



Australian Government
Australian Sports Commission

Australian Sports Commission Submission

Review - Impact of Illegal Offshore Wagering

16 November 2015

Introduction

The Australian Sports Commission (**ASC**) is pleased to provide a submission to the Review - Impact of Illegal Offshore Wagering.

The ASC, through the recent release of its corporate plan, has four (4) identified key priorities:

- Win- international success;
- Play- more participation;
- Thrive- sustainable sports; and
- Perform- organisational excellence.

The ASC priorities, Win, Play and Thrive are related to the scope of this review. We provide this submission on the basis of these key priorities.

The Importance of Sport in Australia

The following extract is from the ASC's participation game plan; *Play. Sport. Australia*. It captures the importance of sport in Australia, why it is worth protecting, and why the Australian Government invests in sport through the ASC.

Sport is a defining characteristic of our national culture – one that is recognised across the world... We celebrate and exude national pride when our athletes represent us on the world stage.

The numbers are compelling. Approximately 6.5 million Australians participate in organised sport and 7.6 million attend live sporting events each year. 92% of adult Australians have an interest in at least one sport, and six on average. Importantly, 2.3 million people volunteer time for sport each year – the largest volunteer group in the country...

And sport is good for Australians. It makes us a healthier nation both physically and mentally ...Physical inactivity is a well-known and growing problem in Australia, with over 13,000 deaths attributed to it annually and more than 45,000 new cases identified each year. Recent research estimates a financial benefit of \$434 million to the economy of physical inactivity could be reduced by 2018.

Sport also helps to build our confidence and self-esteem, and reduces our crime rates. It helps us to develop stronger communities, bridges cultural boundaries and improves our international relations. Sport improves our academic performance, our social lives and creates an environment where all are equal. Sport is an important economic driver in Australia with a workforce of over 2.4 million people and generating more than \$12.8 billion in annual income.

The Importance of Sustainable Sports

For sport to be able to continue to provide these and other benefits to the Australian community it needs its national sporting organisations (**NSOs**) to thrive. NSOs need increased and more diverse sources of revenue. While the ASC's priorities have historically focussed on international success and increased participation, creating sustainable sports has become increasingly important. Well governed, commercially strong sporting bodies are a vital enabler for the achievement of high performance and participation outcomes. If our NSOs thrive, Australia will win and play.

Australian Sports Commission evidence suggests that beyond a few professional sports, NSOs are struggling financially in an increasingly competitive environment for commercial partnerships. The result of this is the emergence of a two speed sporting system with an increased gap between the capabilities of the major professional codes and other NSOs.

The Importance of Integrity in Sport

The importance of maintaining the integrity of sport is a critical issue. Wagering, or any other issue that could undermine the integrity of sport, must be taken seriously.

To this end the ASC supports the submission provided by the National Integrity of Sport Unit (NISU) insofar as it relates to maintaining and improving the integrity of Australian sport. The NISU submission should be read in conjunction with this submission.

The role of wagering

Legislative landscape

The recommendations of the 2013 Review of the Interactive Gambling Act (**IGA**), none of which have been implemented, will be revisited during this current review. Recommendation 28 called for an amendment to the IGA in respect of in-play betting to move to platform neutrality (with the exception of micro-betting which it was recommended be banned across all platforms).

The prohibition of online in-play betting is considered a major driver of wagering offshore, with current laws only allowing in-play betting to occur in TAB outlets or via telephone. With the convergence of technologies, some wagering operators are already challenging the current situation by using voice-activation technology imbedded in smart phone applications to bypass the restrictions in the IGA.

There are strong arguments that reducing offshore betting and providing online betting opportunities onshore will be beneficial from an integrity perspective; wagering operators in Australia are regulated, invest significant resources themselves into monitoring suspicious betting activity, and are required to share data with sport controlling bodies to aid sport-led investigations into suspicious betting.

As occurred in the 2013 Review of the IGA, the ASC understands (and expects) the Coalition of Major Professional and Participation Sports and wagering operators will renew their push for the legalisation of platform neutrality and as a consequence, online in-play betting.

The ASC submission does not consider the merits of platform neutrality. Rather it focusses on how any future changes contemplated by Government in wagering laws could be applied to maximise the benefits available to NSOs in a growing sports betting market.

Revenue opportunities

Given the success of generating revenue for sport in other nations, there has long been interest in establishing a national sports lottery in Australia. Examples of other countries include Germany, United Kingdom, and Japan. With gambling being the domain of the States, the introduction of a national lottery remains subject to Constitutional restraints. Amending the IGA represents an alternative opportunity for sport to leverage wagering to generate additional revenues for sport.

New revenue generation opportunity

While wagering is controlled at a state jurisdictional level, the legalisation of online in-play betting could potentially be controlled at Commonwealth level. This would open up the possibility of wagering operators being taxed by, or paying a fee or levy to, the Commonwealth. Options would range from a direct tax to a fee for service payable to the NISU for the operation of a centralised sport betting monitoring service.

This approach would require further assessment from a legal and financial perspective. The introduction of any new tax above and beyond the existing state-controlled base would need to be balanced and sustainable. If domestic wagering operators are not price-competitive, it may keep in-play betting off-shore and even drive existing online betting off-shore.

Existing revenue opportunities

Goods and Services Tax (GST), which is payable by wagering operators on margins, would increase as a source of Commonwealth revenue with the introduction of online in-play betting in Australia. With an estimated additional \$480 million per year of wagering activity to come on shore, and this figure to double by 2020, a proportion of the GST payable by wagering operators could be allocated towards investment in sport.

Allocation priorities

Regardless of its source, any new Government-collected revenues should be prioritised towards improving integrity systems for sport. In this regard, the ASC supports the NISU submission calling for the establishment of a centralised sports betting monitoring function.

Beyond appropriate levels of investment in integrity the ASC contends any additional revenue from sports betting should be reinvested in sport. The ASC currently invests across more than 60 sports representing the diverse and rich nature of the Australian sporting system. The ASC is ideally placed to ensure that any additional investment is allocated to further the growth of the Australian sports sector as a whole to ensure it provides opportunities for participation and international success.

Commercial opportunities

While wagering poses a risk to the integrity of sport, it also poses an opportunity. Wagering on sport is a legal activity. It occurs with, or without the involvement of the relevant NSO. Estimates on the total value of wagering on sport in Australia are approximately \$4 billion annually and growing. Currently, only a small number of professional NSOs generate commercial revenue from wagering activity.

This takes the form of direct returns through the payment of product fees. Product fees to sports are paid out at around 0.8% of turnover from wagering on the sport. This equates to around 5-9% of gross revenue from wagering on the sport (where gross revenue is turnover less payout to gamblers).

This compares poorly to the race fields legislated rate of 1.5% of turnover to the thoroughbred sector and poses the question of whether current product fee arrangements are reasonable for NSOs.

Product fees

A barrier for NSOs seeking to monetise betting on their sport is investing the required resources into integrity measures (necessary to obtain sport controlling body status) to justify entering product fee agreements with wagering operators.

Aggregation of integrity services across NSOs presents a solution and an opportunity for sport to capitalise on wagering. A central sports-betting monitoring function, as recommended by NISU, could form part of this model. The ASC could also play a role in this; delivering integrity services (for a fee) on an aggregated basis would be a cost-effective way of enabling NSOs to enter product fee agreements with wagering operators.

While the allocation of GST or introduction of new taxes may face obstacles, the existing product fee framework is an established mechanism for sport to benefit from sports betting. Ensuring NSOs receive their rightful distribution of existing and new wagering activity on their sport should therefore be the priority.

Sponsorship

Beyond product fees, the main commercial contribution from wagering operators back into sport has been through sponsorship. A number of sporting organisations have been able to negotiate sponsorship deals with wagering operators; however there are limitations to this.

Wagering operators gravitate towards the professional sports with the largest exposure value to stimulate market growth. The maturation of the industry in recent years has seen a reduction in new market entrants looking to gain market share.

Commercial partnerships with wagering operators can also be a contentious issue, with some NSOs feeling uncomfortable promoting gambling (as opposed to receiving a share of wagering activity occurring on their sport).

This is in line with concerns over the level of advertising for sports betting at sporting events and during their broadcast.

For these reasons, it is not reasonable to expect commercial partnerships to be a mechanism to increase the amount of wagering revenue back into sport.

Broadcast

Wagering also provides an opportunity for sporting organisations seeking to have their sport broadcast. Outside the professional sports, sports either have to pay production costs to have their sport broadcast on traditional television or use new technologies to stream over the top broadcasting with a much lower audience reach. In either case, the cost of production, or limited audience reach and subsequent advertising value make broadcasting prohibitive.

If there are improved integrity systems in place, there is an opportunity for NSOs to have greater comfort with wagering occurring on their sport. With live content being valuable to wagering operators in stimulating betting activity, particularly in-play betting, wagering provides an opportunity for sports to get improved broadcasting arrangements. This in turn creates additional commercial properties which can generate additional investment in their sports outside of wagering.

Summary

1. The ASC accepts the arguments for platform neutrality and the introduction of online in-play betting (with the exception of micro-betting as defined in recommendation 26 the 2013 IGA Review).
2. Prior to any changes in legislation, the ASC is of the view an appropriate operating model should be created to:
 - a. provide strong protection to the integrity of sport; and
 - b. maximise the reinvestment of funds back into sport.
3. The ASC is supportive of NISU's proposal regarding maintaining and improving the integrity of sport through the introduction of a centralised sport betting monitoring system. This should be investigated in conjunction with opportunities for the aggregation of other necessary integrity functions which will allow smaller NSOs the opportunity to receive product fees on betting which occurs on their sport.
4. Beyond wagering operators paying product fees to sports, consideration should be given to the introduction and appropriate tax/levy to enable additional funds to be invested into sport to improve integrity and reinvest into high performance and participation outcomes. This could take the form of targeted allocation of the additionally collected GST revenue, or the introduction of a new fee or levy.
5. The ASC would be supportive of an appropriate review of all options which would create a secure and sustainable revenue distribution model for betting on sport between Government, sport and wagering operators.

