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Standing Committee on Industry, Innovation, Science and Resources
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Submission of Responsible Wagering Australia

Inquiry into impacts on local businesses in Australia from global internet-based competition

Introduction

Responsible Wagering Australia (RWA) is the independent peak body for the Australian-licensed online wagering industry. Our members include bet365, Betfair, CrownBet, Ladbrokes, Sportsbet and Unibet.

Last financial year, RWA's members directly employed 1800 Australians with a wages bill of \$204.5 million. Our members paid more than \$72 million in GST, \$14.5 million in payroll tax and \$38.5 million in corporate income tax. Additionally, RWA's members made a substantial contribution to Australian sport and racing, paying \$205 million in product fees with a further \$21 million in sponsorships.

This stands in stark contrast to illegal offshore online wagering providers that employ no Australians, pay no product fees to sport and racing bodies, pay no tax and directly compete with Australian-licensed operators. Unlike RWA's members which are committed to providing world-class responsible gambling tools, very few illegal offshore operators offer (and fund) meaningful protections for their customers.

The Commonwealth Government's commitment to tackle the illegal offshore wagering industry through amendments to the *Interactive Gambling Act (IGA)* was a welcome step. However, RWA remains concerned that the activity of illegal and unregulated offshore wagering operators will continue to grow and diminish the viability of the Australian online wagering industry.

The competitive advantage of offshore wagering operators

Illegal offshore wagering operators currently enjoy a significant competitive advantage over RWA's Australian-licensed members.

Presently, the Commonwealth Government only permits live in-play betting through terrestrial and telephone platforms for sporting events and it is illegal for Australian-licensed wagering operators to offer in-play betting on sport online.

Illegal offshore wagering operators are not subject to these same restrictions and are able to attract Australian customers to their websites by offering a range of products that are explicitly banned for Australian-based operators. Additionally, TAB and UBET are legally able to offer in-play betting in their retail venues in Australia. This lack of competitive neutrality puts Australian-licensed online wagering operators at a significant competitive disadvantage.

The taxation burden for Australian-licensed online wagering operators is also far higher and likely to significantly increase in the near-term. Unlike other comparable jurisdictions such as the United Kingdom, consumption tax (through the GST) is payable on wagering in Australia.

From 1 July 2017, the South Australian Government introduced a new 15% point-of-consumption tax (POCT) on wagering. Several other State governments are also actively considering adopting similar taxes. These taxes are unlikely to be paid by offshore online wagering providers, nor Australian based retail wagering providers. The existing applicability of one 10% consumption tax through the GST already inhibits the ability of Australian wagering service providers to compete internationally; and the imposition of double taxation through an additional 15% consumption tax on top of this by State governments will further restrict competitiveness against offshore companies.

If all Australian States and Territories were to adopt a 15% POCT on online wagering, it would when taken together with GST and the significant product fees paid to Australian sport and racing bodies, result in an effective tax burden on Australian-licensed online wagering providers exceeding 40% of revenue.

An effective wagering tax rate of 40% of revenue, before wages and other taxes such as corporate income tax, will cripple the ability of the Australian-licensed online wagering industry to be internationally competitive against offshore providers that are not subject to any of these costs.

The impact of illegal offshore wagering on Australia

The most recent independent research looking at the magnitude of illegal offshore wagering on the Australian market found 26% of Australian punters now use illegal offshore accounts to place bets.¹ The same research also found that two of the key

¹ Gainsbury, S., Russell, A., Hing, N., & Blaszczynski, A. (2017). Consumer engagement with and perceptions of offshore online gambling sites. *New Media and Society. Online first.*
<http://journals.sagepub.com/doi/10.1177/1461444817738783>

drivers of Australians wagering offshore was the wider availability of products offered compared to onshore, such as the ability to bet on events in-play online and the better prices offered by illegal offshore companies.

In contrast, in the United Kingdom, where in-play betting is permitted online, and there is a competitive tax environment, it is estimated that 95% of consumers use onshore domestically-licensed wagering operators.²

There are currently at least 380 offshore online gambling companies actively targeting Australian customers.³ And of the estimated \$1.6 billion spent by Australians on online wagering each year, it is estimated 60% of that spend is with offshore wagering operators.⁴ This is resulting in substantial tax leakage to Commonwealth and State governments (to the detriment of the broader community and grass roots sport), as well as millions of dollars in lost product fees for Australian sports and racing bodies. We attach an example of a specific customer provided by Betfair, showing the extent of the loss of product fees and government revenue when a customer switches to using offshore providers.

Australians using offshore wagering providers are also significantly more likely to experience problem gambling.⁵ RWA's members offer world-class responsible gambling tools and have been vocal supporters of the Commonwealth Government's National Consumer Protection Framework. By comparison, illegal offshore providers do not offer meaningful responsible gambling tools and are unencumbered by the significant regulatory costs of compliance with responsible gambling regulations and consumer protections.

Integrity of sport

The biggest threat to sports integrity in Australia remains the illegal offshore wagering industry and subsequently, the necessity for Australian-licensed wagering providers to remain competitive with the offshore industry.

Australian licensed wagering providers play a key role in upholding integrity in Australian sport. RWA's members work closely with sports controlling bodies and their data is used by law enforcement agencies to identify and prosecute cases of match-fixing.

Unlike licensed Australian operators, the illegal offshore wagering industry presents a number of threats to the integrity of Australian sport, including:

- unlike Australian licensed operators, illegal offshore operators do not have information sharing agreements with sports controlling bodies to assist in the detection of suspicious betting activity;

² Ibid.

³ Australian Offshore Interactive Wagering Independent Report, H2 Gambling Capital, November 2015, P 32

⁴ Review of Illegal Offshore Wagering, 2015, P52

⁵ Gainsbury, S., Russell, A., Hing, N., & Blaszczynski, A. (2017). Consumer engagement with and perceptions of offshore online gambling sites. *New Media and Society. Online first.* <http://journals.sagepub.com/doi/10.1177/1461444817738783>

- illegal offshore operators do not pay product fees to sporting bodies, reducing the level of funding available to be invested in integrity-related staff, programs and training;
- illegal offshore operators offer markets and bet types that are banned in Australia, are not approved by Australian sporting bodies and pose a significant integrity risk; and
- illegal offshore operators have potential links to criminal networks, increasing the likelihood of corruption and money laundering.

Conclusion

Domestically-licensed wagering service providers are increasingly unable to compete against illegal offshore providers in Australia. This risks the long-term viability of online wagering operators being Australian-licensed, supporting Australian sport and racing and the continued direct employment of thousands of Australians.

RWA strongly encourages the Commonwealth Government to support Australian businesses and jobs by fostering a local taxation and regulatory environment that allows local businesses to compete with offshore companies.

Domestically-licensed wagering providers directly employ thousands of Australians and tens of thousands more indirectly through their support of Australian sport and racing. The introduction of point-of-consumption taxes on top of the GST by State governments will punish local businesses for being Australian-licensed. These punitive taxation arrangements will only make illegal offshore providers more attractive to consumers as offshore prices become even more competitive.

A level playing-field for Australian-licensed online wagering companies would also materially increase local industry's ability to compete. Competitive neutrality through the removal of arbitrary restrictions that prohibit only Australian-licensed online businesses from offering in-play wagering, will have a considerable positive impact on the local industry's long-term viability and support for Australian jobs.

RWA thanks the Committee for the opportunity to make this submission and if any further information would be of assistance, please do not hesitate to contact RWA's offices on

Yours sincerely

Stephen Conroy
Executive Director

Betfair Example Lost Turnover & Associated Loss of Tax Revenue

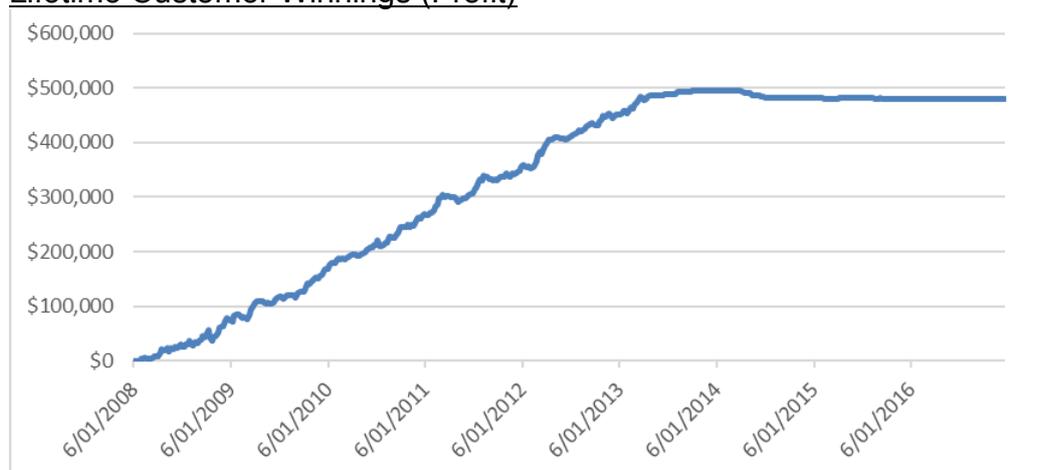
Integrity

It is essential for Betfair's long-term sustainability that customers have confidence in the integrity of the markets on which they place bets, which closely aligns our interest with that of racing and sporting bodies. We invest heavily in technology and human resources to guard against gambling-related corruption on our platform.

- Our strongest weapon in protecting integrity is transparency.
- As an account-based service, Betfair is in an advantageous position to provide real-time transactions to integrity bodies and racing stewards across the country tracking every click of the mouse.
- As with other licensed wagering providers, Betfair has information sharing agreements in place with racing and sporting authorities across Australia built into race fields approvals.
- We provide industry leading tools (LiveAlertMonitor and BetMon) and significant resourcing to monitor betting, enabling us to proactively engage with stakeholders when irregular betting activity occurs.

Snapshot of lost revenue: the harness racing punter

Lifetime Customer Winnings (Profit)



The above graph represents the lifetime gross player winnings (profit) of one Betfair customer on Australian Harness Racing codes. The customer was trending at \$162,000 of profit a year. Despite this trend of profit the customer completely lapsed their wagering activity with Betfair in April of 2014. It is our strong understanding that

ATTACHMENT A

the customer has been using Citibet, an offshore illegal wagering provider, and had in early 2014 shifted all their activity offshore.

The lapsing of activity highlights that price sensitivity is a key driver for consumers. With Betfair paying applicable taxes and product fees, offshore illegal operators are able to consistently offer reduced commissions to attract price sensitive customers. Since 2014, the lapse has cost:

- the Australian Harness Racing Industry = \$234,150
- GST payable of = \$54,260