



Gambling Inquiry
Productivity Commission
GPO Box 1428
Canberra City
ACT 2601

18thDecember 2009

Dear Sir,

PRODUCTIVITY COMMISSION REVIEW OF AUSTRALIAN GAMBLING LAWS

Introduction

1. I am writing to provide the comments of the RGA on the report that issued for consultation (closing date 18th December). Although the wider context of gambling reform in Australia is clearly of interest to us we have focussed on the proposals relating to online gambling. These are primarily contained in Chapter 12 '*Online gaming and the Interactive Gambling Act*'.
2. In order for you to assess how much weight to attach to this submission it would be sensible to set out some background about the Remote Gambling Association (RGA) and the expertise and experience that it and its members has in this field.
3. The Remote Gambling Association (RGA) became operational on 1 August 2005 as a result of a merger between the Association of Remote Gambling Operators (ARGO) and the Interactive Gaming,

Gambling and Betting Association (IGGBA). We have offices in London and Brussels and have engaged in the gambling reforms in many jurisdictions, for instance within the EU, South Africa and the USA. This reflects the international nature of our membership and the industry at large.

4. The RGA is a trade association whose role is to promote the interests of its membership, which includes many of the world's largest and most well known remote gambling companies, several of whom are stock exchange listed. A full list of members is at Annex A.
5. It is worth pointing out that a number of our members are already involved in the Australian gambling market, but given the right regulatory and tax environment it is likely to be of interest to an increasing number of operators, certainly in the sphere of online gambling.
6. As a condition of membership, all of our members must be licensed for gambling purposes in Europe and they must agree to abide by our codes of social responsibility. This is for reasons of probity and customer protection. A number of our members have licences in other jurisdictions too and so collectively we have a wealth of experience of operating in regulated markets.
7. Further information about the RGA is available on our website at www.rga.eu.com
8. For ease of reference we have broken our comments down into general observations and key issues.

General observations

9. We know from first hand experience and from working in co-operation with regulators in various jurisdictions that online gambling raises a number of difficult political and policy issues. We believe that any reasonable concerns can be addressed successfully through a partnership approach between legislators, regulators and gambling operators who share a common goal to establish effective and viable regimes.
10. At the outset we would like to record our acknowledgement of the way that the Productivity Commission has approached all of these issues and to compliment it on the objective report which it has produced. Sifting through the vast amounts of material and often contradictory opinions is no easy task and it might be that other jurisdictions could learn from the process you have followed.

11. Of course that does not mean that we agree with every conclusion that has been reached, but we are able to follow the thinking behind your findings and in the main they are ones that we would feel able to support.

Federal licensing

12. It is not for us to comment on whether federal licensing is appropriate for all forms of gambling, but for online gambling we would argue that state by state licensing would lead to regulatory inconsistencies, would reduce choice for consumers, reduce competition and would fail to resolve many of the issues that are raised in the Productivity Commission's report about cross border online gambling and the failure of measures to enforce any related restrictions.
13. Probably the most telling fact quoted by the Productivity Commission in relation to this is that spend on online gambling has already risen to over \$790m per year.
14. We would suggest that international experience shows that wherever prohibition has been tried it has failed to meet its primary objectives. The Interactive Gambling Act 2001 is definitely not alone in that regard.

Position of the consumer

15. There is a tendency in many jurisdictions to focus on the issue of problem gamblers (see below) which, while clearly important, tends to detract from the interests of the huge majority of gamblers who do not encounter any difficulties.
16. A regulated market will offer them better safeguards, better choice, and better value in what is increasingly accepted as an industry that is and should be part of the mainstream leisure sector.
17. It is a fallacy that online gambling cannot provide appropriate levels of protections for all customers. This was the case when the Senate Select Committee on Information Technology produced its report in 2000. It concluded then harm minimisation features online offered significant improvements over those in venue based gaming. Again it is not for us to comment on the position in bricks and mortar gambling establishments but what we can say with certainty is that in the online environment things have continued to progress over the last nine years.

Problem and underage gambling

18. The RGA and its members fully accept that they have a responsibility to combat problem gambling and to prevent children from gambling. The ways in which this can be done vary from jurisdiction to jurisdiction depending on regulatory requirements and access to data about individuals. However, while no system can be foolproof there are solutions which are both proportionate and effective.
19. Online gambling provides many opportunities to put in place protections that are not there in all traditional gambling environments. While technology may be perceived by some as a threat the truth is that when it comes to combating crime and problem gambling it offers a whole range of additional solutions and protections.
20. There is not space here to list them all, but our own minimum standards are set out in our codes of practice on social responsibility and age verification. Both can be accessed at our website.
21. The following are examples of the measures that are commonly applied by our members currently:
 - Deposit and spend limits for customers
 - Facilities to allow customers to self exclude themselves from the gambling site
 - Information on the sites about responsible gambling
 - Links to sources of advice and counselling
 - Financial support for treatment services
 - Enabling websites to permit filtering software, such as that provided by the Internet Content Rating Association (ICRA), to enable parents to restrict their children's access to sites that they deem to be undesirable.
 - Use of third party suppliers, such as credit reference agencies or holders of related databases, to confirm the identity and age of customers
22. It is unfortunate that in the past there has been so much misinformation about online gambling and problem gambling, but as time passes we can increasingly look at fact rather than hypothesis. Again we believe the Productivity Commission has taken a very thorough and objective view of all the real evidence and has reached the conclusion that "*there are no empirical studies that establish a causal relationship between gambling online and problem gambling*".

23. Again there can be no cause for complacency, but this is the factual position and one which, for instance, is also shared by the British Gambling Commission. What we would stress is that legitimate concerns about problem and underage gamblers are best addressed through appropriate levels of regulation.
24. By comparison any form of flawed prohibition, which in our experience has been the case wherever it has been tried in relation to online gambling, provides absolutely no safeguards for people who fall into these categories.

Crime & money laundering

25. In a regulated and licensed industry, such as that proposed by the Productivity Commission, all risks associated with crime, fraud and money laundering can be adequately addressed at least to the same standard as traditional bricks and mortar gambling venues such as casinos. If anything the cashless nature of online gambling and the positive identification of every customer account holder adds a further level of protection. This was highlighted as one of the main findings in a report we commissioned this year from a company called MHA, who do much work in the UK financial services sector, into money laundering. We would be happy to let you have a copy, but its main conclusions were that this industry is not especially susceptible to money laundering or fraud.
26. However, the threat of crime is one that the industry always needs to be alert to and the RGA now works closely with various bodies such as the Financial Action Task Force (FATF), Anti-Money Laundering Europe (AME), and several organisations for Money Laundering Reporting Officers (MLROs) to ensure that procedures and practices continue to be state of the art. It is also worth noting that, in addition to any local regulatory requirements, all online casinos in the EU are subject to the full requirement of the EU Money Laundering Directive which applies to other sectors such as financial institutions.
27. Australia is well known for having long established regulatory systems for most forms of gambling and if these have been successful in dealing with crime in terrestrial gambling then there is every reason to believe that they can be at least as successful for online gambling.
28. A full licensing regime would prevent the wrong people obtaining licences and subsequent licence conditions would ensure that companies had in place appropriate measures to combat any perceived threat.

Betting and the integrity of sports

29. We have commissioned a report on sports funding and sports betting integrity issues. It is due to be published at the end of January and we would be happy to supply you with a copy at that stage, but for the purposes of this submission we believe it is important to underline that sports have nothing to fear from licensed betting operators and that with regard to online betting in particular the industry typically has very robust internal security and risk management systems to detect and prevent all forms of fraud including those that might be associated with corruption in sport. Sports and the betting industry have a common objective in safeguarding the integrity of sports.
30. The extent to which betting operators and sports can share information will be determined by the legal framework that is in place under any new regulatory system in Australia. We would recommend that as and when legislation is brought forward that a specific provision should be made to enable a new regulator to access this sort of information in the sure knowledge that legal safeguards are in place for all parties. The online gambling sector has extensive data about every customer and every bet that is placed and this is a management and regulatory tool that quite simply is not available to other parts of the gambling industry. It is an asset that can and should be of great use to regulators, law enforcement agencies and, given the appropriate safeguards, sporting authorities.

Tax

31. If companies are to be attracted to Australia then it will need to have in place an overall tax regime that is not prohibitive. For gambling operators it is the total cost of doing business in a particular jurisdiction that is crucial and gambling taxes cannot be considered in isolation. Assuming this can be achieved then the model for gambling tax that we would recommend strongly is one based on gross revenues. It is the nature of the online gambling industry, especially perhaps with gaming, that it is a high turnover, low margin business. This is of obvious benefit to the consumer, but it does rely on a system where revenues rather than turnover are the key performance indicator. We would be happy to discuss this in further detail as and when reforms are taken forward, but in essence a tax based on turnover as opposed to revenues would call for a completely different business model and one that would be detrimental to consumers. *It must be stressed that a tax on revenue need not generate less tax income than one based on turnover. In either case it would be the rate that determined the quantum.*

32. Within this context the licensed online gambling sector would self evidently pay all required taxes as well as any levies, for instance to sports, which we assume would be applied equitably between the different gambling sectors.

Conclusion

33. Any truly objective assessment will inevitably lead to the conclusion that online gambling is capable of being regulated to the required standard. There is also no doubt that a jurisdiction which has a viable regulatory and tax regime will be attractive to both consumers and businesses. This would certainly be the case for Australia where the establishment of a properly regulated online gambling industry would give Australian consumers a clear choice between gambling operators who are licensed and regulated by the Government, and those operators who for whatever reason choose to remain offshore. It is reasonable to expect that in such a situation, assuming that products and value are not dissimilar, that the vast majority of Australian online gambler would opt for Australian-regulated businesses and gambling products.
34. It bears repeating that the RGA very much welcomes the evidence based policy making that has been undertaken by the Productivity Commission. It provides a very firm basis for Australia to progress these issues.
35. No matter what views individuals or groups within society have about online gambling, the continuing demand for gambling opportunities, the roll out of new technologies, and the trend for more people to undertake commercial and leisure activities over the internet make it inevitable that this sector will continue to grow. Experience in Australia and elsewhere has demonstrated that attempted prohibition has, at best, a limited impact and logic therefore dictates that appropriate and proportionate regulation is the only option for a government that wants to ensure the protection of its citizens and share in the growth of an industry that continues to thrive.

Yours faithfully,

Clive Hawkswood
Chief Executive
Remote Gambling Association

Annex A

- 888.com
- bet365
- Betfair
- Bell Fruit
- Chartwell
- Cryptologic
- Extrabet
- Globet
- Jaxx
- Ladbrokes
- Sportech
- Microgaming
- Partygaming
- Paddy Power
- PKR
- Playtech
- Rank Group
- SBOBET
- Skybet
- Sportingbet
- Stan James
- Stanleybet International
- Talarius
- Tote Sport
- Unibet
- VC Bet
- Virgin Games
- William Hill