



10th December 2009

Gambling Inquiry
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

Comment – Productivity Commission Draft Report October 2009

Tatts Group Limited lodged two submissions to the Productivity Commission Issues Paper on Gambling. The first paper was dated 30th March and focussed on responsible gambling issues. Tatts lodged a supplementary paper on 22nd May when it became apparent that the 'Issues Paper' had become a vehicle for comment on matters pertaining to the wagering industry.

Tatts Group Limited operates networked neighbourhood gambling services in Victoria, Queensland, South Australia, Tasmania, Northern Territory and the Australian Capital Territory. We are licensed to operate wagering, lottery and gaming machine services.

This submission comments on sections of the Draft Report relating to pre-commitment strategies, the effect of jackpots on gaming machine play, wagering and the Interactive Gambling Act

Yours sincerely

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Gaming

Overview

Maxgaming, a wholly owned subsidiary of Tatts Group Limited, is a Licensed Monitoring Operator (LMO) of electronic gaming machines (EGMs). Maxgaming is the largest monitor of gaming machines in the world with over 135,000 machines across its network, including 34,000 gaming machines in Queensland and, through exclusive licences, all machines in New South Wales and the Northern Territory.

As an LMO, Maxgaming has no vested interests in hotels, clubs, other gaming operators or gaming machine manufacturers.

We currently provide a card based gaming system that includes a pre-commitment facility to over 3,876 EGMs at 40 venues in Queensland.

This submission is restricted to comments concerning pre-commitment strategies and the provision of jackpot services

Chapter 7 – Pre-commitment strategies

Draft Recommendation 7.4 - Governments should implement by 2016 a universal pre-commitment system for gaming machines...

The following pre-commitment commentary is structured around the issues raised by the Productivity Commission Draft Recommendation 7.4. Detailed responses to the Commission’s call for feedback on the appropriate aspects of the design of a pre-commitment system are provided later in this submission.

Alternative Approaches to Pre-commitment

The Commission’s Report describes and compares a range of pre-commitment alternatives. Maxgaming believes a useful approach to classifying the alternative models is whether the system is voluntary or mandatory for venues to install and whether usage by players is voluntary or mandatory, as per the matrix below.

	PLAYER	
VENUE	Voluntary Player Use	Mandatory Player Use
Voluntary to Fit to machines	<u>Cell 1</u> Voluntary to Fit / Voluntary Use	Null
Mandatory to Fit to machines	<u>Cell 2</u> Mandatory To Fit / Voluntary Use	<u>Cell 3</u> Mandatory To Fit /Mandatory Use

Currently the only pre-commitment model that exists in Australia is that represented by Cell 1, where venues may voluntarily install and offer their patrons a pre-commitment tool, and the usage of same is a matter of player choice.

No Australian jurisdiction currently has a form of pre-commitment as represented by Cell 2, where it is mandatory for venues to have every gaming machine connected to a pre-commitment system, with the decision to use or not use left to the player. Maxgaming understands however that Victoria has legislated for such a model to be in force from 2015 (and partially sooner).

Cell 3 represents a model that appears to reflect the Productivity Commission's preferred model, where it would be mandatory for venues to install pre-commitment technology on all machines and similarly it would be mandatory for players to use the system (*the Occasional Small Denom Cash Card concept outlined on page 7.21 of the Draft Report can be considered to be a form of pre-commitment*).

There is a growing government policy interest in connecting gaming machines to a pre-commitment system, as already legislated for in Victoria and currently under review by the Queensland Government. This follows the advent of card based systems that can be retro fitted to the vast majority of existing gaming machines in Australia.

Maxgaming's commentary focuses on the pros and cons on whether such systems should be mandatory for players to use or voluntary for players to use.

Our commentary is structured around **the issues the Productivity Commission identified as impacting 'whether pre-commitment is appropriate in practise'** (Chapter 7.1 page 7.6) including:

- *Likely acceptance (Receptiveness of gamblers to the options for control/privacy concerns/Inconvenience and erosion of people's freedom)*
- *The costs (monetary and non-monetary) of the form of pre-commitment*
- *Likely effectiveness of the measures*

Likely Acceptance

Maxgaming is not aware of any research findings into the level of public support for a 'Mandatory to Use' ('MU') pre-commitment system. The support level is questionable when the majority of players see no need for such protections. Such a sweeping change would undoubtedly also cause a high level of public uncertainty and confusion.

Many Australians could also be expected to have privacy concerns ('big brother is watching') about being forced to register their details to enable them

to participate in a 'MU' pre-commitment system, so they may be allowed to 'have a flutter'.

Maxgaming suggests it would be prudent to gain community acceptance for pre-commitment with a 'Voluntary to Use' ('VU') model. Future investigations could be undertaken to estimate the additional benefits, if any, of converting to a 'MU' scheme versus its costs.

The 'VU' system negates any additional burden on occasional players or regular players who do not perceive they have a gambling problem.

Maxgaming's experience with its 'Simplex' pre-commitment platform in the Queensland market has demonstrated that a 'VU' pre-commitment scheme is showing encouraging signs as to the level of acceptance from players. The system has only been in operation for 6 months, and so far nearly nine percent of Simplex players have volunteered to set pre-commitment limits. If these patrons are either problem or at risk gamblers, it indicates that in a short space of time almost one third of the reported 30% of all gaming machine players who are either problem or at risk have set pre-commitment limits on a voluntary basis. Importantly, it is expected that the level of voluntary take up would be higher as awareness of the pre-commitment features grows.

Costs

The economics of a pre-commitment system go beyond upfront capital and recurring costs. The economic costs also include the potential impact on market demand. On the upside (from a venue view point), the infrastructure behind a pre-commitment system can also deliver venues value add benefits such as cashless gaming.

- Upfront Costs

A card based gaming system is a low cost pre-commitment alternative. Implementing a card based system featuring card readers attached to EGMs means there is no requirement for replacing existing gaming machines. This means a shorter transition period than would otherwise be the case.

A card based system could be enabled to be either 'VU' or 'MU'. Upfront hardware and installation costs would largely be the same. Card production costs would obviously be far greater for a 'MU' model.

Some system suppliers, including Maxgaming, have adopted a business model where the supplier retains ownership of all components and venues only pay a daily fee, with no upfront costs. The benefit of this approach is that it enables the functionality to be updated as technology advances. Venues are not left with obsolete hardware and regulators are able to change the system over time.

The attractiveness of these commercial terms to the market can be seen by the fact that Maxgaming in Queensland has installed player loyalty on more than 52% of the machines it monitors.

- Recurring Costs.

A 'VU' pre-commitment model would result in substantially lower costs than a 'MU' model.

Ongoing costs to venues would include administration of the scheme within the venue plus fees paid to the supplier for ongoing operational support and maintenance.

A 'MU' system would impose substantially higher administration costs due to elevated administration overheads to deal with registration of all poker machine players, issuing casual cards and dealing with players who have forgotten to bring their card or lost it.

Maxgaming's Simplay system provides a wide-area, possibly nation-wide, capacity that recognises the importance of the card play being tracked across all venues in a jurisdiction. The Monitoring Operator is best placed to provide this service as it can leverage the existing wide-area communications network to deliver the industry the lowest possible recurring costs.

- Demand Costs

The impact of a 'MU' pre-commitment system on gaming revenues is unknown. Maxgaming is aware that there are genuine concerns within the club and hotel industry about the potential decimation of the industry if a 'MU' pre-commitment system was instituted. There can be no doubt that a mandatory requirement for registration would impose substantial levels of inconvenience on recreational poker machine players leading to a significant impact on revenue.

- Venue Benefits

A card based pre-commitment system has the capacity to also support cashless gaming and player loyalty, for a low marginal cost over and above the pre-commitment operation. Cashless gaming has the potential to offer venues operational efficiencies.

Enabling cashless gaming and loyalty via the pre-commitment system also allows players to become accustomed to the behaviour of using cards when playing machines. The step to take up 'VU' pre-commitment is then a small and natural progression toward 'MU'.

Likely effectiveness of the measures

Effectiveness is taken to mean the potential of the system to reduce the harm from problem gambling.

The Commission's Draft Report suggests that a 'MU' model has greater capacity to reduce harm. Maxgaming however believes there are pros and cons to both models in terms of their contribution to harm minimisation and there is a strong case in support of the 'VU' model of pre-commitment.

Maxgaming provides commentary based on consideration of the following 'effectiveness issues'.

1. Evidence Based
2. Potential for Circumvention
3. Harm Minimisation Features
4. Ease of Use
5. Problem Transference

- Evidence Base

Experience from Maxgaming's Simplay installed base of 3,876 EGMs has given Maxgaming data regarding the effectiveness of a 'VU' pre-commitment system. Around 8.6% of Simplay enrolled players have elected to set spend limits on their play. This demonstrates that a 'VU' pre-commitment system can offer player protection relative to existing responsible gambling measures.

Maxgaming has no experience with implementing a 'MU' model and accordingly we have no data on which to make comment on the relative effectiveness of a mandatory system.

- Potential for Circumvention

While 'VU' systems can protect at-risk players, the commitment decision is in the hands of the individual player and in this sense a 'VU' model is open to circumvention. However, a 'MU' model is also open to player circumvention, simply by the player 'Opting Out' of the default limits.

The 'Opting Out' mechanism of the Commission's preferred model provides the means for a problem gambler to circumvent 'MU' pre-commitment.

Effectively, neither system affords protection to the problem gambler who wants to deny their addiction. The difference is that with the 'VU' model the majority of poker machine players who do not have a problem are not unnecessarily inconvenienced.

- Harm Minimisation Features

Once a player elects to use the pre-commitment features of a 'VU' model, it can offer a raft of harm minimisation features to assist problem gamblers. More details on these features are contained in a summary of Maxgaming's Simplay pre-commitment system which can be found further in this submission.

- Ease of Player Use

As the majority of gaming machine players do not recognise themselves as having a gambling problem, no matter what attempts are made to simplify a 'MU' system, the majority of players can be expected to react unfavourably given they see no personal benefit.

Under a 'VU' model, a system which supports loyalty and cashless gaming as well as pre-commitment is recommended as it enables players to become accustomed to the behaviour of using cards when playing machines. The step to take up pre-commitment is then a small and natural progression. Furthermore, the take up of this step can be promoted through various measures such as regularly reminding the player to consider setting a pre-commitment level.

- Problem Transference

The objectives of pre-commitment will be undermined if problem gamblers transfer their gambling activities to some other form or channel of gambling rather than participate in a 'MU' model.

Summary – Mandatory versus Voluntary Pre-commitment Models

If provision of a pre-commitment system on gaming machines is to become a regulatory requirement, Maxgaming believes there is a strong case for the system to be voluntary. In Queensland, a 'VU' pre-commitment system has already been proven to provide player protection benefits without the inherent risks, uncertainties and unknowns of a 'MU' pre-commitment system.

A 'VU' pre-commitment system provides the gaming industry with a low risk solution that has potential benefits for all participants.

An Effective 'Voluntary to Use' Pre-Commitment System

Maxgaming's Simplay system has been developed and tested over a number of years and includes a pre-commitment module that encourages gamblers to play within safe spending and time limits.

It provides the following solutions:

- a means by which players set personally defined pre-commitments and at a minimum, a spending limit that cannot be revoked within a 24 hour period;
- when this limit is reached no further credits can be transferred to the poker machines at that venue (or in any venue if operating in a wide area environment). The account is locked until the next gaming day before carded play can resume. Time limits are also available from 15 minutes to 24 hours; this feature also disables the transfer ability to the machine if the time limit is exceeded;
- player statements are available that detail machine spend on a daily, weekly and monthly basis. The reports include a listing of all major losses (\$100 or more) since the last request for information;
- players may elect to opt-in, with periodic checking of their preference to do so via prompts suggesting they consider setting a pre-committed level of spend;
- the use of one-off small denomination cash cards for occasional gamblers to use on machines, with only minimal identification requirements;
- it can apply to all gaming machines in all venues in all jurisdictions;
- avoids identity fraud;
- uncomplicated for gamblers to understand and use;
- does not unduly affect the enjoyment of those selecting safe playing options;
- presents few obstacles to future innovation in the presentation and design of the system; and
- offers a low risk, low cost solution that minimises harm to consumers and the broader community.

Commission Call for Feedback – Page 7.43

The Commission seeks feedback on the appropriate detailed aspects of the design of a pre-commitment system meeting the broad criteria in Recommendation 7.4 of the Draft Report, including:

- ***the viability of using one-off small denomination cash cards for occasional gamblers to use on machines, with only minimal identification requirements.***

This facility is currently available in Maxgaming's Simplay system, where a card is issued with no receipt of personal information, other than a signature to acknowledge receipt of the card. In this instance there is no default PIN or spend limit set on the account and they are indeed intended for the occasional player for venues where hoppers are removed from machines. As there are

no identifiable features to re-unite lost funds i.e. these cards are treated like cash, if you lose the card, the money is lost. Due to the nature of this the maximum card value is \$100

- ***the capacity to configure machines to play in a low-intensity ‘safe mode’ if no pre-commitment method is being used.***

This functionality would be dependent on the gaming machines having the appropriate protocol to enable dynamic configuration of game play based on whether or not the play session is being ‘controlled’ under a pre-commitment limit.

It is possible for machines using the QCOM protocol to configure parts of the functionality in the machine on an ad-hoc basis. An example of this could be where the maximum spend amount per spin is normally \$5, but a player using a card with a pre-commitment spend limit is permitted a \$10 maximum bet. As a maximum spend limit has been set, the increased bet amount will not let the player bet more than their set limit. This technology is available now in jurisdictions utilising the QCOM protocol, i.e. Queensland, Victoria, Tasmania and the Northern Territory.

- ***any requirements that might apply to players who opt out of pre-commitment.***

A measure that may be used for players who opt-out of pre-commitment could be as follows.

When inserting the card for use for the first time every month the player must answer questions that would make them think about the amount of money they are spending on gaming. Depending on the answer, the patron may be directed to seek assistance from venue staff about setting a limit on their play or excluding themselves from play e.g. *‘Would you like to set a spend limit or time limit on your play?’*

- ***measures to avoid identity fraud.***

The most effective way to ensure identity fraud is minimised is to ensure that only one entity controls the method of dispensing cards where the identity is linked to an individual. The integrity of the initial registration is paramount to ensure the base data is valid and identify fraud risk is minimised.

The personal details of any individual are only divulged to that individual on them entering information that was recorded at the time they registered for the program. This personal information would be recorded in a database that does not reside on the gaming premises to ensure that if a venue is compromised there is no opportunity to extract information from the ‘hardware’ residing in a venue. The provider of the pre-commitment system would need to demonstrate their ability to operate a wide-area transactional business in a

regulated environment and undergo stringent accountability criteria to minimise the possibility of identity fraud.

- ***the appropriate transition to a pre-commitment system and the capacity of some jurisdictions to provide systems prior to 2016.***

The nature of the machines and the monitoring systems in each jurisdiction affects the practicality and cost of a quick implementation. For example, machines with card readers and loyalty systems in place could be more cheaply modified for pre-commitment than those where these features are absent. The Queensland central monitoring system appears to be more readily capable of delivering pre-commitment than some other jurisdictions.

As stated previously, Maxgaming feels the best model for pre-commitment would be a 'VU' model. However, if legislation required all venues in a jurisdiction to have a 'MU' pre-commitment facility by 2016 the following would be achievable as transitional models with indicative timeframes.

- In each jurisdiction it is assumed an ancillary piece of hardware would be introduced to be attached to the gaming machine, at the expense of the system provider. This allows for each manufacturer to supply machines on an even playing field until such time as a single EGM communications protocol is determined on a national basis that would allow for the standardisation of the supply of card readers and interaction with gaming machines.
- The ancillary hardware will have a card reader, patron input mechanisms and customer display, to communicate messages to patrons relating to the pre-commitment states the patron is in. In certain protocol EGMs (e.g. QCOM) there is an ability to also display these patron alert messages on the screen of the machine. In other protocols, (e.g. G2S) the technology goes as far as to allow the pre-commitment messages and interactions to take over a portion of the EGM screen. These types of protocols are only just emerging and their adoption would be costly. It is envisaged these types of technologies would take some years to evolve and become common place to enable them to serve as a viable option for a wide area solution.
- In each case it is assumed that the pre-commitment facility would be provided in each jurisdiction by a single Licensed Monitoring Operator (LMO) leveraging off the wide area monitoring infrastructure and in venue cabling already in-situ. A wide area capability would prevent patrons from circumventing the system by merely moving between venues once a spend limit is reached in any single venue.
- The interaction with the gaming machine is orchestrated under the control of the monitoring system rather than the pre-commitment system directly for a number of reasons:

- The existing EGM protocol need not change to allow for the implementation of the technology, so that sites are not burdened with further EGM upgrade/replacement costs.
- Monitoring system events are recordable and auditable from the central monitoring system; these events can be viewed together with the pre-commitment system events to create a 'full picture' of the gaming activity that was undertaken in the event of a player dispute or enquiry.
- Other advantages in implementing a single system in all jurisdictions:
 - The functionality is known from venue to venue and spans jurisdictions meaning it costs less to implement.
 - As patrons cross borders they are not confronted with coming to grips with different systems with slight differences in functionality
 - As the hospitality industry has a high level of staff turnover a single system means less cost to train new staff members on different systems.
 - If at any stage there was a requirement to operate a national system this could more readily be facilitated by a single entity operating a single database.

As can be seen, machine protocols have a large bearing on the cost and speed of a pre-commitment rollout. The following provides a high level summary of each State's protocol environment and issues related to pre-commitment.

- Queensland

Both the QCOM protocol and IGT protocol machines already provide the ability for the LMO to disable and enable machines from the Site Controller.

Maxgaming's Simplay system already has a built in pre-commitment mechanism that will disable a machine when a patron has reached their limit while playing with a card inserted. The transition for patrons and venues in Queensland utilising the Maxgaming supplied system is a simple one that could be achieved with a minimum of disruption at a low cost where only an additional card reader and screen is inserted into the machine which interacts with the Site Controller to facilitate the pre-commitment mechanism. The complete system is provided to sites on a no upfront cost for a nominal daily fee per machine per day.

With the exception of the few remaining IGT protocol machines, a pre-commitment system could be rolled out to all Queensland gaming machines monitored by Maxgaming (82% of all machines in hotels and clubs) within 12 to 18 months of a decision to do so.

- Northern Territory

The Northern Territory is 100% QCOM system. As such the machines in this jurisdictional could support a system wide pre-commitment facility by 2012.

- Victoria

Current legislative requirements already require a pre-commitment mechanism to be in place on every machine by 2015 and on new machines after 2013.

- NSW and ACT

The X series protocol allows for a multitude of systems to be connected to a single machine to interact with that machine. With the addition of the ancillary pre-commitment hardware previously described, a pre-commitment system could be installed across all existing NSW and ACT machines. With over 100,000 machines the rollout period required for cabling and installation would be significant however the project could be completed well prior to 2016 if an early decision was made.

- South Australia

Maxgaming does not have sufficient information on SA machine protocols and their limitations. Based on what we do know of the VLC protocol we believe that it would be possible to implement a pre-commitment solution by using both time triggers and session end triggers to read EGM meters to determine if a patron has exceeded a time of monetary spend limit.

Chapter 11 – Game features

Jackpots

Section 11 of the Productivity Commission's Draft Report, Game Features and Machine Design, discusses the effect of jackpots on gaming machine play. The Commission calls for *“further views and information about whether any changes are warranted and if so what form they should take and likely associated costs and benefits”*.

Maxgaming holds the exclusive licence for state-wide linked jackpots in NSW and also offers state-wide and in-house links in QLD and the NT.

Currently, the highest jackpot offered by Maxgaming is a maximum of \$125,000 in NSW Clubs. The NSW Office of Liquor, Gaming and Racing (OLGR) has stated further increases will not be considered in the absence of valid and reliable research into whether larger jackpots have any impact on the level of problem gambling. The highest jackpot on offer in NSW is operated by Star City Casino featuring a \$1 million upper level.

In April 2007 Maxgaming commissioned a report to determine 'The relationship between jackpot size and gambling behaviour on Electronic Gaming Machines'. This 'desk top' research report was prepared independently and addressed to the then Commissioner of the NSW OLGR, Mr Michael Foggo. The report revealed no evidence of any research having been conducted into the relationship between jackpot size on EGMs and gambling behaviour in particular. (A copy of the report is attached to our submission.)

The only research examining the effect of jackpot size in any form of gambling was conducted in the UK in regard to lottery gambling. The report made the following observation:

“It is recognised that problem gamblers are attracted to the continual reinforcement of winning that EGMs provide, and that pay schedules on individual EGMs are designed to provide ‘small and often’ wins. Large state-wide jackpot prizes on the other hand are triggered relatively infrequently in any given venue. Consequently, they are not regarded as particularly achievable and game play is therefore not motivated out of an expectation of winning one. The jackpot levels...fall into the ‘nice if it happens’ category in similar fashion to prizes in the various lotteries, Lotto and Keno.”

Maxgaming's view is that offering large lottery-style jackpots adds to a player's enjoyment while playing EGMs, but like winning Lotto, is not regarded as being easily achievable to win, and therefore large jackpots are viewed as

unlikely to be a large contributing factor in player behaviour with respect to problem gambling for the majority of EGM players.

Maxgaming believes no changes to current jackpot offerings are warranted at this time.

Chapter 12 - Online Gaming and the Interactive Gambling Act

Draft recommendation 12.1 – The Australian Government should repeal the Interactive Gambling Act, and in consultation with state and territory governments, should initiate a process for the managed liberalisation of online gaming.

The Commission's recommendation to liberalise online gaming is, once again, perplexing. In a Draft Report largely devoted to harm minimisation measures, we believe that along with a consideration to expand credit betting in wagering, the liberalisation of online gaming has the potential to exacerbate problem gambling.

These recommendations are in contradiction with the rest of the Draft Report. Elsewhere, the Commission is recommending a range of more stringent measures that impact gambling in more 'social' and heavily regulated environments (neighbourhood venues). The aim of those recommendations is clear and they are readily identified as harm minimisation measures. However, the same cannot be said for the Commission's approach to online gaming and credit betting.

Tatts believes the 'physical venue' provides more protection than gambling on the internet. Face to face customer interaction is a very effective harm minimisation mechanism compared to the anonymity and impersonal environment of the internet. The more personalised relationship tends to provide a bit of a brake on problem gambling behaviour as customers are more likely to feel awkward or embarrassed when dealing with familiar faces. This works both ways, as staff that are familiar with customers are likely to intervene if that customer is displaying signs of uncontrolled gambling.

The advantages of face to face interaction extend to identification of minors and intoxicated gamblers, both impossible to police on the internet. In addition, while the neighbourhood venue gambler faces geographic limitations and enforced breaks in play when the venue closes, the online gambler has access to the world on a 24/7 basis.

We do not believe that the evidence for the liberalisation of online gambling presented by the Commission is compelling. We consider the existing inherent risks documented in the Draft Report along with the published prevalence rates of online problem gambling outweigh the dangers associated with liberalisation.

Chapter 13 - Wagering

Tatts Group, through its wholly owned subsidiary UNiTAB, is licensed to operate wagering services in Queensland (Qld), Northern Territory (NT) and South Australia (SA).

Before responding to some of the recommendations and findings in the Draft Report, we would like to draw the Commission's attention to the following. We believe they are vital to the wagering debate but they did not receive appropriate recognition in the Draft Report:

- UNiTAB contributes up to 60% of its gross revenues in racing product fees and taxes in its trading jurisdictions. In short, we bankroll the racing industry and we pay significant licence fees through taxes to each licence issuing jurisdiction in which we operate.
- We note the Commission's statement on page 13.7 regarding declining TAB turnover on thoroughbreds since 2000. UNiTAB's turnover on thoroughbred racing has not declined.
- We note the Commission's reference to the TABs' 'market power'. It's important to recognise that around 30% of TAB sales are by internet or phone. That is, 30% of TAB betting is 'borderless' and therefore non-exclusive. Importantly, the 70% of sales attributable to the retail network is also under threat due to continuing attempts by corporate bookmakers to enter the retail market.

Draft Recommendation 13.1- A national funding model, a key element of which would be a single levy, universally paid on a gross revenue basis.

Tatts Group supports the Commission's recommendation.

However, if the current levels of funding to the racing industry are to be maintained, serious consideration will need to be given to the quantum and calculation of the levy.

At present, UNiTAB pays approximately 6.24cents in every wagering dollar to the racing industry. This compares to amounts of as little as 0.6cents paid by the corporate bookmakers. In reality, non-TAB wagering operators will need to raise the quantum of their contribution significantly.

Tatts Group notes the Commission's recommendation for the levy to be based on gross revenue. However, it is fundamental that gross revenue be defined as 'total amount wagered less payouts'. This means that normal operating expenses, including inducements, free bets and bad debts, are excluded from the calculation.

On page 13.32 of the Draft Report, the Commission suggests the TABs should pay a premium for the 'retail privilege on top of the levy'. This may be appropriate but only if retail exclusivity is retained by TABs. In this regard, any supposed advantage of TAB retail exclusivity is becoming more and more questionable as a variety of corporate bookmakers attempt to enter this market. However, if a premium is to be paid, then it should only be applicable to TABs' retail sales generated under effective and exclusive retail licences. It should not be applicable to its non-exclusive internet and phone sales.

Draft finding 13.3 – Tote-odds betting

Perhaps the most frustrating element in this period of rapid expansion of corporate bookmaking has been the charge levelled at TABs of a lack of innovation. They suggest that punters are 'flocking' to the corporates because of their innovative bet types. In truth, the overwhelming majority of their race wagering business is based on TAB products. Where's the innovation?

The corporate bookmakers are not bookmakers in the traditional sense. They do not frame markets - they simply switch on TAB odds screens. They are no more than de facto TABs. This has been exacerbated in recent times as they have expanded their product range beyond Win and Place bet types to include traditional TAB exotics.

Credit Betting – General Comments

Tatts Group is perplexed by the Commission's comments in relation to credit betting in wagering (pages 13.42 and 13.43).

Whereas all the recommendations and findings throughout the entire Draft Report are aimed at addressing the serious issues associated with problem gambling, the Commission inexplicably defines credit betting in wagering as acceptable. It even goes on to suggest that credit betting could be further expanded. This is in complete contradiction to other sections of the Draft Report that recommend restrictions on access to cash in gambling venues.

The notion that credit is necessary to service 'high-end' customers is questionable. Among its account holders, UNiTAB has some of Australia's largest punters betting through its internet service. They cannot bet unless there are sufficient funds in their account. The lack of credit does not deter these customers.

A quick search on 'Google' regarding the offer of credit by bookmakers suggests that this practice is not restricted to 'high-end' customers. There is clearly an effort to attract 'ordinary' recreational punters. Such activity should be reviewed in light of the Commission's comments on page 9.1 of the Draft Report which noted 'where credit is available in gambling venues, there is a

greater tendency for higher risk gamblers to use it compared with other gamblers’.

With this in mind, it would be interesting to identify the amount of money wagered on credit by problem gamblers. The only time it becomes public is when the matter goes to court as the bookmaker attempts to recover the debt. It appears that when it gets to this stage there is generally hundreds of thousands of dollars involved. Sadly, these proceedings have become more frequent in recent years.

While we accept credit facilities shared between corporate bookmaking firms may be necessary as a means to ‘bet back’ or ‘lay off’, Tatts does not support credit betting for individual customers. As a harm minimisation measure, we believe credit betting in wagering should be prohibited.