

Australian Bookmakers Association

Further Submission to Productivity Commission re 'Gambling Inquiry' Draft Report. December 2009.

Introduction

- The Australian Bookmaking Association ('ABA') appreciates the opportunity to make a further submission to the inquiry into the Australian Gambling Industry, following the release of the Commission's draft report.
- This submission will re-cap our key issues made to the inquiry in our original submission, plus will comment on the Commission's draft report content and recommendations wherever our members interests are potentially impacted.
- For convenient reference, a brief snapshot of the role and membership of our organisation is as follows:
 - national representative body for Australian on-course bookmakers
 - made up of delegates of the State and Territory bookmaking associations
 - represents approx 650 on-course bookmakers across the nation, and -
 - comprises combined annual betting turnovers of approx \$1.4 billion

Our original submission to the Inquiry

- Our key theme has been the relative long-term decline in race wagering market share of the gambling industry (and in particular our on-course bookmaking sector), and the urgent need for regulatory reforms to reflect the emerging national form of the industry.
- This need for reform is we believe no more critical elsewhere than in our traditional on-course bookmaking sector. Our sector has been decimated over recent years due to 'standstill' regulatory positions while other wagering sectors have been allowed to re-position towards the growing and more profitable off-course betting market.

- As industry statistics have highlighted, our members' share of the total wagering market has shrunk dramatically over the last 3 decades as primary wagering has shifted away from the racecourse. The future outlook is gloomy, with recent predictions by a leading corporate bookmaking firm that on-course bookmaking will shrink further from its current 5% national wagering market share to less than 2% within the next 5 years.
- This prediction is not inevitable, but is based on the continuing reluctance in many jurisdictions to recognise the need for local bookmakers to expand their customer reach, their location options, their delivery platforms, their hours of operation and their product range.
- We believe the continuing decline of our traditional on-course bookmaking sector should be more of a focus in the current debate on this industry. Bookmakers are an integral part of the race-day experience and add colour and excitement to the event. Anyone who has ever attended non-bookmaking race meetings elsewhere in the world will attest to this fact.
- They are an important factor in driving racecourse attendances, and have been a key factor in driving overall betting – including through the totalisator. Our members have historically been strong supporters of the racing industry and have paid industry fees and contributed financially towards the product to a significant degree and over the long term.
- However we feel somewhat left out of the very loud debate that is currently being dominated by corporate bookmakers, the TABs and the lead racing bodies. We would hope that the Commission could apply more focus to our sector in its final report.
- In summary and on a more macro scale, we believe that the current national wagering market is inefficient, due mainly to fragmented, overly complex and protectionist regulatory arrangements in most jurisdictions at both government and racing industry levels.
- More than any other factor this regulatory-led market failure has limited the overall growth of race wagering and by extension racing industry revenue growth.
- Critically – the preferences and economic welfare of *betting consumers* have run a very distant last place in the continuation of these arrangements. This is clearly a poor policy approach in any 'discretionary spend' industry.

The draft report

- The ABA fully endorses the content, findings and recommendations of the draft report, particularly with regard to its wagering and racing industry content.
- In our view it provides the independent, economically focussed guide to the future conduct of the racing and wagering industry that has been sadly lacking under previous vested interest-based analysis.
- Importantly, it recognises that industry policies and management **MUST** be better aligned with the interests of wagering consumers, if the industry is to have long term relevance.
- In terms of problem gambling policy focus the report has appropriately concentrated on gaming machine activities in publicly attended retail gambling venues.

This submission - our key issues

- Without totally repeating the positions taken in our original submission we would like to highlight a number of key issues raised in the draft report that we believe are critical to the future viability of our industry sector. Some brief comments on positions held by other inquiry contributors are also provided below:
 - **National Regulation:**
 - We applaud the Commission's recommendations to address the current fragmented and inconsistent application of regulation in our industry. The wagering market is now a national one, but is in many cases being poorly regulated under outdated and protectionist policies that detract from consumer welfare and work against competition and growth.
 - The recommended implementation of a national, independent product fee setting body appears to be necessary given the racing industry's demonstrated inability to manage this issue itself. We would prefer this was not necessary, but the current legal disputes are symptomatic of a racing industry that is unable to organise itself nationally, and unable to properly consult with its wagering providers and product consumers on these matters.

- Consistent regulation of gambling is as important as fee setting, and should also be nationally focussed. Again, the current arrangements are often inconsistent, inefficient and in most jurisdictions work against proper competition and the welfare of consumers.
 - We would welcome more prescriptive direction by the Commission on how a national approach should be implemented, as our main fear is that relevant governments – State and Federal – will fail to take action on this issue.
- **Competition issues:**
- We applaud the Commission’s pragmatic assessment of unproductive limits to competition within the wagering market. It is interesting to note that the other most recent independent analysis of the wagering industry – the NSW “Cameron” report – resulted in very similar findings and recommendations. We firmly believe that both independent assessments have been correct.
 - Wagering and racing in Australia has long been treated by policy makers as a “special” industry that should ignore consumer welfare priorities and will best prosper via anti-competitive arrangements. Unfortunately the industry’s current struggle for market share and relevance to younger generations is a product of this misguided approach.
 - In summary, we agree that the focus of the racing industry must shift from the preservation of controls on competition and historical funding mechanisms to a focus on growth in customer interest and related expenditure.
 - We are astounded that, in light of your assessment and Cameron’s beforehand, some racing administrators are still promoting market protection of the totalisators as being the best way forward.
 - As per the following examples, totalisator monopolies have recently not performed well in countries that allow them.
 - The state controlled tote in Japan (Japan Racing Association) has been in long term decline for more than 3 decades now.
 - The Hong Kong Jockey Club totalisator monopoly has in recent years struggled in terms of any racing growth.

Fixed odds sports betting (on soccer) appears to be the HKJC's only significant growth stream.

- USA racing totalisator turnovers continue their pattern of long term decline.
 - New Zealand's TAB monopoly has also seen a strong period of growth come to a halt last year.
 - Of the other traditional monopolies only France appears to still be performing reasonably well.
- These comparisons are very important. Betting declines in the major tote-only racing countries are now resulting in significant decreases in total prize money paid to owners. A 5-year snapshot of the latest available thoroughbred prize money figures in the Australian Racing Board Fact Book tells the following story between 2002 and 2007:
- Hong Kong: prize money down 18%
 - USA: prize money down 25%
 - Japan: prize money down 34%
- In comparison all of the major 'mixed tote and bookmaking' countries have experienced increases in total prize money during the same period. Viz:
- Australia: prize money up 18%
 - South Africa: prize money up 30%
 - Ireland: prize money up 31%
 - UK: prize money up 4%
- Clearly Australia has one of the best structures on paper, with tote and fixed odds competition allowed, (albeit on an inconsistent basis).
- The ABA is supportive of the need for a strong and viable totalisator betting system as part of the successful Australian racing and wagering environment. However in our view there has been NO tangible evidence provided to this inquiry nor the recent independent 'Cameron' inquiry in NSW, that Australian totalisator betting is either

currently in decline, nor in danger of future decline, due to increasing market wagering competition.

- This is an important point, and is supportive of the merits of the competitive trend that has emerged – albeit inconsistently - during the current decade.
- What is also evident (see latest ARB Fact Book 2007/8; tables 74-84) is that there is overall national growth in both the totalisator and bookmaking sectors during this period, however this growth is not being evenly shared among jurisdictions nor wagering providers.
- The ABA’s major ongoing concern is that traditional on-course bookmakers in most jurisdictions are effectively unable to compete in the national market due to outdated regulatory restrictions. These restrictions limit bookmakers’ access to certain betting products and to viable telephone and internet trade with off-course clients generally.
- The ABA suggests that the Commission should highlight the impact of these inconsistent competitive arrangements in its final report. Our view is that these arrangements not only disadvantage the majority of our membership, but also reduce overall potential wagering revenues for the wider industry.

Credit Betting Restrictions

The Commission in its draft report has requested the views of industry stakeholders in respect of 3 proposals put forward in respect of the future regulation of credit betting. The ABA has considered these proposals and wishes to provide the following comments in respect of same:

1. *Should credit betting by wagering providers be restricted to ‘established clients’ only, as recommended in the Cameron report? (nb. an indicative qualification period of 3 months was proposed)*
 - The ABA would be broadly supportive of such a measure, along with the indicative 3 months period proposed, provided it was adopted on a national basis and for all wagering operators.

- We would ask to be directly involved in any discussions and/or industry consultation processes involved in the implementation of such a proposal.
2. *Should credit betting by wagering providers be restricted to wagers above a minimum threshold? (and if so, what would be an appropriate threshold amount?)*
- The ABA does not believe that such a restriction could be practically applied, nor would it have particular benefit from a consumer protection point of view.
 - Bookmaking clients typically vary their individual outlay amounts on any race or contestant. They do not always bet in the same denominations, nor do they wager via the same bet types. For example, many clients will back multiple horses in a race, for varying outlays depending on price and expected returns. Smaller outlays may also be placed on 'exotic' bet types (quinellas, trifectas etc) alongside larger win and place bets in the same event. Variations such as these will make the application of a 'credit threshold' very difficult to apply without causing major inconvenience and confusion to punters and wagering providers alike.
 - Importantly, the policy objective of deterring credit provision amongst smaller recreational punters, may not be well targeted via this proposal. The size of any individual bet placed is not necessarily an accurate determinant as to whether a punter can be labelled as either a 'large' or 'ordinary' gambler.
3. *Should credit betting be extended to other betting providers such as TAB's?*
- The ABA has strongly argued for consistency in the application of competitive wagering regulations on a national basis. We would therefore support the equivalent policy treatment of TAB's in terms of credit betting arrangements.

Conclusion

The ABA wishes to congratulate the Commission on the content of its draft report. We believe it provides a valuable independent roadmap for the Australian racing and wagering industry towards a viable economic future.

Please do not hesitate to contact our association secretary Mr Ed Park (ph. 02-92677605 or email bookies@citytatts.com.au) should you require any further details in respect of our submission.