

**Submission by
Sportsbet Pty Ltd**

to the

**Victorian Government
*Static Betting Advertising Consultation Paper***

September 2016

The logo for Sportsbet.com.au is displayed on a blue rectangular background. The word "sportsbet" is written in a bold, italicized sans-serif font, with "sports" in white and "bet" in yellow. Below it, ".com.au" is written in a smaller, white, italicized sans-serif font.

sportsbet
.com.au

Executive Summary

Sportsbet recognises the need to work alongside Governments to reduce the volume of wagering advertising and to reduce the visibility of wagering advertising by minors. We also recognise the concern from pockets of the community that there is too much wagering advertising, notwithstanding with some incorrectly perceiving that this volume of advertising has led to an explosion in wagering and problem gambling.

Sportsbet supports the Victorian Government's proposal as outlined in its Consultation Paper to place the following restrictions on wagering advertising:

- **In or on public transport infrastructure including train, tram, bus and taxi infrastructure**
- **Areas in close proximity to schools**
- **Areas proximate to a gambling counselling service that would undermine a responsible gambling objective of the Gambling Act**

Sportsbet considers the proposed restrictions adequately address the Victorian Government's concerns. It is critical that any additional reforms to wagering advertising be appropriately balanced to ensure a sustainable and competitive Australian wagering industry, as:

- for licensed Australian wagering service providers (**Australian WSPs**), who pay all standard Australian taxes, as well as product fees to racing and sports controlling bodies, their only competitive advantage over illegal offshore wagering providers, who pay no Australian taxes or product fees whatsoever, is their ability to legally advertise their services in Australia;
- despite an increase in wagering advertising since the lifting of the prohibition on advertising of wagering services in 2008 and the prominence of corporate bookmakers in the Australian wagering landscape, there has been no increase in spending on wagering in Australia; and
- all wagering advertising in Australia is subject to a highly regulated framework, ensuring that it meets strict requirements for responsible advertising.

Sportsbet is strongly committed to responsible gambling and the responsible advertising of our services. We lead the online wagering industry in responsible gambling and are proactive in developing innovative tools that empower our customers to understand, and stay in control of their wagering behaviour.

As the largest online wagering operator in Australia accounting for approximately 25% of Australia's online wagering market, Sportsbet is well placed to make a meaningful contribution to this process. We're an industry-leading digital e-commerce business with over two million Australian customers, contributing significantly to the Australian economy including through the employment of over 650 highly skilled professionals, predominately located in our Melbourne office.

Introduction to Sportsbet

Sportsbet is a sophisticated digital e-commerce business

Sportsbet is an industry-leading digital e-commerce business in the online wagering sector with over two million Australian customers. Sportsbet accounts for approximately 25% of Australia's online wagering market. Sportsbet is licensed in the Northern Territory and is wholly owned by Paddy Power Betfair plc, which is publicly listed on both the Ireland and London stock exchanges and only operates in jurisdictions where it is licensed to offer services to in-country residents.

We invest tens of millions of dollars each year developing new and innovative technology and products, and supporting budding new technology staff including program and app designers, analysts, software engineers and data scientists. This investment has led Sportsbet to become the largest provider of online wagering in Australia.

Sportsbet is a significant contributor to the economy

Sportsbet makes a substantial economic contribution to Australia at over \$200m a year, including employing 650 Australians, with over 350 leading technology specialists who are inventing technology solutions for use in Australia and worldwide. We make a significant contribution to the Victorian economy with over 450 staff located in our Collins Street Melbourne Head Office.

Sportsbet pays State and Federal taxes on the same basis as other Australian bricks and mortar and digital businesses, namely, GST, fringe benefit tax, payroll tax and income tax. Combined with product fee contributions to Australian racing and sports controlling bodies Sportsbet contributed \$125M in product fees and taxes in 2015 alone.

Sportsbet's strong commitment to responsible gambling

Sportsbet is committed to providing a safe environment where wagering is a fun and entertaining experience and the harms associated with problem gambling are minimised as far as reasonably possible. Sportsbet acknowledges the significant harms that problem gambling can cause individuals and their families. Sportsbet leads the online wagering industry in responsible gambling and is proactive in developing innovative tools that empower our customers to understand, and stay in control of, their gambling behaviour.

While there is no doubt that the impacts of problem gambling can be significant, it is important to understand the prevalence of problem gambling in the context of online wagering is extremely low. Nevertheless, Sportsbet acknowledges that the issue is serious and must be met with action.

Sportsbet's commitment to responsible gambling is demonstrated through the wide range of responsible gambling initiatives and tools we offer that go over and above the obligations imposed on Australian licensed WSPs under state and territory-based laws, regulations, codes of practice and advertising standards.

More information about Sportsbet's responsible gambling measures can be found at **Annexure 1**.

What factors should the government consider in identifying locations where static betting advertising should be prohibited?

Below we outline the key considerations for the Government in assessing the appropriate locations where static betting advertising could be prohibited along with the need to ensure advertising reforms are appropriately balanced.

Sportsbet takes its advertising responsibilities very seriously. We do not target or direct any of our advertising at minors and we employ a range of measures to ensure our advertising does not target minors.

The proposed wagering advertising restriction seeks to address community concerns about the display of betting advertising in places that are difficult to avoid as part of most Victorian's day-to-day activities and its impacts on vulnerable groups such as problem and at-risk gamblers, children and adolescents.

To address this community concern, the consultation paper specifically identifies the following with respect to where the wagering restriction is proposed to apply:

1. Commonly frequented by minors or are unavoidable as part of many Victorian's day-to-day activities:

- **Public transport infrastructure** - In or on public transport infrastructure including train, tram, bus and taxi infrastructure
- **Areas proximate to schools** - A place at or from which education is provided to children of compulsory school age during normal school hours

Sportsbet is supportive of the above restrictions and is confident that confining the prohibition of wagering advertising to the identified areas strikes an appropriate balance between meeting community expectations and ensuring wagering providers can continue to advertise their services outside of these areas – including those trafficked by Victorians beyond the specific areas identified in the Consultation Paper.

2. Where advertising at the location would undermine a responsible gambling objective of the *Gambling Act*:

- **Areas proximate to a gambling counselling service**

What arrangements should the government put in place to enable wagering service providers to transition to any new arrangements?

Sportsbet recognises the Government's commitment that the proposed prohibition would not apply to existing contracts or agreements at the time the prohibition comes into effect. With respect to this timing, the Government may wish to consider how it would view advertising contracts being signed in anticipation of the reform, given the dangers of this well-intentioned commitment being taken advantage of.

To ensure WSPs have time to prepare for the new arrangements, Sportsbet recommends the Government applies an appropriate timeframe to allow existing contracts to run their course.

Key considerations in any additional proposals to ensure a sustainable and competitive Australian wagering industry

Sportsbet considers the proposed restrictions adequately address the Victorian Government's concerns. It is critical that any additional reforms to wagering advertising be appropriately balanced and evidenced-based to ensure a sustainable and competitive Australian wagering industry for the reasons outlined below.

1. The ability for Australian WSPs to compete with illegal offshore operators

The online wagering industry operates in a highly competitive global environment and, as is the case across many industries, advertising promotes brand loyalty, creates awareness of the products being offered to the marketplace and allows companies to engage with their customers.

While advertising should always conform to prevailing community standards and an appropriate regulatory framework (outlined below), it is equally important for Australian online bookmakers to be able to advertise their services, acknowledging the benefits it provides for racing, sport, broadcasting and consumers. It is critically important to appreciate that for licensed Australian WSPs, who pay all standard Australian taxes, as well as product fees to racing and sports controlling bodies, their only competitive advantage over illegal offshore wagering providers, who pay no taxes or product fees whatsoever, is their ability to legally advertise their services in Australia.

It is currently estimated that offshore wagering operators currently enjoy revenue of approximately \$510m a year.¹ This is resulting in substantial tax leakage including nearly \$50M in GST leakage per annum to governments *as well as* millions of dollars in lost 'product fees' for Australian racing and sports controlling bodies. This figure is expected to grow rapidly over the coming years with leading gambling research consultant, H2 Gambling Capital, estimating that the growth trajectory of illegal offshore wagering spend by Australians by 2020 will have increased to \$2.3B leaving Australia in lost wagering profits, and a further \$100M per annum in tax leakage.²

The global nature of the internet means that illegal offshore wagering providers are a mere click away. Australian punters are able to - and do - easily switch to illegal offshore operators in search of competitive

¹ *Australian Offshore Interactive Wagering Independent Report*, H2 Gambling Capital, November 2015, Pg 32. In addition, the former Minister for Social Services, the Hon. Scott Morrison referenced Australian Institute of Family Studies statistics that online gambling is a \$1.6 billion business in Australia with 60% (\$960M) of this revenue going offshore to more than 2,000 sites beyond the reach of Australian regulators and tax collectors (source: The Hon. Scott Morrison MP, Minister for Social Services, *Coalition government tackles illegal offshore wagering*, Media Release, 7 September 2015)

² *Australian Offshore Interactive Wagering Independent Report*, H2 Gambling Capital, November 2015, Pg 2

prices and available betting markets contributing to this considerable leakage of gambling revenue offshore. Therefore, the ability of Australian WSPs to advertise in order to remain competitive and ensure a sustainable industry in Australia should not be underestimated.

2. Debunking the myths relating to the impact of advertising on wagering in Australia

Despite an increase in wagering advertising since the lifting of the prohibition on advertising of wagering services in 2008 and the prominence of corporate bookmakers in the Australian wagering landscape, and despite a perception in some sections of the media/public that there has been an 'explosion' in wagering spend, there has been only moderate growth in wagering turnover in Australia, broadly in line with CPI increases.

Increased wagering advertising has resulted in some 'brand-switching' between Australian WSPs and also 'channel-switching' from more traditional channels (i.e. retail outlets, on-course and phone operator) to online channels such as the Internet and smart phones, rather than an overall increase in wagering. Below, we briefly dispel some common myths about the impact of wagering advertising.

Myth: wagering advertising has caused an explosion in sports betting

Increased advertising by Australian WSPs has led some to believe that advertising has caused a corresponding increase in sports betting. Australia's official gambling statistics clearly demonstrate this is not the case, with spend per adult remaining steady since 2008 when Australian WSPs were not allowed to advertise. Further, it is important to recognise that sports betting represents a mere 3% of gambling spend by Australians.

Myth: wagering advertising has negatively impacted the prevalence of problem gambling

The incidence of problem gambling is extremely low in the online wagering environment. A 2014 comparison of problem gambling prevalence in Victoria with other states and territories of Australia conducted by the Victorian Responsible Gambling Foundation reflects a consistently low prevalence of problem gambling (approximately 0.81% of the adult population). Considering 75%-80% of problem gambling is directly related to the use of poker machines³, it follows that the incidence of problem gambling is extremely low in the online wagering environment – despite the increase in advertising by Australian WSPs.

We are not aware of any evidence-based research which indicates that the increased level of wagering advertising since 2008 has led to a corresponding increase in the prevalence of problem gambling in Australia.

Myth: wagering advertising has compromised the integrity of sport

Australian WSPs are committed to ensuring the integrity of sport in Australia and, along with Australian sporting bodies, would face a significant detriment to their businesses should that integrity be compromised, with consumers losing faith in the contest.

³ In 2010, the *Productivity Commission Inquiry Report into Gambling* found that problem gambling affected between 0.5% and 1.0% of the adult population. Of that group, based on robust research, it was estimated that 75%-80% of problem gambling expenditure was attributable to poker machines

Licensed online bookmakers are the last line of defence in protecting the integrity of sport by working with Australian sporting bodies and law enforcement agencies to weed out any corrupt betting activity. Australian WSPs have strong integrity agreements in place with Australian sporting bodies ensuring any suspicious betting behaviour is promptly detected via real-time monitoring and reported.

3. The highly regulated framework for wagering advertising in Australia

Australian WSPs are required to adhere to an extensive and multi-layered framework of legal and regulatory obligations that are in place in relation to the advertising of online wagering and sports betting in Australia, including:

- **State/Territory laws and regulations** – Australian WSPs must comply with jurisdictional state and territory laws that place restrictions on the manner in which they can promote and advertise their wagering services. These restrictions include the requirement to include responsible gambling messages, restrictions on the times advertisements can be placed on broadcast media and limitations on the content of those advertisements.
- **State/Territory codes of practice** – State/territory regulatory bodies responsible for gambling regulation develop rules for product delivery and promotion in their respective jurisdictions. Indeed, the Victorian Gambling Regulation Act contains a robust framework for the content of gambling advertising in Victoria.
- **Licensing conditions** – State/territory licensing bodies use license conditions to set restrictions, including obligations referable to other advertising codes, such as the Northern Territory Director-General of Licensing’s Code of Practice for Responsible Online Gambling.
- **Broadcast industry codes** – National standards for advertising are set by broadcast industry codes developed in consultation with the Australian Communications and Media Authority, including the *Commercial Television Industry Code of Practice*, the *Subscription Broadcast Television Code of Practice* and the *Commercial Radio Codes of Practice*.
- **Advertising industry self-regulatory codes** – The *Wagering Advertising & Marketing Communication Code*⁴, developed with the Australian Association of National Advertisers provides a self-regulatory framework for wagering advertising and marketing communication, which for the first time, applies across all mediums regardless of whether it’s communicated on TV, radio, online or across social media.

This code, which took effect on 1 July 2016, mandates that wagering advertising should, among other requirements:

- not depict anyone under the age of 25 engaging in wagering activities;
- not portray, condone or encourage wagering in combination with the consumption of alcohol;
- not encourage wagering as a means of relieving financial or personal difficulties; and
- not be directed towards minors.

The code also includes an independent complaints procedure determined by the Advertising Standards Bureau.

⁴ Produced by the Australian Association of National Advertisers as part of advertising and marketing self-regulation, effective 1 July 2016.

Conclusion

Sportsbet looks forward to working with the Victorian Government and other stakeholders to address the volume of wagering advertising to address community concerns. We emphasise the importance of wagering advertising reforms being appropriately balanced to ensure a sustainable and competitive Australian wagering industry.

Sportsbet appreciates the opportunity to make this submission and welcomes the opportunity to discuss any of the matters raised.

Annexure

Annexure 1 - Sportsbet's responsible gambling measures

Sportsbet's commitment to responsible gambling is genuine and demonstrated through the wide range of responsible gambling initiatives and tools we offer that go over and above the obligations imposed on Australian licensed WSPs under state and territory-based laws, regulations, codes of practice and advertising standards.

These responsible gambling measures and initiatives include:

- **Deposit Limits (Voluntary Pre-Commitment)** - Customers are able to set a daily, weekly or monthly limit on the amount of money they are able to deposit into their account. Once set, a deposit limit is subject to a 'cooling-off period' which prevents customers from immediately increasing their limit once it has been reached, ensuring the deposit limit is an effective barrier to the customer betting above their chosen amount. In excess of 25% of new Sportsbet customers elect to set a deposit limit.
- **Take a Break and Self-Exclusion** – Sportsbet recently launched *Take a Break*, a self-service self-exclusion tool which allows our customers to choose when, and for how long, to take a break from betting. *Take a Break* allows our customers to take a short term break (24 hours – 30 days), long term break (6 months, or 1 to 5 years) or permanently self-exclude at any time, without needing to contact customer service or submit any forms.
- **Spend-tracking facilities** - Sportsbet provides customers with an easily accessible, transparent and customisable history of all of a customer's transactions, including winning and losing bets, deposits, withdrawals and a running account balance. This allows our customers to apply their own analysis and monitoring of their own behaviour.
- **Specialised Responsible Gambling Officers** – Sportsbet employs a number of Responsible Gambling Officers (**RSG Officers**) who oversee and implement our customer care, escalation and intervention policies. Sportsbet's RSG Officers receive specialised training in responsible gambling, passive listening and how to assist distressed customers.
- **Mandatory Staff Training** – All employees receive annual responsible gambling training. The training covers topics including the harms of problem gambling, how to escalate a responsible gambling issue and the products and tools we offer our customers to help them stay in control of their betting.
- **Responsible marketing of gambling** - Sportsbet is committed to ensuring that the content of its advertising meets community standards and is compliant with the Australian Association of National Advertisers Code (**AANA**) of Ethics. Sportsbet, together with the AWC, has taken a leading role in a new Code of Conduct for advertising in the online wagering sector which was published on 9 November 2015 for community consultation. This self-regulation measure will apply a number of specific and tailored controls to advertising in the online wagering sector and ensure all WSPs meet community standards with their advertising.
- **Support for industry self-regulation** – Sportsbet has strongly supported all self-regulation measures that have been proposed by the AWC, including an industry wide advertising code of conduct and the banning of the broadcasting of live odds and advertisements during play well prior to changes to the Broadcaster Codes.
- **Clock and Session Timer** – Sportsbet provides a clock and session timer present on every page of the desktop site. This helps ensure customers are aware of how much time they are spending on betting.
- **Dedicated Responsible Gambling website** – Sportsbet has a dedicated responsible gambling website that provides detailed information on all of Sportsbet's responsible gambling tools and encourages customers to assess their own betting behaviour. It also provides information about support and counselling services.
- **The implementation of a cash withdrawal card** so that customers can immediately withdraw money from their account, removing any hindrance or restrictions for customers to access their funds.