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COALITION OF MAJOR PROFESSIONAL & PARTICIPATION SPORTS

SUBMISSION TO THE DEPARTMENT OF BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY

REVIEW OF THE INTERACTIVE GAMBLING ACT 2001



INTRODUCTION

The Coalition of Major Professional and Participation Sports (COMPPS) consists of the following organisations:

- Australian Football League (AFL);
- Australian Rugby Union (ARU);
- Cricket Australia (CA);
- Football Federation Australia (FFA);
- National Rugby League (NRL);
- Netball Australia (NA); and
- Tennis Australia (TA).

Each of these organisations is the governing body and custodian of a major professional sport in Australia. They are not-for-profit bodies and are responsible for the long-term development and sustainability of their sport in Australia.

COMPPS members provide a wide range of public benefits through a self-funding business model. The vast majority of their revenue is devoted to enhancing, promoting and developing sport for all Australians. Sport is entrenched in the Australian way of life and plays a major role in the economic and social health of the Australian community.

One of COMPPS' roles is to provide a collective response on behalf of its member sports where their interests are aligned.

OVERVIEW

Each of the seven COMPPS member sports conducts matches on which betting takes place and the bulk of sports betting in Australia (excluding horse racing) takes place on these sports.

Sports betting has increased in recent years, both in terms of the dollar value of betting and the type of bets that can be placed on sports. Rapid technological advances since the Interactive Gambling Act 2001 (**IGA**) was enacted in 2001 have enabled Australians to access illegal offshore gambling services that ignore the provisions of the IGA.

Since sports betting commenced in Australia, the major focus of the COMPPS members has been ensuring that their sports remain free from betting related integrity issues. Professional sport in Australia has an excellent record in relation to dealing with betting related integrity issues. There have been very few instances and where these have occurred, they have been dealt with very effectively.

As a general principle, the strong preference of the sports is that all betting on their sports takes place in a regulated environment where they are able to put in place mechanisms that enable them to react to suspicious, illegal or corrupt practices. In particular, they rely heavily on information sharing arrangements with Australian betting operators to alert them to suspicious activity. They also value the Australian regulatory regime that sees regulators operating in each state and territory. Sound relationships with police forces at state and federal level have been established. It follows that their preference is that betting on their sports should take place with betting operators in Australia who are subject to the regulatory regimes that are in place in the states and territories. It follows further that they are opposed to any features of the sports betting landscape that causes or encourages betting on Australian sports to take place overseas without the benefit of regulation and information sharing agreements.

Further, they support the suggestion that the current prohibition on online in-the-run betting be removed. This form of betting is being driven offshore by the current prohibition. Australian sports and regulators have no access to suspicious betting data and have no means of tracking illegal activity.

Sports receive funding from betting operators by way a share of betting revenue for bets placed on their sport. This is a very small amount and an extremely small percentage of the revenue of COMPPS members, and does not cover the cost to the sports monitoring activity and implementing anti-corruption programs.

The major focus of the COMPPS members in relation to this review of the Interactive Gambling Act 2001 is the extent to which any changes in the legislation will impact on their ability to protect their sports from the threat of corruption. The COMPPS sports do not have the resources nor expertise to make problem gambling one of their primary focuses, but believe that maintaining the integrity of their sports will contribute to a safer betting landscape in Australia.

TERMS OF REFERENCE

1. What impact has the IGA had on the prevalence of problem gambling in Australia?

The major objective of the IGA was *to minimise the scope of problem gambling among Australians by limiting the provision of gambling services to Australians through interactive technologies such as the internet.*

COMPPS members support initiatives that minimise the incidence of problem gambling. In this instance, however, we suggest that it has not achieved this objective, and, in fact, may have exacerbated the problem.

We refer to and agree with the Productivity Commission's Inquiry Report on Gambling of June 2010 that identified a growing prevalence of Australians using online gambling services. It concluded that the IGA was not well designed to prevent this activity and that while the prohibition has probably limited the growth of online gambling in Australia, it has forced consumers to use overseas based services which do not possess the harm-minimisation and probity measures available to users of legal Australian sports-wagering services.

Insofar as this conclusion seeks to address harm-minimisation, we note that there is little research as to the impact of the online gambling in Australia. The COMPPS members have previously indicated their willingness to assist researchers in their endeavours.

Insofar as the Productivity Commission concludes that the IGA has forced consumers to use overseas-based services, which do not possess the probity measures available to users in Australia, this is of great concern, because it is ***the COMPPS member sports on which these bets are placed.***

The COMPPS members place a high value on the reputation of their sports. Betting on their sports in an unregulated and often illegal environment greatly increases the risk of

betting related integrity issues. The COMPPS members support measures that will minimise betting on their sports in these circumstances. They seek to be able to monitor suspicious activities involving betting on their sports and this is not able to be achieved in unregulated, illegal betting markets where information sharing agreements are not in place.

2. What are the risks to the prevalence of problem gambling in Australia of maintaining, removing or modifying the current prohibition of certain online gambling services? What are the risks in moving to a strongly regulation approach? How is it best to address these risks?

It is respectfully suggested that the most significant impact of the IGA from the perspective of sporting bodies is that it limits companies located in Australia from selling online gaming services to Australians.

This has flow-on effects in terms of loss of tax revenue, diminished revenue for sporting bodies and the risks that are identified in the previous section in relation to harm-minimisation and probity concerns. Most importantly, Australian sports do not have information sharing arrangements with foreign bookmakers, which limits their ability to monitor suspicious activity in their sports.

If the current legislative regime is maintained, these risks will continue to exist and as online gambling becomes more prevalent, they will increase in frequency.

The COMPPS members support removing the current prohibition on online in-the-run gambling. We endorse an approach that includes regulation of online gambling and active and enhanced harm-minimisation mechanisms.

Our overriding concern is on the probity of the member sports and their ability to work with gambling operators and regulators to identify suspicious and inappropriate activities.

3. What impact have different types of online gambling had on youth in Australia?

We support measures that minimise the incidence of betting by minors.

This is a risk that occurs in relation to cash-based betting as well as online betting. Online betting is account based and the Australian regulatory system has strict identification measures in place to prevent or minimise access by minors.

4. What are the new technologies/platforms via which online gambling is offered and which of these is likely to grow most rapidly?

In addition to traditional computer/internet based betting, online gambling will continue to be offered by way of smart phones, tablet-devices, and interactive television. Convergence has made this possible and there is now an increasing array of platforms on which betting may take place.

The COMPPS members do not offer an opinion as to which is likely to grow most rapidly. There are other parties that will make a submission to this Inquiry that are better qualified to offer that opinion.

5. Are there circumstances in which different approaches to regulation of gambling between different platforms/technologies should be retained?

COMPPS members support a platform neutral approach.

6. Do the practicalities of telephone wagering still limit access to highly repetitive forms of wagering as originally designed?

The practicalities of telephone wagering still limit access to highly repetitive forms of wagering. This has, however, become largely irrelevant as gamblers prefer offshore, online, in-the-run options. The current exemption places Australian betting operators at a disadvantage as they cannot take bets online once an event has commenced.

7. If a platform-neutral approach was adopted, what would the impacts be? How should this deal with future forms of gambling?

COMPPS members support a platform neutral approach subject to it being sufficiently flexible to deal with new technologies and platforms.

8. Has ‘in-the-run’ betting and ‘micro-betting’ increased the prevalence of problem gambling and/or risks to the integrity of sport and/or to the probity of the gambling market? If so, how and to what degree?

We have reviewed current research data in relation to in-the-run betting and micro betting and can see no increase in problem gambling and/or probity issues.

In particular, we refer to the UK Gambling Commission Report of 2009 that concluded that in-play betting does not require any special regulatory treatment and that there have been relatively few incidents reported of in-play betting concerns.

9. Should current rules regarding online ‘in-the-run’ betting and online ‘micro-betting’ be aligned with those in the offline world? Are there circumstances where they should not be aligned?

Yes. COMPPS submits that there should be no distinction between online in-the-run betting and online micro-betting and the equivalent betting in the offline world. Our principal concern is to ensure that the COMPPS sports have a direct relationship with betting providers to ensure a regular flow of information and assistance in monitoring suspicious activity.

There is an ongoing issue in relation to approval of the types of spot-bets that will be offered. The same issue applies to in-the run betting. Approval occurs as a result of agreement between the sport and sport-betting providers.

The current starting point is the *Gambling and Racing Legislation Amendment (Sports Betting) Act 2007* (Vic) (**‘the Sports Betting Act’**) that became effective on 1 October 2007.

COMPPS played a significant role in causing this legislation to be enacted in 2007.

The Act was designed to strengthen public confidence in the integrity of sporting events and the betting that takes place on those events. In addition, the new legislation enabled sporting bodies to receive a small share of revenue from the betting that takes place on their sport, and to insist on information sharing regimes in order to monitor suspicious activity.

In broad terms, the Sports Betting Act provided for:

- The opportunity for sporting organisations to apply to the Victorian Commission for Gambling Regulation ('VCGR') to be approved as the "sports controlling body" for betting purposes on their sport;
- The restriction on "sports betting providers", whereby they must not offer betting services on a sporting event without first reaching agreement with the approved sports controlling body in relation to information sharing and the payment of a product fee for use of the sport's intellectual property;
- The VCGR may prohibit betting on a contingency if it considers that betting on the contingency may expose the relevant event to unmanageable integrity risks, is offensive, is contrary to the public interest, is unfair to investors or otherwise should be prohibited.
- These powers apply only to contingencies relating to events held wholly or partly within Victoria.

The Sports Betting Act has been a success.

Over the past 3 years, COMPPS members have been approved as sports controlling bodies and negotiated agreements (Integrity and Product Fee Agreements) with sports betting providers operating on relevant markets. This has enabled them to negotiate product fees and to involve the betting agencies in information sharing concerning integrity issues.

There is, however, a major weakness in the operation of the Sports Betting Act. At present, there is no requirement on sports betting providers to enter into Integrity and Product Fee Agreements with sports controlling bodies in respect of events occurring outside Victoria. COMPPS members have managed to negotiate agreements covering events outside Victoria with several but not all of the betting providers. However, this cannot be relied upon in the longer term, particularly if sports controlling bodies, acting responsibly in the light of increased integrity risks, wish to enhance the integrity measures contained in such agreements.

The success of the Sports Betting Act indicates the need for similar legislation to be adopted in all states and territories of Australia.

We welcome recent announcements from Sports Ministers, State and Federal, that this is a priority issue for them.

Further, the COMPPS members seek a right of veto over types of spot-bets on the grounds of concern over the integrity of the type of bet.

10. If current prohibitions to online 'in-the-run' betting and online 'micro-betting' are retained, how best would these be enforced.

We respectfully suggest that the current prohibitions are not able to be enforced given the inability of Australian law to curtail the illegal activities of offshore betting operators.

11. Are there sections of the IGA which could operate more clearly?

We respectfully suggest that the premise on which the IGA is based be reviewed.

12. Could the current sanctions regime in the IGA be improved, and if so how?

The pressing issue is enforcement of the current sanctions rather than the sanctions themselves. The current penalties that impose fines of \$220,000 per day for individuals and \$1.1 million per day for corporations that provide interactive gambling services to customers physically located in Australia are a sufficient deterrent to illegal activities if they were enforced.

13. Are the current regulatory arrangements under the IGA the most effective way in which to limit the provision of prohibited interactive gambling services to Australian?

No. The current regulatory arrangements have proved ineffective. They have not achieved the objectives of the Act.

14. Given that currently prohibited online gambling services are offered predominantly by service providers based overseas, are there more effective means of enforcing the prohibition? What options might be used?

We do not support enforcement mechanisms such as ISP blocking and mechanisms to try to stop financial transactions involving illegal operators.

15. Are there more effective means of enforcing the advertising prohibition? What role should sports bodies and broadcasters play regarding such advertising? What role should state and territory governments play?

The advertising prohibition is an effective means to prevent advertising of illegal services. It is, however, ineffective if the authorities are unable to enforce breaches.

16. What international approaches to online gambling are most effective?

We support a system in which Australian based betting operators are permitted to offer online gambling services, including in-the-run betting, to Australians. This would then enable betting on the sports controlled by the COMPPS members to be regulated within the existing Australian system, and if the Sports Betting Act was enacted nationally, sports would have a direct relationship with all betting providers.

17. What (if any) international approaches to online gambling would most suit an Australian context.

Refer to question 16.

18. What are the key risks and harms of online gambling? What are the key attractions and benefits?

The key risk from a sporting perspective is the absence of information sharing of suspicious betting activity between sports and betting operators where online betting takes place in offshore and unregulated markets.

19. If a strongly regulated approach to online gambling services is taken, what will be the social impacts? How could this be assessed?

A strongly regulated approach should include mandatory harm-minimisation provisions.

It should also include mandatory provisions in each state and territory mirroring the Sports Betting Act so that sports have information sharing agreements with all betting operators and the right of veto over types of bets that cause integrity concern.

Gamblers would be likely to migrate back to Australian operators.

20. What harm minimisation measures are currently used for online gambling in Australia and overseas, and how effective are they in limiting problem gambling and supporting problem gamblers?

COMPPS members support harm minimisation initiatives. There will be other respondents to this Inquiry that are better qualified to assess best practice harm-minimisation systems.

21. Does industry have a responsibility to support harm minimisation measures, including education and counselling services?

Yes. There is an obligation on the whole of society to support measures that reduce the negative impact of gambling. This includes sporting bodies.

22. What probity measures are available in relation to online gambling, and how effective are they in protecting consumers?

The COMPPS members have put in place a range of probity measures to seek to minimise the impact of betting related integrity issues. These measures apply equally to offline and online betting save for offshore online in-the-run betting, which involves offshore betting operators who are not subject to information sharing agreements and regulation by Australian regulators.

In summary, the probity measures in place involve Codes of Conduct, rules and contracts that bind participants, education processes, intelligence gathering (including information sharing), investigation and enforcement.

The Australian sports have had very few instances of betting related integrity issues.

23. Do Australian gamblers value gambling services licensed in Australia more than those based overseas?

We are not in a position to comment.

24. What should be the governance arrangements for the interactive gambling services currently prohibited by the IGA

We support a system in which Australian based betting operators are permitted to offer online, in-the-run betting services to Australians.

25. How can we work better with other countries and overseas based providers to improve regulation, enforcement and probity and harm minimisation measures?

COMPPS support best practice benchmarking with other countries but any international response must emphasise the importance of strong domestic legislation and policing. We believe relevant issues can be addressed within Australia, and without international intervention.

26. If a strongly-regulated approach is adopted, what form of regulation should this take?

Prohibition of online gambling should be lifted and attempts made to induce Australian gamblers to use Australian based betting operators.

There should be an approach that minimises problem gambling and provides sports and regulators with the mechanisms necessary to resolve probity issues.

27. If a strongly-regulated approach is taken, overseas service providers that do not come within such regulation will still be capable of providing gambling services to Australians given the nature of the internet? What measures are appropriate to discouraging this?

A strongly regulated market in which Australian are encouraged to bet onshore.

28. If a strongly regulated approach is taken, how should licensed online gambling operators be taxed?

It is essential that a fair system is adopted that does not encourage Australian operators to withdraw from the Australian market.

29. Should a proportion of revenue be used to fund other programs?

Sports should receive a product fee for use of their intellectual property. To date, this fee has been a very small amount and does not cover the costs of sport integrity programs. Sports would have a very limited capacity to contribute to other programs.

A proportion of revenue received by betting operators should be used to conduct research into problem gambling.

CONCLUSION

COMPPS members have long supported, and developed, a socially responsible approach to sports betting. COMPPS has vocally supported measures to create nationally-consistent gambling regulation, tackle corruption in sport, and prevent problem gambling.

As a general principle, the strong preference of the sports is that all betting on their sports takes place in a regulated environment where they are able to put in place mechanisms that enable them to react to suspicious, illegal or corrupt practices. In particular, they rely heavily on information sharing arrangements with Australian betting operators to alert them to suspicious activity. They also value the Australian regulatory regime that sees regulators operating in each state and territory. Sound relationships with police forces at state and federal level have been established. It follows that their preference is that betting on their sports should take place with betting operators in Australia who are subject to the regulatory regimes that are in place in the states and territories. It follows further that they are opposed to any features of the sports betting landscape that causes or encourages betting on Australian sports to take place overseas without the benefit of regulation and information sharing agreements.

Further, they support the suggestion that the current prohibition on online in-the-run betting be removed. This form of betting is being driven offshore by the current prohibition. Australian sports and regulators have no access to suspicious betting data and have no means of tracking illegal activity.

COMPPS members are happy to provide more detail on any of the points made in this submission. In addition, COMPPS Members are able to take part in hearings if required or provide any other assistance as and when requested by the Department.

Submitted for and on behalf of the COMPPS Members.

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