

# **ABA Submission to Joint Select Committee Inquiry into Interactive and Online Gambling and Gambling Advertising**

## ***Executive Summary***

- *The Australian Bookmakers Association (ABA) is the national representative body for Australia's 600 on-course bookmakers.*
- *On-course bookmakers play a valuable role within the racing industry. As well as being a drawcard for race meeting attendances and a major financial contributor to the racing industry, they help drive wagering market competition that is otherwise dominated by the TABs and other major corporate operations.*
- *The majority of on-course bookmakers are sole traders running small businesses. As such they are heavily impacted by growing regulatory burdens on gambling providers.*
- *On-course bookmakers' share of the wagering market is declining due to structural changes within the industry that have reduced racecourse attendances and favour off-course betting.*
- *The internet has increasingly become a vital information and transactional tool for on-course bookmakers allowing them access to off-course customers and other wagering operators.*
- *Although wagering is (in overall terms) a low-growth sector of the gambling industry, there has been a recent shift of betting preferences from traditional betting channels (retail, phones) to the internet. Wagering customers highly value the convenience and additional competition that has resulted from this new technology.*
- *The Productivity Commission has again recently (June 2010) reviewed the gambling industry and online gambling in particular, to examine various competitive issues as well as new technology impacts on problem gambling.*
- *The Commission has found that there is insufficient evidence to support the view that online gambling per se has resulted in significant increases in problem gambling rates. The Commission therefore advocated the 'careful regulation' of online gambling rather than any blunter approach. The ABA fully supports this view.*
- *The ABA also supports the Commission's recommendations that online gambling regulation, and specifically online wagering regulation, needs to be progressed with the objective of achieving national consistency. Enhancing sports integrity is a vital element in this approach.*
- *The ABA also strongly advocates the need for a consistent approach to race fields licensing and fees processes. On-course bookmakers should not have to deal with multiple jurisdictions. This is currently providing an excessive and unnecessary regulatory burden.*
- *As the national representative body for a large and diverse range of wagering providers the ABA requests that it be involved /consulted in any further matters relative to these issues.*

## **1. Introduction – The ABA and on-course bookmakers**

The Australian Bookmakers Association (“ABA”) is the national representative body for Australia’s on-course bookmakers. The board of directors of the ABA is made up of the appointed delegates of the bookmakers’ representative associations in each Australian State. The ABA is empowered to represent the joint interests of those bodies on matters of national impact.

The ABA’s major objectives are to protect the interests of the State associations and their members and to protect and promote the integrity and public image of bookmakers as an integral and positive part of the Australian Racing Industry and related sports betting environment.

Importantly, the ABA has a central role in promoting responsible gambling standards and has created a Code of Wagering Practice that has been formally adopted by its delegates. The Code amongst other things sets strict standards for the responsible advertising and delivery of wagering products and services by bookmakers.

There are now approximately 600 on-course bookmakers licensed within Australia and represented at a national level by the ABA. This number has fallen by about 200 (25%) in the last decade due mainly to various structural changes within the Australian wagering landscape.

These changes include the continuing decline in ‘normal’ race meeting attendances and an associated shift towards off-course forms of betting participation. Unlike the TABs and corporate bookmaking companies, the regulatory and business models traditionally attached to on-course bookmaking have been impediments to adapting to this changing commercial environment.

The vast majority of on-course bookmakers remain ‘sole traders’ in the sense that they own and operate small businesses with few employees - mainly race day staff such as ledger recorders (‘pencillers’) and cash handlers (‘bagmen’) – and minimal administrative support. Although some jurisdictions now allow limited types of partnerships or simple corporate entities to be formed, most on-course bookmakers continue to individually manage and finance their business activities.

These limitations, as well as other operational restrictions, are in most cases the result of longstanding government and/or industry regulatory policy. In essence, the regulatory arrangements that apply to on-course bookmakers have in many cases failed to keep up with changes in the national market, and especially for the newer “corporate bookmaking” businesses.

These online based businesses have arisen out of favourable (flexible) licensing and operational conditions allowed in the Northern Territory and the Australian Capital Territory. Unfortunately these progressive arrangements that allowed 7-day trade via the internet and the broadest possible range of betting products were not readily adopted for bookmaking in the other States. This fragmented approach to regulation continues to this day. As a result many jurisdictions still confine bookmakers to their traditional racecourse locations, traditional operational limitations and limited product range. (For example Queensland bookmakers are still to this day unable to accept bets via the internet.)

Despite these competitive limitations, on-course bookmakers do continue to play an important and productive part within the racing industry. Through individual pricing they help drive competition within the wagering market and hence provide a reason for many wagering participants to attend race meetings and 'shop around' for the best available betting odds.

Bookmakers also make direct financial contributions to the industry via various types of operating charges (including race fields fees) that are levied by racing authorities and individual race clubs.

As well as conducting 'traditional' forms of race betting at race meetings, on-course bookmakers are now increasingly attempting to reach out to the off-course customer market via telephone and internet operating modes, and are providing alternative wagering products such as sports betting.

This widening of activities has been commercially difficult given the market dominance of the large off-course wagering corporations - the TABs and corporate bookmaking companies.

Overall the on-course bookmaking sector is in a long term pattern of decline as a proportion of the total Australian wagering market. (Note: "Wagering" is traditionally defined as representing betting on all forms of racing, plus other sports.)

Since FY2000 our sector (turnover) market share has declined from 9.3% to 2.8% in FY2010. Forward estimates prepared by Macquarie Equities\* forecast that by FY2020 this share will be further eroded to just 0.7% of the total wagering market.

In betting turnover terms this forecast indicates a decline from \$647m in FY2010 to \$243m in FY2020. (Turnover in FY2000 was \$1,165m).

Such a further decline would have a significant effect on competition within the wagering market and on the racing industry in general.

To illustrate, we note the following quote re wagering market power by the Productivity Commission in its latest report on Gambling (June 2010, pp 16.6):

*"The presence of on-course bookmakers has generated more variety and competition than most other international wagering markets."*

The ABA and its affiliated State associations will be continuing to work to ensure that there is a continuation of these industry and consumer benefits as well as a viable commercial future for our members.

[\* 'Wagering Sector Report' by Macquarie Equities Research. 23 March 2011]

## **2. Our Submission**

The ABA wishes to make the following submission to this review. It supports the (now updated) submission made to the original Community Affairs Committee Inquiry by our affiliate NSW association - the NSW Bookmakers Co-operative Limited.

## **3. Why is this Inquiry Important to the ABA, member bookmakers and the wider Industry?**

Racing and sports betting is an important part of the Australian economy. It provides tangible net benefits to betting customers, industry participants, stakeholders and the wider community. These benefits have previously been quantified by the Productivity Commission.

The advent of internet forms of gambling – a relatively recent phenomenon – has provided new opportunities for the Industry and its customers to connect. These ‘new commerce’ options are valued by all parties and are a vital element in maintaining the Industry’s relevance in an increasingly competitive environment for the leisure and entertainment dollar.

In the case of traditional forms of on-course bookmaking, the internet has become a vital component of trade with punters and other wagering operators. Put simply, sole trader bookmaking now relies heavily for its commercial viability on access to this new technology.

We understand that there are critics of gambling in Australia who would prefer to see the current industry contract, as well as some who would prefer it did not exist at all. These positions focus on those who are harmed by gambling participation rather than on the vast majority of consumers who responsibly enjoy their interactions.

The ABA believes that future public policy decisions should strongly consider the related risks of encouraging transfers to illegal gambling, which erodes integrity and puts consumers at greater risk. We note that, due to technology, gambling is increasingly an internationally traded commodity.

That is not to say that the ABA supports an unfettered approach to its operation and regulation. We believe policy should align with community expectations. For example we understand there are concerns held by many people about the extent of gambling advertising during sports telecasts.

Similar community concerns arise when large amounts are gambled by Australians with offshore gambling providers who may lack acceptable standards of regulatory and responsible gambling protections.

In this respect the current Interactive Gambling Act appears to be failing to meet its objectives.

Careful policy review is clearly required and the ABA as the national representative body for on-course bookmaking has a number of comments and some specific recommendations to make in this submission. We would also be willing to assist in any further way required in this review process.

#### 4. Specific Terms of Reference – Our summary comments and recommendations:

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

- Based on the Productivity Commission’s latest statistics on the gambling industry (see pp 16.09-10) the race wagering sector remains in a relatively low growth mode.
- Further analysis indicates that online forms appear to be transferring pre-existing activity away from traditional retail and phone channels.
- Sports betting, especially via online channels, is growing at faster rates but off a relatively small base.
- All forms of wagering combined are a small part of the total gambling industry, with poker machine gaming remaining the clearly dominant form of Australian gambling based on expenditure shares.
- There appears to be no compelling evidence to indicate that interactive forms of wagering present significantly greater problem gambling risks than other existing forms of gambling.
- The ABA would advise against any “knee-jerk” policy reactions until there is evidence that interactive wagering poses some kind of incremental consumer harms threat in the context of the wider gambling industry.
- This policy stance would appear to align with that of the Productivity Commission. Although its latest report focussed more on interactive *gaming* than *wagering* we note that the Commission advocated possible new restrictions in very few areas.

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

- There is considerable 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 (see again Productivity Commission findings). Much of the ‘growth’ in betting through these new technologies comes from transfers from traditional channels of wagering – including on-course, off course ‘retail’ and traditional telephone betting.
- 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 (pp 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. The Commission advocates the ‘careful regulation’ of online gambling rather than any blunter approach.

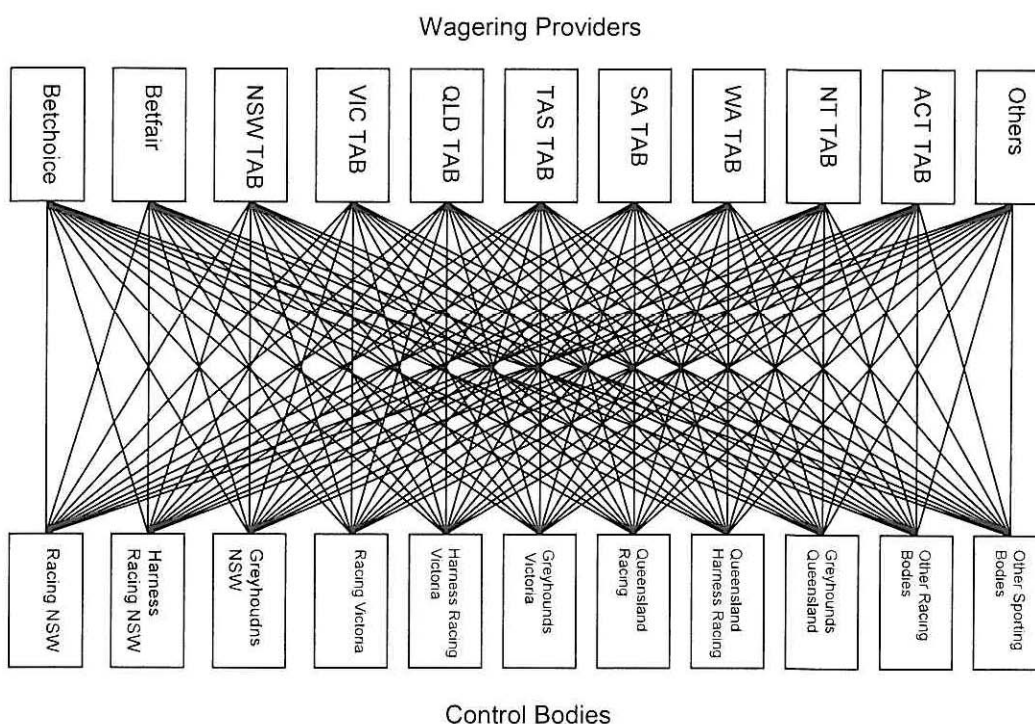
- Although some of these newer forms of online wagering often present a commercial challenge for traditional on-course bookmakers, the ABA is not opposed to their availability provided that there are no (regulatory based) barriers to entry for bookmakers seeking to participate in the same or similar options.
- Unfortunately there remains a high level of fragmentation in regulatory treatment of “online” forms of bookmaking across the nation. As previously cited, this ranges from very flexible arrangements in the NT and ACT, through to (in the worst case) a prohibition on receiving bets via the internet for Queensland bookmakers.
- The other jurisdictions fall in between with differences in operational opportunities and allowable betting product range.
- The ABA believes that these fragmentations in regulatory arrangements must be addressed on a national basis to promote level competition and opportunities for on-course bookmakers to maintain viable businesses via the various new technologies that are now available.

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

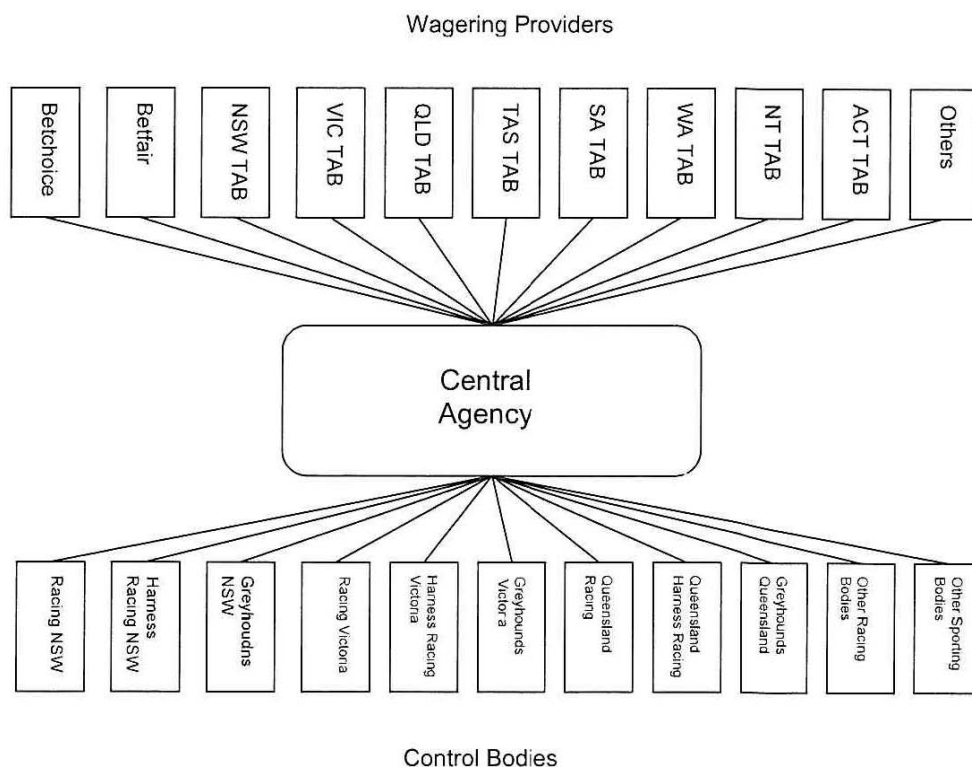
- Our on-course bookmaking members are at present disadvantaged by the complexity of the various State and Territory based regulatory regimes and fee models. This problem relates to all forms of wagering including online and non-online modes.
- Fees charged and regulatory arrangements imposed by government and racing bodies in each jurisdiction are too inconsistent to allow holders of bookmaking licenses to operate under level competitive arrangements.
- This results in commercial disadvantage for those operators who are located in ‘unfavourable’ jurisdictions. Unlike large corporate wagering operators whose business models are based on phone and internet customers, on-course bookmakers are unable to easily re-locate their licenses to ‘preferred’ jurisdictions.
- There is a completely fragmented approach by each State / Territory to the recently developed ‘race fields usage’ authorisations and fee collection schemes. As such, on-course bookmakers 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. Mutual recognition of interstate licensing is often ignored by relevant authorities.
- 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 and therefore have limited administrative resources.
- The ABA strongly recommends that there be established, either, a single national licensing and financial contributions process or a system of ‘mutual recognition’ by all jurisdiction of ‘home state’ licensing and fees payments.

- In summary the current multiple-jurisdiction licensing and payments methodology is an unacceptable and unnecessary regulatory and anti-competitive burden, and must be replaced with a singular system.
- “Chart 5” below is an illustration of *current* ‘race fields’ licensing requirements for a wagering operator (including an on-course bookmaker) who wishes to accept bets on races that are conducted around Australia each year. It was provided to the 2010 Productivity Commission review of gambling in a submission by “Betchoice” and accurately portrays the regulatory burden nightmare that is felt most heavily by our small sole trader operators who have limited administrative resources.
- “Chart 6” represents a better way of handling this issue, either via a central licensing and payments co-ordination body , or (alternatively) via agreed mutual recognition of interstate (i.e ‘home jurisdiction’) licensing approvals and payments.
- The ABA believes that at the present time this is THE most critical problem for the wagering industry that must be addressed at the national level.

**Chart 5.** Current Information Sharing Framework



**Chart 6. Proposed Information Sharing Framework**



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

- The Productivity Commission has found in its latest review (pp 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 ABA fully supports the Commission's findings, its recommended approach, and in particular the need for nationally consistent standards.

**(e) 'the risk of match-fixing in sports as a result of the types of bets available online, and whether certain types of bets should be prohibited, such as spot-betting in sports which may expose sports to corruption':**

- On-course bookmakers are typically less involved in sports betting than other larger wagering operators (namely, the TABs, Betfair, & Corporate Bookmakers). Nevertheless we are vitally concerned with the issue of integrity that can impact individual bookmakers as well as the image and reputation of the overall wagering industry.
- That said, there is little evidence to suggest that online wagering per se increases the likelihood of match fixing actually occurring.



- In this respect we note that the requirement for formal identification of all online betting account holders allows closer scrutiny by gambling and sports authorities of wagering customers and their actual betting transactions.
- The ABA would be supportive of a *nationally consistent* regulatory regime that identifies and prohibits types of sports bets that are clearly inappropriate in terms of either accepted community standards or unacceptably high risks of manipulation.
- Care does need to be taken with over-zealous reductions in bet-type options to ensure that betting activity is not simply driven underground or to offshore / unregulated operators.
- In this respect there also seems to be a good case for reviewing the current (Interactive Gambling Act) prohibition on bets being taken online during the conduct of an event.
- We would also be supportive of the introduction of specifically targeted criminal offences for persons involved in match-fixing and related 'insider trading' betting. Again, these need to be nationally consistent for effective impact.

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

- The ABA 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 there are no regulatory based barriers to entry for bookmakers to access these options whilst conducting their businesses. (Unfortunately there is currently a level of inconsistent State and Territory government and racing authority policy in this area).
- In general terms, persons who 'bet on contestants 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 enhanced potential to profit from 'underperformance' by racing or sports participants.

**(g) 'the implications of betting on political events, particularly election outcomes':**

- The ABA sees no problem with betting on political outcomes which, as high integrity and heavily scrutinised public events, are very unlikely to present any opportunity for manipulation of any kind.
- We note there is inconsistency in current State and Territory policy /regulation in this issue which should be addressed.

**(h) ‘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 ABA supports additional regulatory controls and a higher level of scrutiny of persons betting under such circumstances.
- Ideally a nationally consistent regime needs to be implemented with agreed gambling bans placed on certain categories of participants and a mechanism to ensure compliance.
- The identification of cash punters remains a contentious issue. We would strongly recommend that any enhanced identification requirements be carefully reviewed so as *not* to impact or inconvenience ‘recreational – level’ betting by the majority of punters. This may involve the consideration of realistic transaction amount limits that might trigger the need for punter identification.
- The racing industry has developed over time integrity mechanisms that have proven to be effective in this area. Further controls on race wagering are therefore unnecessary in our view.
- In summary this is a very complex area of sports integrity, involving multiple categories of participation, and is not therefore an issue that can be fully discussed in a submission of this type.
- In the circumstances the ABA would be willing to offer its further advice and assistance to government in respect of any further consideration of this matter.

**(i) ‘any other related matters’:**

**A. Credit Betting and Use of Credit Cards**

- The ABA 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.
- We note that the Productivity Commission found in its recent review that there were insufficient grounds to prohibit either of these services.
- In respect of traditional forms of credit betting the Commission referenced the different reasons that credit is offered by bookmakers to their larger clients. The major factor is convenience (including safety).
- In respect of potential gambling harms risk the Commission noted (pp 16.55) that:

*“bookmakers have a commercial interest in the prudential provision of credit facilities as they bear the cost of the collection of outstanding debts, as well as the risk of default. As credit tends to be offered to well-known and established clients, bookmakers’ commercial interests may be reinforced by personal interest arising from the ongoing relationship they have with their clients”.*

- Put simply, bookmakers have strong incentives for self-regulation in this area, and we see no need to further restrictions that would inconvenience clients.
- In respect of credit card usage for online gambling the Commission (pp 15.27) states that it does 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.
- The ABA totally supports this view, and strongly advocates the retention of credit betting, including via the use of credit cards, as an essential tool in doing business with 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 vital area of bookmaking practice, the ABA would seek to be directly involved.

#### **B. Gambling advertising in sport**

- The ABA notes that there are increasing community concerns over the levels of advertising of sports betting, particularly the display of betting odds during live sports telecasts.
- In general the ABA supports the ability for wagering operators including bookmakers to advertise their services with the proviso that generally accepted community standards are not ignored.
- We note that restrictions on certain advertising and marketing activities, including limiting exposure to children, are already in place at government and operators' code of practice levels.
- Whilst the Productivity Commission found (pp 8.28) that there were some inconsistencies in current broadcast regulations and codes that could to be re-assessed, it recommended (pp.8.29) that:

*“the case that advertising per se (not just inappropriate content) caused harm to minors is too weak to invoke the precautionary principle in favour of far reaching changes to the current restrictions”.*

- The ABA supports this finding. In general, with studies indicating that a solid majority of Australians have some level of involvement in gambling, we believe that the imposition of any further restrictions would need to be carefully assessed.
- In addition, policies concerning the advertising of *race wagering* should be assessed with the acknowledgement that racing, unlike other sports, is fundamentally a gambling based activity that relies on the conduct of related betting for its entire commercial existence.
- In particular, advertising on actual racecourses should not be further restricted given that they are dedicated gambling venues.

## **5. Conclusion**

The ABA wishes to thank the Committee for the opportunity to contribute to this inquiry.

Given our broad level of representation of approximately 600 licensed bookmakers nationwide we would appreciate the opportunity to be directly involved in any further consultative processes associated with this review.

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