



To Whom It May Concern,

On behalf of TopSport (a Wholly Owned Australian Bookmaker) I wish to submit my thoughts on your Terms Of Reference in relation to the impact of illegal offshore wagering on the Australian wagering industry.

The necessity for punters to use offshore wagering operators is multi layered. The obvious answer and the most common response you might anticipate is that the bookmakers in Australia are not servicing winning professional clients in the appropriate manner.

It has become laughable over the past few years the number of restrictions corporate bookmakers are imposing on clients. This occurs in a number of ways including :

- i) Client wagers are partially accepted, some at token levels (ie: only \$10 of a \$1000 bet sought may be accepted)
- ii) Accounts are closed if a client is winning and therefore deemed non profitable.
- iii) Certain winning clients have restricted access to the bookmakers product range.

With the above issues primarily impacting the high turnover, professional punting fraternity, these punters have no alternative other than to direct their business towards the aggressive and rapidly growing Asian Exchanges or the illegal operators, both in Australia and off-shore.

This form of business poses inherent risks including lack of protection of client funds, industry integrity issues and from a regulatory viewpoint this business does not generate any revenue for ATO or Racefields participants.

Unfortunately over the past 12-18 months there have been substantial changes made in the gambling industry, most notably the introduction of product fees payable to the various racing and sporting bodies. Whilst I acknowledge that the industry needs to receive revenue from corporate bookmakers operating on their products, the current Product Fee models are flawed and excessive in the extreme and their escalation in recent months is totally out of control.

TopSport has a reputation in the industry as the bookmaker to the professional punter. We have never closed an account for profitability reasons, and we have always afforded large limits to clients on a variety of racing and sporting events. Unfortunately we have been forced to reduce these limits substantially since June 1<sup>st</sup> 2014 as our business model was no longer viable under the present product fee structure.

The only way we could remain viable was to reduce our turnover by approx. 60% which in turn reduced product fees payable to racing bodies thus enhancing our profit margin. This step was not taken lightly and I can assure you we did not want to move in this direction as we were involved in an aggressive growth phase at the time. However we were left with no choice.

My point here is, if TopSport – a bookmaker who had always been considered fair – was forced to reduce limits to survive, you can only imagine the impact that out of control product fees have had on the larger corporate bookmakers who have obviously had to introduce changes to their business models as well, including lowering betting limits on certain accounts and shutting down others completely.

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With all of this happening, punters were left with no option other than to place wagers with illegal entities that are not subject to the product fee impost as is the case with licensed Australian bookmakers, thus enabling them to service the high turnover professional punter.

Unfortunately there is no simple answer to the issue currently facing the industry at present. The issues are multi layered and I don't think there is an easy fix. However I believe there are steps that could be put into place to return the industry to the strength of years gone by.

- 1) Bring in a minimum bet limit on all racing and sporting events. This rule is currently in place on racing in NSW, however there does appear to be an issue enforcing the rule with certain bookmaking companies appearing to ignore the requirements. With respect to racing, I recommend minimum bet levels mirror standards enforced upon "Rails" on-course bookmakers. Some exceptions would need to apply to be fair to all parties. Ie: If multiple bets are tendered simultaneously, only the first bet up to the set limit would need to be accepted.

With respect to the sporting events, a similar set of guidelines could be adopted. Perhaps on match markets the odds to \$1,000 would need to be accepted from all clients with similar safeguards as outlined above for racing – obvious pricing errors would not fall within such rules.

- 2) Betting accounts should not be allowed to be closed for financial reasons. Ie: a bookmaker cannot close an account if a punter is simply winning too much. This is an English mentality. If there are other issues involved such as integrity, then that of course is a separate matter.
- 3) A bookmaker product range should be available to all clients. Presently some of the bigger Corporates are "out of control" offering promo bet types and inflated odds, however they are only offering these bet types to certain clients. This requirement may also help to reduce the constant advertising that is currently invading our leisure time television viewing. I love our industry and have a lifetime involvement, however I am embarrassed to see the constant stream of advertisements promoting gambling to an audience who is not wanting to hear about it. I have no issue with promoting a corporate bookmaker when the public are watching certain events relating to gambling, ie Horse Racing or Football – however I consider there needs to be safeguards as children are being brainwashed by a culture where it is common practice for corporate bookmakers to be thrusting their promotions down unwilling throats – the six o'clock news is a typical example. The ramifications of this in terms of spikes in problem gambling will only be known sometime in the future.

I feel if all clients were eligible for the same price/promo then this would naturally reduce the number of offers, hence less advertising, which would allow families who are not into gambling the opportunity to watch television programs without the constant barrage of promotion of gambling products, which in turn may reduce the impact of problem gambling in society.

- 4) Racing Product fees need to be standardized across the industry in a fair manner to both the Bookmakers/Punters and Racing Clubs. Presently each state and code have a different set of rules and the fees are escalating out of control as each governing body strives to improve their individual profit performance. My recommendation in this regard is as follows :  
Racing - Flat Fee of 1% of turnover until a threshold of \$15 million of turnover has been reached in each venue. At that point a flat 1.5% fee to apply on all turnover above the threshold.

With regards to sport, there should be a flat fee of 10% on the profit/loss on all sporting events paid monthly, with carried forward losses applicable. As sport's wagering operates on much smaller margins it would be impossible to implement a turnover based levy for sports betting.

Legislate immediately for a central federal body to be responsible for the collection and dissemination of product fees on a standardised basis. The current system of levy control by each governing body and individual codes within that governing body is an administrative nightmare!!

- 5) Legalise live or in-play betting on sport and racing. This form of betting is legal in more other nations, and is another reason why consumers are forced to look overseas if they wish to place bets in play without the hassle of having to ring up to place their wagers. Most of the bigger corporates are putting in place alternatives to live betting which is make the rule laughable at present, so I feel if live betting was legalised it would be a huge help.

As the industry has survived for years on a lot less revenue than outlined in the above proposal, I consider my recommendations to be a fair compromise.

Unfortunately, I do not think there is any way to stop individuals from betting with overseas operators, however I do believe, if the above changes were implemented it would result in punters having less reason to bet overseas. By making these changes, it will allow professional punters to be able to 'get set' with licensed bookmakers at the same price as any other recreational punter, at the same time providing the bookmaker with an incentive to hold more money due to a lesser fee structure.

By introducing the aforementioned recommendations, I am certain such changes would naturally increase turnover as much of the money currently wagered off-shore would return to the Australian marketplace, which in turn would mean the Australian Racing Codes would receive enhanced product fee payments resulting in a win/win situation for all three parties concerned. Punters would be better protected as there would be no need to risk off-shore wagering and potentially some of the bigger bookmakers may focus more on bookmaking than constantly marketing their business. There would become an art associated with bookmaking once again – just like there was with on-course bookmakers in the good old days in years past.

I appreciate there is a lot of information to digest here, however, it is not purely about tackling the issue you are endeavouring to address. In order to address the issue of illegal operators, the above changes need to be made, and all members of the industry need to reach a compromise for a positive step forward to be taken.

If you would like anything clarified or expanded upon, feel free to contact the writer.

Regards

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Director & Chief Executive Officer.