

INQUIRY INTO IMPACT OF GAMBLING

Organisation: Tabcorp Holdings Limited

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7 March 2014

The Director
Select Committee on the Impact of Gambling
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Sir / Madam

Tabcorp appreciates the invitation from the Select Committee on the Impact of Gambling (the **Committee**) to provide a submission to their Inquiry into the Impact of Gambling.

1. Overview of Tabcorp and its submission

Members of the Committee may be aware that in New South Wales (**NSW**), Tabcorp operates totalizator and fixed odds betting through its TAB agencies, hotels and clubs, and on-course totalizators. In the past financial year, Tabcorp's wagering business generated \$249.8 million for the NSW racing industry, excluding race fields fees. Tabcorp also operates Keno in licensed venues in NSW in partnership with Clubs NSW. Further information about Tabcorp's business operations is included at Appendix 1.

The Australian wagering market is experiencing unprecedented change. This change has significant implications for racing industry funding and the manner in which wagering services are delivered to consumers. We believe these are matters that will be of interest to the Committee, and therefore, the following submission provides an outline of these changes, their implications, and proposed interventions to address them. In canvassing these matters, we touch on points (f) and (g) of the terms of reference.

We have also provided a summary of Tabcorp's responsible gambling philosophy including an overview of the training provided to Tabcorp's customer-facing employees which touches on point (e) of the terms of reference.

2. A changing wagering market

The Australian wagering market is experiencing unprecedented change, largely as a consequence of the entry of corporate bookmakers into the local market. Corporate bookmakers are predominantly based in the Northern Territory (NT) and largely owned by sizeable European gambling corporations, many of which are listed.

By basing themselves in NT, corporate bookmakers benefit from paying lower taxes and racing industry fees than the TABs. This price advantage has enabled them to promote their tote odds based products, in which they duplicate the TAB dividend and add 5% or 10% to that dividend, which is highly attractive to customers. In economic terms, they "free ride" on the information created by the TABs through pari-mutuel wagering.

Furthermore, the NT licensing and regulatory regime enables corporate bookmakers to offer a broader range of wagering products and greater freedom to advertise their products and offer credit to customers.



Tabcorp
Holdings Limited

495 Harris Street
Ultimo NSW
Australia 2007

GPO Box 4168
Sydney NSW
Australia 2001

Tel 61 2 9218 1000
Fax 61 2 9218 1135

www.tabcorp.com.au
ABN 66 063 780 709

Prior to 2008, corporate bookmakers were prohibited from advertising in NSW. However, a High Court challenge means that such advertising restrictions are now relaxed and today, subject only to certain advertising content restrictions, corporate bookmakers are free to promote their products to Australian customers, regardless of where they reside.

This combination of factors has led to corporate bookmakers increasing their market share with their annual turnover growing to \$7.2 billion in the financial year ended 30 June 2013¹.

2.1 Impact on NSW racing industry funding

The NSW racing industry receives the majority of its funding from the NSW TAB. In the financial year ended 30 June 2013, \$249.8 million was paid by TAB to the NSW racing industry. Additional amounts, being race field fees, were also paid by Tabcorp. This funding supports the activity of the racing industry including as an employer to many, particularly in rural and regional NSW.

Approximately 5% of each dollar bet with the NSW TAB, no matter where the race is staged, is passed onto the NSW racing industry under the Racing Distribution Agreement Tabcorp has with the racing industry. Similar funding models exist in other states, such as Victoria.

Other Australian wagering operators, including corporate bookmakers, make payments to the NSW racing industry when they bet on NSW racing product. These are known as race fields fees. In most jurisdictions and on most codes, these wagering operators pay 1.5% of turnover. However, in some cases wagering operators, including corporate bookmakers, may make payments to the racing industry as little as 0.75% of turnover.

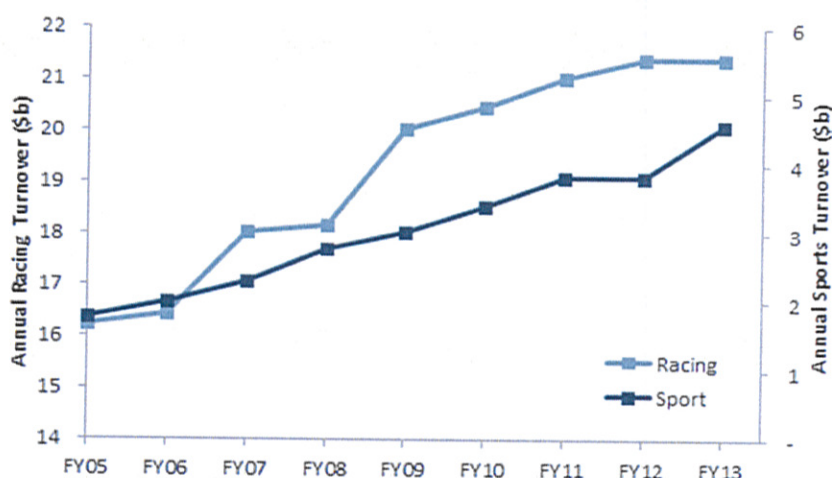
As corporate bookmakers increase their market share, a decline occurs in racing industry funding. Every dollar of turnover lost by the NSW TAB to a corporate bookmaker leads to a revenue drop for the NSW racing industry from approximately 5% to a maximum of 1.5% of turnover and potentially even 0.75%.

Corporate bookmakers have argued that this overstates the loss of revenue to the racing industry as increased competition leads to market growth and increased turnover. This assertion is invalid as evidenced by the fact that the overall Australian wagering market, particularly with regard to the racing market, is relatively stagnant, despite the increase in competition.

The following graph, based on Australian Racing Fact Book data, summarises the market turnover for racing in recent years and demonstrates that corporate bookmakers, particularly with regard to the racing market, are driving a movement in market share rather than market growth.

¹ http://www.australianracingboard.com.au/fact-book/ARB_Fact_Book_2013_v18112013_Single_Page.pdf

Australian Wagering Market – Annual Turnover



% Growth	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Racing	6.6%	1.4%	9.6%	0.8%	10.4%	2.1%	2.8%	1.7%	(0.1%)
Sport	15.8%	12.2%	15.1%	20.0%	9.2%	12.7%	12.3%	0.2%	19.2%

Tabcorp's assertions regarding the impact of competition on NSW racing industry funding are validated by its 31 December 2013 financial results where it disclosed that funding by Tabcorp to the NSW racing industry dropped 1.9% in the 6 month period.

2.2 Other impacts of the shift in market share to corporate bookmakers

- NSW gambling consumers may not enjoy the protection of the responsible gambling framework established by the NSW government and regulators as they can simply access less well regulated gambling activities that are licensed in other jurisdictions, whether they be domestic or international.
- The NSW TAB paid \$157.4 million state tax in the financial year ended 30 June 2013. Corporate bookmakers pay no NSW state tax, so every dollar of turnover lost by the NSW TAB to a corporate bookmaker not only costs the racing industry but also NSW taxpayers.
- Competition from corporate bookmakers is also reducing commissions paid by the NSW TAB to agents, pubs and clubs in NSW.

2.3 Addressing these matters

Tabcorp supports competition in the wagering market. However, competition should be underpinned by a level playing field so that NSW TAB can compete with other wagering operators and continue to deliver financial benefits to stakeholders. Tabcorp also supports the responsible delivery of gambling products to ensure consumers are protected from potential harm. Responsible delivery of gambling is important for industry sustainability and in order to maintain the industry's reputation.

There are a number of initiatives that Tabcorp believes could assist in addressing these issues, including:

ii. Federal Initiatives

a) Prohibition of credit betting

NT corporate bookmakers are permitted to extend credit to their customers to enable them to bet. We estimate that as much as 30% of corporate bookmaker turnover is on credit, ie. where a customer has insufficient funds in their account to place the nominated bet and the bookmaker extends them a line of credit. We draw the distinction from situations where customers use credit cards to deposit funds into their wagering account. This activity is overseen by the banking and consumer credit system and the controls that it offers. In such circumstances the customer is depositing cash into their wagering account and hence is not betting on credit.

The NSW TAB is prohibited by the *Totalizator Act 1997* (NSW) from offering credit to customers generally². If there is insufficient funds in the wagering account customers are unable to place the bet. This is appropriate from a responsible gambling perspective.

Tabcorp believes that the prohibition of credit betting, as described above, should be a priority. This could be implemented through amendments to the *Interactive Gambling Act* (Cth).

b) Clarification of advertising restrictions across all media

The commentary above regarding advertising restrictions adequately explains the importance of federal intervention in this area, particularly for digital media. Tabcorp believes that a national approach is the only practical way to achieve a uniform and enforceable advertising environment for the wagering industry that delivers responsible gambling outcomes sought by the community.

c) Measures around tote odds betting

Tote odds betting is the principal product used by corporate bookmakers to take market share from the TABs and therefore poses the greatest risk to racing industry funding. As discussed earlier, the tax and racing industry product fee advantages available to NT-based corporate bookmakers underpin tote odds betting. Corporate bookmakers also do not pay the TABs for their tote information used in tote odds betting, so in economic terms they "free ride" on the tote pools. Further, by providing products that mimic the tote pools without contributing to those pools, these bookmakers actually undermine the viability of tote wagering by making the tote pools smaller.

Potential measures that could be considered to address tote odds betting are:

- i. Levying a tax on tote odds; or
- ii. Banning tote odds betting altogether on the basis that it relies on the use of information created by the TABs through pari-mutuel wagering.

² The NSW TAB has a Ministerial approval under the *Totalizator Act 1997* (NSW) to offer credit to a very small number of premium customers provided that a specified form of security, as set out in the approval (eg a bank guarantee) is provided.

d) Controls over offshore wagering operators

The leakage of NSW wagering revenue offshore could have a material impact in the near future. An increase in offshore wagering by Australian consumers affects returns to the racing industry and local governments, but also poses consumer protection issues if overseas operators fall outside Australian regulatory requirements. A number of international jurisdictions are currently grappling with these issues. Tabcorp believes that there should be a clear prohibition incorporated in federal legislation on the offering of services to Australians by offshore operators that are not licensed in Australia. The following additional options should also be explored further:

- i. Introduction of a consumption tax on offshore operators accepting bets placed in Australia;
- ii. Banking restrictions that limit or prohibit money being deposited into unapproved offshore wagering operator accounts;
- iii. Civil and criminal sanctions on the officers of unapproved offshore wagering operators who accept bets from Australians; and
- iv. Personal taxation applicable on winning bets with unapproved offshore wagering operators.

e) Regulatory enforcement

To date the federal government has taken a relatively passive role with enforcement in the gambling industry. The *Interactive Gambling Act* (Cth) includes the necessary legislative means to address issues like online gambling with offshore operators, but we are not aware of any prosecutions in this area.

The effectiveness of the measures outlined in this submission rely on the relevant regulatory bodies enforcing the requirements.

3. Tabcorp's approach to responsible gambling

Tabcorp believes that for our gambling business to be sustainable, we need to grow responsibly. Our aim is to create long-term, sustainable relationships with our customers and problem gambling counsellors. Our responsible gambling program reflects this approach.

Tabcorp has, over many years, taken initiatives that go beyond the minimum regulatory requirements for responsible gambling. This is demonstrated through our Responsible Gambling Code, our training and our reward and recognition programs – which recognise good practice in responsible gambling.

Our voluntary self-exclusion program, BetCare, was first introduced in New South Wales in December 2005. It is the first program of its kind to be offered by an Australian wagering operator.

Tabcorp is committed to the continuous improvement of its responsible gambling program. Recent initiatives have included:

- Commissioning new research into how responsible gambling is managed across major operators worldwide;
- Surveying our employees to identify attitudes to responsible gambling;
- Introducing a new Employee Gambling Policy; and

- Revising our Responsible Gambling Employee Resource Centre which is used in the continuing education of employees about responsible gambling practices.

Tabcorp's Responsible Gambling and Compliance Manager regularly engages with gambling counsellors regarding the efficacy of the program. This feedback has been useful in designing enhancements to the program.

Tabcorp also supports Gambling Awareness Week in NSW and Victoria.

Tabcorp's new staff and TAB operators receive training in Responsible Gambling and our Self Exclusion Program. In addition, Tabcorp staff and TAB operators receive Responsible Gambling refresher materials or training at least twice a year, which includes information related to behaviours that might demonstrate a customer or employee has a responsible gambling issue, our regulatory approved Responsible Gambling Code of Conduct, and our Self Exclusion Program.

Customer facing staff (such as bookmakers, call centre, on-course, retail) receive a personalised Responsible Gambling and Self Exclusion training pack twice per year (this includes information related to behaviours that might demonstrate a customer or employee has a responsible gambling issue).

Tabcorp has an Employee Gambling policy that prohibits employees from gambling while on duty, subject to specific limited exemptions (such as testers of products, services and equipment).

All Tabcorp advertising and marketing displays a Responsible Gambling message which incorporates the relevant Responsible Gambling message for that state or territory.

The annual Dow Jones Sustainability Index has rated Tabcorp the global gambling industry leader in eight of the past nine years. Tabcorp has received a 100% rating in the index's 'Promoting Responsible Gambling' category for the past seven years.

Please contact GM Government, Community & Employee
Communications on or if you require further
information from Tabcorp in respect of these issues.

Yours sincerely

DAVID ATTENBOROUGH
Chief Executive Officer

About Tabcorp

Tabcorp is a diversified gambling entertainment group that strives to offer a first-class entertainment experience for its customers across Australia.

Tabcorp manages leading customer brands in Australia, including tab.com.au, Luxbet, Sky Racing, Sky Sports Radio, Tabcorp Gaming Solutions (TGS), and Keno, serving millions of customers every year.

Tabcorp's four businesses of Wagering, Media and International, Gaming Services and Keno employ more than 3,000 people.

Tabcorp has more than 130,000 shareholders and has a market capitalisation within the top 100 Australian companies listed on the Australian Securities Exchange.