

30 March 2022

Australian Government
Productivity Commission
4 National Circuit
BARTON ACT 2600

Tabcorp Submission: Productivity Inquiry 2022

Dear Assistant Commissioners

Tabcorp Holdings Limited (**Tabcorp**) appreciates the opportunity to contribute to the Productivity Inquiry (**the Inquiry**) to assist governments to make productivity-enhancing reforms. We are excited by the opportunity and believe we have two straightforward recommendations worth considering.

Tabcorp and Australian Racing's Economic Contribution

Tabcorp operates wagering (both totalisator and fixed odds) and lotteries in all Australian states and territories (excluding Western Australia).¹ Tabcorp employs 4,600 Australians and our products support around 500,000 indirect jobs in the racing industry and in pubs, clubs, and newsagents across Australia.

We make an economic contribution in Australia of around **\$5 billion** per year, including over **\$2.4 billion** in taxes, over **\$1.1 billion** in support to the racing industry, and over **\$700 million** in commissions to local pubs, clubs, and newsagents, many of whom are small and family businesses.

The Australian racing industry relies on TABs for over 50 per cent of its funding. Racing is a sizable, respected, and beloved industry; there are 387 race clubs across Australia and there are more racehorses in Australia than in any other country in the world.² Thoroughbred racing alone employs around 75,000 people and contributes over \$1 billion in taxes and around \$5 billion to the national economy.

However, there are complex challenges threatening the productivity of the racing and wagering industries in Australia, and adversely impacting the 4,700 businesses who rely on these industries (i.e., clubs, pubs, and TAB Agents).

Summary of Tabcorp's Position

In 2001, amendments to the *Interactive Gambling Act 2001 (Cth)* (**the IGA**) permitted wagering over the internet and on mobile phones.³ Since then, foreign-owned bookmakers, like Sportsbet and Ladbrokes, have acquired cheap wagering licenses in regulatory-friendly jurisdictions such as the Northern Territory (the **NT**) and rapidly grown their market share in Australia.

¹ Our subsidiary brands are *Golden Casket, Powerball, TAB, Sky Racing, Keno, MAX Gaming*

² Racing Australia Fact Book 2021: publishingservices.risa.com.au/newsletters/2021_Fact_Book/Racing-Australia_Fact-Book-2021/4/

³ ACMA About Interactive Gambling: acma.gov.au/about-interactive-gambling-act

Foreign-owned bookmakers now capture around 60 per cent of total market share and 73 per cent of online market share. They are taxed and regulated less than the local Australian TABs, and they use tote derivative products⁴ and aggressive advertising to attract customers from gambling in local pubs and clubs across Australia (Sportsbet alone spent \$140 million on advertising in 2020). This aggressive advertising, coupled with the COVID-19 pandemic, has driven huge increases in revenue for foreign-owned bookmakers, resulting in super-profits. Sportsbet alone announced \$710 million in profits in CY2021, much of which is shipped to parent companies overseas in tax-friendly jurisdictions such as Ireland and the Isle of Mann, like some multi-national technology companies.

These super-profits have been made at the expense of the productivity of the local Australian TABs and the productivity of the racing industry, local pubs, and clubs across Australia. For example, we estimate that if every punter bet with the TAB instead of Sportsbet there would be around \$590 million in additional benefits flowing to the racing industry and \$30-40 million for local pubs and clubs in additional commissions.

The principal beneficiaries of the status quo are foreign-owned bookmakers. Apart from making super-profits off Australian customers, the Australian racing industry, and local pubs and clubs across Australia, they also employ fewer people (than the TAB), pay less product fees and taxes, and do not return a fair amount back to the community. This is not a productive, equitable, community-focused, redistribution model.

While competition is part of a healthy marketplace, there is an unlevel playing field when it comes to wagering taxation, licensing, and regulation in Australia – owing to the patchwork quilt, and lack of harmonisation, of the state and territory regulatory environment. For example:

- Australian TABs pay double the product fees and effectively higher tax rates (see **Attachment A**). Tabcorp has paid over \$1 billion in licence fees in four states and two territories, whereas foreign-owned bookmakers pay around \$1 million per year in the NT.
- Wagering products have one of the lowest tax rates for gambling products in Australia (see **Attachment B**).
- Australia has one of the lowest wagering tax rates in the world:
 - Foreign-owned bookmakers pay between **10 and 15 per cent** online wagering tax rates (e.g., a point of consumption tax)
 - The tax rate across Australia for Keno products is up to **42 per cent**, on Lotteries products is up to **63 per cent** and on poker machines is up to **65 per cent**
 - Sports betting taxes in the USA are up to **36 per cent** – more than double the tax rates that foreign-owned bookmakers pay in Australia.⁵

⁴ Corporate bookmakers including SportsBet, Bet365, and Ladbrokes offer “tote derivative” products, whereby the dividend that a punter received for placing a successful bet was based on the dividend paid out by one of the three totalisators (i.e., TAB) they use Tabcorp’s product and regulated IP to offer their odds

⁵ State of the States 2021: The AGA Survey of the Commercial Casino Industry

Tabcorp Recommendations

The Productivity Commission (**the Commission**) has a unique opportunity to remedy the current inequality and restore productivity to the industry. We respectfully suggest the Commission recommends:

1. A **review of wagering taxation** in Australia:
 - a. What is the optional tax rate for wagering in Australia?
 - b. Who should levy it?
 - c. Who should license and regulate it (i.e., states and territories or the Commonwealth)?
2. Consider a **single national wagering regulator, or national harmonisation of wagering regulations**, to ensure that there is integrity and consistency in the application and enforcement of regulations across Australia's wagering industry.

This could involve a single Commonwealth Government agency exclusively administering the licensing and regulation of online gambling companies to ensure that there are adequate consumer protections.

There is a clear gap; foreign-owned bookmakers can and should be paying more tax, and contributing more to the community, and they have outlined their ability to absorb any further increase in taxes:

*"Sportsbet is very profitable, and that profitability continues to increase. Even in years like 2019 when we incurred \$140m in additional POC Taxes, profitability didn't decline because of the scale of the business and the flywheel effect that we've been able to implement."*⁶

NATHAN ARUNDEL – SPORTSBET CFO – 22 SEPT 2021

The IGA has created the environment to allow these productivity concerns, and the Commission and the Commonwealth have authority and jurisdiction to review and advance these recommendations.

Conclusion

Thank you again for the opportunity to respond to the Inquiry. We look forward to working with the Commission and the Commonwealth Government to ensure that racing in Australia remains strong, small businesses such as pubs, clubs, and newsagents are supported, and that gambling continues to be delivered responsibly in the community.

Please do not hesitate to contact me should you require anything further or have additional questions for Tabcorp. We are very willing to make ourselves available to the Commission at any stage of this Inquiry.



Yours sincerely

Tom Callachor

General Manager – Government & Industry Affairs

⁶ Source: Nathan Arundel, CFO – Sportsbet, Sportsbet Investor Presentation, 22 September 2021 – <https://media.idigitalcontents.com/media/f/flutter/Sportsbet-Investor-Day-22-Sept-2021.mp4>

Attachment A: TABs vs Foreign-Owned Online Bookmakers

	TAB	Online bookies
Ownership		
Licence Fees Paid	\$1b+	\$1m p/a
Online Market Share	27%	73%
Total Market Share	40%	60%
Product Fees to racing industry per bet (Avg. per \$100 wagered)	\$6*	\$3
Marketing bonus bets FY21	\$286m	\$800m <small>Sportsbet</small>
Comparative tax rates	18-42% <small>(Keno Tax Rate)</small> 41-63% <small>(Lotteries Tax Rate)</small> 20-65% <small>(Pokies Tax Rate)</small>	10-15% <small>(Wagering Tax Rate)</small>

* Tabcorp fund the racing industry in excess of \$1B annually

Attachment B: Gambling Taxes in Australia

Gambling Product	Tax rate ⁷
Online bookie tax in NSW and VIC (i.e., POCT)	10%
POCT in ACT, QLD, SA, TAS, and WA	15%
NSW TAB totalisator tax (effective rate)	19%
Keno tax in NSW, QLD, SA, and VIC	Up to 42%
Lotteries taxes (across Australia)	41%-63%
Pokies taxes (across Australia)	Up to 65%

⁷ Tax rate refers to specific rate on gambling product and does not include GST or income tax or industry supply fees such as racefields. Lotteries rates have been adjusted to reflect inclusion of agent commission for ease of comparison