



22nd May 2009

Gambling Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Supplementary Submission to Productivity Commission Issues Paper – Gambling

On 30th March this year, Tatts Group lodged its response to the Productivity Commission's Issues paper on Gambling. We interpreted the thrust of this inquiry related to issues of problem gambling, prevalence rates and harm minimisation. Our submission focussed on those areas.

Since our original submission was lodged, we have noticed a number of organisations have taken the opportunity to comment on the rapidly changing wagering landscape in Australia and the consequences for the racing industry. Tatts agrees that this is a critical issue and would like to lodge a supplementary submission on this subject to the Commission's Inquiry.

Tatts Group has a direct interest in the matter as one of its wholly owned companies, UNiTAB, is licensed to conduct wagering operations in Queensland, South Australia and the Northern Territory.

The Changing Landscape

There have been sweeping changes to the wagering landscape in the past decade.

In the 1990s, corporate bookmakers were a novelty, betting exchanges were unheard of, betting on the internet was in its infancy, betting with an interstate operator was minimal, the regulatory and tax environments were not dissimilar from state to state, credit betting was the domain of the oncourse bookmaker, competitive wagering advertising was virtually non-existent and the greatest threat to TAB racing industry funding came from other forms of gambling, such as casinos and gaming machines.

Today, punters are swamped with advertising by interstate wagering operators, offers of credit betting and inducements are widespread, betting exchanges have gained mainstream acceptance, low taxing jurisdictions have emerged, regulations differ from state to state, retail exclusivity is no longer guaranteed, and the internet has signalled the end of betting within state borders..

While State Governments have little or no control over the burgeoning internet and phone betting heading interstate, they retain full control over the activities of the wagering operators licensed in their jurisdictions. For example, while inducements and offers of credit by interstate operators are ignored, regulators ensure that their 'home state' licensed operators prohibit credit and rigidly comply with responsible gambling codes of conduct.

Regulators in some jurisdictions can impede competition. For example, it can take months for a licensed wagering operator to get regulatory approval for new products while the very same product is widely available on the internet.

Traditional Racing Industry Funding

On face value, the changes in the industry could be seen as some sort of natural progression – simply a result of market forces at work. However, this ignores the plight of a critical component of the wagering business – the racing industry.

The bulk of racing industry funding is sourced from TAB distributions which are established through product fee agreements. The fee represents a percentage of the revenue or commission that the TAB deducts from each dollar wagered. While some may vary slightly, TAB product fees generally represent an amount of around 6c from every \$1 of sales. It could be said that it's the TAB customers that pay the industry to put on the show.

While direct funding of the industry is through product fee agreements, TABs also provide indirect support by promoting betting sales through contributions to race vision (in both TABs and home), racing radio services, form data and daily newspaper guides. Ironically, corporate bookmakers and exchanges benefit greatly from these information services that are freely available to non-TAB customers.

Race Fields Fees

Corporate bookmakers flourished in low tax, low cost and friendlier regulatory jurisdictions. In the 1990s, corporate activity was mainly about sports betting and novelty events such as elections. That's all changed. Today, race betting dominates corporate activity.

While the racing industry continues to rely on funding from the traditional wagering operators, they have become increasingly frustrated as they go unrewarded as millions of dollars are bet with the corporates and betting exchanges.

Racing needed to put a stop to what was regarded as 'free riding'. This led to the introduction of 'race fields fees' legislation.



Unfortunately, the application of these fees has not been uniform. Depending on the jurisdiction, some fees were applied to a percentage of sales while others applied various percentage levels of revenue. The effect of this is a requirement to pay somewhere in the range of 0.5c to 1.5c in the dollar, depending on which jurisdiction to which the betting applies. The issue remains unresolved and is currently before the courts in several jurisdictions.

No matter the result, the fees still create an uneven playing field in race funding. If traditional race betting flows to low tax, friendlier regulatory jurisdictions, and the operators in these environments continue to avoid paying a fair and reasonable product fee, then the major casualty will be the Australian racing industry.

The Way Forward

The future of the Australian racing industry is at the crossroads. If nothing changes from the current fractured arrangements then racing will suffer. Tatts Group supports the notion that it's time to elevate the responsibility for wagering regulation and funding of the racing industry to a national level.

The first step would be to gain acceptance for a national approach to the wagering industry. Whether this can be achieved through a collaborative agreement between all States and Territories or whether it would require Federal intervention is debatable. We do note that this view is shared in Commission submissions by a cross section of major wagering participants – wagering operators, the racing industry and bookmakers.

If a national approach is agreed, the second stage would involve discussions on achieving an outcome that is acceptable to all parties on such matters as racing industry product fees and regulation.

Yours sincerely

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