

Chapter 10

Introduction to sports betting and wagering

10.1 This chapter provides an introduction to sports betting and wagering in Australia. It will cover definitions and types of bets and wagers; the sporting codes and racing industries involved; the prevalence and recent growth of sports betting, including the effect of online technologies; and sports wagering providers, including corporate operators, traditional bookmakers, totalisators and betting exchanges. It will also discuss how sports betting and wagering is excluded from the Commonwealth *Interactive Gambling Act 2001* (IGA) with the exception of 'in-play' betting online. The chapter will conclude with a summary of state and territory regulation of gambling services.

Introduction

10.2 Sports betting, where individuals bet on the outcome of a sporting event or individual events within the context of a match, has become increasingly popular.¹ The fast growth in sports betting activity in recent years, combined with the pervasive advertising of sports betting products and services during sporting broadcasts, has resulted in what some describe as the 'gamblification' of sports.² It has also raised particular concerns this will contribute to problem gambling.³

Definitions

10.3 Sports betting can be defined as:

...the wagering on approved types of local, national or international sporting activities (other than the established forms of horse and greyhound racing), whether on or off-course, in person, by telephone, or via the internet'.⁴

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- 1 The betting options available to online sports betting customers are numerous. According to Sportsbet.com.au: 'Any day of the week, 24 hours a day, punters can place single bets - head-to-head, pick the score, line and margin bets to name but a few. Given you're placing bets on the World Wide Web, it makes sense that you can place bets on sports across the world. Yes, you can bet on international sports matches, competitions and tournaments from all parts of the globe.' <http://www.sportsbet.com.au/content/articles/online-betting> (accessed 21 September 2011).
 - 2 John L. McMullan and Delthia Miller (2008). 'All in! The commercial advertising of offshore gambling on television', *Journal of Gambling Issues*: Issue 22, p. 243, <http://jgi.camh.net/doi/pdf/10.4309/jgi.2008.22.6> (accessed 21 September 2011).
 - 3 See for example Sophie Scott, 'Internet fuelling problem gambling', ABC News Online, 11 March 2011, <http://www.abc.net.au/news/stories/2011/03/11/3162154.htm> (accessed 21 September 2011).
 - 4 *Australian Gambling Statistics, 1982–83 to 2007–08, 26th Edition*, p. 227.

10.4 Wagering is a broader term which refers to gambling on the outcome of sporting, racing or other events, or contingencies within an event.⁵ In the following chapters, the committee uses the general term 'wagering' to refer to both racing and sporting events. Sports wagering on non-racing events will be specified as 'sports betting' (as opposed to 'race wagering').⁶

'In-play' betting

10.5 The committee will use the term 'in-play' betting to describe the practice of placing bets after an event has commenced. The term 'in-play' betting is used by some interchangeably with the term 'in the run' betting, but 'in the run' usually refers to racing events.⁷ 'In-play' betting can be further divided into:

- bets placed on the outcome of an event (e.g. which team wins or loses); and
- betting on 'micro'-events (also known as 'ball-by-ball' betting) on a discrete contingency within an event *after* the event has started (e.g. whether the next serve in a tennis match will be an ace). Betting on such contingencies is referred to as exotic betting (explained below).

10.6 'In-play' betting is discussed further at the end of this chapter in the context of its regulation under the IGA.

Exotic bets

10.7 Exotic betting (also known as spot-betting) involves placing wagers on individual events and contingencies within a particular event or match, such as the number of goals scored, points won or penalties awarded. These 'micro'-events may pertain to a certain team or to a certain player, or to certain time periods (e.g. within the first set of a tennis match, or the fourth over of the first innings in a cricket match). These bets on individual events within a match may be placed *prior* to an event online, over the phone or in person, or *during* an event by phone or in person (not online). The existence of such bet types is a relatively recent practice and is discussed in further detail in chapter 14.

5 Department of Broadband, Communications and the Digital Economy, *Review of the Interactive Gambling Act 2001*, Discussion paper, August 2011, p. 26.

6 The Productivity Commission also notes that minor forms of wagering exist, such as wagering on the outcome of elections or television shows, but that this is a very small market. See 'other issues' in chapter eight.

7 See Australian Racing Board, *Submission 27*, p. 9; Sportsbet, *Submission 44*, p. 4. 'In-play' or 'in the run' betting is offered on racing in some jurisdictions but is more attractive for sporting events lasting longer than a few minutes—see Australian Racing Board, *Submission 27*, p. 9.

Which sports are involved?

10.8 Betting occurs on all of Australia's major national sports: Australian Football League (AFL), National Rugby League (NRL), rugby union, cricket, tennis, netball and soccer.⁸ Australians can also place bets on international sporting events. Other sports including golf, basketball, cycling, motor racing and swimming all attract sports betting activity.⁹ However, the majority of wagering in Australia is conducted on horse-racing.¹⁰

Wagering and the Australian racing industry

10.9 The Australian racing industry is treated somewhat differently to other sports in terms of gambling, as wagering is fundamental to the interest in racing:

For much of Australia's history, wagering on horse, harness and dog races has been the most popular form of gambling. The three racing codes, and in particular thoroughbred horseracing, have a cultural significance to many Australians that exists regardless of any monetary stake they may have. Nevertheless, wagering underpins most of the interest in racing, which makes these industries mutually interdependent.¹¹

10.10 The Australian Racing Board compared race wagering and sports betting:

Sports betting shares some common features with race wagering in that it is active, participatory, and benefits from prior knowledge. Probably the key difference is that betting is a secondary reason for people to follow sports, whereas in racing, wagering is typically the main reason. Also, many more people believe they have the know-how and insight to the outcome of sporting fixtures than horse races.¹²

10.11 Racing is a 'gambling based activity and is totally reliant on betting proceeds for its existence'.¹³ State and territory governments administer and regulate the racing industry differently to other sports through governing bodies in each jurisdiction. Chapter 11 will cover some of the pressures facing the racing industry in light of the growth in online wagering, including competitive tensions arising from the increasing popularity of betting on other sports.

8 Coalition of Major Professional and Participation Sports (COMPPS), *Submission 16*, p. 2.

9 For example, see the Sportsbet website www.sportsbet.com.au for a list of sports on which bets can be placed.

10 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.37.

11 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 16.2.

12 Australian Racing Board, *Submission 27*, p. 8.

13 NSW Bookmakers' Co-operative Limited, *Submission 11*, p. 2.

Prevalence of sports betting and race wagering

10.12 While expenditure on race wagering has remained stable over the last twenty years, sports betting has grown rapidly since the mid 1990s.¹⁴ Betfair's submission notes that 'sports betting is one of the fastest growing areas of the gambling market and is now estimated to be worth \$250 million annually in Australia'.¹⁵

Comparing trends in race wagering and sports betting

10.13 While sports betting growth rates are high, the overall share of sports betting in both the wagering and broader gambling market remains small.¹⁶ The Productivity Commission's (PC) 2010 report on gambling showed that within the overall Australian gambling market, the comparative market share for race wagering was 14 per cent and for sports betting it was one per cent.¹⁷

10.14 The NSW Bookmakers' Co-operative Ltd noted a trend towards declining participation in betting on races and the increasing popularity of sports betting:

Race wagering participation rates are generally flat and falling in many instances. On-course racing attendances, which vitally affect our members' viability, are stagnant. Excluding "once a year" days and prime carnivals, "normal" meeting attendances are generally in long term decline.

While off-course race betting expenditure levels remain more stable, only sports betting has shown any significant growth in participation rates and consumer expenditure, and this is off very low base levels when compared with racing and other mainstream forms of gambling.¹⁸

10.15 However, the PC report does not go so far in its assessment of participation trends in race wagering and sports betting:

During the 2000s, racing has remained a more pervasive form of wagering than sports betting...Both racing and sports wagering are subject to several annual special events (such as the Melbourne Cup or football grand finals), and therefore attract irregular or occasional gamblers. Participation in race wagering appears to have fallen marginally. Participation rates for sports wagering have been up in some jurisdictions and down in others.¹⁹

14 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.37.

15 Betfair, *Submission 12*, p. 16.

16 NSW Bookmakers' Co-operative Ltd, *Submission 11*, Attachment 1, p. 2.

17 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.5.

18 NSW Bookmakers' Co-operative Ltd, *Submission 11*, Attachment 1, p. 2.

19 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.38.

Wagering expenditure

10.16 The PC also noted significant increases in sports betting expenditure over the past two decades; however, total expenditure remains low in comparison with wagering on racing events (\$171 million for sports betting versus \$2.37 billion for race wagering in 2006-07).²⁰

10.17 More recent figures show that around \$205 million was spent by gamblers on sports betting in 2007–08.²¹ Roy Morgan research estimates that for the 12 months to September 2011, Australians spent \$2.6 billion betting on races, down from \$2.7 billion in 2002. Sports betting expenditure increased from \$0.4 billion to \$0.8 billion over the same period.²²

10.18 According to media reports of IBISWorld's assessment of the industry, sports betting expenditure has grown by an average of 12 per cent a year over the past five years, compared to 1.2 per cent on poker machine spending and 0.5 per cent growth on betting on horse-racing.²³

The growth of online wagering

10.19 Many submitters to the inquiry commented on the recent growth of sports betting and wagering and the influence of new online technologies on this growth. However, the extent to which the availability of online platforms (i.e. internet, smart phone technology) has driven growth in sports betting cannot at this stage be measured clearly.

10.20 In terms of expenditure, Dr Sally Gainsbury and Professor Alex Blaszczynski cited a Global Betting and Gaming Consultants estimate that Australians will spend \$611 million on online sports betting in 2011, representing a 230 per cent increase from 2006.²⁴ By 2016-17, online wagering is expected to be worth \$10.6 billion or 38 per cent of the gambling industry.²⁵

20 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.37.

21 *Australian Gambling Statistics, 1982–83 to 2007–08, 26th Edition*, p. 227. Expenditure is defined as 'the net amount lost or, in other words, the amount wagered less the amount won, by people who gamble. Conversely, by definition, it is the gross profit (or gross winnings) due to the operators of each particular form of gambling'.

22 Roy Morgan research, 'Australians spent \$18.5 billion on gambling in the 12 months to September 2011; Spending on pokies falls to \$11.2 billion', Media Release, 24 November 2011, <http://www.roymorgan.com/news/press-releases/2011/1489/>, (accessed 1 December 2011).

23 Danielle Teutsch, 'Perfect storm fear for problem gamblers', *Sun Herald*, 30 May 2010, p. 21.

24 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 8.

25 IBISWorld, 'Horse, sports betting in Australia: Market Research Report', June 2011, quoted in John Stensholt, 'Gambling on steroids', *Australian Financial Review*, 1-2 October 2011, p. 45.

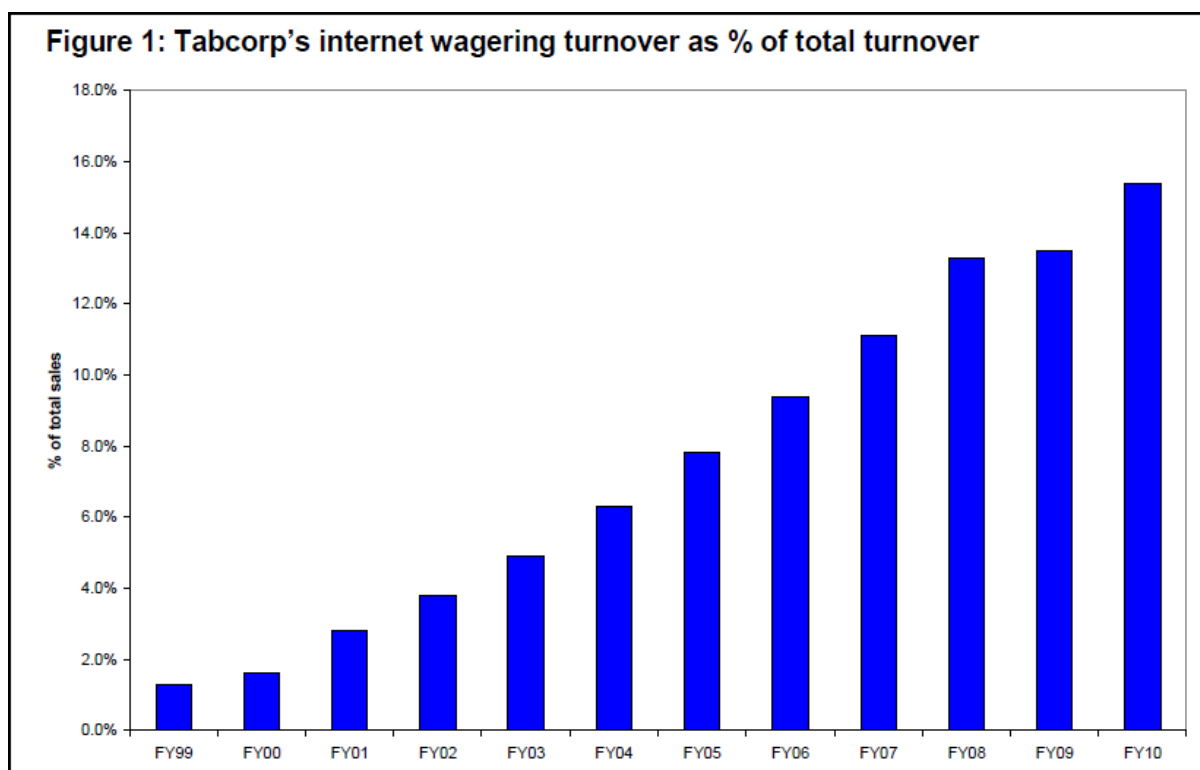
10.21 The Australian Racing Board's submission also highlighted recent growth in internet betting for sports and race wagering:

While phone betting is still twice the volume of internet betting, growth in the latter is strong. In 2006/07, betting via the internet accounted for 10 per cent of wagering on thoroughbred racing through all Australian TABs, a three-fold increase over five years. The internet is much more important for sports betting than race wagering, and for corporate bookmakers and Betfair than the TABs, so the total amount of internet wagering overall figure is probably several percentage points higher, in the order of 13 per cent, excluding online wagering on offshore sites.²⁶

10.22 According to Tabcorp, the internet has allowed wagering providers to expand their market at low cost and to become 'very competitive':

Corporate bookmakers have established their online businesses in jurisdictions that charge little or no wagering tax and racing industry fees, and have regulatory structures that allow them to offer products and services not permitted in other jurisdictions.²⁷

10.23 Tabcorp's submission included the following graph, showing the company's internet wagering turnover as a percentage of total turnover over the last decade:



26 Australian Racing Board, *Submission 27*, p. 10.

27 Tabcorp, *Submission 22*, p. 4.

10.24 In its first quarter report for 2010–11, Tabcorp reported that its online betting turnover was up by 18 per cent, from \$424 million to \$508 million over the past year to the end of September 2011.²⁸

10.25 Appearing on SBS TV's *Insight* program in September 2011, Neil Evans of Centrebet stated that online operations constituted the majority share of Centrebet's business and spoke about its growth:

Online is 90–95 per cent – it is virtually the entire operation...The growth is big and that's come about because I think in the world today the idea of taking fixed odds and having an account or multiple accounts is very attractive for punters.

The markets are there now for everyone. No one can say anymore, "I'm quite fascinated by betting but I don't bet because there is nothing in the area I like or know something about." Now there is a market for everyone...[I]t is a very rock solid growth industry, particularly in a volatile world...

[T]his financial year...I think we've got about 12,000, 13,000 new registrations in two and a half months of which 9,000 to 10,000 are actively playing.²⁹

Reasons for the growth of online wagering

10.26 While it is difficult to identify the causes of the recent growth in sports betting, Frontier Economics suggested that:

While the data on real expenditure can establish that the market for wagering has grown, they are not sufficient to establish on their own what the causes are...

Consequently, while it is true that [online] operators such as Sportsbet have increased their share of the market, it would be incorrect to infer that they they have driven an increase in wagering overall. Rather the flat per capita expenditure on wagering suggest[s] that the growth of corporate bookmakers has been driven by substitution away from traditional wagering service providers.³⁰

10.27 Betchoice also acknowledged that it was difficult to quantify or determine the factors which may be 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...

28 Neil Wilson and AAP, 'Tabcorp cashes in on online betting', *Herald Sun*, 12 October 2011.

29 Neil Evans, Centrebet, 'Online Gambling', *Insight*, SBS TV, 13 September 2011, <http://www.sbs.com.au/insight/episode/index/id/428/Online-Gambling#transcript> (accessed 11 October 2011).

30 Sportsbet (Frontier Economics Paper, Appendix 2), *Submission 44*, pp 39–40.

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.³¹

10.28 The main drivers of the growth in online betting were identified by the Australian Racing Board as follows:

1. Its relative novelty, though obviously private betting on sports events is long-standing. Its growth is closely linked to the growth in sports coverage on pay TV.
2. The fastest-growing segment of the population, Generation Y, is keenest on sports betting. The average age of sports bettors is about ten years younger than that for race wagerers.
3. The range of sports events is extremely broad and international. The past decade has seen the commercialisation of many sports codes and a rapid growth in the number of matches played or events staged.
4. The proliferation of sports betting sites which are often treated more leniently by regulators than online gaming (mainly casino games).³²

10.29 The NSW Bookmakers' Co-operative Ltd pointed to a substitution effect from traditional betting to online formats:

It is reasonable to attribute a significant proportion of this growth to transfers of traditional telephone and 'retail' forms of betting. In other words, many consumers have found that interactive channels of betting are more convenient and 'informative' [than] the traditional means.³³

10.30 Advertising was singled out among submitters as a crucial factor in the growth of online sports betting and is covered as a separate topic in chapter 12.

A national wagering market

10.31 As a result of the development of online technologies, some submitters argued that a 'national wagering market' has evolved. Tabcorp outlined the history and development of the new online industry and illustrated how the 'borderless nature of the internet' has affected the market as well as consumer behaviour:

Historically the industry has consisted of:

31 Betchoice, *Submission 43*, p. 11.

32 Australian Racing Board, *Submission 27*, p. 9.

33 NSW Bookmakers' Co-operative Limited, *Submission 11*, Attachment 1, p. 3.

- State/territory-based totalisators, offering wagering services on-course, in retail shops, over the telephone and, more recently, over the internet, and
- Bookmakers, offering fixed odds wagering services on-course and more recently, over the telephone and internet.

Punters in a particular state or territory have traditionally bet with their home state's totalisator which, in turn, made significant returns to the local racing industry. Although bookmakers make a small contribution to racing industry funding, between 70% and 90% of the racing industry's funding comes from TAB operations, depending on the state or territory...

The borderless nature of the internet now means that whereas wagering has previously operated as a series of state-based markets, it has evolved to become a national market. For example, a Victorian punter can now bet with a Northern Territory bookmaker on a South Australian race or sporting event.³⁴

10.32 Tabcorp also pointed out that the online platform has made wagering much more accessible across Australia:

Australian wagering customers have traditionally bet in retail betting shops, on-course or over the telephone. The growth of the internet has changed this with some account customers preferring to transact with wagering operators online...

The borderless nature and immediacy of the internet means that Australians can now place bets with wagering operators not licensed in their home state much more readily than before. For example, Victorian and NSW residents can now easily locate and place bets with interstate corporate bookmakers and betting exchanges, or with international operators established to target customers in Australia. These operators are not precluded from accepting such bets. The immediate nature of the internet has enabled customers to compare products offered by wagering operators and choose the product that best appeals to them.³⁵

Advantages of online betting

10.33 The attraction and benefits of online betting were described by a number of submitters. The NSW Bookmakers' Co-operative Ltd outlined the advantages that the online format had brought to the industry and the flow-on benefits for consumers, such as increased convenience:

From a racing and wagering industry perspective, internet betting is a vital business tool for many Australian on-course bookmakers and wagering operators in general. It has enabled the industry to maintain consumer interest at a time when competition for the gambling dollar has been high and in an era where race wagering has consistently lost market share to other forms, especially gaming machines.

34 Tabcorp, *Submission 22*, p. 12.

35 Tabcorp, *Submission 22*, pp 4–5.

Put simply, the consumers of race and sports wagering services highly value the benefits and convenience that the internet has provided. They [have] progressively shifted their access methodology from traditional "face to face" and telephone forms of betting, to the internet and other newer communications technologies...

To summarise, the internet and similar telecommunications technologies are keeping the wagering market share in the broader gambling industry afloat. These technologies are vitally important to the consumers of betting services, the providers of these commercial activities (including bookmakers) and the Australian Racing Industry which relies heavily on the resultant revenues for its viability and growth.³⁶

10.34 A range of other advantages for both providers and consumers were nominated by the Australian Racing Board:

- Bookmakers can now locate in low cost, low regulation jurisdictions, remote from customers;
- New wagering operating models are possible such as betting exchanges;
- Information on, and coverage of, racing and sports events is packaged with interactive wagering (though pay-TV probably plays a bigger role still);
- Uncertainty exists about the scope and extent of any intellectual property rights which may affect gambling activities; and
- Comparing odds among TABs/bookmakers is much easier for bettors, with dedicated websites that identify the best odds on each race.³⁷

10.35 While such advantages were readily acknowledged, traditional bookmakers and the racing industry also expressed concern to the committee about the growing influence of online corporate bookmakers and the regulatory frameworks under which they currently operate. These concerns are discussed in more detail in the next chapter.

Wagering providers

10.36 Wagering services on racing and sports are provided by on-course bookmakers, corporate bookmakers, totalisator agency boards (TABs), totalisators and betting exchanges.

10.37 The types of wagering providers that operate in Australia have been summarised by the PC as follows:

- on-course bookmakers, individuals who are licensed by states and territories to operate at racing venues. They offer fixed odds, usually

36 NSW Bookmakers' Co-operative Ltd, *Submission 11*, p. 2.

37 Australian Racing Board, *Submission 27*, p. 10.

provide simpler wagering products such as 'win' and 'place' bets, and can operate face-to-face and over the phone and internet;

- corporate bookmakers, which provide services over the phone and internet. They tend to have fewer restrictions than on-course bookmakers (e.g. 24 hour service) and offer a wider range of betting products. The major corporate bookmakers operating in Australia are: Sportsbet, Betchoice, Betezy, Betstar, Centrebet, Centreracing, Luxbet, Overtheodds and Sportingbet Australia;³⁸
- totalisators, which are operated by TABs and do not offer fixed odds bets. All bets are pooled, with the winning bets sharing the pool (minus a percentage taken by the operator). The final dividend is continuously updated prior to a race;
- TABs, which refer to state and territory bodies exclusively licensed to operate totalisators. They also offer off-course retail wagering services, as well as on-course phone and internet wagering services. Modern TABs provide a range of other wagering products (e.g. most TABs offer sports betting and Tabcorp in the Northern Territory also owns Luxbet); and
- betting exchanges, similar to a stock exchange, where wagers can be traded at different prices and quantities.³⁹

10.38 The following table⁴⁰ from the PC report illustrates the type of wagering services offered by online operators:

38 Sports Alive, an online bookmaker registered the ACT, was originally listed in the PC's report. However, Sports Alive went into liquidation on 25 August 2011 – see Henrietta Cook, 'Sports Alive a long shot to survive two years ago, company papers show', *The Canberra Times*, 10 September 2011, p. 3.

39 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 16.6.

40 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.42.

Table 2.20 Examples of online wagering operators

<i>Online wagering operator</i>	<i>Licensing jurisdiction</i>	<i>Type of wagering</i>	<i>Type of wagering events</i>
www.tab.com.au	NSW, Victoria	totalisator, fixed odds	racing, sports
www.acttab.com.au	ACT	totalisator, fixed odds	racing, sports, Keno, racing simulation.
www.ozbet.com.au	Western Australia	totalisator, fixed odds	racing, sports
www.centrebet.com.au	Northern Territory	totalisator, fixed odds	Australian and international racing, sports
www.tabonline.com.au	South Australia, Northern Territory, Queensland	totalisator, fixed odds	racing, sports
www.thetote.com.au	Tasmania	totalisator, fixed odds	racing sports
www.betfair.com.au	Tasmania	betting exchange	racing, sports, racing simulation, novelty bets
www.betchoice.com	Northern Territory	fixed odds	racing, sports
www.luxbet.com.au	Northern Territory	fixed odds	racing, sports

10.39 The effects of different regulatory and licensing regimes across states and territories on the growth of corporate bookmakers are illustrated in the table below, also from the PC report.⁴¹

Table 2.21 Growth of corporate bookmakers from 2003 to 2008

<i>Jurisdiction</i>	<i>Turnover growth 2003 to 2008</i>
	%
Northern Territory	171
ACT	10
Victoria	-6
South Australia	-6
Tasmania	-10
New South Wales	-20
Western Australia	-30
Queensland	-33
Total	47

Source: Australian Bookmakers' Association, (sub. 243, p. 6).

10.40 A number of wagering providers made submissions to the committee's inquiry.⁴² Sportsbet and Betfair also appeared to give evidence before the committee. An outline of these companies' business operations is set out below.

41 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.42.

42 Tabcorp, *Submission 22*; Betchoice, *Submission 43*.

Sportsbet

10.41 Sportsbet told the committee that it is Australia's largest corporate bookmaker, with over 200,000 active customers in the last financial year. It estimates that it holds 20 per cent of the Australian online wagering market:

sportsbet.com.au is one of Australia's leading internet betting and entertainment websites, which is fully owned by Irish listed company Paddy Power. Paddy Power is headquartered in Dublin and is listed on the Dublin and London stock exchanges. It has a market capitalisation of over A\$2 billion and has over 2,500 employees...

Sportsbet is licensed as a bookmaker in the Northern Territory and is regulated by the Northern Territory Racing Commission. Sportsbet is a globally competitive e-commerce business which provides high value, high tech jobs for Australians. Sportsbet employs more than 250 people, with 200 people based in Melbourne and an additional 50 in Darwin.⁴³

Tabcorp

10.42 With the privatisation of TABs over the last 15 years (except in Western Australia, Tasmania and the ACT), Tabcorp has emerged as one of Australia's leading wagering operators (while also managing keno and venue-based gaming interests). Tabcorp manages the TABs in both Victoria and New South Wales through a network of 2,750 agencies and licensed venues. It also owns TAB Sportsbet, which provides fixed odds betting on racing and sports, as well as Luxbet, a national online racing and sports bookmaker licensed in the Northern Territory.⁴⁴ It employs more than 3,000 people in Australia and serves millions of customers each day.⁴⁵

10.43 In July 2011, Tabcorp signed a \$410 million exclusive wagering licence with the state of Victoria which will take effect from August 2012. Under this deal, the Victorian racing industry will receive half of Tabcorp's Victorian TAB profits instead of a quarter (amounting to at least \$1 billion between August 2012 and June 2015).⁴⁶

Betting exchanges

10.44 Betting exchanges are similar to the stock market in that 'outcomes' can be traded during the course of an event (i.e. customers can back one outcome or 'buy' at a high price and then sell or 'lay' it at a lower price):

43 Mr Cormac Barry, Chief Executive Officer, Sportsbet, *Committee Hansard*, 11 August 2011, p. 1.

44 Gaming, Racing and Wagering Conference 2011, Confirmed Speakers, Ms Kerry Willcock, Tabcorp, http://www.beaconevents.com/2011/grwa2011/en/Speaker_Info/speaker_bio.jsp?num=34 (accessed 4 October 2011).

45 Tabcorp, *Submission 22*, p. 14.

46 Reid Sexton, 'State in \$410m Tabcorp deal', *The Age*, 20 July 2011.

A punter places a lay bet when he or she thinks the odds are too short – it's the same as an investor selling shares when he or she thinks the price has peaked.⁴⁷

10.45 Tabcorp's submission provided an overview of betting exchanges, noting that Betfair is Australia's only licensed betting exchange:

Betting exchanges are a relatively new form of wagering, allowing customers to bet against each other on a variety of events at mutually agreed odds.

Betting exchanges were introduced in Great Britain in 2000. In January 2006 the Tasmanian Government licensed the conduct and operation of Betting Exchanges in Tasmania under the Gambling Control Act (TAS) 1993...

The Tasmanian-licensed betting exchange, Betfair, now matches bets on racing and sporting events in all Australian jurisdictions and across all codes.⁴⁸

Betfair

10.46 Giving evidence to the inquiry, Betfair alluded to the 'degree of controversy' that had accompanied its entry into the Australian marketplace in 2006. Mr Andrew Twaits, Betfair's Chief Executive Officer, remarked that this sentiment was:

...predominantly driven by fears about the impact that our entry would have on the TAB operations and revenue flowing to the racing industry. Without putting words in the mouth of the racing industry, I think that most of those fears have been allayed. We have now been in operation in Australia for over five years and we are making contributions right around the country to the racing industry and to the sports industry, and we initiated those contributions. We are seeing that consumer preferences are changing. There has definitely been an increase in the willingness of consumers to transact online. And that is not just a phenomenon in wagering; you are seeing that in retail and other forms of purchasing products and services. We are also seeing a shift in the younger customer demographic to interest in betting on sports rather than racing.⁴⁹

10.47 Betfair told the committee that its betting exchange service was similar to 'eBay for wagering'⁵⁰ and provided further detail in its submission:

Betfair...provides products through a betting exchange platform, where punters effectively bet against one another, in a similar way to buying and selling on the stock exchange. Technically, Betfair operates in a similar

47 Betfair, *Submission 12*, p. 19.

48 Tabcorp, *Submission 22*, p. 6.

49 Mr Andrew Twaits, Chief Executive Officer, Betfair, *Committee Hansard*, 11 August 2011, p. 21.

50 Mr Andrew Twaits, *Committee Hansard*, 11 August 2011, p. 21.

way to a bookmaker – accepting bets from customers, but only doing so where it is immediately and fully able to offset the risk of those bets from other customers...

Using sophisticated technology, Betfair administers markets where punters effectively bet against each other. For each transaction one punter is required to 'back' a result and another is required to oppose that outcome by placing a 'lay' bet. Punters are not aware of the identity of their opponents, but Betfair and its regulators have capacity to view the transactions of every customer. Betfair's revenue is generated by a commission that is generally between two and five per cent of a punter's net winnings on a particular market.⁵¹

10.48 Further discussion of the concept and merits of betting on losing outcomes is contained in the next chapter.

Sports betting and problem gambling

10.49 Data from counselling services that treat problem gamblers shows that, nationally, the percentage of problem gamblers reporting harms associated with sports betting is around seven per cent. Western Australia has the highest percentage of problem gamblers who report harms associated with sports betting (20 per cent), while Tasmania reports the lowest percentage (five per cent).⁵² This suggests that a small but notable proportion of gamblers experience harms from sports betting.

10.50 Researchers from the University of Sydney Gambling Treatment Clinic (the Clinic) drew attention to the increasing number of clients presenting to the Clinic with problematic sports betting:

Indeed, from representing less than 5% of our clients in the 2006-07 financial years, problem gamblers with sports betting problems now represent 15-20% of new clients in the current financial year. Thus, whilst still representing a minority, reported problems with sports betting are rising, and rising rapidly.⁵³

10.51 Illustrating that the problems appear to be exacerbated by the online format of sports betting services, the Clinic stated that:

...the majority of clients report accessing online betting sites from their home or work computers, on their phones, or through university/educational facilities or other public computers. Many clients report gambling sessions that last for long hours as they bet on a range of sports and events. As they are able to bet freely on events from anywhere in the world, they often spend many hours betting on things such as Australian

51 Betfair, *Submission 12*, pp 3–5.

52 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, pp F.8–9.

53 University of Sydney Gambling Treatment Centre, *Submission 9*, p. 1.

sports during daylight hours and sports in U.S.A. or in Europe through the night.⁵⁴

10.52 The Clinic also reported that the amounts wagered by clients fluctuated markedly and depended on a number of factors including:

...funds available, confidence in the bet and the extent of recent wins and losses. In contrast to most other gambling clients however, including those players who gamble excessively on Electronic Gaming Machines, online sports betting clients do not typically report that the extent of their betting or gambling sessions depends on the time that they have available. Instead, they report that the accessibility of online betting enables them to attend work, spend time at home and socialise. They do, however, typically report that dividing their attention between these tasks and monitoring gambling sites greatly detracts from their productivity and quality of life.⁵⁵

10.53 At a public hearing, Mr Christopher Hunt of the Clinic also described the 'human face' of these addictions to sports betting:

It is not unusual for people even in their late 30s to already be in debt for up to hundreds of thousands of dollars. Then they start to feel low self-worth, they can be quite depressed, they get quite anxious about where their money is coming from. Sometimes if they are gambling at work that can lead to difficulties with their productivity at work, and that can lead to being reprimanded, sanctioned or potentially even terminated at work. Frequently that also [leads] to suicidal thoughts in a significant proportion of our clients.

We also find that the impact on family can be just as great. We do counsel family members of gamblers as well and what we find is that they are often having to do without, from minor things like not being able to go on holidays as much to quite major things like not being able to feed children to the extent that they would normally or not being able to buy new clothes for children or to do renovations on their home. Particularly for spouses of problem gamblers that can lead to a lot of frustration, a lot of depression and anxiety as well, and a lot of hopelessness. So the impacts are diverse and can be quite severe.⁵⁶

10.54 The Clinic also noted that the pervasive promotion of sports betting contributed significantly to their clients' problems and relapses. The impact of sports betting advertising on problem gambling behaviours will be addressed separately in chapter 12.

54 University of Sydney Gambling Treatment Centre, *Submission 9*, p. 3.

55 University of Sydney Gambling Treatment Centre, *Submission 9*, p. 2.

56 Mr Christopher Hunt, University of Sydney Gambling Treatment Clinic, *Committee Hansard*, 16 September 2011, pp 18–9.

Committee view

10.55 The committee notes with concern the risks and consequences of excessive sports betting that the University of Sydney Gambling Treatment Clinic described. It also appears that advertising is a significant factor for individuals who are at risk or who already have a problem. The committee acknowledges that further research into the risks and harms associated with online sports betting is necessary to develop appropriate harm minimisation measures.

Sports betting and the Interactive Gambling Act

10.56 As mentioned in chapter six and earlier in this chapter, while the IGA prohibits the supply of interactive gambling services to customers in Australia, online wagering on racing or sporting events is excluded or allowed, with the exception of two forms of 'in-play' betting in the online format:

- betting on the *outcome* of an event; i.e. betting online on the outcome of an event, after the event has started, is prohibited (except for racing events) but customers can still use the TAB or phone for such bets; and
- 'ball-by-ball' wagering (e.g. who will score the first try) in the online format (again, such betting 'in-play' is permitted over the phone or in person).

10.57 During the inquiry, betting agencies unsurprisingly argued that the wagering exemptions in the IGA should continue. The argument was made that online wagering is different from forms of gambling that rely on random events or are pure games of chance. For example, Tabcorp argued that the exclusion of online wagering services from the IGA should be retained because of this fundamental distinction:

TABs take wagers on real events such as horse races or football games, that take place elsewhere and are not controlled by the gambling operator, as opposed to computer generated random results produced by interactive gaming operators.

Wagering through the internet is merely an alternative method of transmitting bets to the TAB and is equivalent to existing telephone services that the TAB has been operating for many years.⁵⁷

Prohibition of 'in-play' betting online

10.58 When the IGA was enacted, 'in-play' betting over the internet was considered to be a riskier form of gambling than conducting 'in-play' betting over the telephone or in person. According to the Department of Broadband, Communications and the Digital Economy's (DBCDE) 2011 discussion paper on the Review of the IGA, the IGA currently prohibits 'in-play' wagering in an online format to:

57 Tabcorp, *Submission 22*, p. 7.

...reflect the view that such 'continuous' services could become highly addictive for consumers and are likely to be easily accessible (for example, through interactive television using a remote control).⁵⁸

10.59 The exemption of wagering from the IGA and the prohibition of 'in-play' online betting are discussed further in the following chapter, which covers a number of key issues in relation to wagering and sports betting.

State and territory regulation

10.60 States and territories regulate gambling providers offering services that are not restricted by the IGA, i.e. those which can be licensed and offered in Australia. Mr Richard Windeyer, First Assistant Secretary of the Digital Economy Strategy Division, DBCDE, clarified the distinction between the work of the Commonwealth and the states and territories in the online environment:

One of the points to keep in mind is that in a sense by definition the state based authorities are in the business of regulating providers offering services that they can offer in Australia. The Commonwealth authorities are by and large in the business of looking at and investigating complaints about providers who are offering services that are not able to be licensed and offered in Australia. So, to some extent we are looking at different bits of the environment.⁵⁹

10.61 Submissions on the inquiry's terms of reference were invited from all jurisdictions. However, the committee only received responses from the Tasmanian, New South Wales and Queensland Governments, the Western Australian Department of Racing, Gaming and Liquor, and the Northern Territory Racing Commission. During the inquiry the committee wrote to all regulators to request information. The information below is drawn from submissions, correspondence and other available sources.

Tasmania

10.62 The committee was advised that Tasmania has established a strong framework to regulate gambling and this includes online gaming and wagering:

The regulation of online gaming and wagering has been in place since 1999 and currently Tasmania has two wagering operators licensed under this framework (TOTE Tasmania Pty Ltd (the TOTE) and Betfair Pty Ltd).⁶⁰

10.63 Other than on-course bookmakers,⁶¹ all gaming and wagering licence holders within Tasmania are regulated under the *Gaming Control Act 1993* and the *TT-Line*

58 Department of Broadband, Communications and the Digital Economy, *Review of the Interactive Gambling Act 2001*, Discussion paper, August 2011, p. 9.

59 Mr Richard Windeyer, First Assistant Secretary, DBCDE, *Committee Hansard*, 19 August 2011, p. 31.

60 Tasmanian Government, *Submission 26*, p. 4.

61 Regulated by the Director of Racing under the *Racing Regulation Act 2004*.

Gaming Act 1993.⁶² The Tasmanian Gaming Commission (TGC), an independent body established under the Act, is responsible for the regulation of gaming and wagering.⁶³

10.64 All gambling that takes place in Tasmania or from Tasmania requires the operators to hold an appropriate licence or permit. The Gaming Control Act was amended in 1999 to extend the regulatory framework to include gaming activities conducted via the internet, by telephone and by any other means of telecommunications. Providers can apply to the TGC for a Tasmanian Gaming Licence but they must meet the required regulatory, financial and probity standards. In January 2008, the UK Government 'recognised Tasmania's strong regulatory framework by granting Tasmania a 'white listing'...'to enable gambling operators, licensed in Tasmania to advertise their services in the UK'.⁶⁴

10.65 The regulatory controls governing interactive gambling provide for a number of player protection measures which include:

- the ability for players to impose limits on the amount they can gamble and exclude themselves from participating in gambling activities;
- a prohibition on the provision of credit by a licensed provider; and
- a complaints mechanism.⁶⁵

New South Wales

10.66 The principal pieces of NSW legislation covering gambling are: the *Unlawful Gambling Act 1998*; the *Racing Administration Act 1998*; the *Totalizator Act 1997*; and racing controlling body legislation. NSW legislation is complemented by the IGA 'which includes a 'carve out' in section 8A of the Act that results in the NSW laws not being in conflict with the Act'. The NSW government supports the continuation of this exclusion in relation to traditional wagering and also lotteries.⁶⁶

10.67 The submission acknowledged that wagering laws across jurisdictions are fragmented, but cautions that a national approach should not adopt the lowest common denominator which would lower wagering regulation standards across Australia. Another example of fragmentation is the race fields fees scheme, which governs the payment of fees by wagering operators that allow bets on Australian racing events. Each jurisdiction has its own regulatory framework and fee structure.⁶⁷

62 Tasmanian Government, *Submission 26*, p. 4.

63 Tasmanian Government, *Submission 26*, p. 9.

64 Tasmanian Government, *Submission 26*, p. 9. The 'white list' is under review as outlined in chapter four.

65 Tasmanian Government, *Submission 26*, p. 11.

66 NSW Government, *Submission 56*, p. 3.

67 NSW Government, *Submission 56*, p. 4.

Although this particular issue is not specified in the terms of reference, it was raised with the committee and is described in more detail in chapter 11.

Queensland

10.68 The Queensland Interactive Gambling Act is supported by the Interactive Gambling (Player Protection) Regulation 1998. The Act 'applies to prohibit a person from conducting an interactive game in Queensland or allowing a Queensland person to participate in an interactive game, unless the person holds an interactive gambling licence'. The Act:

...incorporates best practice harm minimisation and consumer protection measures that are reflective of the risk posed by internet gambling (such as the requirement to provide limit setting facilities (i.e. pre-commitment)). The Act also provides a regulatory framework that seeks to ensure the probity of licensed interactive gambling providers and the ongoing audit of their activities as well as a legislative complaints process.⁶⁸

10.69 With the introduction of the IGA, no interactive gambling licences have been issued in Queensland. Prior to the IGA, Queensland had one licensee which surrendered its licence when the IGA came into effect.⁶⁹

10.70 TattsBet Ltd holds a sports wagering licence issued under the Queensland Wagering Act. The legislation does not prevent TattsBet from accepting wagers on certain bet types for sporting events. TattsBet may also offer wagering events or contingencies not related to sports or racing; for example, political elections or interest rate changes. However, this requires approval of the minister. To date, TattsBet has only received approval to conduct wagering on the Academy Awards.⁷⁰

Victoria

10.71 Interactive gaming in Victoria is regulated under the provisions of Chapter 7 of the *Gambling Regulation Act 2003*. To date no licence has been issued under Chapter 7 of the Act.⁷¹

Australian Capital Territory

10.72 The ACT Gambling and Racing Commission advised that sports bookmakers and their agents are licensed under the *Race and Sports Bookmaking Act 2001*.⁷²

68 Queensland Government, Department of Justice and Attorney-General, *Submission 55*, p. 8. See also iBus Media, *Submission 42*, pp 25–28.

69 Queensland Government, Department of Justice and Attorney-General, *Submission 55*, p. 8.

70 Queensland Government, Department of Justice and Attorney-General, *Submission 55*, p. 10.

71 Victorian Commission for Gambling Regulation, correspondence received 20 September 2011.

72 ACT Gambling and Racing Commission, correspondence received 22 September 2011.

South Australia

10.73 The South Australian Office of the Liquor and Gambling Commissioner advised that:

Under the Authorised Betting Operations Act 2000 (SA) (the ABOA) an interstate betting operator who is lawfully permitted to conduct betting operations (under a licence or other authorisation) in another State or Territory of Australia can become authorised to engage in betting by telephone, internet or other electronic means with South Australians. This authorisation is given by the Independent Gambling Authority (SA) (the IGA).⁷³

Northern Territory

10.74 Although the committee did not receive a submission from the Northern Territory Government, it did receive a submission from the Northern Territory Racing Commission (NTRC) which is responsible for the racing industry.⁷⁴ Sports bookmakers are licensed pursuant to section 90 of the Racing and Betting Act (NT).⁷⁵ The Northern Territory is where Australia's largest online corporate bookmakers are licensed and it is important to understand what attracts them to be licensed in that jurisdiction. For example, Tabcorp pointed out:

Corporate bookmakers have established their online businesses in jurisdictions that charge little or no wagering tax and racing industry fees, and have regulatory structures that allow them to offer products and services not permitted in other jurisdictions. The Northern Territory is one example of a jurisdiction with a flexible regulatory structure. Such an environment enables corporate bookmakers to:

- Offer better prices to customers because of the relatively low tax and racing industry contributions required; and
- Offer a broader product suite to customers, including the ability to bet on novelty events and to extend credit to their customers.

This “arbitrage” of taxes, product fees and regulation has fuelled growth in the corporate bookmaking market...⁷⁶

10.75 The figure below shows the growth in Northern Territory corporate bookmaker turnover over the past decade.⁷⁷

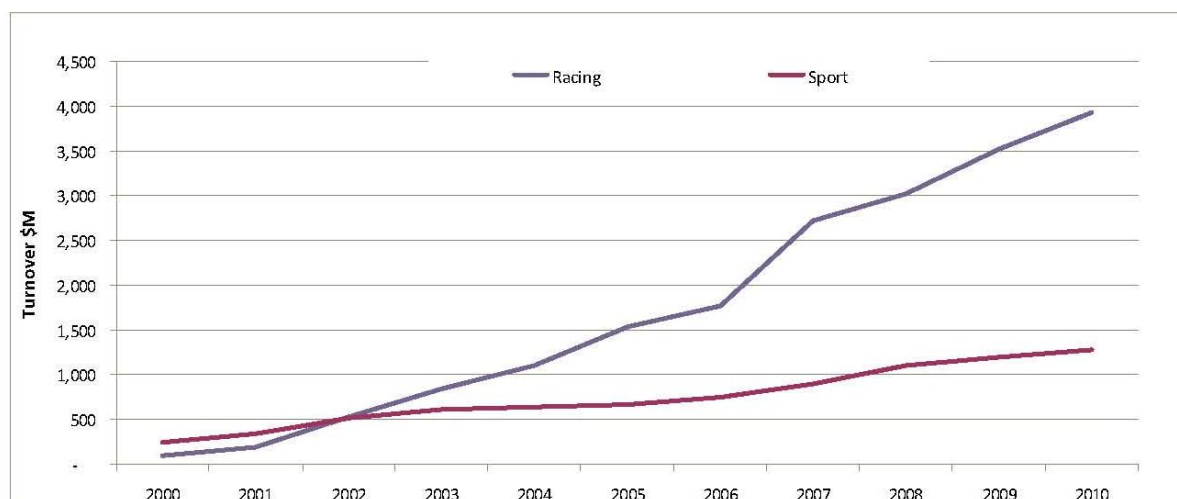
73 Government of South Australia, Office of the Liquor and Gambling Commissioner, correspondence received 15 September 2011.

74 Information on the regulation of racing and sports betting is available from: http://www.nt.gov.au/justice/licenreg/sports_betting.shtml (accessed 14 October 2011).

75 Northern Territory Racing Commission, *Submission 51*, p. 2.

76 Tabcorp, *Submission 22*, pp 5–6.

77 Tabcorp, *Submission 22*, p. 6.



Source: Tabcorp analysis

10.76 The 2008 Social and Economic Impact Study into Gambling in Tasmania noted the effect of the regulatory regime in the Northern Territory:

A significant proportion of the nation's sports betting expenditure is actually channelled through the Northern Territory. This outcome has been brought about by the Northern Territor[y's] relatively liberal attitude towards sports betting, which has encouraged the development of a significant local sports betting industry that services the nation. For instance, the Northern Territory approved Australia's first sports bookmaker—Centrebet—in December 1992, which went on to launch the nation's first internet based wagering service in August 1996. As a consequence of interstate gambling "exports", average expenditure on sporting betting is relatively high in the Northern Territory with the Territory accounting for 25 per cent of national sports betting expenditure in 2005/06, which is well above its share of the national adult population (0.9 per cent).⁷⁸

10.77 The NTRC advised that:

From 1 January 2010, the Government replaced the Northern Territory's current bookmaker turnover tax with a tax based on gross wagering profits. The Government has capped the tax each Corporate Bookmaker has to pay to a maximum of \$250,000 which is subject to annual indexation based on the Darwin consumer price index.⁷⁹

10.78 The NTRC also explained that each sports bookmaker must:

- a) comply with the mandatory Code of Practice for Responsible Gambling;

78 *Social and Economic Impact Study into Gambling in Tasmania*, Volume 1, Report to the Department of Treasury and Finance Tasmania by the South Australian Centre for Economic Studies, June 2008, p. 74.

79 Northern Territory Racing Commission, *Submission 51*, p. 5.

- b) have established account opening procedures and steps to ensure accounts cannot be opened by under aged customers;
- c) ensure all senior personnel, directors and major shareholders have undergone police checks and have not been found guilty of any offence in the last 10 years;
- d) must have systems in place to properly record bets and monitor all betting patterns;
- e) report unusual and/or suspicious betting patterns and circumstances to AUSTRAC.⁸⁰

10.79 A number of issues were raised in relation to sports betting and wagering which highlight the lack of regulatory consistency between jurisdictions. These are detailed in chapters 11 and 12.

80 Northern Territory Racing Commission, *Submission 51*, p. 2.

