

Appendix 1 – Sportsbet feedback on WBLP Discussion Paper

Discussion Question	Sportsbet response
<p>1. <i>Is the existing regulatory framework for the wagering and betting licence appropriate with respect to reducing harm associated with wagering and betting and why? If not, what changes could be made to the regulatory framework to further reduce harm associated with wagering and betting?</i></p>	<p>Sportsbet takes the issue of responsible wagering very seriously and has demonstrated its commitment to reducing harm associated with wagering and betting well beyond industry standards.</p> <p>It would be appropriate for the State to conduct a review of the regulatory framework to ensure its policy settings can be embedded in the design of any new regulatory framework and the associated new licence.</p> <p>Sportsbet is willing to provide any assistance to the State (including the VRGF) to highlight any potential improvements which could assist in further reducing harm associated with wagering and betting from both the licensee and all other wagering operators who promote wagering in the state of Victoria.</p>
<p>2. <i>Are the regulatory requirements for the wagering and betting licensee appropriate and why? If not, what changes could be made to the regulatory requirements for the wagering and betting licensee and why?</i></p>	<p>The regulatory requirements for the licensee need to be balanced to ensure the State achieves (a) its wagering policy outcomes, and (b) the licensee being competitive in the overall Australian wagering market.</p> <p>Sportsbet acknowledge this balance is not necessarily easy to achieve, especially given there is no consistency in wagering regulation across Australia.</p> <p>Sportsbet recommends the licensee be in a position of competitive neutrality against its major competitors. This is to ensure that the licensee can offer a product and customer experience that is consistent with its competitors (who offer wagering services to Victorian residents) and decrease the risk of customer loss to competitors with the regulatory flexibility to offer a superior wagering service. This would include (but not be limited to):</p> <ul style="list-style-type: none"> (a) Product parity (having appropriate approvals to provide wagering contingencies on the same suite of products covered by interstate competitors); (b) An agreed regulatory framework and timeframe for approvals that balances flexibility and risk-based regulation, minimises timeframes for decision making, optimises the level of self-regulation to agreed standards and avoids any unnecessary red tape associated with the licence; and (c) Channel parity which recognises there should be no additional constraints on the licensee and its channels than contained in the Interactive Gambling Act (2001).
<p>3. <i>Is the structure of the Victorian wagering and betting licence appropriate and why? If</i></p>	<p>There are several elements of the current licence structure which could be amended, or at least considered for amendment, as part of the new licence, including:</p>

not, what changes could be made to the structure of the Victorian wagering and betting licence and why? Your response may include, but not be limited to, the:

- a) *term of the licence;*
- b) *number of licences;*
- c) *products authorised under the licence;*
- d) *exclusivity of the licence;*
- e) *Exclusivity of the retail network.*

Your response may also consider the impact of any changes with respect to reducing harm associated with wagering and betting.

- Term of the current licence. Sportsbet believes strongly that the current term of 12 years is too short. A longer term would enable the licensee to invest more in developing, protecting and growing the wagering outcomes (in a responsible manner and taking into account appropriate consumer protection requirements) whereas a short term does not. Sportsbet would recommend the State consider a licence term of 20-25 years.
- Number of licences. It seems appropriate, given the changes in the wagering market since the current licensing process concluded, that the State should be actively exploring the benefits of moving away from a single-licence model. This could incorporate an economic and social impact assessment of the exclusive versus non-exclusive licence options.
- Products authorised under the licence. As outlined in the response to Question 2 above, Sportsbet believes the starting point for any licensee is product parity with competitors that are licensed interstate. This is necessary to protect the competitiveness of the licence, and should the link between the licence and the funding of the racing industry be retained, the level of sustainable funding generated for the racing industry. It is also anomalous for any prospective licensee to have to differentiate its product offer between Victoria and its existing business from the rest of Australia. Such a situation would be costly and impose technical and/or operational risks that would have to be factored into the bid for the licence.
- Exclusivity of the licence. [REDACTED]
[REDACTED]
[REDACTED]. It does not seem essential for an exclusive licence to be issued when there are no restrictions on wagering operators licensed interstate offering wagering services to Victorian residents. Sportsbet believe the State should be undertaking an appropriate level of assessment on the various licence options. This assessment of options should include the potential for decoupling the right to run the Tote pool from the fixed odds and retail licence(s).
- Exclusivity of the retail network. As above – there may be sound reasons for establishing non-exclusive retail licenses within an appropriate and responsible retail network footprint. Competition in the online wagering market has spurred consumer choice, product innovation, price competition and a better overall experience for wagering consumers. It is logical that the same benefits could be enjoyed by retail wagering consumers if there was a liberalisation in the retail licence structure.

<p><i>could be made to the commission and taxation arrangements and why?</i></p>	<p>Sportsbet recommends the future licence structure not perpetuate any of the current anomalies, although it is acknowledged that the impending introduction of the point-of-consumption tax on wagering is likely to address several of the anomalies.</p> <p>Other arrangements which should be reviewed by the State include:</p> <ul style="list-style-type: none"> (a) Constraints on pari-mutuel commission rates. Sportsbet does not believe there needs to be rules restricting the maximum or minimum commission rates to be adopted. There are no such constraints on fixed odds markets and the highly competitive nature of the wagering market will act as a ceiling to price increases (b) It would be appropriate for the State to consider what measures can be put in place to replace unclaimed dividends over time, given the increasing level of account activity means this will become a declining source of revenue.
<p><i>7. Are the current revenue distribution arrangements under the wagering and betting licence appropriate and why? If not, what changes could be made to the revenue distribution and why? Your response may include, but not be limited to the:</i></p> <ul style="list-style-type: none"> a) <i>Joint venture arrangements between the wagering and betting licensee and the VRI;</i> b) <i>Alternative models that provide industry funding and returns to the licensee.</i> 	<p>The returns from the current licence are skewed heavily towards the VRI. There needs to be a balance to ensure:</p> <ul style="list-style-type: none"> (a) The licensee can generate an appropriate level of return relative to the level of financial and operational risk undertaken; (b) There are appropriate long-term incentives for the licensee so that it will invest in the licence and not take short-term decisions which could undermine future value to the VRI and the State; (c) All parties are aligned with suitable incentives to achieve an optimal level of wagering performance, and importantly, that there are not any disincentives which serves one parties interests but at the expense of one or more of the other parties <p>Sportsbet recommends the State attempt to facilitate a licence framework which avoids the situation where the opportunity cost of operating the tote and retail licence may be too great for prospective bidders (including the incumbent) relative to their alternate existing online wagering licences.</p>
<p><i>8. What are the trends, or likely future trends, in the Victorian wagering and betting landscape and how will these impact on the next wagering and betting licence?</i></p>	<p>There are some industry trends which are occurring which should be taken into account for the development of the framework for the next wagering and betting licence:</p> <ul style="list-style-type: none"> (a) Some key substitutions are occurring: <ul style="list-style-type: none"> ○ Retail wagering to online; ○ Pari-mutuel racing to fixed odds; and ○ High rates of growth for sports betting relative to racing.

	<p>(b) There are also some other factors likely to impact the overall market:</p> <ul style="list-style-type: none">○ Greater levels of regulation which constrains advertising and promotion and is thus likely to reduce the natural rate of wagering activity;○ Wagering operator consolidation, reducing the number of licensed operators and thus customer choice;○ Technology advancements which disrupt traditional wagering product offers, development and customer experiences; and○ Higher standards of wagering integrity and responsible wagering.
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