

NSW Gambling Inquiry Committee Hearing, Parliament House, Sydney / 10.4.14

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The Australian Wagering Council (AWC) thanks the Committee for the opportunity to appear today.

Mr Ben Sleep, who is present with me today as an AWC Director and Company Secretary is the Chief Financial Officer & Regulatory Affairs Director for Sportsbet. Sportsbet has also made a submission.

The AWC submission includes some key statistics and it is not intended to go over these again.

The submission also highlights a number of the key structural shifts that have had an impact on the wagering industry. And I want to expand on these.

It is important that the distinction between online wagering and online gaming be made. Wagering refers to racing and sport only - which is legal in Australia as long as the operator is licensed and regulated in Australia. Online gaming covers all other online gambling activities, which the Interactive Gambling Act makes illegal to be offered to Australians. Most of the literature and studies refer only to online gambling and often do not differentiate between the two activities.

Online wagering requires a different regulatory model to land based gambling because in the online environment, prohibition or overly onerous regulations won't work. It is a global environment and a competitive global environment at that.

There has been a change in consumer preferences from betting using traditional offline betting channels (i.e. retail or TAB outlets, on-course bookmakers and with bookmakers over the phone) to online channels (internet, mobile, tablet). There has also been the growth of sports wagering in contrast to racing wagering which has enabled consumers to take their discretionary "entertainment" spend and wagering dollar to where they can gain best prices, value and service. The change in consumer preferences in wagering is similar to what has taken place in other sectors. For example, a significant percentage of music is purchased online through iTunes, Pandora, Spotify and the like, instead of in a music store, while there are far less job advertisements in newspapers than there are on seek.com.au.

The global nature of the internet means that if an online wagering service or product becomes unviable in Australia, Australians are still able to - and do - easily switch to unregulated offshore or illegal SP operators in search of competitive prices and available betting markets. Some figures that are readily available demonstrate this:

- > The leakage of gambling revenue offshore is already significant (Productivity Commission reported \$2 out of every \$3) as Australians can, and do, switch to unregulated offshore operators in search of competitive prices and available betting markets as well as other online gambling activities.
- > It is estimated that 14% of online wagering revenue goes offshore - around \$900 million of turnover. The major impacts of offshore spend are risks to consumers from reduced harm minimisation standards of offshore sites and a significant threat to the integrity of sport.
- > The recently released Gambling Research Australia report on interactive gambling revealed that interactive gamblers preferred to use domestically regulated sites, but this consideration did not influence choice of site for approximately 33% of interactive gamblers.

In the case of online wagering we strongly advocate a nationally consistent approach to harm minimisation and consumer protection with the states and territories adopting a set of agreed minimum standards.

In this regard, the AWC supports the development of a national set of harm minimisation and consumer protection measures, applicable to all licensed interactive gambling providers across all states and territories.

These national standards should be based on a number of fundamental principles to ensure their effectiveness in protecting all Australians who wager on racing and sport They should:

- Be evidence-based.
- Not limit the ability of licensed wagering operators to be able to compete with illegal offshore wagering providers
- Be reasonably achievable from an operational and technical perspective.

Currently, the IGA forces Australian consumers who wish to bet online in-play on sport do so through unregulated offshore-based websites which do not pay taxes in Australia, do not contribute anything to Australian sport and do not have integrity agreements with major sporting bodies to report any suspicious betting activities. These offshore websites typically have far weaker harm minimisation and consumer protection measures in place in comparison to licensed Australian-based wagering companies, which significantly increases the risk of problem gambling.

Maintaining a competitive and a well-regulated online wagering market that encourages Australians to bet with reputable and licensed Australian-based online wagering operators is one of the most effective ways of ensuring Australian sport is free of corruption and match-fixing.

Any prohibitive or overly restrictive fees or regulations will only impact the legally licensed Australian-based wagering providers diminishing their ability to compete by giving a clear advantage to unlicensed operators who pay no licence or product fees and are not required to abide by Australian standards of consumer protection and harm minimization. This may, in turn, lead to a reduction in sponsorship and advertising investments made by licensed wagering operators on racing and sport, adversely affecting the revenue base of the sporting codes and the racing industry.

Since our submission was provided to the Committee, Gambling Research Australia has released a report on Interactive Gambling (April 2014).

This report provides an insight into the complex issues involved in exploring the harm minimisation issues involved in interactive gambling by Australians. Among its findings, the report concludes that:

- Interactive gambling should not be considered a distinct form of gambling, simply a mode of access; 81% people who use online services also engage in land-based offerings
- Consumers tend to choose online services based on convenience/ease of access and availability of more competitive product offerings, but many also have concerns about the security and integrity of interactive sites
- While most interactive gamblers prefer domestically regulated sites (i.e. those offered by AWC members), at least one-third are not concerned about using offshore (i.e. unregulated, prohibited) providers.
- There is insufficient evidence to conclude that interactive gambling is causing higher levels of problems; interactive gambling problems account for a small proportion of gamblers presenting to help services. Nonetheless, participation in interactive gambling is increasing and it is possible that related problems might increase over time.

To conclude, I would like to provide snapshot of the many responsible gambling measures that our members have in place includes:

- > The provision of activity statements to enable customers to review betting activity and history, and to track spending 24/7 (all betting conducted through AWC member companies is account-based – unlike poker machines, all bets are tracked to the individual who places the bets)
- > Voluntary pre-commitment
- > Deposit and loss financial limits
- > Self-exclusion
- > Training of customer service staff
- > The provision of access to problem gambling awareness tools, support services, responsible gambling messages, online and telephone self-help and making available contact details for counselling services

The AWC has also formulated an integrated package of legislative and non-legislative reforms that it believes will yield substantial benefits in terms of consumer protection, the ongoing strength and success of Australian sport, and minimise the damage that results from the practices of unregulated, offshore wagering and gambling services which operate in contravention of Australian law. This package is being finalised for further discussion with regulators.

The key elements of this package include, amongst other measures:

- The introduction of global best practice harm minimisation and consumer protection measures;
- Enhanced education, awareness and research measures;
- Introduction of an industry code providing clear standards for Deferred Settlement Facilities by wagering operators;
- Strengthened deterrence and enforcement powers for the Australian Communications and Media Authority;
- A clearly defined and platform-neutral approach 'in-play' sports wagering such that these products can only be offered with the sanction of state/territory regulators and national sports controlling bodies; and
- A total prohibition on 'micro betting'.

Again thank you for the invitation to be here today.

We're happy to take questions.