

Joint Select Committee on Gambling Reform

Inquiry on Interactive and Online Gambling and Gambling Advertising

Submission for Betchoice Corporation Pty Ltd

Betchoice is a leading corporate bookmaker based in the Northern Territory. We offer telephone and Internet wagering on racing and sporting events to a variety of customers both in and out of Australia. Betchoice very much appreciates the opportunity to make a submission to this Inquiry.

Executive Summary

Wagering¹ is one of the most storied industries in Australia. It is the oldest form of permitted gambling in Australia and has a rich history and place in the public imagination.

Wagering is also one of the most regulated industries in Australia. While Australian Governments have generally supported a policy of regulation over prohibition, they have been careful to balance the interests of various stakeholders and to ensure that adequate harm minimisation measures are in place.

Betchoice strongly supports this approach. We believe that, particularly in this era of global communications and the Internet, prohibition is not effective in protecting those at risk from gambling and may increase the risks posed to the integrity of sport.

While Betchoice supports regulation, we are concerned at the increasing degree of duplication that has occurred in the past decade. Historically, gambling in Australia has been regulated by each State and Territory separately. Inconsistencies and similar laws were of little consequence when Australian gambling operators served customers within their State or Territory. However, the Internet has led to the development of a truly national market in Australia where operators based in one State or Territory may have the majority of their customers located outside that jurisdiction. The current system has not kept pace with this change.

Unfortunately, the shift from State markets to a single, national market has been obscured by concern over the perceived explosion of growth in interstate operators. State Governments and regulators have, for the most part, been focused on dealing with the threat that this is believed to represent instead of considering how regulation should evolve to meet the needs of a national market.

¹ Wagering is sometimes used to refer only to bets which relate to thoroughbred, harness and greyhound racing. In this submission, we use the term in its broad sense to include bets which relate to sport as well as racing.

As this submission sets out, when properly analysed, this growth is not as exceptional as might be suggested. The message of this submission is that the new technology which is being utilised in wagering should not be seen as a threat to be minimised but as an opportunity to be grasped. The changes brought by technology can bring positive benefits for customers, operators, those at risk and the public at large. The key is for Governments to take advantage of this opportunity.

To that end, Betchoice makes the following observations and recommendations in respect of the Inquiry's terms of reference:

Observation 1 Gambling expenditure must be categorised in a manner differently to expenditure of most other types of discretionary spending. Policy makers should consider customer expenditure rather than turnover when making decisions.

Observation 2 New technologies should not be presumed to represent a greater risk than that posed by the status quo. In fact, in the case of the technologies being deployed by wagering operators, there exists significant opportunities to prevent corruption, protect problem gamblers and provide a superior service to the customer.

Recommendation 1	Regulatory frameworks should differ between different types of gambling but should be consistent within a type of gambling. The existing restrictions on in-play betting should be removed.
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Recommendation 2	Inducements should be permitted as they are an important technique for businesses to attract customers. Betchoice understands that concerns exist regarding problem gamblers but better alternatives exist to minimise these risks than prohibition.
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Observation 3 A regulated wagering environment in which information is shared between wagering operators and sporting administrators is one of the best mechanisms for preventing corruption in sport. Conversely, prohibition prevents the flow of this information and provides a refuge for corrupt participants to benefit.

Observation 4 The concerns over betting on negative outcomes appear misplaced. Instead, technology and appropriate regulation have improved the integrity of sport.

Recommendation 3	There is no credible evidence that betting on novelty events presents a risk and, accordingly, these markets should not be prohibited.
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Recommendation 4	All betting should take place by way of accounts, account holders should have their identity verified before being able to withdraw funds and wagering operators should be required to record all betting data.
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Recommendation 5	Odds should not be read during sports broadcasting commentary
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	(with an exception for racing broadcasts) but other restrictions on sponsorship or television commercials should not be imposed.
Observation 5	There is excessive duplication at the Federal and State/Territory level concerning gambling regulation. This duplication occurs, in part, because responsibility is unclear at the Federal level and there is an overall lack of communication and coordination between authorities.
Recommendation 6	Consideration should be given to the appointment of a Federal Minister for Gambling with responsibility for gambling regulation given to that Minister.
Recommendation 7	Gambling laws of the States and Territories should be harmonised to prevent duplication and inconsistencies that are inappropriate for a national market.
Recommendation 8	Laws to protect integrity in sport should be agreed through the COAG framework, preferably after the NSW Law Reform Commission has finalised its report so that its recommendation can be used as the basis for a model law.
Recommendation 9	A central agency should be established with responsibility for data collection and product fees.

1. Growth in Interactive Sports Betting and Online Wagering

To properly understand the growth in interactive sports betting, it is critical to establish clearly the benchmarks by which growth is measured. Statistics demonstrating impressive growth in online wagering since the mid-90s are frequently included in reports but these statistics are of little value unless what is being measured and the context in which the measurements are taking place are made clear.

Betchoice submits that in any analysis of growth it is important to analyse the change in customer expenditure and to compare this in real terms with figures across prior years.

Customer expenditure

Unfortunately, statistical information is often provided in terms of turnover rather than in terms of customer expenditure (and frequently only in terms of turnover). This is unhelpful for two reasons.

First, turnover may have no relationship with the amount actually spent by the customer. Unlike almost all other forms of commerce, gambling operators offer the customer the potential to win back the amount “spent” on the gambling product. The effect of this is that a straight analysis of customer turnover can lead to misleading results. A customer that begins with \$20 may turn over \$100 over the course of a wagering session and finish with \$20 still in his or her possession. To analyse this exchange in terms of turnover is unhelpful because doing so places the focus on the amount of money turned over by the customer, when the concern should be the amount lost by the customer (and the capacity of that customer to lose that amount).

Secondly, the operating models of bookmakers, betting exchanges and totalisators lead to a different relationship between turnover and customer expenditure such that comparisons between turnover for different operators, although on the surface equal, hide differences which, again, impact upon the actual amounts being lost by the customer.

To understand how the relationship differs between the different classes of wagering operator, it is necessary to review briefly the history of off-course betting in Australia.² After being prohibited in most States and Territories, off-course betting was liberalised in the 1960s through the establishment of TAB retail outlets. These retail outlets provided a safe, secure and regulated environment in which betting could occur away from race tracks. Given their far greater exposure, the operators of these outlets quickly became the dominant operators in their respective markets.

Lacking most of the advantages granted to totalisators, bookmakers, in order to compete, have had only “price” as a means of differentiation. In the context of a bet, the “price” of that bet is the potential return that a customer is offered. A bet offering odds of 3:1 has a better “price” than a bet offering odds of 2:1.

² Betting operators can be broken down into on-course and off-course operators. An on-course operator, such as a bookmaker operating at a race track, is only allowed to accept bets while located at the race track. In contrast, an off-course bookmaker can be located anywhere within a State or Territory and have multiple premises. Most online operators are technically “on-course” operators because the computer systems that accept the bets are based at building at a race track.

However, because bookmakers offer better prices than totalisators, they typically turn over more money for the same customer expenditure. This is because customers, being more likely to win a bigger return with a bookmaker, will typically be able to place more bets in a single session before they have spent the amount they wish to spend. For this reason, turnover can often be a misleading statistic when comparing bookmakers and totalisator operators because it appears as if more money is being spent with bookmakers. In reality, the amounts may end up being the same with the turnover for the bookmaker being much higher.

Accordingly, Betchoice considers the most useful benchmark in analysing gambling behaviour to be customer expenditure. Where possible, that is the statistic we have attempted to use. Where this submission refers to turnover, this is made clear.

Real terms

For similar reasons, this submission uses figures expressed in real terms wherever possible. The use of figures expressed in real terms makes figures across different time periods comparable. Frequently, amounts in nominal terms will be compared together but this obviously leads to inaccurate results. The amounts spent 15 years ago cannot be compared directly to the amounts spent today to obtain a correct understanding of growth over that period.

Broad context

Finally, it is important to place in context the types of operator and product being analysed. Online operators are a relatively recent phenomenon in the history of wagering and, while in percentage comparisons growth will appear impressive, it is necessary for any meaningful analysis to be carried out that acknowledgment be made that the growth emanates from a very low base.

Statistical comparison

With the above in mind, Betchoice has reproduced below three sets of statistics. They are:

- a comparison of the amounts spent by customers on racing, sports betting and all gambling products since the mid-90s (Table 1);
- a comparison of the amounts spent by customers with online operators and totalisators and on-course bookmakers (Table 2); and
- the difference between the amounts customers spend with operators and the amounts that are turned over (Table 3).

We have drawn these statistics from the Australian Gambling Statistics (the **AGS**).³ The AGS is compiled by the Queensland Office of Economic and Statistical Research

³ Australian Gambling Statistics is a comprehensive set of statistics covering the entire range of legalised Australian gambling products. The publication has been produced since 1984. The latest edition is the twenty-seventh and contains statistics from 1981-82 to 2008-09. It can be accessed online at <http://www.oesr.qld.gov.au/products/publications/aus-gambling-stats/index.php>.

based on data from regulators in all Australian jurisdictions. It is recognised as the most comprehensive set of statistics in Australia on gambling expenditure over time.

Unfortunately, the AGS does not break down the amounts spent by operator type and so it is not possible to compare directly online, telephone and terrestrial betting operators. Instead, we have used bookmakers in the Northern Territory (the jurisdiction where most online operators are established and which has a relatively small on-course bookmaking sector) as a proxy for online operators as a whole.⁴

⁴ Totalisators in each State and Territory have their own online operations as does Betfair (located in Tasmania); however, the overwhelming majority of Australian online bookmakers are located in Darwin or Alice Springs.

Table 1. Real expenditure in racing, sports betting and across all gambling products during the period 1994-95 to 2008-09.

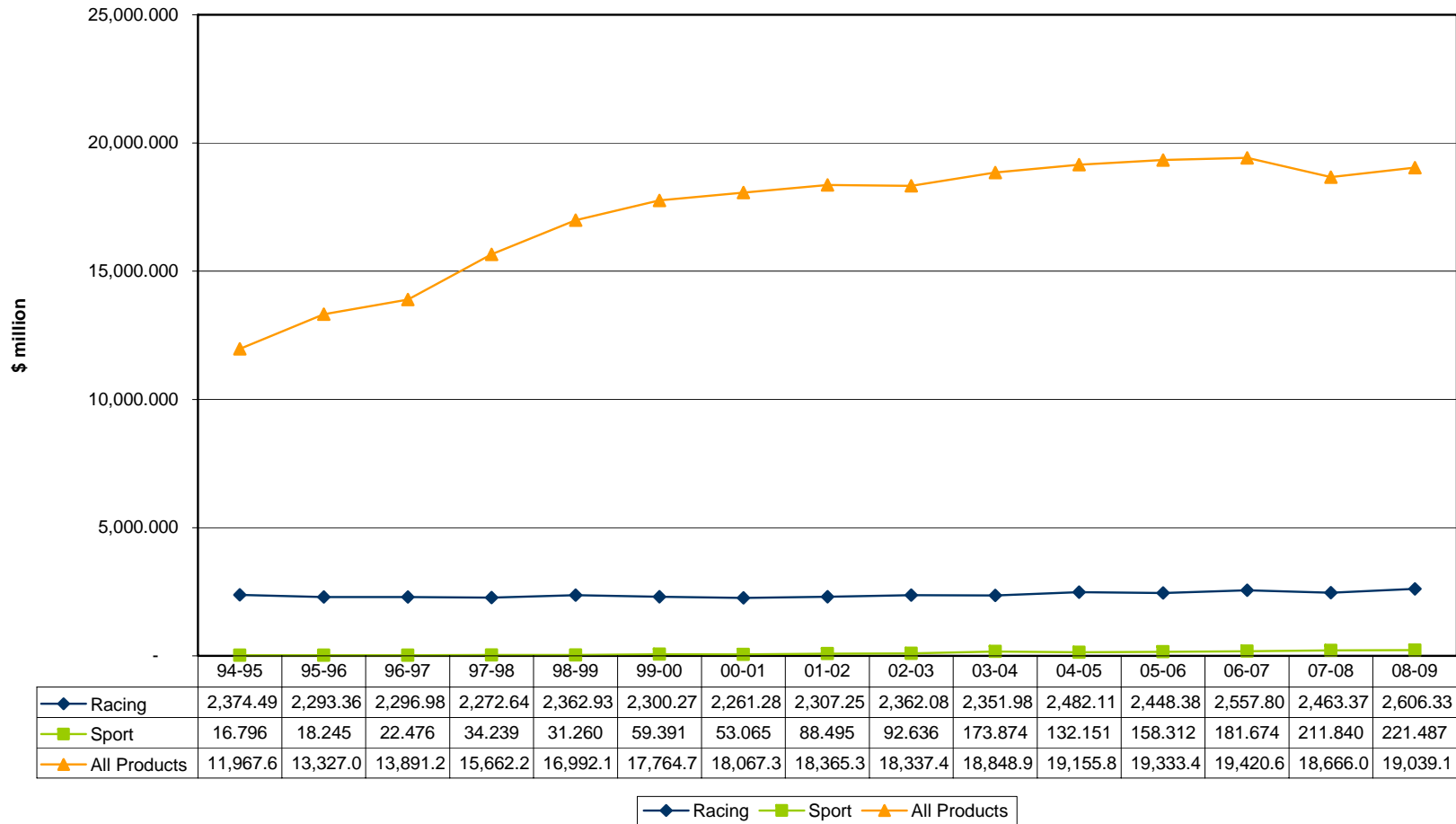
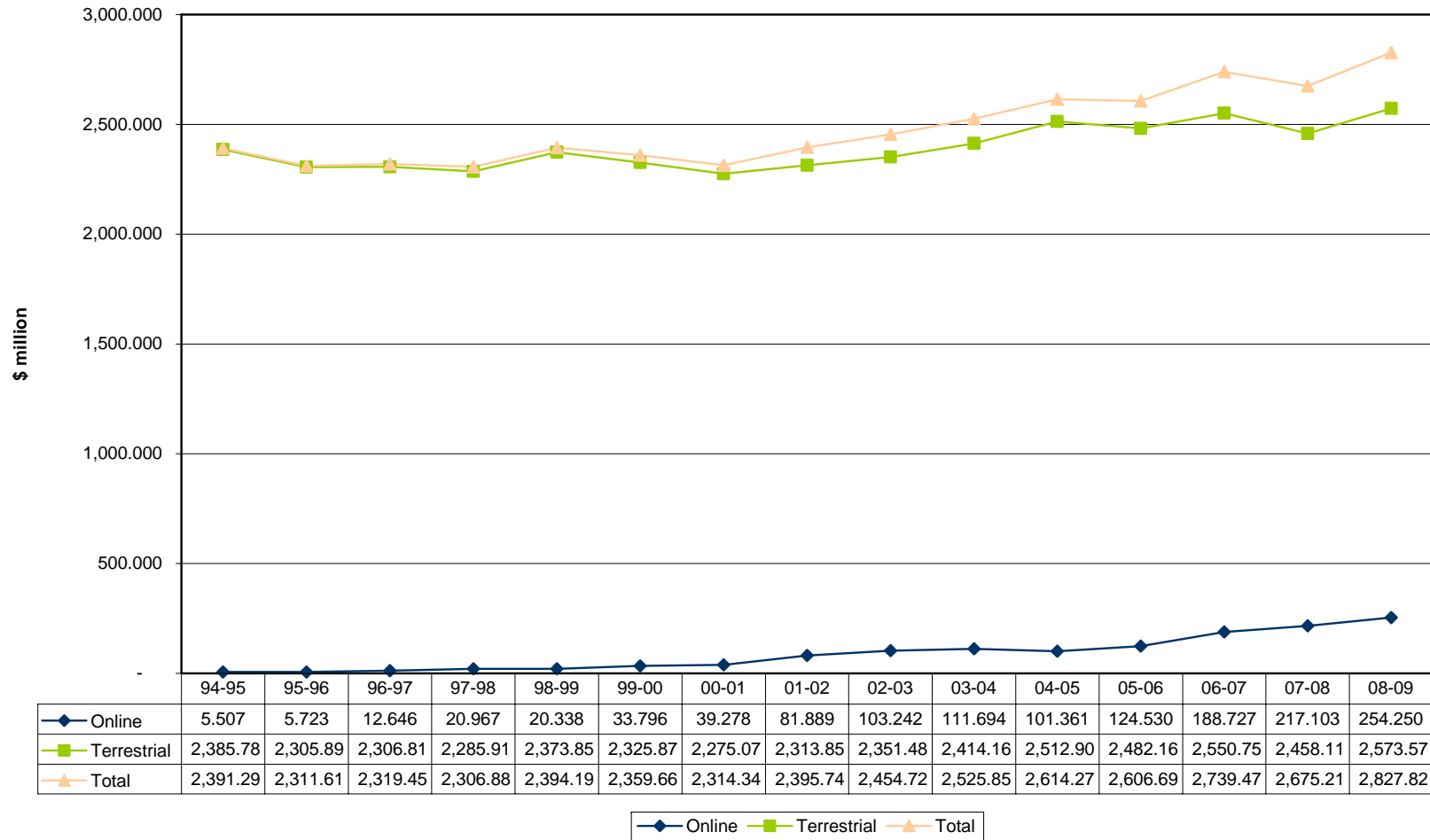
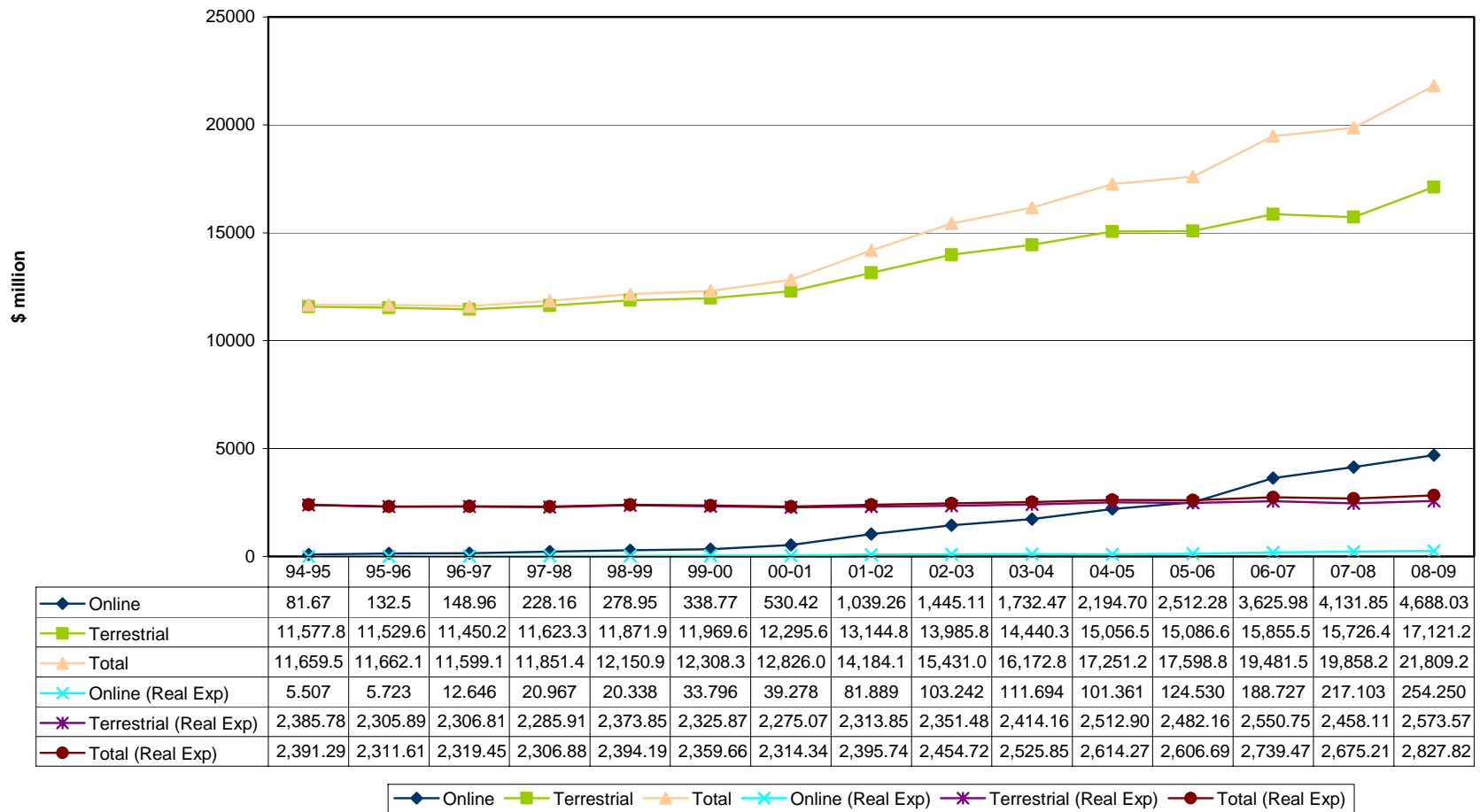


Table 2. Real expenditure on racing and sports betting between online and terrestrial providers during the period 1994-95 to 2008-09.



How do these figures compare with the more typical statistics used to demonstrate growth in online operators? To demonstrate how different the results can appear, we set out in Table 3 the AGS turnover statistics for the same period by reference to the data in Table 2. Again, we have used bookmakers in the Northern Territory as a proxy for online operators as a whole.

Table 3. Comparison between nominal turnover and real expenditure on racing and sport between online and terrestrial providers during the period 1994-95 to 2008-09.



As is evident from the statistics above, while there has been growth in sports betting and online wagering, it has not been to the degree that turnover figures would suggest. While online operators have increased nominal turnover by approximately \$4.6 billion between 1994-95 and 2008-09, real customer expenditure has increased by only about \$250 million. While the latter represents significant growth, it must be noted that the total customer expenditure is only \$254 million. This compares with almost \$2.6 billion customers spent with other wagering operators.

It is difficult to quantify the extent to which certain factors are responsible for the growth in online wagering. The most obvious explanation seems the most likely, namely that the growth is simply a function of the relatively recent liberalisation of the activity. A similar growth curve is evident with other forms of gambling after liberalisation. In the case of online wagering, liberalisation has arisen as a result of legislative change following the *Betfair* decision.

In the case of Betchoice, we believe our growth has also been due to the fact that we are able to offer customers a more customised service than the “one size fits all” approach of traditional wagering outlets. Betchoice customers have greater control over which events they wish to bet on and are able to follow the events that interest them rather than those that are simply the most popular. This flexibility is a function of the versatility afforded by the technology underpinning our wagering systems and the more liberal licensing regime in the Northern Territory.

Australian wagering operators such as Betchoice are at the global forefront of developing and deploying this technology and Australia’s rigorous regulatory frameworks are trusted and respected by consumers.

2. New Technologies

Given the manner in which the terms of reference have been framed, Betchoice is concerned that the Committee has formed the view that there exists a link between new technologies and problem gambling prior to considering the evidence.

As is pointed out in the submission by Dr Sally Gainsbury and Professor Alex Blaszczynski, there is conflicting evidence on this point and it is unclear whether early studies are truly representative of online customers as a whole (and wagering customers, in particular). Further research is required in order to allow governments to develop sensible, appropriate and evidence-based policies. Betchoice supports these efforts and works together with researchers to better understand customer behaviours.

We are also concerned with the extent to which online gaming and online wagering are bundled together in academic studies and to the extent that regulated and unregulated operators are being included in the same categories. In some jurisdictions, online gaming and online wagering are both prohibited and they are considered together as a single category. This is not the case in Australia where online wagering has been available for almost 20 years. We are not aware of any evidence suggesting regulated online wagering operators are presenting a risk in terms of problem gambling beyond those of terrestrial counterparts. In fact, for the reasons outlined below, we believe online operators are in a better position to help combat problem gambling behaviour if and when it arises.

Therefore, to the extent that there are valid concerns regarding certain types of online gambling activities, we believe it would be a mistake to extend these concerns to all types of activities and to regulated and unregulated operators alike without further evidence.

In short, Betchoice does not accept the view that new technologies increase the risk and incidence of problem gambling. We believe that technologies, especially those used by online operators, present opportunities for new operators to provide better harm minimisation mechanisms than traditional wagering providers.

For instance, it is a requirement of Betchoice's licence that it maintain an account for each customer and that it comply with the provisions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (the **AML/CTF Act**). Among other things, the Act requires that, in order for an account to remain open, customers must provide a suitable level of identification within 90 days. These checks are of a similar standard to the 100-point identity check. Compliance is monitored and enforced by AUSTRAC and regular audits are conducted of all wagering operators, including Betchoice.

As a result of these requirements, all customers of regulated online betting operators are identifiable and the amounts they are spending can be monitored closely. While the focus of the AML/CTF Act is on preventing money laundering, betting operators are able to use these technologies to provide customers with the ability to monitor their gambling activity and, if necessary, restrict their access. Similar protections are not necessarily possible with other types of gambling businesses.

3. Regulatory Frameworks

While the distinction is often made between online and offline operators in inquiries into the regulation of interactive gambling, Betchoice submits this approach is mistaken. When considering the type of regulatory framework that is appropriate, it is far better to consider the type of gambling activity rather than the medium through which it is conducted.

In Betchoice's opinion there are four distinct categories of gambling activity:

- casino games (eg. poker, blackjack);
- electronic gaming machines;
- lotteries; and
- wagering (bookmaking, totalisators and, in some jurisdictions, betting exchanges).

The application of a different regulatory framework to each category of gambling activity has been the standard approach in Australia for gambling regulation since gambling was first liberalised in Australia and it is reflected in the legislative

frameworks that still exist in most jurisdictions.⁵ Even in jurisdictions, such as Victoria, which incorporates all gambling regulation within a single act,⁶ each category of gambling is regulated separately and the restrictions which apply to one type of gambling operator do not necessarily apply to another.

One reason why this approach has been taken is that different gambling products raise different issues. A lottery, for instance, is perceived generally as a low risk type of gambling activity as the frequency with which a result is obtained is typically quite slow (usually a week between particular draws). On the other hand, a poker machine is perceived as a high risk product (random prizes, frequently awarded).

Wagering has been traditionally viewed, like lotteries, as being of low risk. This is due to the fact that the enjoyment of wagering comes from applying skill and thought to an analysis of past behaviour in an attempt to predict the likelihood of a future outcome. The study of past form together with an understanding of the factors likely to affect the outcome are not seen as being conducive to fostering problem gambling behaviour.

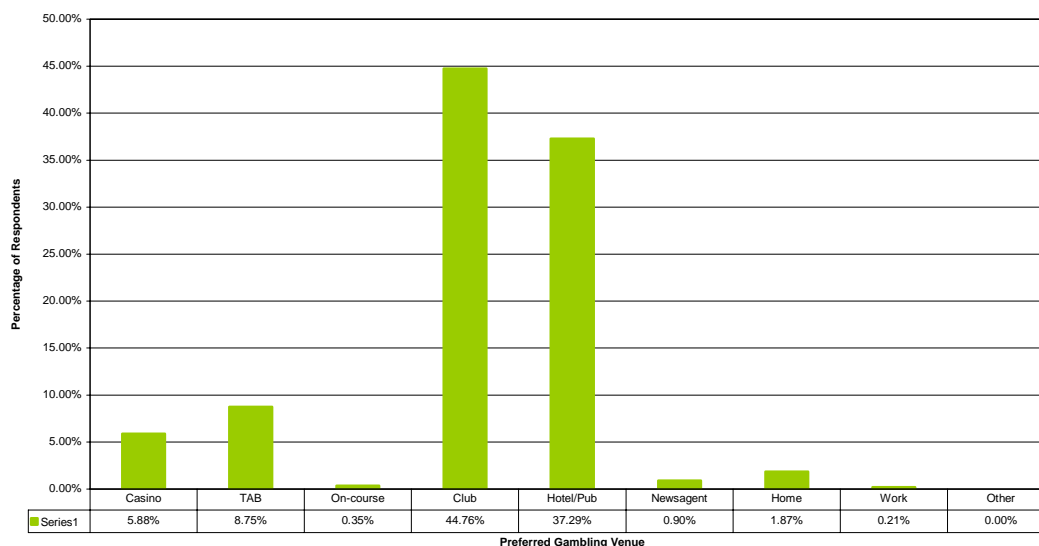
This perception appears concordant with the available data which regularly demonstrates wagering as having a far lower proportion of participants at risk of problem gambling.⁷ For the sake of brevity, we set out below only the latest data in respect of preferred gambling venues from the NSW Responsible Gambling Fund Data Set⁸ but these findings are consistent over the past few years and across other sets of data (eg. preferred gambling type, preferred gambling medium, etc).

⁵ In New South Wales, see the *Casino Control Act 1992* (NSW), the *Gaming Machines Act 2001* (NSW), the *Lotteries and Art Unions Act 1901* (NSW), the *Public Lotteries Act 1996* (NSW), the *Racing Administration Act 1998* (NSW) and the *Totalizator Act 1997* (NSW).

⁶ See the *Gambling Regulation Act 2003* (Vic).

⁷ The same data indicates that online gambling remains very low in proportion to terrestrial forms of gambling as the preferred gambling medium for problem gamblers.

⁸ NSW Office of Liquor, Gaming & Racing, "Responsible Gambling Fund Client Data Set – Annual Report 2007/2008", Department of Trade and Investment, Regional Infrastructure and Services, http://www.olgr.nsw.gov.au/pdfs/CDS_09_10.pdf, Accessed 1 July 2011.

Table 4. Comparison between preferred gambling venues for problem gamblers in 2009-2010.

As a result of this, Betchoice submits that applying a different regulatory framework to each type of gambling product is sensible and appropriate. While lotteries, wagering and poker machines may all be classified as gambling products, each product is different and each product presents a different risk profile.

But such an approach is not unique to gambling. Trains, cars, buses and bicycles are all forms of transport but we would consider it nonsensical to apply the same legislation to a bicycle as is applied to a train. Similarly, it does not follow that we should apply the same regulatory framework to the full range of gambling products.

Betchoice submits that, for the above reasons, a regulatory framework which is not applied consistently within a particular type of gambling activity will not operate effectively. So it is with the *Interactive Gambling Act 2001* (Cth) (the **IGA**) which prohibits online operators from offering in-play betting on sport over the Internet (online operators are permitted to offer these bet types by telephone and on in-play betting on racing). The argument that such bet types present different risks to other types of bets is misguided in three respects.

First, there is no evidence of which Betchoice is aware indicating that in-play betting products carry greater risks than other types of betting (no evidence was submitted as the basis for the distinction at the time that the IGA was passed). The argument is particularly weak when in-play betting is permitted in terrestrial betting outlets.

Secondly, as noted above, online operators have mechanisms available which can be used to detect and prevent those customers that are at risk of problem gambling behaviour. Ironically, such mechanisms are not necessarily available to terrestrial operators that are permitted to offer these bet types.

Finally, the prohibition of these bet types does not protect individuals. Instead, it results in those wanting such bet types to look outside Australia. There is no shortage of overseas operators offering this type of product. The effect of the IGA in respect of in-play betting is to cause and require Australians to use overseas operators which do not necessarily have the same standards of probity, care or interest in the welfare of the customer as Australian operators and which are beyond the regulatory reach of Australian authorities.

For these three reasons, Betchoice submits that the prohibition on in-play betting is not appropriate and should be removed from the IGA.

5. Inducements

Betchoice submits that “inducement” is an overly broad term that provides little assistance in developing good policy. Inducements cover a wide range of business practices, can occur in a variety of media and may be targeted at widely differing groups. As an example, we set out below some of the practices, media and target audiences that may be involved in an inducement:

Business Practice	Advertising Medium	Target Audience
<ul style="list-style-type: none"> • Lower price • Rebate • Free trial • Gift • Satisfaction guarantee • Endorsement 	<ul style="list-style-type: none"> • Official website • Third party websites • Email newsletter • Third party email • Direct mail • Newspaper/magazine • Trade publication • Billboard • Radio • Television 	<ul style="list-style-type: none"> • Existing customer • Customer of competitor • New customer

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 production savings. It makes no sense in a liberalised environment, such as wagering, to prevent so broad a range of standard business practices.

This is especially the case when the role of inducements in fostering competition and improving customer experience is considered. This is best done by analysing the three broad categories of customer that may be targeted by an inducement:

EXISTING CUSTOMERS

Offers aimed at existing customers are an important way for businesses of all types to maintain a connection with their customer base. Betchoice uses its inducements to introduce customers to new products or features of which they may not be aware and which can improve the customer experience. Restricting the ability of a betting operator to provide existing customers with inducements would result in poorer service being provided to customers and would impact negatively upon Betchoice’s business.

CUSTOMERS OF COMPETITORS

The Productivity Commission considered the issue of inducements to attract customers of competitors at page 16.58 of its report. It wrote:

...a large number of the customers accessing free bet promotions are likely to be simply shifting from one wagering provider to another. Indeed, as opening an internet or phone betting account with a corporate bookmaker involves some degree of effort, it is clear that the inducements are partly directed at overcoming “switching costs” between providers (a practice common in a number of other industry such as telecommunications, health insurance etc.). As the wagering market is largely dominated by TABs, the prohibition on inducements risks advantaging incumbents with a significant degree of market power, at the expense of greater competition.

Betchoice can confirm that the inability to offer inducements would damage its ability to offer meaningful competition to totalisators. We believe this would have a negative outcome on the end customer, as it would reduce any incentive on totalisators to offer a competitive product.

NEW CUSTOMERS

The Productivity Commission noted in the same section quoted above that “it is not clear why customers attracted by inducements such as free bets are more likely to develop gambling problems than customers attracted by other advertising strategies.” Betchoice supports this position and reiterates that attracting new customers is far more difficult for online operators than for TABs due to the monopoly position each respective TAB maintains over retail outlets in its particular jurisdiction.

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

Rather, Betchoice 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:

- comply with consistent advertising standards (as was noted in the submission by Betfair Pty Ltd, the current system differs from State to State); and
- employ harm minimisation measures.

We believe this would encourage all operators to provide services in a responsible manner.

These measures, such as a requirement to identify account holders and offer pre-commitment limits, would make this a far better targeted, and far more effective, solution for those at risk of problem gambling behaviour.

6. Integrity of Sport

Betchoice understands that significant community concern exists around allegations that match fixing is occurring in Australian sport. Indeed, Betchoice shares this concern.

It can sometimes be overlooked that bookmakers are equally affected by any breaches of integrity in a sport. If a sport is no longer perceived as being clean, it affects the interest of the general public in the sport which has obvious flow-on effects to the providers of products and services connected to that sport (including wagering). Conversely, if a sport is perceived as maintaining a high standard of integrity, it attracts more interest. The benefits which accrue from the excellent reputation of Australian sport are not lost on wagering operators such as Betchoice.

Moreover, when a person is able to manipulate an event, they are able to take advantage of odds that a bookmaker would not have otherwise offered and this can have a detrimental effect on the bookmaker by unbalancing the “book”. A bookmaker’s book is the ledger of all wagers that have been accepted by a bookmaker and the odds at which those wagers have been accepted. The skill in bookmaking is pricing odds accurately and balancing wagers against each other. If the odds are grossly miscalculated, a bookmaker can stand to lose substantial sums of money.

In recent months, there has been repeated calls to restrict certain bet types as a means of protecting integrity. Betchoice opposes such restrictions because we do not believe that there is any evidence to suggest that prohibiting bet types increases the integrity of a sport. In fact, we are concerned that the opposite is true. When a bet type is prohibited, it pushes those that wish to obtain that product to operators either operating overseas or in defiance of the law. These operators are not subject to the same standards of probity to which regulated operators in Australia are subject and, perhaps more importantly, are not required, and generally do not, share information with sporting authorities.

Certainly this appears to be the case in countries where sports betting is banned entirely. India and China are two countries, which are notorious for the degree to which the integrity of sport has been corrupted, largely prohibit sports betting. These prohibitions do not appear to have assisted in preserving integrity. Rather, they have driven people who would be honest gamblers underground and encouraged the proliferation of an unregulated wagering industry.

Betchoice takes the view that it is the combination of verified identification and information sharing which is the best deterrent to those seeking to manipulate sporting events. If persons are considering an attempt to corrupt participants in a sporting competition, we believe the knowledge that all bets are recorded and traceable and that that information will be shared with authorities will dissuade those people from attempting anything which would damage the integrity of the game.

While recent events (such as the rugby league game involving the North Queensland Cowboys and the Canterbury-Bankstown Bulldogs) have provided the backdrop for concerns to be raised in Australia regarding the integrity of particular sports, the manner in which these events has unfolded has demonstrated that such a system can identify those responsible. In the case of online operators that are required to confirm

the identity of all account holders, this is particularly the case. This is another situation in which Betchoice believes technology should not be seen as presenting a threat but rather an opportunity to better alleviate problems that may occur as a result of gambling being permitted.

7. Betting on Negative Outcomes

Betfair remains the only betting exchange licensed in Australia. In the lead up to its launch in Australia, concerns were raised frequently that its presence would have a negative impact upon the integrity of racing and sport. This anxiety culminated in the decision of the Western Australian Parliament to prohibit betting exchanges, both from the perspective of the operator and the participant. This legislation led to the *Betfair* decision and, since that time, Betfair has operated in Australia without incident.

The Tasmanian legislation under which it operates include strict provisions that aim to prevent the corruption of integrity and which have worked well. Betchoice submits that this should be a model for regulation of the wagering sector generally, namely that regulation developed with all stakeholders is preferable to prohibition that only drives the market underground.

8. Betting on Novelty Events

We are not aware of any genuine issues arising in connection with the offer of bet types on novelty events. We consider this should not come as a surprise. In situations such as elections, there are multiple safeguards in place to ensure the integrity of the vote and we have grave doubts as to the circumstances where it would be attractive to any individual to attempt to rig an election in order to win a bet.

Consistent with our submissions above, Betchoice believes that the public interest is best served by any betting activity occurring in a regulated environment, rather than outside the bounds of control. The ability to share information ensures that those less scrupulous are dissuaded from attempting to compromise the event in question. By contrast, a prohibitionist approach drives these markets offshore and ensures such activity is unregulated and out of the control of any Australian-based authority.

9. Anti-Corruption Regulation

We submit that the single most effective step that could be taken to prevent breaches of integrity would be to require all betting to be done by way of accounts and ensure that persons opening an account has verified his or her identity before being permitted to withdraw money from the account. This is already required under the AML/CTF Act for online operators but is not the case for terrestrial operators. Media reports suggest that it was proposed in an initial review of betting regulation by the review undertaken by the Coalition of Major Professional and Participation Sports but was dropped from the final list of recommendations.

We further submit that, to the extent that any regulation is imposed, it be done with as little duplication as possible. Whether this is by way of a single Federal law or State and Territory legislation which is drafted with reference to model legislation is not material to Betchoice. The important thing is to avoid adding additional complexity to

the mess that already exists as a result of competing regulatory frameworks in each State and Territory (we discuss this in more detail below).

It is distressing to see that duplication on this issue has already begun. As you would be aware, in January of this year, the NSW Law Reform Commission was directed to review the state of cheating laws in New South Wales. It is likely that this report will propose legislative changes in New South Wales. These changes could serve as a model for other jurisdictions. However, while the report has yet to be completed, a bill has already been introduced into the Federal Parliament, which seeks to cover similar issues. While Betchoice, like other operators, is broadly supportive of efforts to tighten criminal laws relating to cheating, we are concerned that rushed legislation is unlikely to best serve the public interest.

10. Other Matters

Advertising

One of the most prominent points of concern in the community in the past 12 months has been the nature of betting advertising associated with sport. While this submission has largely treated betting on racing and sport as a single activity, in the context of advertising we believe it is important to make a distinction between racing and sport. The relationship between racing and gambling is well established and all stakeholders have struck a balance that we submit has satisfied all participants as best as can be. We do not consider community concern has been about this relationship and, accordingly, our comments below relate to advertising in the context of sport.

That said, in the context of sport, Betchoice can understand this concern and believes there are situations in which a particular form of advertising is inappropriate and are of the view that this is one such occasion where the practice should not be conducted.

However, Betchoice does not support broad prohibitions on other types of advertising (eg. during advertising breaks, sponsorship of particular sporting teams, etc). For the reasons outlined earlier in respect of inducements, we believe that advertising is a vital mechanism by which we can notify customers and potential customers about our business. Given that we are restricted from opening terrestrial outlets, this type of advertising is critical in order for us to provide genuine competition to existing gambling businesses.

As discussed above, our preferred approach is to impose restrictions requiring adequate harm minimisation measures be in place. We believe this will be a more effective mechanism by which operators are encouraged to implement systems that protect those potentially at risk.

Government duplication

Our estimate is that there are no less than three Federal-level reviews considering issues relating to gambling, namely:

- this Inquiry;

- the COAG Sporting and Recreation Ministers' Council working group review of how to implement the national policy on match-fixing in sport; and
- the recently announced review of the *Interactive Gambling Act 2001* (Cth) by the Department of Broadband, Communications and the Digital Economy.

This is in addition to the ongoing or recently completed inquiries:

- the Productivity Commission 2010 Gambling Inquiry;
- the NSW Law Reform Commission's Inquiry into Cheating; and
- Racing Victoria's Victorian Wagering Review.

The lack of coordination between these reviews and the degree to which, in the case of the Productivity Commission, its recommendations can simply be discarded is of concern to Betchoice. These inquiries are expensive to run and run the risk of creating a fatigue amongst participants that discourage small business participants who wish to have their views heard and has the result that only the most extreme of views are received.

Similar concerns exist in relation to Government departments. Without a dedicated minister for gambling, responsibility at the Federal level appears to be divided between the Department of Families, Housing, Community Services and Indigenous Affairs, the Department of Broadband, Communications and the Digital Economy, the Office for Sport within the Department of the Prime Minister and Cabinet and the Australian Communications and Media Authority. In day-to-day activities, it is not always clear to Betchoice who the relevant minister is and which department or agency is the appropriate contact for a particular issue.

Although not as pronounced an issue within State and Territory Governments, there is nevertheless duplication that exists for an operator that accepts customers from more than one State or Territory. In the case of Betchoice, we compete with other operators at a national level and serve customers across Australia. It is costly and time consuming to have separate and, at times, inconsistent regulation in different States and Territories. It makes advertising and marketing expenses greater than they should be and runs the risk that operators may operate in breach of the law due to the complexity of the issues involved.

If the Federal Government intends to play a greater role in gambling issues, we submit that a single minister should be made responsible and that a department be given responsibility over the portfolio. The Federal Minister should then work with State and Territory Governments to harmonise existing laws so that regulation is clearer and serves the public interest.

Administrative duplication

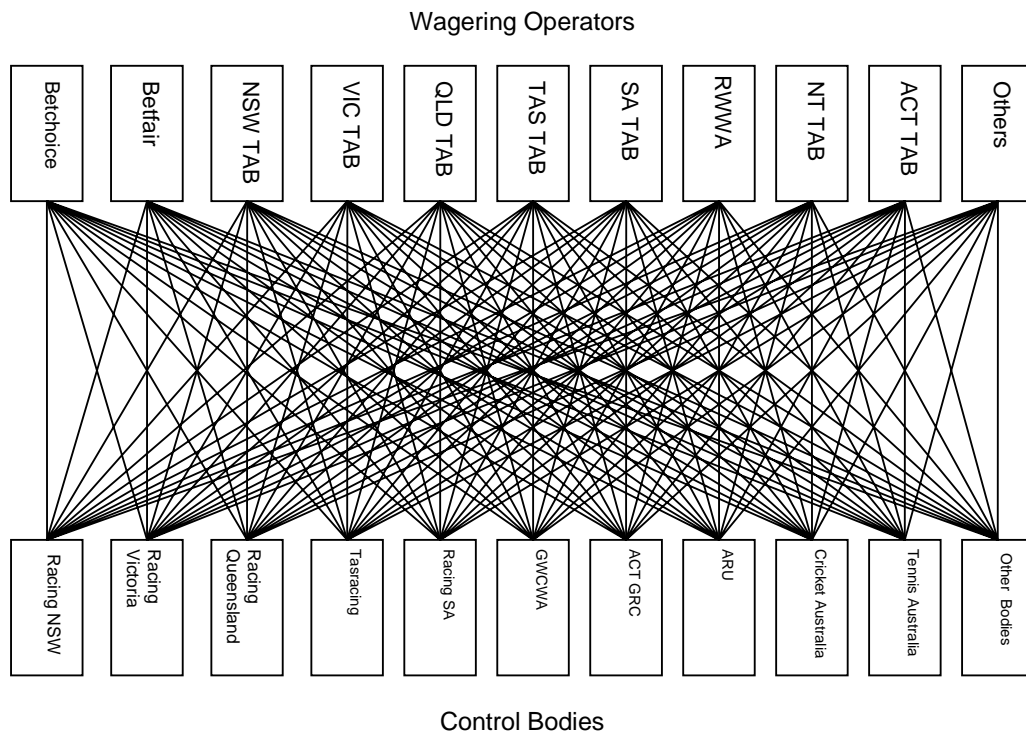
The issue of duplication extends beyond governments, however. For wagering operators, the worst example concerns product fees.⁹ Product fees are generally

⁹ Our views on this are contained more fully in our first submission to the Productivity Commission.

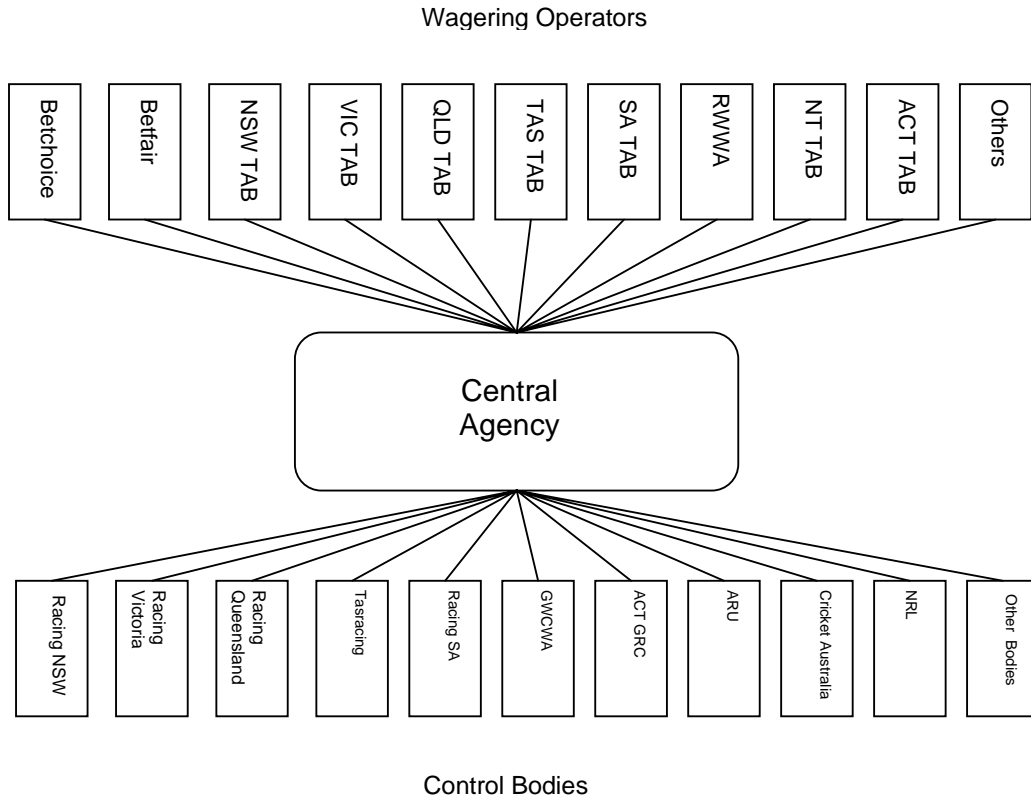
statutorily imposed requirements on wagering operators to pay an amount to a sport or racing code in order to offer bets on the event. The product fee acts as a mechanism, particularly in the case of racing, to provide an ongoing source of funding.

Most wagering operators, including Betchoice, are not opposed to product fees in general. As was noted above in respect of integrity issues, without sport and racing, there is no wagering. Betchoice does not want to see events that could bring in customer dollars disappear. However, the complexity and duplication is a waste of money and time.

The current system requires each wagering operator to obtain permits and approvals (or otherwise enter into agreement) with individual administrators in each State and Territory (in some jurisdictions, administrators may cooperate to grant a joint approval but this is not always the case). The result is the following:



It would clearly be a better arrangement if a central body were set up and which coordinated information sharing and product fee arrangements. This could be a role for the Federal Government or it could be decided through the COAG framework that a single entity would be responsible. This type of system would look like this:



11. Conclusion

Gambling is an important part of Australia’s cultural heritage. Wagering, in particular, has long been a part of the fabric of society and while the delivery mechanisms may have changed, the interests of the public have stayed much the same. The challenge for regulators, administrators and operators is adapting to the new technological landscape.

By and large, we consider that wagering regulation is effective at balancing the interests of all parties. Nevertheless, we believe that the situation could be improved by levelling the playing field between online and offline operators in terms of the products that they can offer, harmonising advertising regulation and limiting duplication between different jurisdictions.

Betchoice would like to once again thank the Committee for the opportunity to provide a submission. If we can provide any further assistance, we would be happy to do so.