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Productivity Commission Inquiry into Australia's Gambling Industries

Submission from Centrebet Pty Ltd

1 Introductory Comments

Centrebet feels qualified to comment on almost any aspect of this inquiry, and is willing to provide more than the content of this submission if requested. However, in the interests of brevity, we have restricted our comments to the areas of most relevance to Sports and Race Betting and to the Commission's terms of reference.

An additional point we feel as worthy of mention is that Centrebet speaks from a position of being a player in the **gambling (or wagering)** industry. We wish to clearly differentiate ourselves from the whole area of gaming – and in particular the area of virtual gaming via the Internet.

The events on which we conduct betting all verifiably happen, and independently of our operations and business.

2 Regulation / Legislation

Centrebet fully supports legislation and the close monitoring of the gambling industry for the following reasons:

- To protect players by ensuring them a fair deal and confidence in placing their bets, especially over the Internet;
- To help reduce the industry involvement of organised crime and associated activities such as money laundering;
- To enable a fair regulatory, monitoring and tax gathering function;
- To give credibility to genuine and appropriate operators and to keep amateurs and scam artist out.

Centrebet favours the Federal legislation and regulation of gambling. We feel this will then have the capacity to put in train a succession of events as follows:

- The elimination of the States' and Territories' ability to create individual or unique regulatory and tax environments – which Centrebet believes sits comfortably with the proposed GST;
- The subsequent negotiation of international taxation-sharing agreements between Governments to equitably distribute the net tax proceeds to the countries of origin of the punters;
- Thus creating a foundation for the full international legalisation and globalisation of Internet and telephone sports and race betting.

In addition we favour the establishment of a respectable (Australian or International) industry association and would be willing to play a substantial role in its formation and future.

We believe the goal should be a brand or 'seal of approval' for legitimate sports and race betting organisations. This can develop into an image that is recognised around the world and with which conforming organisations can brand themselves. The absence of such a brand would materially assist in the elimination of 'renegades'.

The other important regulatory-related issue is the opportunity that exists for Australia to become the leader, or authority in the area of Internet regulation. The USA seems to be turning toward prohibition, in our opinion an unrealistic and confrontational approach. Prohibition didn't work when the USA tried it in respect of Internet pornography, (refer Communications Indecency Act 1996), and we feel that any gambling prohibition will ultimately suffer the same judicial fate.

3 Taxation

It is generally agreed that the gambling industry as a whole in Australia is overtaxed. Centrebet agrees with this contention – especially as we currently incur a tax on bets placed, which must be paid whether we win, lose or draw on that hold.

We support the proposed 10% GST as it is eminently fairer to tax profit than turnover. This support is predicated on our understanding of the GST.

Our understanding of the GST is as follows:

- There will be no GST charged on bets placed;
- GST will be levied at a rate of 10% on the 'gambling margin' - being the difference between net bets accepted and net bets paid out during each monthly tax period;
- Input credits will be able to be claimed by bookmakers on business inputs or purchases (hardware, software, information, office fittings and the like) and offset against each monthly GST payment due;
- All GST collected by the Federal Government will be equitably distributed to the States and Territories, based on the business location of the bookmaker;
- This distribution will simultaneously lead to the abolition of all State and Territory taxes on bookmakers, making turnover tax a thing of the past.

4 Benefits to the Alice Springs Community, and the Northern Territory generally

These benefits are numerous, and often underrated by analysts. The principal benefits to the Northern Territory of Centrebet's existence are as follows:

Employment

We employ 25 full-time staff and 21 casual workers to help cover peak and nighttime loads. These casuals work 3-40 hours per week. The total salary and wage bill for Centrebet is currently \$1.6 million pa. In addition we pay more than \$400,000 to independent contractors here and overseas - for computer and information services.

Turnover tax

This is levied weekly and paid to the NT Government's Racing & Gaming Authority. The amount of tax is currently running at \$500,000pa.

PAYE tax

This is currently at \$300,000pa.

Business expenditure

This relates to the costs (over and above taxation and staff) of being in business and currently totals more than \$1.5million pa.

Downstream Benefits

The local household expenditure of employees, estimated at \$500,000pa, would be expected to circulate up to 7 times within the Alice Springs business community creating a net economic impact of \$3.5million.

Tourism

Tourism impact should also be mentioned. This has never been quantified but, judging by the number of Interstate and International visitors to our premises, it is significant.

Centrebet also has a link on its web site which directs persons to a huge archive of tourist information on Alice Springs and surrounding areas.

5 Benefits to Australia's national economy

This area is always somewhat indistinct but the obvious benefits are mentioned below.

Export Earnings

Centrebet is a net exporter, via wins from offshore punters, to the tune of \$AUD2.5millionpa from offshore turnover in excess of \$AUD50million pa.

Australian Awareness Internationally

Centrebet raises awareness of Australia via a web site that receives 20,000-100,000 hits every day of the year (20+million hits pa), and this rate is growing at a rate of more than 150% pa.

Technology Development

Centrebet is a technology-driven business and spend hundreds of thousands of dollars in the Northern Territory each year on state of the art Internet and software development.

This has generated not only employment in that industry onshore, but has also opened up export opportunities for those companies, such as Octa4 in Darwin, that have piggy-backed their development work for Centrebet into new markets around the world.

E-commerce

Centrebet is an e-commerce pioneer, as acknowledged by MFAT and DFAT in Canberra. We conducted 50% of the nation's electronic business over the Internet in 1997 and have increased e-commerce by 100% since. Our leading edge solutions have been widely sought by competitors and others.

A feature case study on Centrebet will appear in the 'New Silk Road' publication, 100,000 copies of which will be distributed around the world by the Ministry of Foreign Affairs and Trade in January 1999.

6 Profile of a Typical Centrebet Client

Centrebet has a professional client base consisting of 100 or so individuals and 10 or so gambling organisations - such as TAB's and sports bookmakers. Details of this segment of our client base are not available for public consumption and are excluded from the comments below.

In Australia, where 60% of our regular punters reside, the typical client will be a male, aged 25-36, who will bet \$20-50 per bet on his favourite Australian sport, 10-12 times per year.

Offshore, the punter profile is remarkably similar in both financial and demographic terms.

Although we have not surveyed our clients, the overwhelming impression formed from years of accepting bets is that a modest

investment enhances the enjoyment the person gains from watching sport - in person or on television.

7 Gambling by Minors

Centrebet regards this as a non-issue – at least in respect of sports betting. It is usually only raised by the occasional person seeking to gain some column inches or TV exposure through emotive appeal. These commentators are usually referring to poker machines or casinos but organisations such as Centrebet are easily tarred with the same brush.

In our 6 years in business we have experienced only one instance of underage gambling – and that was by a boy not far short of attaining the legal age of 18 years. In addition, there are some excellent software tools available for concerned parents, schools, libraries and the like to bar Internet access to any selected sites.

Additional measures, such as passwords and PIN's are becoming more prevalent and should in time eliminate any underage sports betting risk that might emerge.

8 ABS and other Statistics

Our experience is that we will spend up to 12 man hours, carefully compiling statistics for the bureau, for example the recent 'Economic Activity Survey 1997-98 – Gambling Services Industry'.

Our perception is that such studies seem to 'disappear into the ether'. We would favour a requirement for a person or department to be responsible for giving feedback to participating organisations as some form of payback on their compulsory investment of time and effort. A search through the ABS web site revealed no trace of the above-mentioned survey – or previous ones in which we have participated.

In summary, the focus seems to be all on the data gathering part of the statistics function.

The End

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