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Manager  
Broadcasting and Online Content  
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Department of Communications,  
Information Technology and the Arts  
GPO Box 2154  
CANBERRA ACT 2601

Dear Sir / Madam

TABCORP is pleased to have the opportunity to contribute to the review of issues related to Commonwealth Interactive Gambling Regulation.

In general, TABCORP supports the Interactive Gambling Act 2001 (the Act) and the prohibition of interactive gambling services as it is important to protect Australians from problems that may be caused by gambling over the internet.

## **1. Wagering exemption**

TABCORP supports the ongoing exclusion of wagering services from the definition of interactive gambling services under the Act.

As the Productivity Commission noted in its report on *Australia's Gambling Industries*:

Internet wagering represents a relatively small technological step since people could already lodge their bets remotely by 'phone'. (page 18.27)

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. As such, TAB wagering over the internet is not interactive in the same way that online casino games are.

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.

Table 1 illustrates TABCORP's wagering turnover from 1999 to December 2002 by distribution channel. While internet wagering has increased as a proportion of account sales, growth in total account sales has kept pace with retail sales. Offering wagering over the internet has not generated a market of new gamblers. The internet is simply being used by existing account customers as an alternative access method.

**Table 1 – Wagering Turnover (\$m)**

	1999	2000	2001	2002	2003 (1/2 Year Dec 2002)
<b>Retail</b>	1,988.4	2,012.6	2,125.6	2,266.0	1,226.5
<b>% change</b>	4.0	1.2	5.6	6.6	5.3
<b>Accounts*</b>	602.6	635.9	661.2	705.4	378.5
<b>% change</b>	20.3	5.5	4.0	6.7	6.0
<b>On course</b>	212.4	209.1	201.9	199.3	120.6
<b>% change</b>	(6.7)	(1.5)	(3.5)	(1.3)	3.7
<b>Total</b>	2,803.3	2,857.6	2,988.7	3,170.6	1,725.6
<b>% change</b>	6.1	1.9	4.6	6.1	5.3

\* Includes telephone and internet

## 2. Enhancements to the wagering exemption

In addition to maintaining the wagering exemption, the following enhancements should be considered:

- i. Any providers of wagering services not licensed in an Australian jurisdiction should be excluded from the wagering exemption.

The internet gives overseas operators the ability to penetrate the Australian market, whether or not they are operators properly licenced in jurisdictions with competent gambling regulators or in unregulated international locations.

Operators not licenced in Australia do not contribute to the racing industry or government revenues through licence fees, taxation and industry contributions.

Wagering operators licenced in Australian jurisdictions must comply with state/territory laws and/or regulations and are legally subject to the scrutiny of regulators and legislators. This ensures high standards of industry regulation and the highest levels of consumer protection through harm minimisation programs.

Community and social standards that govern the Australian industry, and initiatives that minimise harm to consumers of gambling products, can be simply ignored by offshore operators. Therefore, it is not in the interests of consumer protection or people who have a problem with their gambling to allow offshore operators access to Australian consumers through the internet.

ii. Betting “in the run” should be allowed in certain circumstances.

Where a bet type can be reasonably provided over the telephone, it is a natural extension to offer this product over the internet.

TABCORP believes micro betting should not be available over the internet. This would include betting from kick to kick in a football match, betting on each ball in cricket, etc. These bet types are not available through the TAB’s other distribution channels and TABCORP does not propose extending them to the internet.

Currently, consumers are not able to place a bet over the internet on the outcome of the AFL season premiership, a multi-day cricket match or golf tournament following the first day of play, as this is considered betting “in the run”. Consumers are able to make such bets over the telephone. TABCORP does not believe the nature of such bets are interactive, nor do we believe that the ability to place such a bet over the internet would enable undue influence to be exerted over the game’s outcome.

We recommend that a schedule of approved events/competitions be included by way of regulation. These would include team events that cannot easily be influenced. Micro betting should not be included within this schedule.

### **3. Betting exchanges**

TABCORP recommends that betting exchanges be prohibited from operating in all Australian jurisdictions.

i. Integrity of betting and racing

A betting exchange operator is not taking bets itself but merely facilitates other people betting against each other on a variety of events at mutually agreed odds. This means that participants are betting on a losing proposition and, in effect, acting as unlicensed and unregulated bookmakers.

There are well established reasons why persons taking bets (eg licenced bookmakers) are subjected to probity checks and the closest scrutiny by racing stewards and gambling regulators. This is because bookmakers are betting on a runner not to win, while the customer is always betting to win.

The same situation does not apply to betting exchanges. This invites serious risk to the integrity of wagering and to the sports on which bets are taken. The ease of laying a bet relatively anonymously will almost certainly encourage unacceptable behaviour by participants in the racing industry and more importantly, in other sports where gambling stewardship is far less stringent than in racing as jockeys or sports competitors can readily be influenced to run second.

Offshore betting exchanges and other suppliers of internet gambling services also avoid Commonwealth laws relating to money laundering and law enforcement agency access to betting records.

ii. Funding of racing and taxation

Betting exchanges typically deduct between 1.5% and 2.5% on turnover. This compares with Totalisator commissions of 16%, which in Victoria includes 6.5% for racing, plus 5% betting tax. The balance funds TAB operating costs. For every \$100 million of turnover transferred from TABs to betting exchanges, and even if racing received 10% of the charge as a product fee, governments and the racing industry would lose some \$1.125 million between them.

Unless a betting exchange was deducting 16% of all payouts or turnover, the service would be operating at a competitive advantage to established services that contribute revenue to governments and the racing industry.

#### **4. Regulation of financial transactions associated with the provision of interactive gambling services**

TABCORP supports the Government's ability to make regulations under section 69A to provide that an agreement for the payment of money for the supply of an illegal interactive gambling service has no effect.

However, the Government should ensure that the legislation clearly provides that financial institutions can continue to work with providers of betting services licenced in Australian jurisdictions (eg wagering).

#### **5. Conclusion**

In summary, TABCORP recommends that:

- i. The exclusion of wagering services from the definition of interactive gambling services under the Act continue;
- ii. Any providers of wagering services not licensed in an Australian jurisdiction be excluded from the wagering exemption;
- iii. Betting in the run, excluding "micro betting", should be allowed in certain circumstances by way of regulation;

- iv. Betting exchanges be prohibited from operating over the internet in all Australian jurisdictions; and
- v. The Government ensures that any regulations made under section 69A of the Act do not affect the provision of financial services relating to legitimate gambling services licenced by and Australian authority.

TABCORP would be pleased to provide further information on these issues. I can be contacted on 03 9868 2112 to facilitate this.

Yours sincerely

A handwritten signature in black ink, appearing to read "Peter Caillard". The signature is written in a cursive, flowing style.

**Peter Caillard**  
**General Counsel & Company Secretary**