sportingbet and Centrebet); and
- Tom Waterhouse.com

In responding to calls for submissions regarding the Joint Select Committee on Gambling Reform's inquiry into the advertising and promotion of gambling services in sport, the AWC is cognisant of the fact that the Committee issued a comprehensive report, which included a number of recommendations that are pertinent to the current inquiry. Several members of the AWC provided submissions to the previous inquiry.

With regard to the terms of reference, the main points in the attached submission can be summarized as follows:

**1. NATIONAL STANDARDS**

- The AWC supports the development of national standards for harm minimisation and consumer protection that covers responsible gambling, advertising, licensing requirements and probity standards, provided they are evidence based, not detrimental to the competitiveness of the industry and reasonably achievable from an operational and technical perspective.
- It's important that all policy-making be based on evidence. There is a need for further research to provide comprehensive data upon which to base evidence-based policies.

**2. REGULATION**

- It is essential that regulatory measures encourage consumers to transact only with Australian licensed and regulated wagering operators so as to protect and strengthen the integrity measures that are currently in place and to provide effective consumer protection and effective harm minimization measures.

- The online wagering environment, which is highly regulated in Australia affords enhanced protection to customers and provides responsible operators with vital insight into any potential problem gambling issues.
- The most effective way of minimising the incidence of problem gambling and keeping Australian sport free of high-level corruption and match-fixing is to have an Australian highly regulated online wagering and sports betting market.
- There needs to be a concerted effort by authorities to ensure greater enforcement of penalties for unlicensed operators that contribute nothing to the Australian economy, to customer protection or to Australian sporting bodies in terms of product fees, sponsorships or advertising.
- Integrity Agreements signed between the major sporting codes and the online wagering and sportsbetting operators allow for exchange of information as well as giving the major sporting codes the right to determine bet types for their sport.

### **3. ADVERTISING**

- Online wagering is a global industry and Australia cannot act in isolation to the global market. Restricting the advertising and the promotion of gambling services in sport will only have a negative impact on licensed and reputable Australian-based operators.
- The online wagering and sportsbetting industry recognizes it has a responsibility to ensure that advertising is undertaken in a socially responsible manner.
- Advertising is critical for the online wagering and sportsbetting industry. Due to restrictions placed on the industry from operating land-based outlets, advertising is essential to enable the industry to genuinely compete with land-based retail outlets, such as TABs.
- The right to advertise is an important distinguishing legal right granted only to those operators who have agreed to meet Australian standards and are subject to the strict Australian regulatory environment.
- Community concerns in relation to the promotion of live odds are being addressed to provide a balance between the public interest and the right of online wagering and sportsbetting operators to advertise their products in a socially responsible manner.
- Any proposed changes to the advertising and promotion of gambling services should equally be applied to both cash-based and account-based wagering operators alike.

### **4. SPONSORSHIP**

- AWC members make a significant investment in the Australian economy and into Australian racing and sports through sponsorship of various sporting teams, sporting codes and sporting facilities.

### **5. IN-PLAY BETTING**

- Making in-play betting available through Australian-based websites will strengthen the integrity of sport as well as providing enhanced consumer protection measures, which are not available with illegal, unregulated offshore operators and illegal SP operators.

### **6. INDUCEMENTS**

- The offering of inducements is common practice for all types of businesses and as such, wagering and sports betting operators, in what is a highly competitive market, should be permitted to offer inducements providing such offerings are reasonable.

- Any proposed changes to inducements and advertising should be based on evidence and should equally be applied to both cash-based and account-based wagering operators alike.

The attached submission deals with each of these issues in more detail. If you need further information please do not hesitate to contact me.

Yours sincerely,

Chris Downy  
CEO

# **SUBMISSION TO THE JOINT SELECT COMMITTEE ON GAMBLING REFORM FOR INQUIRY AND REPORT INTO THE ADVERTISING AND PROMOTION OF GAMBLING SERVICES IN SPORT**

## **INTRODUCTION**

The AWC acknowledges the increasing popularity of sports betting in Australia and for most people placing wagers on sporting events is overwhelmingly a social past-time with limited negative social consequences.

The AWC believes the most effective way of minimising the incidence of problem gambling and keeping Australian sport free of all corruption and match-fixing is to have a highly regulated online wagering and sportsbetting market within Australia that provides customer protection and harm minimisation measures together with extensive information-sharing between betting companies and sporting bodies.

The AWC is committed to ensuring the advertising and promotion of sports betting by its members is undertaken in a socially responsible manner and accords with the promotion of responsible gambling and the need to ensure the protection of the integrity of sport.

The AWC supports the development of national standards for harm minimisation and consumer protection based on evidence-based research that cover responsible gambling, advertising, licensing requirements and probity standards.

In developing these national standards the AWC maintains that any new measures must be applied to all forms of wagering in Australia and should acknowledge the benefits of account-based betting from an integrity-management and problem gambling perspective.

These standards should be based on a number of fundamental principles to ensure their effectiveness in protecting Australians' gambling activities. They should:

- demonstrate through robust research measures to be effective in improving harm minimisation and consumer protection. The AWC does not support any new measures where there is little or no evidence as to their effectiveness in addressing issues of community concern. Research is needed to inform prudent decision-making about the appropriate regulation of wagering and sportsbetting;
- not create an overly burdensome regulatory regime which will be detrimental to the competitiveness of licensed and regulated domestic wagering providers and only serve to drive even more Australians to gamble online with illegal and unregulated offshore operators who do not comply with Australian standards and have little or no consumer protection; and
- be reasonably achievable from an operational and technical perspective so that implementing any change should not be too expensive or burdensome as it will have a detrimental ability for licensed wagering and sportsbetting providers to compete with unregulated offshore operators.

It is essential that regulatory measures encourage consumers to place their bets through Australian licensed and regulated wagering and sportsbetting operators so as to protect and strengthen the integrity measures that are currently in place and to provide effective consumer protection and effective harm minimization measures.

Imposing overly burdensome advertising and promotional restrictions on wagering operators is likely to have the unintended consequence of encouraging offshore illegal operators to enter the market putting domestic wagering providers at a significant commercial disadvantage and channelling Australian demand for an established industry offshore beyond the reach of Australian regulations and potential taxation revenues.

Online wagering is a global industry and Australia cannot act in isolation to the global market. Restricting the advertising and the promotion of gambling services in sport will only have jurisdiction over reputable Australian-based operators. Policy decisions must take into account how Australians currently interact and will interact with the global internet gambling industry.

### **CURRENT SITUATION**

Traditional wagering on thoroughbred, harness and greyhound racing has long been an accepted part of the fabric of Australian society.

Betting on sports is generally considered a secondary reason for most consumers to follow a sporting event and the Productivity Commission (2010) inquiry found that only a relatively small share of the \$19 billion total gambling spend in Australia was attributed to sportsbetting which was estimated at just 1.2% or \$200 million.

By contrast, gambling on poker machines increased between 1986/87 to 2008/09 from 29% to 55% in the same time period wagering on racing and sportsbetting reduced from 36% to 15%<sup>1</sup>.

However, there has been a number of recent key structural shifts in the gambling market which has seen sportsbetting emerging as a market which has experienced considerable growth. These include:

- online wagering and sportsbetting operators have increased their market share at the expense of traditional TAB providers. (In 2011 TAB operators had approximately 50 per cent of total market turnover in the sports betting market, with the remainder shared by domestic corporate bookmakers and offshore operators.) This shift can be attributed to the increased competition, innovation and enhanced product offering which online wagering and sportsbetting operators have brought to the market;
- an increasing proportion of wagering spend has been spent online at the expense of traditional channels such as on-course, retail and phone. Online growth in wagering turnover increased by 31.5%<sup>2</sup> between 2007 and 2011, whereas overall wagering growth was moderate at approximately 4.8%;
- a proliferation of technologies has also allowed greater access to wagering operators. Deloitte reports that smartphone penetration in Australia which was estimated at 39 per cent in 2011 is expected to increase to 77 percent by 2015 (representing approximately 88 percent of mobile phone users). Competition is also evolving in the tablet market with penetration of tablets expected to reach 55 percent by 2015<sup>3</sup>; and
- this trend is in line with consumer spending patterns in other retail sectors such as books, clothing and electronic goods, which have also seen very high levels of online growth.

The graph that follows highlights this material shift in the channels through which wagering spend is occurring. From 2007 to 2012 Australian Wagering Turnover increased from \$19.4 billion to \$23.6 billion.<sup>4</sup> This represented a Compound Annual Growth Rate (CAGR) of 4.0%. However, while this represented a negative growth rate of 3.8% in offline (or land-based wagering ) it represented a 32.2% CAGR in online wagering over this period.

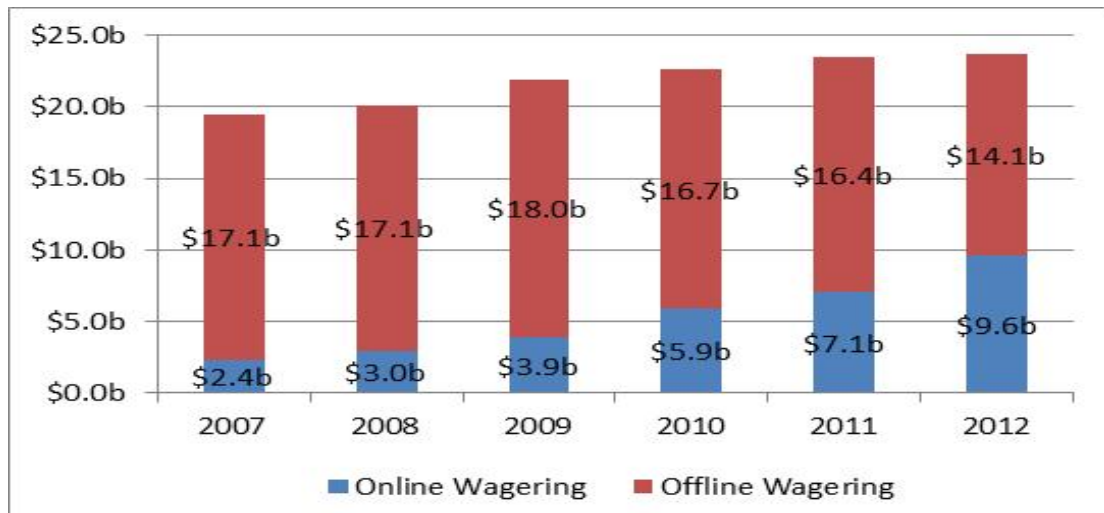
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<sup>1</sup> Productivity Commission Inquiry Report, Gambling, 2010, p.6

<sup>2</sup> Industry estimates

<sup>3</sup> Telesyte Australia Smartphone Study 2012 as reported in Deloitte Optimal Product Fees Models for Australian Sporting Bodies Report, 2012

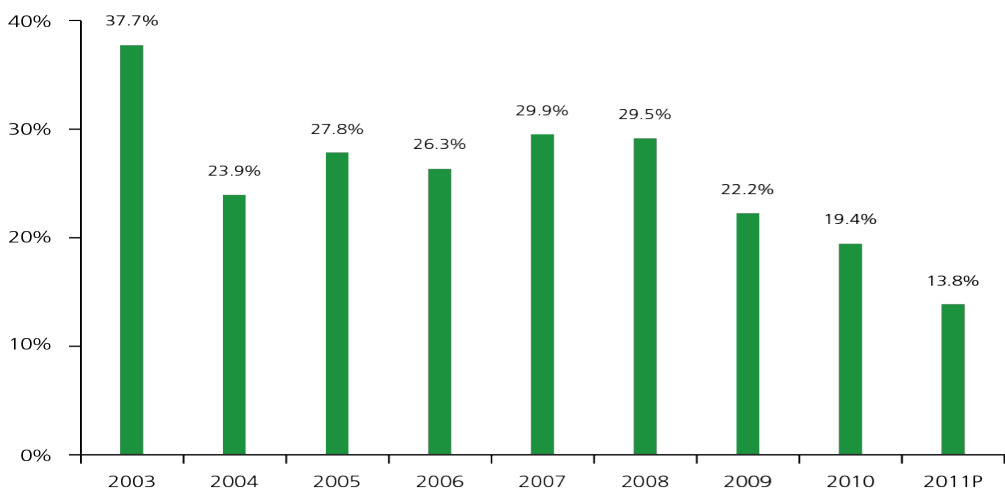
<sup>4</sup> Australian Racing Fact Book



**Australian wagering turnover 2007-12**

The Productivity Commission estimated the illegal offshore online gambling market was estimated to be nearing \$800 million at the time of its report.<sup>5</sup> There has been an overall decline, since 2003, in the percentage of wagering turnover estimated to be offshore.<sup>6</sup>

As the following graph shows it was estimated that offshore wagering decreased from 37.7% to 13.8% between 2003 and 2011. This means 86.2% of Australians now have improved access to customer protection and harm minimization measures, the sporting codes have a greater ability to raise revenue through product fees, the integrity of their sport is improved and governments can raise greater tax revenues.



**Percentage of Wagering Turnover estimated to be offshore 2003-11, Australia**  
(Source: H2 Gambling Capital, eGaming Data Set, February 2012)

Of considerable concern is the Government's recent decision to not permit online in-play betting. It is the industry's belief that online in-play betting comprises the majority of the offshore wagering operators' turnover generated from Australian residents. The major sporting bodies also support allowing online in-play betting. The AFL Integrity Manager indicated as much before the Joint Select Committee on 5 March when he said, "We do not see general in-play betting as being a large integrity risk. As I said, with everything we do, the prohibition-versus-regulation issues have to be offset against the risk of making overseas bookmakers more attractive to punters."<sup>7</sup>

<sup>5</sup> Productivity Commission Inquiry Report, Gambling, 2010, p 2.5

<sup>6</sup> H2 Gambling Capital, eGaming Data Set, February 2012

<sup>7</sup> Brett Clothier, Gambling Reform Committee Record, 5 March 2013, p.6

The Deloitte Report<sup>8</sup> on Optimal Product Fee Models for Australian Sporting Bodies identified sport and sportsbetting as an emerging ‘two-sided’ competitive global market where the operations of each entity provide financial opportunities for the other entity:

1. Sporting codes will increasingly benefit from wagering as it increases viewing of sports and potentially the rates they can charge sponsors of their events (by virtue of both increased viewership of the sporting event and the demand created from the wagering operators for advertising during relevant content programming), as well as generating direct revenues to the sporting bodies through the levying of product fees, which form part of the integrity agreements the sporting bodies have signed with Australian licensed wagering operators.
2. Wagering operators in turn benefit from increased sports viewing because of its impact on demand for wagering related to the event.

Australian licensed wagering and sportsbetting operators, therefore, have a strong interest in promoting the sporting codes on which they offer betting markets.

Reflecting this interest, wagering operators provide significant financial support to the sporting codes. By supporting the sporting codes with direct sponsorships, stadium contracts and fees to controlling bodies, Australian licensed wagering and sportsbetting operators contribute to the finances of the sporting codes and their clubs.

Additionally, significant volumes of advertising dollars are spent annually on relevant content programming for the sporting codes in television, radio, print and online media. By way of contrast, overseas wagering operators do not pay product fees to the sporting codes and also do not advertise on relevant content programming or otherwise support the sporting codes.

Equally, the sporting bodies have a strong interest in ensuring that regulated Australian wagering continues to grow, so that it can continue to collect revenues from product fees and charge higher fees to other event sponsors due to increased interest and competition for advertising space and increased viewership of the sporting event.

Sporting codes also benefit from wagering operators promoting wagering products on the sport. Marketing and promotional expenditure by wagering operators contributes to increasing the profile of the sporting code and, therefore, inherently enhances the value of sponsorship and media rights agreements.

The sporting bodies also have a vested interest in ensuring that the continued growth in sports betting stays with Australian licensed wagering operators to continue to protect the integrity of the sporting code.

## **ADVERTISING AND SPONSORSHIP**

The wagering and sportsbetting industry in Australia is not dissimilar to other emerging markets where the traditional business focus is targeted to investing in market growth (through marketing and promotional expenditure such as sponsorship, promotion, advertising and other contributions to sporting codes, their clubs and sporting facilities).

While many of the rules relating to gambling advertising are found in state and territory legislation, all advertising has to abide by the Australian Association of National Advertisers Code of Ethics.

### **1. Advertising**

Advertising is critical in the sports betting market which is characterized by a large number of highly competitive operators, a price-sensitive customer base with low brand loyalty and a

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<sup>8</sup> Deloitte Australia, Optimal Product Fee Models for Australian Sporting Bodies, July 2012, p18

high consumer price elasticity, given low switching costs between both domestic and international wagering providers.

Advertising is critical for the online wagering and sportsbetting industry. Due to restrictions placed on the industry from operating land-based outlets, advertising is essential to enable the industry to genuinely compete with land-based retail outlets, such as TABs.

The AWC accepts that advertising in a socially responsible manner is an industry responsibility and must be of a reasonable limit so as not to contribute to the encouragement of gambling, particularly amongst the most vulnerable.

The Productivity Commission recognized that the advertising of online wagering services can offer a range of benefits, including:

- informing consumers about the relative characteristics of gambling products;
- promoting competition, and therefore efficiency, by informing consumers of the existence of multiple suppliers of these products (particularly new entrants); and
- developing 'brand' recognition with associated incentives for providers to maintain the quality of their service in order to protect this brand value.<sup>9</sup>

Given the expected benefits of online advertising and the costs that regulatory interventions to ban or limit this kind of advertising would impose on industry, it is important therefore that cost-benefit analyses be undertaken before any regulatory action is taken.

In addition, it is an offence for offshore wagering and sportsbetting operators to advertise their services in Australia. This right to advertise is an important distinguishing legal right granted only to those operators, such as AWC members, who have agreed to meet Australian standards and are subject to the strict Australian regulatory environment.

Accordingly, it is important that Australians be encouraged to bet only with locally licensed and regulated operators to ensure the integrity of sport is maintained and effective consumer protection and harm minimisation measures can be accessed.

The AWC recently issued a Statement of Intent<sup>10</sup> to control the promotion of live odds during sports broadcasts, in line with the agreed COAG Select Council on Gambling Reform's Principles of Reform issued in May 2011. Further detail regarding this industry-led initiative is outlined later in this report.

## **2. Sponsorship**

AWC members make a significant investment in the Australian economy and into Australian racing and sports through their sponsorship of various sporting teams, sporting codes and race clubs.

Sponsorship revenue is a key source of income for sporting codes, sporting clubs and sporting facilities.

Many of the major codes of sport in Australia have sponsorship arrangements which relate to gambling although most of the clubs and codes involved have multiple sponsors most of which are not gambling related. In some cases clubs have up to 20 sponsors. There are also different levels of sponsorship and there are only limited instances in Australia where a gambling company is the leading sponsor.<sup>11</sup>

Sporting codes, sporting teams and sporting facilities have in place a range of policies and guidelines to manage these types of arrangements to ensure the sponsorship is managed responsibly.

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<sup>9</sup> Productivity Commission Inquiry Report, Gambling, 2010, p.K1

<sup>10</sup> AWC Media Release: Industry-led regulation of the promotion of live betting odds during sports coverage, 7 February 2013

<sup>11</sup> Gambling Compliance: Gambling Advertising and Sport: A Comparison of Regulated Markets, March 2013, p4



AWC members are mindful of the need to ensure that sponsorship of sporting bodies, sporting clubs or sporting facilities does not impact on the integrity of that sport and that it is promoted responsibly.

Sponsorship in turn is an important marketing tool used by sports betting operators to communicate and differentiate their organization and their product offerings to increase market penetration, brand awareness, media exposure and subsequent contribution to revenue.

### **LIVE ODDS ADVERTISING**

The AWC acknowledges that there has been a noticeable growth in the Australia-wide advertising of the promotion of live odds by Australian wagering operators.

In response to community concerns, a number of initiatives are being undertaken to ensure that advertising relating to the promotion of live odds is approached in a balanced and socially responsible manner that is not detrimental to the enjoyment of watching or listening to live sport.

The AWC believes that such initiatives will address community concerns and provide an acceptable framework that creates a balance between the public interest and the right of sports betting organization to advertise their products in a socially responsible manner.

Initiatives include:

#### **1. Australian Wagering Council's Statement of Intent**

AWC members developed and recently adopted a Statement of Intent to reduce the promotion of live betting odds during sports coverage.<sup>12</sup> The Statement of Intent fully adopts the Government's agreed principles for reform.

The promotion of live betting odds during active play would be prohibited during broadcasts of the match and within the match commentary of sporting events, regardless of the form the broadcast takes (refer Attachment A).

Limiting the promotion of live betting odds to pre-game and scheduled breaks (such as half time) will provide a balance to ensure that those Australians who enjoy analysing and discussing the match odds prior to play commencing can continue doing so.

AWC members also abide by existing advertising principles, including that:

- Live Odds promotions will not be directed at children, or be portrayed as a family activity;
- Live Odds promotions will be socially responsible and not misleading;
- Live Odds promotions will avoid exaggerated claims, association with alcohol, or association with success or achievement.

#### **2. Review of Broadcast Industry Codes**

The current reviews of the three broadcast industry codes (Free TV, Commercial Radio Australia and Australian Subscription TV and Radio Association) have been developed in agreement with principles approved by the Federal Government and issued by the COAG Select Council on Gambling Reform in May 2011.

The AWC participated in Commercial Radio Australia's Code public consultation process and looks forward to the opportunity to participate in both the Free TV and ASTRA Codes public consultation processes prior to their approval and registration by the Australian Communications & Media Authority.

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<sup>12</sup> Australian Wagering Council media release 'Industry-led regulation of the promotion of live betting odds during sports coverage', 18 February 2013

### **3. Principles of Reform adopted by Council of Major Professional and Participation Sport (COMPPS)**

As its submission to this inquiry reports, COMPPS participated in the review conducted by Senator Conroy, the Minister for Broadband, Communications and the Digital Economy, which developed the principles for reform for the promotion of live odds in sports coverage.

COMPPS members have adopted these reform principles with each sport working with venues and broadcasters to have them applied.<sup>13</sup>

#### **PROBLEM GAMBLING ISSUES**

The AWC rejects the argument that online wagering and sportsbetting is a more risky environment for those who are at risk of developing problem gambling behaviours.

Rather the AWC believes that the online environment, provided that the operators are licensed and regulated, affords enhanced protection to customers and provides responsible operators with vital insight into any potential issues.

The AWC believes the most effective way to promote responsible gambling online is to have a regulated industry within Australia which has high levels of consumer protection and sophisticated problem gambling harm minimisation measures.

The incidence of problem gambling is reportedly significantly lower in online wagering in comparison to land-based gaming with the Productivity Commission reporting that it was estimated that 80-85 per cent of problem gambling was directly related to the use of poker machines.

AWC members are committed to promoting responsible gambling and adhere to strict protocols to ensure customers are able to transact with integrity and have access to prescribed harm minimisation features, including:

- An ability for customers to set financial limits, such as deposit and loss limits on their account;
- Allowing customers to review their betting history;
- Providing self-exclusion facilities;
- Intervention processes when problem gambling is detected;
- Referrals to responsible gambling counselling and assistance; and
- The promotion of Responsible Gambling services on websites

The AWC supports the development of a national standard for harm minimisation and consumer protection across all jurisdictions that cover responsible gambling measures based on evidence-based research.

In developing these national standards for harm minimisation and consumer protection, the AWC maintains that any new measures must be applied to all forms of wagering in Australia and should acknowledge the benefits of account-based betting from an integrity management and problem gambling perspective.

The more restrictive the regulatory regime becomes the more potential there is for Australians to bet with illegal Australian SP bookmakers and illegal offshore online operators who do not meet these high industry standards. These illegal operators are not subject to the same integrity agreements that Australian regulated operators have in place with all major Australian sports nor can they be forced to comply.

#### **INTEGRITY OF SPORT**

AWC members have a zero tolerance policy to corruption in sport and a long standing commitment to working closely with Government and major Australian sporting organisations to ensure their integrity obligations are fulfilled.<sup>14</sup>

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<sup>13</sup> COMPPS Submission to the current JSC inquiry.

<sup>14</sup> AWC Media: 'Australian Wagering & Sportsbetting Industry Works To Protect The Integrity of Sport', 7 Feb 2013

The AWC welcomed the establishment of the National Integrity of Sport Unit (NISU)<sup>15</sup> and more recently the AWC publicly called on all remaining States and Territories to join Victoria, NSW and South Australia in introducing consistent national criminal offences for those found guilty of corrupting the betting outcomes of sporting events.<sup>16</sup>

The integrity of Australian sport is enhanced by having Australians bet with Australian companies regulated in Australia – not with unregulated overseas operators.

To address these concerns for match fixing and the involvement of organized crime, numerous safeguards are in place within the licensed and regulated sports betting industry to address these integrity concerns.

Consistent with the National Policy on Match Fixing agreed to in June 2011 by Commonwealth, State and Territory Sports and Recreation Ministers, the major sporting bodies have integrity agreements in place with AWC members which provide for the exchange of information, particularly around the placement of bets by people associated with the particular sports and the types of bets that AWC members can offer. The sporting bodies determine the bet types that can be offered by operators.

Unregulated overseas operators have no such agreements and no such regard for the integrity of Australian sport.

AWC members currently have integrity agreements in place (and are therefore approved betting partners) with numerous sporting bodies including:

- Australian Football League
- Australian Rugby Union
- Cricket Australia
- Football Federation Australia
- National Rugby League
- Tennis Australia

These integrity agreements ensure all details of bets placed on a particular event or outcome are available to the sporting body should there be any suspected betting activity which may indicate the integrity of an event has been compromised.

Regular customer database audits are conducted to determine if *Prohibited Participants*, such as players, coaches, administrators and officials, have bet on sporting events – this is something cash-based operators simply can't do, as evidenced by the Ryan Tandy Rugby League betting scandal.

Account-based wagering is the only means by which a customer may transact with AWC members. All customers are required to have their identity verified according to Federal Anti-Money Laundering and Counter-Terrorism Financing requirements which also ensures nobody under the age of 18 can join.

The account-based nature of the industry protects AWC members from being used as a portal for money laundering as all transactions are comprehensively logged and recorded, from the source of funds, all betting activity and the destination of any withdrawals from accounts.

The account-based nature of AWC member operations (compared to cash-based retail or cash-based on course operations) also enables the easy identification of clients and the nature and extent of their betting activities as every internet bet placed with an AWC member is tagged to a customer and an IP address is recorded, along with other relevant information. All telephonic customer interactions including telephone bets are recorded.

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<sup>15</sup> AWC Media Release: 'Australian Wagering Council Welcomes Establishment Of National Integrity Of Sports Unit', 7 November 2012

<sup>16</sup> AWC Media Release: 'AWC Calls on all States & Territories to introduce match-fixing legislation', 6 March 2013

In the ideal world to ensure complete integrity all wagering would be account-based and this would ensure that the integrity of sport is protected with the appropriate information recorded and made available for monitoring and investigation.

### **IN-PLAY BETTING**

Despite the UK Gambling Commission's 2009 report that found no evidence that online in-play sports betting poses a *'specific, identifiable risk to problem gambling as opposed to other forms of betting or online gambling.'*<sup>17</sup> the Australian Government recently announced it would not be pursuing the Interactive Gambling Act 2001 (IGA) Interim Report recommended changes relating to 'in-play' sports wagering.

This recommendation would have corrected the current inconsistency between online and telephone 'betting in the run' or in-play betting, create platform neutrality and reflect changes in the use of technology.

Unregulated offshore operators are not subject to the same integrity agreements that Australian regulated operators have in place with all major Australian sports. These agreements set out permissible bet types, which are determined by the sport concerned. In other words the sports themselves determine what is permissible and what is prohibited.

In addition, the markets on Australian sporting codes offered by offshore wagering operators are potentially undermining the scope of the sporting codes to receive payment for their products.

The AWC believes that making in-play betting available through Australian-based websites would have strengthened the integrity of sport keeping it free of crime and protecting the vulnerable and the young.

While some participants in the wagering reform debate have expressed concern that in-play betting is more harmful than pre-event betting, there is no research available that supports these claims. Rather empirical evidence shows that consumers place fewer bets and lose less money when placing live-action (or in-play bets) than when placing fixed-odds bets.

### **INDUCEMENTS**

The offering of inducements is common practice for all types of businesses and as such, wagering and sportsbetting operators, in what is a highly competitive market, should be permitted to offer inducements providing such offerings are reasonable.

The AWC believes that any proposed changes to inducements and advertising should be based on evidence and should equally be applied to both cash-based and account-based wagering operators alike.

The AWC submits that the word "inducement" is an overly broad term that provides little assistance in developing good policy. For instance, inducements:

- cover a wide range of business practices (lower prices, rebates, free trials, gifts, satisfaction guarantees, and endorsements);
- can occur in a variety of media (including an official website, third party website, email newsletter, third party email direct mail, newspaper/magazine, trade publication, billboard, radio, and television); and
- may be targeted at widely differing groups (existing customers, customers of competitors, or new customers).

For example, it could be interpreted that a prohibition on all inducements would, if taken literally, extend to preventing operators from lowering prices to respond to competitive pressures or to pass on operating cost savings.

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<sup>17</sup> Gambling Commission (UK): "in running (in-play) betting: Position paper" (March 2009).

There are a number of issues, which must be considered with regards to inducements:

a. A nationally consistent approach is needed:

As noted in the Productivity Commission report a nationally consistent approach to inducements is warranted as the current inter-state discrepancy disadvantages some wagering operators when competing for market share in jurisdictions that permit these practices.<sup>18</sup>

b. Inducements provide enhanced competition between wagering operators:

Inducements can assist in lowering costs to consumers of changing providers which enhances competition. According to the 'Productivity Commission *'Offering inducements to wager through discounted prices to new customers is not necessarily harmful, it may primarily serve to reduce switching costs between incumbent wagering operators and new entrants, enhancing competition'*<sup>19</sup>

Inducements have facilitated the growth in the market share of internet wagering operators but have not driven a material increase in wagering spend by Australians with real dollar per capita spend on wagering in Australia showing only minimal growth over the last decade.

When consideration is given to the lack of increase in real wagering spend per capita since the introduction of corporate bookmakers and the lifting of advertising prohibitions, it is clear that consumers are better off as a result of these events.

c. Broad Prohibitions of Inducements Are Not An Appropriate Solution:

While the AWC recognises the potential risk that inducements offer to those persons in the community susceptible to problem gambling behaviours, the AWC submits that broad prohibitions against wagering inducements are not an appropriate solution given the low risk that wagering presents.

Rather, the AWC suggests that a better approach would be a requirement that, in circumstances where advertising is reaching a broad audience, it be a condition that wagering operators employ appropriate harm minimisation measures. This would encourage all operators to provide services in a responsible manner.

d. Any regulatory path must be evidence-based:

Whichever regulatory path is chosen in relation to inducements it should be based on evidence. The Productivity Commission recommended that any perceived risks of inducements should be properly assessed.<sup>20</sup>

e. Limiting Inducements is not necessarily the solution:

Any limitation on the ability of licensed Australian wagering operators to use inducements will significantly impact the ability of domestic operators to compete with illegal offshore wagering operators. This would mean more Australians gambling through unregulated offshore sites, not less. As noted, inducements serve to lower switching costs for customers, so if Australian wagering operators are placed at a competitive disadvantage to illegal offshore operators, Australian consumers are likely to be enticed to switch to these offshore operators. If this occurs they will face significant risk in terms of adequate harm minimisation measures and fraud.

f. Regulations must apply to all wagering operators:

The AWC does not consider that there is any justifiable policy reason for continuing to exclude cash-based or retail operators from any proposed inducements regime.

It is important to highlight that a prohibitive based approach to inducements or incentives will have the effect of making the Australian industry less competitive in the global market but at the same time making overseas operators more attractive to Australian consumers.

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<sup>18</sup> Productivity Commission (2010), Inquiry Report Gambling, p.16.58

<sup>19</sup> Productivity Commission (2010), Inquiry Report Gambling, p.16.59

<sup>20</sup> Productivity Commission (2010), Inquiry Report Gambling, pp16.58–16.59.

These illegal offshore operators are able to continue to ignore the Australian regulatory requirements and, in doing so, able to offer a more attractive compelling product to Australian consumers. As the AWC has previously stressed in this submission, it is of vital importance that regulatory measures encourage Australian consumers to transact with Australian regulated and licensed operators so as to ensure that the appropriate consumer protection, harm minimization and integrity of sport measures are in place.

### **EXPOSURE TO, AND INFLUENCE ON, CHILDREN**

The AWC acknowledges community concerns that the advertising of online wagering and sportsbetting must be presented in such a way as not to contribute to longer-term problem gambling. AWC members do not directly target their industry advertising and promotional strategies to children.

Further, it is noted in the Joint Select Committee's own report's (December 2011) findings that the effects, if any, on children viewing gambling messages during sports broadcasts are unknown.<sup>21</sup>

At the time, the Committee recommended that further research was needed on the longer-term effects of gambling advertising on children, particularly in relation to the 'normalisation' of gambling during sport.

It is important to ensure that any policy-making especially in relation to vulnerable sections of the community be based on evidence and therefore further research in this area is needed. In doing so, it is noted there is a current call for research on the marketing of sports betting and racing and also the use of social media in gambling by Gambling Research Australia.

As the majority of young people are using emerging technologies in the new media environment, the AWC has recently committed to a cooperative response on a research project to investigate the use of social media by wagering operators together with the use of responsible gambling messaging.

It is anticipated that each of these areas of research will provide comprehensive data upon which to base evidence-based policies.

At least two submissions to this inquiry also highlight the general misconception regarding the numbers of children actually watching live sports broadcasts.

ASTRA report that children under 18 in fact comprise a very small proportion of the audience for live sports events on subscription TV<sup>22</sup>.

*'For the Top 50 most-watched live sports broadcasts shown on STV in 2012, children under 18 comprised just 11.3% of the total combined audience for those broadcasts, with less than one-third of those (or 2.3% of the total audience) being children under 18 watching without an adult present. The average number of children under 18 watching any one of the top 50 live sports broadcasts on STV in 2012 was just over 39,000 nationally. Given STV in Australia reaches around 2.2 million homes with a potential reach of over 7 million people, the numbers of children in STV homes watching live sport on STV, and thus any gambling advertisements that may be shown during sports events, is extremely small'.<sup>23</sup>*

Free TV in their current submission to the inquiry<sup>24</sup> also report that:

*"Sporting events broadcast on commercial free-to-air television are primarily watched by adults. Children aged 5-17 made up less than 12% of the total viewing audience for any of the top 10 sporting events in 2012, (excluding Olympic broadcasts). Of those children who were watching, the majority were co-viewing with*

<sup>21</sup> Joint Select Committee on Gambling Reform Committee Report, December 2011, p.255

<sup>22</sup> OzTam ratings for Top 50 Live Sport Programs on STV, 1/1/12 – 31/12/12.

<sup>23</sup> ASTRA Submission to the current JSC Inquiry

<sup>24</sup> Free TV Submission to the current JSC inquiry

*an adult (around 8 in 10 for the 5-12 age group, and around 7 in 10 for the 13-17 age group). Even the event with the highest audience proportion of child viewers (State of Origin 3) was only watched by 13.5% of children aged 13-17. This figure is lower for children aged 5-12 (12.8%). Of those children who were watching, more than 85% were co-viewing with an adult.”*

The AWC also believes that the Broadcasting Services Act 1992 (Cth) (BSA) which provides for public policy concerns to be addressed through industry Codes of Practice is a sufficient mechanism to protecting children from exposure to program material which may be harmful to them.

As previously advised in this submission, the AWC has also participated in the public consultation process regarding the development of broadcast codes to be approved by ACMA regulating the advertising and the promotion of gambling services including the need to ensure that any promotion of live odds must not be directed at children.





AUSTRALIAN  
WAGERING  
COUNCIL

## STATEMENT OF INTENT

### THE PROMOTION OF LIVE ODDS DURING SPORTING EVENTS

#### ***Purpose***

The Australian Wagering Council (AWC) and its members recognize the need to ensure that the promotion of live odds during live sporting events is consistent with the community's expectations that any promotion will be conducted in a socially responsible manner so as to minimise any harm caused by problem gambling and to ensure that the promotion of live odds is conducted in a manner that is not detrimental to the enjoyment of watching or listening to live sport. This applies equally to television and radio broadcasts (both free to air and subscription).

This statement of intent sets out the measures that the wagering and sportsbetting companies, who are members of the AWC, will adopt as a means of ensuring that the advertising standards promoting live odds are in line with community expectations. The AWC is working with the various advertising standards bodies to adopt codes to standardize the regulations around the promotion of live odds.

This statement of intent does not apply to thoroughbred, harness and greyhound racing. They are exempt from these measures due to their historic and fundamental links with wagering.

This Statement of Intent does not apply to material that is incidental to the broadcast, such as advertising appearing at a field barrier. It does not include spot commercials or sponsorship segments that do not directly list Live Odds relating to the sports broadcast. It does not apply to advertising on a website that broadcasts streaming vision via the Internet but it does extend to content within the actual streaming vision.

#### ***Promotion of Live Odds during a Live Sporting Broadcast***

- > The Promotion of Live Odds by commentators during live play will no longer occur. This includes during *ad hoc* unscheduled breaks, such as:
  - stoppages for injuries;
  - stoppages for adjudication by third or TV umpires/referees; and
  - time outs and substitutions in games such as basketball.
  
- > Promotion of live odds will continue to be advertised:
  - before play has commenced;
  - during predetermined scheduled breaks For example, Cricket (Tea breaks and lunch), Tennis (between each set), Rugby League (Halftime);
  - during unscheduled breaks where play has been suspended due to rain or another unforeseen event and players have left or are yet to enter the field or area of play; and
  - after play has concluded.



- > These Promotions will be in the form of spot commercials or paid and clearly defined sponsorship segments which will be delivered by persons other than commentators.
- > The AWC and its members will abide by the principles laid down in the Agreed Principles for Reform released by the Select Council on Gambling Reform on 27 May 2011. These include:
  - The placement of responsible gambling messages in live odds promotions;
  - Live Odds promotions will not be directed at children, or be portrayed as a family activity;
  - Live Odds promotions will be socially responsible and not misleading;
  - Live Odds promotions will avoid exaggerated claims, association with alcohol, or association with success or achievement.

**Definitions:**

- > **Promotions** include any writing, still or moving pictures, signs, symbols or other visual images or any audible message/s (or any combination of those things) that provides Live Odds.
- > **Commentators** are defined as sports broadcast hosts and their guests participating in a Sports Broadcast and clearly distinguished from other contributors, particularly representatives of gambling organizations.

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