

24 April 2001

The Secretary
Senate ECITA Legislation Committee
S1.57
Parliament House
CANBERRA ACT 2600

Dear Secretary

Interactive Gambling Bill 2001

TABCORP Holdings wishes to thank the Senate Committee for its invitation to respond to its inquiry into the Legislation.

Our attached submission recommends two amendments to the Interactive Gambling Bill 2001:

- 1. Online gambling (with the exclusion of wagering) should be banned. This includes a ban on overseas companies offering online gaming to Australian residents.**
- 2. Exclude all TAB Wagering from the Legislation.**
- 3. Clarify any misinterpretation regarding the definitions in the Bill relating to the *'Telecommunications Act 1997'*.**

The inclusion of Internet wagering in the Legislation would, in practice, be retrospective and cause significant hardship for TABs around Australia, their shareholders and the Australian Racing Industry.

TABCORP Holdings also raises a concern about a possible misrepresentation of the intent of the Legislation and recommends measures to overcome this matter.

TABCORP would like to participate in any Hearing that the Senate Committee conducts and looks forward to fruitful discussions with the Committee on this matter.

TABCORP and TAB Limited (NSW TAB) wish to be joined in giving evidence before the Committee if the Committee so desires.

Yours sincerely

DAVID CHARLES
General Manager Government Affairs

Mobile: 0407 298 393
Email: charlesd@tabcorp.com.au

**INTERACTIVE GAMBLING BILL 2001
TABCORP HOLDINGS LTD**

SUBMISSION

**AUSTRALIAN SENATE ENVIRONMENT, COMMUNICATIONS, INFORMATION
TECHNOLOGY AND THE ARTS LEGISLATION COMMITTEE**

24 APRIL 2001

CONTENTS

Executive Summary	4
Ban Online Gambling (Excluding TAB Wagering)	7
Exclusion of TAB Wagering	8
The Legislation	10
Conclusion	12

EXECUTIVE SUMMARY

TABCORP Holdings Limited recommends the following three amendments to the *Interactive Gambling Bill 2001*.

- 1. Online gambling (with the exclusion of TAB wagering) should be banned. This includes a ban on overseas companies offering online gambling to Australian residents.**

TABCORP recognises the government's concern that online gambling may increase the number of problem gamblers in Australia, however the legislation does not prohibit Australians accessing international websites.

In many cases, the international websites offering gambling online are unregulated, putting problem gamblers (including Australian residents) at great risk. At the same time, foreigners would be permitted to gamble in Australia in the most secure regulatory environment anywhere in the world.

The solution is simple. Ban Internet gambling (excluding TAB wagering) and protect Australians by including overseas operators in the ban.

If a ban proves impossible to implement, then consideration should be given to allowing the operation of online gaming under strict regulation.

Regulating the online gaming industry would allow providers to operate under a world-class regime that would protect all gamblers.

2. Exclude all TAB Wagering from the Legislation

Since wagering is not an interactive form of gambling, it should not be included in any ban on Internet gambling.

Wagering through the Internet is merely an alternative method of transmitting bets to the TAB and is equivalent to existing online services that the TAB has been operating for several years.

State TAB's in Australia are very highly regulated, as all were once Government owned and operated. The State TABs that have been privatised continue to operate under the strictest regulation regime in the world.

3. All TAB operations should be excluded from the Legislation to rectify any misinterpretation regarding the definitions in the Bill relating to the '*Telecommunications Act 1997*'.

In addition to the discussion under section 2 above, an unintended consequence of the Legislation would be to ban many gambling activities in Australia as well as those intended to be banned through the Internet.

Clause 4 of the Legislation defines '*content service*' and a '*listed carriage service*' as having the same meaning as defined in the '*Telecommunications Act 1997*'.

All TAB wagering networks are linked back to the TABs main computer system using telecommunication lines and would be caught under the definitions of the Bill.

By excluding all TAB operations, the Legislation would make it clear that it is not the intent of the Government to ban the operations of State regulated TABs in Australia.

BAN ONLINE GAMBLING (EXCLUDING TAB WAGERING)

The provision of online gambling (with the exclusion of wagering) to Australian residents by both Australian and International websites should be banned.

Even though the Government has repeatedly expressed concern that online gambling (particularly online casino games) will lead to a proliferation of problem gamblers, the '*Interactive Gambling Bill 2001*' does nothing to prevent this happening.

Instead, the Legislation would force Australians to use overseas operators whilst foreigners would be permitted to gamble in Australia's secure regulatory environment.

The Government has argued that Australians are unlikely to use products administered by unscrupulous operators and that this would offer some form of self-protection for problem gamblers. However, there are online gaming companies who provide highly regulated products throughout the world, including the well-known UK gambling companies Ladbrokes and William Hill.

One solution is to make it an illegal act for overseas companies to accept bets from Australian residents.

Major overseas gambling operators would simply not take the risk of transmitting their product into Australia if it was an illegal action, as overseas executives would not take the chance of jeopardising their licences in their home country.

EXCLUSION OF TAB WAGERING

State TABs in Australia are very highly regulated, as all were once Government owned and operated. The State TABs that have been privatised continue to operate under the strictest regulation regime in the world.

The Senate Committee should note that there are only three TAB pools operating for Racing in Australia, NSW, Qld and Victoria. All other TABs bet into Victoria's pool. In regard to sports betting, there are only two TAB pools, NSW and Victoria – all other TABs bet into Victoria's pool. Therefore, the control of Internet wagering would be relatively easy.

State TABs are the major source of funding for the Racing industry and provide hundreds of millions of dollars to State Governments in Australia. Indeed, it is fair to say that the Australian Racing Industry would have been lucky to survive if the TABs had not been introduced in the early 1960s and been so successful in servicing the Racing Industry, punters and eliminating SP Bookmaking.

The State TABs take wagers on real events that take place such as horse races or football games and as such, are not interactive.

Gaming, on the other hand, is interactive and the casino-type games are generated through the user's computer.

Wagering through the Internet is merely an alternative method of transmitting bets to the TAB and is equivalent to existing on-line services that the TAB and has been operating for several years.

Further, some punters have been connected directly to TAB computers to bet on-line for over 10 years.

While the proposed legislation would ban Internet wagering for Australian companies, it does not prevent any Australian logging on to an overseas wagering site and placing a bet. It only takes a matter of seconds for a person in Melbourne or Sydney to log on to the New Zealand TAB, a Vanuatu site, or the UK companies Ladbrokes and William Hill and then place a bet on the local Australian races.

The Productivity Commission stated at 18.26 of its final report, that:

'Gamblers who bet on racing, or purchase lotto or lottery tickets may find the internet a more convenient method of gambling – just as 'phone betting increased the convenience of TAB wagering'.

Further, it should also be noted that the Productivity Commission made a clear distinction between Internet gambling and Internet wagering when it said at 18.27:

'Internet wagering represents a relatively small technological step since people could already lodge their bets remotely by 'phone'.

The exclusion of wagering from the Legislation is paramount for the operation and efficiency of TABs around Australia.

THE LEGISLATION

The definitions in the Legislation define '*content service*' and a '*listed carriage service*', as having the same meaning as the '*Telecommunications Act 1997*'.

The Senate Committee needs to recognise that all TAB wagering networks (including racecourses) are linked back to the TABs main computer system using telecommunication lines. There are four simple steps:

1. A bet is wagered at a TAB agency and transmitted back to the TABs' main computer;
2. The bet is registered;
3. This information is then transferred back to the TAB agency; and
4. A ticket is produced for the customer.

It is fundamental that TAB wagering is always remote from the event on which wagers are placed. Since inception, TAB wagering has always been 'online' and is totally dependent upon the use of telecommunications services.

TAB customers place their bets:

1. By telephoning a TAB call centre to bet either by voice or by touch-tone telephone keys, using an account which has had funds previously deposited;
2. By faxing, telexing or emailing wagers to the TAB;

3. Entering their bets through on-line computer terminals in TAB agencies, by either marking a machine-readable slip or by pressing a touch-sensitive computer screen;
4. Entering bets into a personal computer which connects on-line to the TAB host computer by both dial-up telephone connection or leased telephone lines; and
5. Entering bets into a personal computer, which connects to the TAB via an Internet connection.

Therefore, it is possible that all TAB operations, not just Internet services, could be banned under the Legislation as tabled in the Senate.

In order to rectify any unintended consequences in the drafting of the Legislation, all TAB operations must be excluded from the Legislation. This exclusion would make it clear that it is not the intent of the Legislation to catch any of the State regulated TABs in Australia.

The Committee would also note that a similar situation arises for some State regulated lotteries.

CONCLUSION

TABCORP urges the Senate Committee to:

1. Ban online gambling (with the exclusion of wagering) .

This includes a ban on overseas companies offering online gambling to Australian residents.

2. Exclude all TAB Wagering

Wagering through the Internet is merely an alternative method of transmitting bets to the TAB and is equivalent to existing online services that the TAB has been operating for several years.

3. Clarify any misinterpretation regarding the definitions in the Bill relating to the ‘*Telecommunications Act 1997*’.

By excluding all TAB operations, the Legislation would make it clear that it is not the intent of the Government to ban the operations of State regulated TABs in Australia.