

## 4. Technology Changes — Operation and Organisation

We have provided an analysis of gaming and wagering trends in Chapter 2 including utilisation of new technologies such as telephone and internet wagering. In Chapter 3 we extended this analysis based on interviews with key stakeholders in the racing industry. A key theme to emerge from the data analysis and the interviews is the enormous changes that have affected wagering and racing, especially over the most recent decade. In some cases attendances had followed a long-term path of decline or only recently plateaued; on-course wagering at the totalisator or with bookmakers continued to decline, TAB facilities have been significantly upgraded and are increasingly co-located with other forms of entertainment as consumer preferences change. New technologies such as the internet and telephone betting are slowly gaining in popularity. Total gambling outlays have increased with the introduction of EGMs and then the Crown Casino.

In this chapter changes within racing and wagering are examined, first through a brief review of literature and then by examining changing technologies and their implications for the future directions in wagering.

Changes in technology including the internet and telephone, the development and expansion of standalone betting shops and PubTAB facilities, the televising of race meetings and changes to the format and timing of races, the introduction of EGMs, the casino, a raft of changes in the format and sophistication of wagering opportunities (i.e., mystery bets, by colour, interstate betting, access to betting exchanges, sports betting etc.), commercial marketing campaigns and changes in consumer preferences all play some part in altering and expanding wagering opportunities.

The following summary points highlight the impact of many of these changes:

- Real per capita racing expenditure in Victoria (2002) was \$142.39;
- Real per capita expenditure on lotteries was \$90.32;
- Real per capita expenditure at the casino \$246.26;
- Real per capita expenditure on gaming machines \$692.64;
- Expenditure on various forms of lotteries represented 83 per cent of gaming expenditure in 1980, but has now declined to 8.7 per cent of gaming expenditure;
- Gaming expenditure on EGMs now represents 67 per cent of total gaming expenditure;
- PubTAB facilities account for 47 per cent of TAB turnover (2002–03);
- The TAB share of racing turnover is 82 per cent (2002) up from 51 per cent in 1981; while bookmaker's share has declined from 38.2 per cent to 12 per cent over the same period; and
- From a very low base in 1994–95, sports betting on a per capita basis has grown by 37.4 per cent,<sup>1</sup> while in same time total gaming increased by 10.7 per cent and total racing 2.3 per cent.

---

<sup>1</sup> CAGR: compound average growth rate.

## 4.1 Literature Review on Wagering

### Racing and Wagering

There have been a number of technological advances in wagering over the years, since the first formal horse race was run in New South Wales in 1810. Initially, legal wagering on racing was limited to on-course betting, although in the first half on the twentieth century there was also quite extensive illegal off-course (SP) wagering. The first significant change in the technology of Australian wagering was the introduction of off-course totalisator betting (TABs) first introduced in Victoria in 1961. Subsequent changes have primarily involved expanding opportunities to place bets with these government regulated TABs. Changes in the 1980s and 1990s included broadcasting of race meetings via dedicated race channels and pay television, opportunities to place bets in hotels and other licensed premises, and telephone betting (AIGR, 1999, pp. 62–67). Currently, emerging technologies for wagering include: internet wagering and mobile phone wagering, with digital television being raised as a further potential channel to place bets.

In racing, there are in effect two wagering or betting systems operating — the totalisator or parimutuel system with equal sharing of the pool less a small operating percentage take (operated through the TAB) and a fixed-odds system with a licensed bookmaker.

Parimutuel refers to the fact that the pool is created by those wagering ('the punters') and the pool of funds, less tax and a management fee, is returned to the punters. In the case of the operations of the TAB there is no risk in the sense they are participants in wagering; they are not putting money at risk, but acting as a central clearing house for the pool (minus 'tax and take'). The TAB shows the win and pay-out pools progressively as betting occurs and there is no formal pay-out dividend until betting stops. The on-course totalisator is an agency of the TAB operating on-course on any race day and paying a fee to the racecourse for being allowed to operate. Licensed on-course bookmakers operate a fixed odds system (in effect, the bookie is a gambler selling money at fixed odds).

*'It is important to recognise that the business risks of bookmaking and TAB parimutuel operations are quite different. Unlike bookmaking, the latter does not carry a residual risk on an individual event. Punters effectively bet against each other with the TAB taking out a fixed proportion of wagers to finance operating costs, returns to capital, levies and taxes'.<sup>2</sup>*

The racing industry is heavily reliant upon wagering; currently more than seventy per cent of the Racing Industry's total revenue is derived from TAB payments. This is different from other sports, such as cricket, that receive no revenue from wagering (The Australian Racing Board et al, 2003).

TABCORP (Vic) is the licensed totalisator monopoly in Victoria operating a statewide network of more than 650 TABCORP (Vic) outlets. The combination of TABCORP (Vic) retail outlets (and their location), licensed bookmakers and the availability of telephone and internet wagering means that opportunities to wager on race meetings is very accessible to the majority of Victorians. This is also the case in other States.

---

<sup>2</sup> Centre for International Economics (2002), 'Efficient Wagering: an analysis of the economic contribution of bookmaking in Australia', p. 2.

In response to community concerns about problem gambling a self-exclusion programme has been developed for wagering. In Victoria, problem gamblers can ban themselves from wagering at racetracks, at TAB standalone outlets, and from placing wagers with TABCORP (Vic) through the telephone or internet. However, PubTABS are refusing to participate in the scheme, citing the difficulty in administering it (Warner, 2003).

Our discussions with the AHA<sup>3</sup> and others indicate the very real and practical difficulties experienced by hotels and clubs in implementing self-exclusion programs for wagering. One major reason for this, unlike participation in EGM gambling, is that it is easy for a potential self-excluded patron to ask a 'mate or colleague to place bet'. This is a very unlikely scenario for participants in EGM gambling.<sup>4</sup> A second practical difficulty is that a patron is readily able to access a kiosk facility in some venues where there is minimal human interaction. Third, there are multiple entry points to racetracks so that it is relatively easy to enter without being challenged. The current self-exclusion program for wagering could reasonably work in a standalone TAB facility, although again, it is readily able to be bypassed as is the case for the industry self-exclusion program.<sup>5</sup> On balance, our assessment of the scheme is that it is practically very difficult to implement and administer and therefore it is extremely difficult to monitor, or evaluate the effectiveness of 'self-banning' schemes.

### ***Emerging Technologies: Internet Wagering***

Wagering on the three codes and selected sporting events where bets are received prior to commencement of the event are exempt from regulation under the *Interactive Gambling Act 2001*. This is because online wagering was perceived as an alternative distribution channel for a current product (Australian Racing Board et al, 2003). The Australian Racing Board *et al* (2003) states that, since 2001, internet wagering has not produced any increase in the rate of growth of wagering. The ARB consider that expenditure switching between the distribution modes has taken place, such that there has been a gradual transfer from phone wagering to internet wagering.

Wagering turnover by gambling form and by State or Territory suggests that there has not been any significant increase in the rate of growth of wagering, but the telephone betting continues to grow strongly. Telephone betting in 2002 accounted for 16.1 per cent of wagering turnover (15.7 per cent in 2000) while internet wagering is approximately 1.1 per cent of all wagering. This would seem to be broadly in line with other changes in telecommunications usage within Australia. The Australian Bookmakers' Association Pty Ltd (2003) suggests that online wagering provides a more informed environment for wagering and 'given wagering is a skill-based form of gambling, is less likely to cause harm than offline wagering' (p. 2).

The 'typical' profile of the internet wagering customer was described by TabLimited (NSW) (2003)<sup>6</sup> in their submission to Commonwealth's Interactive Gambling Review, as:

- Male (90 per cent);
- Aged 37 years (56 per cent aged between 25–49; 13 per cent 18–24 years);

---

<sup>3</sup> Mr Alan Giles, Executive Director, AHA (Vic).

<sup>4</sup> EGM gamblers, observing the 'gamblers fallacy' seek to protect the machine on which they are playing. The industry acknowledges this even to the extent of providing glass walls to observe the machine while a patron is required to step outside and observe the smoking ban.

<sup>5</sup> Refer 'Evaluation of Self-exclusion Programs in Victoria: Part A', prepared for the Victorian Gambling Research Panel, SACES (2003).

<sup>6</sup> The 'typical' internet customer was drawn from the Australian Centre for Gambling Research: Survey of Internet Wagering Users, September 2002.

- Occupation of professional/management/manager;
- Middle income earner (60 per cent earn between \$30–\$70K);
- Gambles once a week (84 per cent; 15 per cent gamble daily);
- Wagers on racing (91 per cent), 86 per cent had bet on sports; and
- 27 per cent had gambled/wagers off-shore via the internet.

In that same submission they concur with the ARB (2003) that 'growth in interactive wagering via the internet has been almost entirely derived from transfers from other wagering distribution channels (i.e., telephone and retail outlet)<sup>7</sup> To the extent this switching between modes has occurred, it is still relatively small with internet wagering for TAB off-course and with bookmakers, representing \$107.6 million in 2001–02 or 1.1 per cent of thoroughbred wagering turnover. However, this does suggest that convenience factors are an important consideration for the punter. In New South Wales over the period 1999 to 2002 telephone betting on parimutuel racing and sporting events declined by one per cent to 12.9 per cent of all betting in 2002, while the share of internet betting rose from 0.6 per cent to 4.6 per cent in 2002. Total wagering grew by 11 per cent in the same period while telephone and internet betting increased by 34 per cent. The share of sports betting (in New South Wales) via the telephone relative to all telephone betting rose from 2.2 per cent in 1999 to 6.4 per cent in 2002; via the internet, sports betting rose from 8.0 per cent to 14.4 per cent by 2002. In South Australia the share of sports betting is less than one per cent.

Concerns have been expressed about the numbers of young people wagering on sporting events, the exposure to and use of internet online gambling and the use of credit cards (own or parents) to set up accounts for internet gambling sites. In the USA, the National Gambling Impact Study Commission (NGISC, 1999) reported that some 1.1 million young persons 'between the ages of 12 and 18 were considered pathological gamblers'. This equates to approximately four per cent of young people in this age group.

Griffith (2002) reported on the utilisation rate of the internet for gambling in the UK. The UK-based study was a broad prevalence study; participants were interviewed to reveal that approximately one per cent had ever gambled on the internet. However, Griffiths notes that there is a relatively low use of the internet in the UK. Overall, Griffith (2002) concluded that the anonymity of internet gambling and its accessibility had the potential to create social problems<sup>8</sup> including, *inter alia*, underage gambling, gambling while intoxicated, and credit card fraud.

The most recent data from the National Office for the Information Economy (NOIE) reveals that 75 per cent of adult persons 16 years and over in Australia had access to the internet in the first quarter of 2003 compared to 69 per cent in the UK.<sup>9</sup> A similar prevalence study conducted in Australia would almost certainly discover a higher utilisation rate. Indeed, NOIE report on their website that of the top content categories for broadband use, online gambling was visited by 15 per cent of all online users.

---

<sup>7</sup> TabLimited (2003), p. 1.

<sup>8</sup> Social problems as distinct from 'problem gambling behaviours'.

<sup>9</sup> Access to the internet by Australian households was 54 per cent, in the UK it was 52 per cent.

Griffiths (2002) speculates that the structural characteristics of future software programs 'might promote addictive tendencies'. Structural characteristics (such as design features, the variety of games, levels of interactivity) that alter states of reality may reinforce feelings of anonymity. What is certain is that media-based forms of wagering and gambling through the internet, telephone to internet and enabling computing and digital television technologies will continue to open up new forms of participation in wagering and gambling and increasingly 'constitute the new frontiers of commercialised gambling activity in the immediate and medium term future'.<sup>10</sup>

In a study of internet gambling by adults in Ontario, Canada (Labomiteanu, 2001) internet gambling was the 'least commonly reported form of gambling' at 5.3 per cent of the adult population. Other studies on internet gambling in Canada report less than two per cent of the population has gambled online,<sup>11</sup> compared to 74 per cent buying a lottery ticket, 22 per cent visiting a casino in the last year and 20 per cent wagering on horse racing. The researchers found that marital status, those previously married (widowed, divorced) people were more likely to report gambling on the internet and that income, education and regional location were not significant variables. Women were also more likely to use the internet. The findings indicate that social factors such as isolation, loneliness and anonymity may be significant factors in online wagering and gambling for some groups.

It is important to note that none of the studies conclude that opportunities for wagering on the internet have given rise to problem gambling behaviours.

### ***Emerging Technologies: Telephone Betting, Mobiles and Wagering***

Telephone betting has been in operation since the mid-1960s and has developed through a succession of technological enhancements, from the traditional telephone call to a designated call centre through to telephone-internet links (e.g., Betstream in New South Wales, with annual sales turnover of \$50 million per annum). The internet is now an alternative to telephone betting, providing an alternative distribution channel.

Another technological change in wagering is through the use of mobile telephones. The technology allows people with new mobiles to place a wager via their mobile telephones. The technology is simply that a specific software application converts a website into a format that is able to be viewed on a mobile telephone (i.e., telephone to website). This technology enables 24-hour seven-days betting and, in the words of the promotional package, 'provides fast access to the internet to view odds, check latest results and place all your bets anywhere, anytime'.<sup>12</sup>

The introduction of telephone betting via licensed bookmakers,<sup>13</sup> albeit restricted, has opened up further opportunities to wager. Punters can now bet with a bookmaker on fixed odds, although there are restrictions on minimum bet limits in most States.

Distribution channels for wagering on racing now include:

- On-course bookmakers;
- On-course totalisator (TAB);
- TAB stand alone outlets;
- TAB in hotels and clubs;

---

<sup>10</sup> Woolley, p. 19.

<sup>11</sup> See [www.ccsa.ca/releases](http://www.ccsa.ca/releases)

<sup>12</sup> SportOdds – mBet – Bet on the net, Anywhere, Anytime.

<sup>13</sup> Agencies such as Centrebet, individual bookmakers.

- Telephone betting (Vic), PhoneTAB (NSW);
- Telephone to internet (Probet [Vic], BetStream [NSW]); and
- Standalone internet<sup>14</sup> (NetTAB [Vic], NetTAB [NSW]).

There are a number of protections in place for telephone account betting,<sup>15</sup> principally:

- When establishing a 'provisional' account with the TAB or a sports betting agency, the customer must tick a box confirming they are over 18 years of age;
- The customer must use a credit card and can only deposit a set maximum (in South Australia it is \$200);
- The customer has 21 days to go into a TAB agency and satisfy the 100-point check face-to-face with one of the operators;
- Until 100-point check is completed the account remains 'restricted';
- If 100-point check is not completed within 21 days the account is frozen. That is, no betting at all permitted; and
- If 100-point check is not completed with 90 days, account is closed and any balance is forwarded to Government revenue.

Licensed bookmakers also use telephone betting accounts, usually but not always, created with funds deposited into an account. It is possible for bookmakers to offer credit accounts to punters, specifically individuals known to them. However, increasingly it appears to be the norm that funds are lodged to an account.

The requirements involved in opening an account, include *inter alia*, proof of identity and the lodging of funds into an account. These requirements impose some checks and balances on wagering unlike the situation faced by problem gamblers who use EGMs.<sup>16</sup> A review of the internet sites for Centrebet and SportOdds reveals that it would be possible for those aged 18 years or under to open an account provided they satisfied other criteria. However, the researchers' discussions with Centrebet confirm that there are strict checks to verify an individual is over 18 years of age. There is no pay-out of winnings unless the 100 point proof of identity is able to be satisfied and those opening accounts are informed of this via letter. An example of telephone-based wagering on sports is through SportOdds which has a license to operate in the Australian Capital Territory. People must be members of SportOdds, have a wagering account and subscribe to the mobile service. Mobile wagering is covered by the same legislation as internet wagering (Lowe, 2003 p. 3).

---

<sup>14</sup> Internet may facilitate gambling in off-shore casinos and betting exchanges.

<sup>15</sup> Telephone betting systems include the use of touch phones, mobile phones, direct to telephone operators, direct to account systems, and also utilise speech recognition technology.

<sup>16</sup> Some casinos provide facilities to limit the amount gambled but the restriction and time lapse in regard to changing limits are relatively loose.

Sports betting appears to be particularly attractive to the adolescent, particularly young males who express confidence in their knowledge of sporting events and heroes to predict the outcome. Prevalence studies conducted overseas point to familiarity with the internet, mobile telephone and exposure to gambling and wagering at an age when vulnerability is high. Overseas, a number of researchers claim that gambling and wagering 'remain popular activities among both children and adolescents' and that the popularity of all gambling is on the rise. (The same might be said for adults!) 'Large scale prevalence studies and reviews all confirm the high prevalence rates of youth gambling. In particular, it is estimated that between four and eight per cent of adolescents presently exhibit a serious gambling problem with another 10 to 14 per cent of adolescents at risk for developing or returning to a serious gambling problem' (Derevensky, 2000).

However, relatively little is known in Australia about the extent of participation in all forms of gambling by young people, nor the risk factors that may lead to problem gambling.<sup>17</sup> Up until very recently, while an extensive range of studies point to higher prevalence rates for young people in the 18–30 age group and the risk of lifetime gambling problems developed from early exposure to gambling, relatively few studies in Australia have addressed the gambling behaviours of young people. This is surprising. Thus, very little is known about the pattern of experimentation with gambling and, like other forms of youth experimentation whether this declines with maturity.

Vitaro (2001) analysed the possible mutual influence of gambling, delinquency and drug use during adolescents and concluded that the 'findings contradict previous findings about the influence of gambling on other problem behaviours and support the notion of a 'general problem behaviour syndrome' fed by generic risk factors'.<sup>18</sup> That is to say, gambling, anti-social behaviours, drug and alcohol use have concurrent links in various stages of adolescents but gambling does not influence delinquency or drug use.

A recent study of South Australian high school students (Delfabbro et al, 2003) sampled surveyed year 10, 11 and 12 students. Interestingly in this study, the authors stated that 'most adolescents did not experience gambling related problems. Problem gambling was classified as a score of 4 or higher on the DSM-IV-J. Based on this classification, 3.5 per cent of participants could be categorised as problem gamblers'.<sup>19</sup> This is consistent with the lower end of rates for youth problem gambling reported in the North America, Canada and the UK that are reported to range from 3.5 per cent up to eight per cent.

Moore and Ohtsuka (1997) examined problem gambling prevalence among young people aged between 14 and 25 years. Participants were volunteers from Years 10, 11 and 12 of six secondary schools and first year undergraduates from four geographically separate campuses of a university in Melbourne. The university and the schools were all situated in the western suburbs of Melbourne, a predominantly working class area. Usable responses were obtained from 757 participants in the school sample and 250 participants in the university sample. A modified version of the SOGS was used, with changes made for Australian idiom and the age of the population. The major change was that a five-point Likert scale was applied to the problem gambling statements to maintain consistency in response requirements across the questionnaire. Moore and Ohtsuka (1997) found three per cent of the young people surveyed classified themselves as problem gamblers, lower than expected given previous research.

---

<sup>17</sup> We understand the Commonwealth Department of Family and Community Services is considering research in this area.

<sup>18</sup> Vitaro, et al, p. 172.

<sup>19</sup> Delfabbro, P., et al (2003), 'The social determinants of youth gambling in South Australian adolescents', *Journal of Adolescents*, Vol. 26. p. 323.

### ***Emerging Technologies: Digital Television***

Digital interactive television is another method of wagering that is already being promoted. It is available in the United Kingdom and in New Zealand. Publishing and Broadcasting Limited (2003) states that current legislation that places restrictions on the types of gambling services that may be provided could limit the growth of digital television in Australia. The *Interactive Gambling Act* currently prohibits in-play wagers. This allows consumers to place a wager during the course of a game such as the team to lead at the end of a specified time period. While telephone betting is covered by State and Territory legislation it is likely that federal legislation will be required in regard to digital television and wagering (i.e., should in-play wagering be permitted, specific legislation for racing relative to forms of sports betting, etc.).

We note, that in Australia there is potential for further convergence of commercial interests in sports broadcasting, wagering and gambling. The most active participant in the broadcasting, entertainment, leisure and gaming sector is Kerry Packer's Publishing and Broadcasting Limited, that holds interests in casinos (gaming and wagering), sports broadcasting, print and television and is now seeking to take a half share in Betfair. TABCORP (Vic) also holds interests in racing broadcasting, casinos, gaming and wagering. Digital television will provide a further platform for wagering and sports betting similar to the internet and mobile phone.

### **Potential Threats to Existing Wagering**

There appear to be two major threats to the wagering industry arising from technological change. These are betting exchanges and off-shore wagering and each of these is examined below.

#### ***Betting Exchanges and Sports Betting***

Betting exchanges represent an emerging threat to the existing form of wagering. Betting exchanges match bets between individuals. The exchange allows individuals to set their own odds, bets are placed on the exchange by users who either wish to place a bet in the normal way (betting on a win outcome), or offer odds to other users (termed 'laying'). The exchange matches users with opposing views on the outcome of an event and is indifferent to the outcome of the event. Layers must have their maximum exposure deposited in their exchange account. The betting exchange takes commission of 2–5 per cent on net wins. A new product offered by these groups is the option of 'betting to lose'. This aspect of a betting exchange is strongly opposed by the racing industry in particular, arguing that this threatens the integrity of the racing industry and is open to abuse (see earlier discussion, Sections 3.2 and 3.3). Existing wagering outlets such as the TAB network and bookmakers have also opposed the entry of betting exchanges into Australia.

However, Australia will soon have licensed betting exchanges. The UK-based Betfair has been operating on Australian racing since February 2003. Betfair is now approaching State and Territory governments to license it following the recent decision by the Commonwealth. It has proposed to backdate product fees to the Australian Racing Board and to start paying taxes to the State Government that licenses it (Mattersson, 2003, p. 33).

One concern with this new form of wagering is that it enables people to wager on a losing outcome. The Australian Racing Board *et al* (2003) claims that the ability to lay bets and profit by a horse losing could potentially undermine the integrity of the industry, as people in the industry could be tempted to ensure that a horse loses.

The Betting Exchange Task Force (2003) reports that a decrease in the perceived integrity of the racing industry would have an adverse effect on all forms of wagering. This may be so, although the Betting Exchange Task Force did not provide any evidence to support that this has systematically occurred in the UK as a result of the entry of betting exchanges.

The UK has a regulatory framework in place that addresses these issues of concern by having prohibitions on the laying of bets on horses by licensed persons and they have access to all transaction records. The researchers' assessment is that what is more likely is that the sophisticated punter using the internet will seek out a betting exchange because of the favourable odds they offer relative to current providers. In addition, because of the audit trail involved in credit account wagering there are more opportunities to trace or uncover 'cases of insider trading'. The UK experience provides some evidence of this.

The professional punter refers to sports betting as an 'impulse item' where the margins are smaller but the risks are generally lower. However, all persons the researchers interviewed agreed that sports betting had 'very significant growth potential'.

The 'growth potential of sports betting' arises from the fact that it is a relatively new form of wagering, it is readily able to 'go international to all sporting forms' via television and the internet, and most importantly, it provides for new wagering products such as wagering on the final result, the margin, in-play betting ('who will take the next wicket?') and events within a game such as who kicks the most goals, team leading at half time, etc.

Spread betting, which derives from stockmarket betting on the movement of an independent index like the All Ordinaries or the Dow Jones Index, is another new product in sports betting (see Appendix H) which is highly volatile and a high-risk form of wagering.

SportOdds, an internet sports betting firm, enables sports betting through new mobile telephones and the internet. The important implications of the use of this technology are twofold; they provide 24-hour seven-days access to wagering and they may encourage or facilitate impulse betting. In comparison, the use of the internet by bookmakers is restricted usually to a narrow band of hours before and at the close of a race meeting. It is generally between the hours of 10.00am and 5.00pm on a Saturday.

Centrebet, a licensed bookmaker operating out of Alice Springs offering 24-hour seven-days betting,<sup>20</sup> was set up some twelve years ago to provide online betting on racing. After expanding into sports betting in 1996 it was recently sold off and the former owner established CentreRacing. Such agencies operate like a licensed bookmaker; they put money at risk and thus operate differently to betting exchanges.

---

<sup>20</sup> Annual turnover in 2001/02 was \$400 million.

### **Off-Shore Wagering**

The second major threat to the local wagering industry is off-shore wagering (i.e., a globalised form of cross-border wagering). Currently, internet wagering is offered by off-shore companies and is also exempted by legislation. The Australian Bookmaker's Association claims that Australians are being aggressively targeted by off-shore operations. They believe that licensed Australian operators are at a competitive disadvantage as they are complying with Australian legislative and regulatory frameworks. Another concern with off-shore wagering is they do not pay any product fee or access fee to the racing industry. TABCORP (Vic) (2003) cites several concerns with off-shore wagering including: inappropriate event coverage (for example, Iraq war), non-adherence to Australian harm minimisation/social standards, non-payment of winnings, credit card fraud and betting scams involving insider activities.

Internationally, a growing number of countries have enacted legislation designed to establish the offence of betting with an offshore wagering operator or offering wagering services to residents of the country from an overseas base (Australasian Racing Ministers' Conference, 2003).

### **Wagering and Crime**

A question put to the researchers was how might the regulatory system be required to respond to illegal or fraudulent activity, including the operation of accounts under false names. This concern arose from two very large gambling-related cases of alleged fraud (by a bank manager in Western Australia and an accountant in South Australia).<sup>21</sup>

In the South Australian case, the employer claimed that Sportingbet did not act diligently in confirming the source of the funds and approval to wager with the funds. The Supreme Court of South Australia agreed with the employer and ordered Sportingbet to repay \$2.7 million.<sup>22</sup> Sportingbet is appealing the decision. Notwithstanding, both cases suggest that by allow the alleged frauds to occur in the first instance the internal accounting and monitory systems of the respective businesses were insufficient.

Industry regulators, the stewards in racing, the police and state corruption and integrity commissions all have a role to play. However, ultimately the authorities for anti-money laundering (Austrac, Australian Federal Police, ATO, ASIC) are charged with overseeing compliance with the *Financial Transactions Reports Act 1988*. Under the *Act*, all cash dealers including casinos, gambling houses and totalisators are required to report suspicious transactions, cash transactions of \$A10,000 or more, or the foreign currency equivalent and international funds transfer details.

The *Act* also requires cash dealers to 'verify the identity of persons who are signatories to accounts' and prohibits accounts using false names. (See Appendix J for description of current practices and protection of minors adhered to by TABCORP).

While it is not a crime for a third party to purchase a winning TAB ticket from a ticket-holder, this practice has recently been highlighted as one method of money laundering.<sup>23</sup>

---

<sup>21</sup> There has been other cases involving significant sums of money stolen from banks, large and small businesses.

<sup>22</sup> The employee was charged with stealing more than \$A22 million for gambling and to fund an extravagant lifestyle. The \$2.7 million was in fact an amount sitting unused in the account of the alleged fraudster.

<sup>23</sup> 'Tab Tickets used to launder cash', *The Australian*, 7/7/04, p. 6.

Credit-based transactions provide an audit trail and the increasing use of platforms such as the mobile phone, the internet and interactive television will provide audit trails that can be verified. Cash-based transactions above a certain limit are the responsibility of Austrac to investigate if it determines the transaction warrants investigation. Wagering operators as a condition of licence, should be required to maintain audit trails and for those to be scrutinised by an authorised regulator. Consideration may need to be given to instructions provided to operators to report activity in accounts of which they are suspicious.

One form of protection for those experiencing problems in controlling their wagering is by credits accounts offered by wagering operators that have a 'pre-determined facility' which is a maximum credit limit available in the account. This is similar to the facility that several online casinos and other casinos currently offer. Pre-determined limits have been suggested for EGM gamblers.

## **4.2 Future Directions in Wagering**

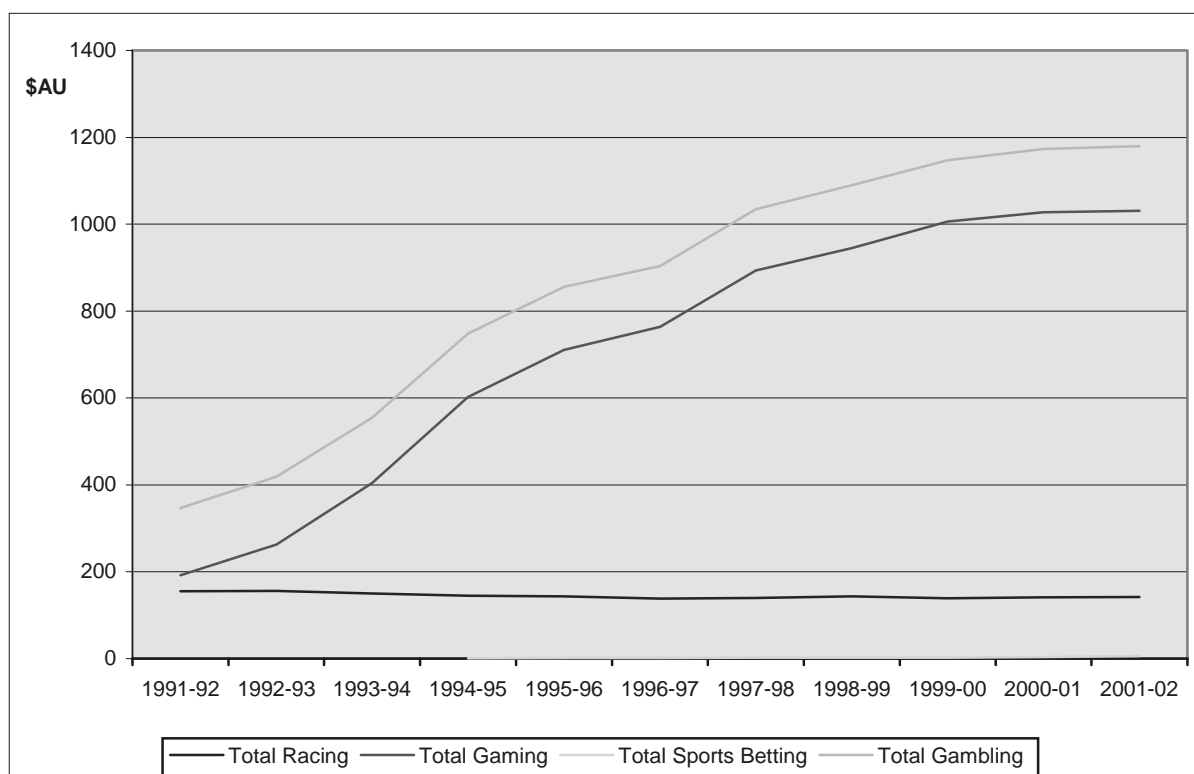
Wagering business in Australia has faced relatively difficult circumstances since the liberalisation of the gambling market commenced in the 1970s, with the advent of casino development as a panacea to flagging regional economies (Tasmania and the Northern Territory). Gambling industries moved into a full cycle of commercialisation in the 1990s, as New South Wales and Victoria established the two largest casinos in the country. Poker machines, which had been present in NSW Registered Clubs since 1956, were introduced to hotels and clubs across the country with the exception of Western Australia.<sup>24</sup> The subsequent growth in expenditure on gambling and of State and Territory governments' secondary taxation returns from gambling activity has been remarkable.

As has been well documented, wagering has struggled to maintain market share in the midst of this overall expansion in gambling. Victoria has exemplified this trend, with gambling expenditure growing rapidly following the establishment of Crown Casino and the introduction of 27,500 poker machines to clubs and hotels throughout the State. Figure 13 illustrates real per capita gambling expenditure in Victoria.

---

<sup>24</sup> There are no EGMs in ACT hotels.

**Figure 13: Real Per Capita Gambling Expenditure, Victoria 1991–92 to 2001–02**



Source: TGC 2003, Australian Gambling Statistics, Table 20.

Figure 13 highlights the rapidly expanding gambling market in Victoria. This market has grown rapidly of the past decade, driven by the commercialisation of gaming. There has been a decline in real per capita wagering expenditure, both in real dollar terms and also as a proportion of the gambling market. This decline may be in part due to increased competition for the gambling dollar (see discussion in Section 2.4), though it is also a longer-running trend likely to be indicative of changed social preferences and opportunities for leisure activity. Wagering, and the racing industry which has traditionally been reliant on betting revenues, has thus not benefited directly from the commercialisation of gaming that has driven the expansion of the gambling market. However, in Victoria racing has benefited indirectly through the arrogation of a percentage of TABCORP (Vic)-owned gaming machine revenues to support the industry.

In summary, although wagering remains big business in Australia with \$1,884 billion total expenditure on betting on races in 2001–02, the key concerns of the wagering sector remain. These include perceptions of an aging ‘traditional’ client base utilising primarily off-course totalisator outlets (agencies, hotels and clubs), and a failure to attract younger customers to wagering. Increased competition, in the form of betting exchanges and sports betting opportunities available online, threatens to both eat into these traditional domestic ‘terrestrial’ client bases, and to capture younger gamblers who are prepared to ‘shop around’ in the online gambling marketplace. This may be particularly relevant in relation to the burgeoning sports betting market, likely to be the next rapid growth sector of the Australian gambling market.

The future growth of the wagering industry can thus be understood as structured by its ability to deliver both existing and new products in a manner that is most attractive to an expanded client base. The intersection of the development of the wagering client base with an enabling technological platform, including a wide range of digital media such as phones, computers and interactive television, is likely to define future wagering business. It is through this process that new and/or transformed wagering products and spaces for their consumption will be produced.

Betting on racing is likely to continue as the 'mature' stream of wagering business. However, wagering products will continue to be modified and new products introduced, in many cases these could be described as 'marginal' wagering products at best, due to a continuing convergence of wagering and gaming products. Modifications to existing race wagering streamline their commodification, eliminating perceived barriers to participation of less 'knowledgeable' clientele. An example of this is the delivery of trifecta and box trifecta race-wagering products. TAB Limited (NSW) for example, modified the format of trifecta betting slips, eliminating the confusion whereby one 'share' or unit of a trifecta pool cost \$6, by including boxes prompting the client with the question 'how much do you want to bet?'. This allows trifecta bets to be understood immediately in terms of outlay not the cost of one share of the pool (\$6). Betting slips then specify that a \$1 stake, for example, entitles a winner to 0.16 of one share of the pool.<sup>25</sup>

New wagering products increasingly blur the distinction between gaming and wagering forms. An example of this trend is the TAB Limited product 'Spinner'. Modelled on the coin-tossing game 'two-up', the punter chooses whether the first two place-getters in a horse or greyhound race will be carrying two even numbers ('evens'), two odd numbers ('odds') or a combination of one even number and one odd number ('mixed'). 'Spinner' could be argued to involve some element of the traditional punters' skill in selecting winners, that is, the choosing the first two place-getters (a traditional 'quinella' bet). However, it is the 'Mystery Spinner' bet that is the key to understanding this and other such product 'innovations'. The Mystery Spinner is quite simply a random number generator (RNG) selection of one of the three possible combinations of odds and evens. This reduces the activity of betting to a 'one-click' action, the wagering equivalent of a lottery 'quick pick' or a 'spin' of a poker machine. In short, what a 'Mystery Spinner' and other like wagering products represent is the convergence of wagering and gaming products, facilitated by the technological platform of computer random number generation. This raises important questions about the appropriateness of the differential regulatory regimes governing gaming and wagering in Australian States and Territories.

The convergence of wagering products with gaming products transforms the commodification of wagering. A number of processes are involved in this transformation. First, random number generation is wholly cybernetic; that is, the 'choices' that constitute the actual bet are due entirely to a computerised process. As in the case of the 'Mystery Spinner' bet, this allows the simplification of the offer and acceptance of the wagering product and its final detachment from the act of gambling as, in effect, the consumer merely selects the form of wagering product to be purchased and not the outcome of the independent third event upon which the wager is made.

---

<sup>25</sup> Despite the ease of calculating a one-sixth share of a betting pool accurately in the computer age, calculating one-sixth as 0.16 then provides the basis for calculating one-third as 0.32 and so on. This continues the traditional TAB practice of 'rounding down', which in the calculation of winnings is to the nearest 10 cents below (for example in New South Wales a dividend of \$1.89 is paid out as \$1.80. In Victoria the rounding down is the nearest five cents, i.e., to \$1.85). This system, whereby punters are short-changed at least once or sometimes twice on each bet, arbitrarily redistributes legitimate wins and losses in favour of the totalisator operator.

Secondly, a new technological platform for delivering many of these recreational gambling opportunities has emerged, embodied in the computerised network society. The recent decades have seen what has been described as 'a new technological paradigm, centred around micro-electronics-based, information/communication technologies', which alter 'relationships of production/consumption, power, and experience, ultimately leading to a transformation of culture'.<sup>26</sup> This information technology innovation has significantly altered the gambling industry landscape in the 1990s and will continue to do so in the future. The technical developments surrounding digitalisation now facilitate, in the gambling sphere, the electronic surveillance of gambling, the linking of jackpots, real-time gaming and wagering and continuous play<sup>27</sup> — effectively reshaping the gambling industry. Developments of streamlined 'one-click' wagering products are thus technically relatively easily integrated into other commercial services offered through these networks, for example live coverage of any racing or other sporting event taking place within the range of global networks.

Thirdly, the provision of wagering products tailored to a global smorgasbord of live racing and sporting events can be disseminated to a diverse range of platforms for accessing or 'logging in' to digital networks. In such a way gambling as a commodity becomes thoroughly integrated into the predominant future media of communication and financial transactability — online computerised networks — which many other commercial commodity forms, music for example, have not yet adequately achieved.<sup>28</sup> It can be forecast from a contemporary standpoint that there are likely to be three key sites for accessing new frontier wagering products: the home; mobile devices; and leisure/gambling venues.

---

<sup>26</sup> Castells, M., (2000), p. 11.

<sup>27</sup> Austrin T. and Curtis, B., (2001), p. 36.

<sup>28</sup> As regards the 'perfection' of this integration, it could be argued that it is only the artificiality of spatial frontiers which inhibits this drive for perfection – the national and international poker machine network accessible from clubs, hotels, casinos and also privately, principally through the ongoing production of the home as a networked leisure and entertainment venue.

The integration of live sports and racing telecasts, commercial gambling products and interactive television capabilities is likely to underpin growth in recreational racing and sports betting expenditures from the home. Access to these wagering opportunities (and casino gaming) through the personal computer in the study or back bedroom will be superseded by large high-definition screens, providing a quality interactive interface in the living room. In other words, as home networking capabilities become more sophisticated and more thoroughly integrated the same platform will facilitate live sports and race watching and interactive online betting, and the 24-hour availability of repetitive lottery or Keno products. Already in the UK a personalised and continuous bingo game for interactive television has been attracting significant participation.<sup>29</sup> Submissions to the review of the Commonwealth's *Interactive Gambling Act 2001* have lobbied for increased freedom to offer online 'in the run' betting on sports events. Such betting opportunities are viewed as both crucial to the viability of interactive television services available through subscriber or 'pay' television channels and as a driver for the uptake of such services (PBL, 2003). In the far more developed UK market, interactive bets with Sky television's gambling service provider Sky Bet totalled 6.5 million in 2001. The most popular product was in-the-run betting on the English Premier League (EPL), with 40 per cent of total of in-the-run bets reportedly being made by subscribers whilst watching live EPL matches.<sup>30</sup> The future 'colonising' of the home environment, as a node of digital leisure and entertainment networks, will thus dramatically transform wagering markets.<sup>31</sup>

Mobile devices represent a second major platform for future wagering. The burgeoning 'm-commerce' market, principally through phones, but also palm- and lap-top computers for example, provides both a platform for mobile gambling and access to a potentially new, affluent and relatively young client-base. Third-generation (3G) mobile phones suit both RNG gaming products such as virtual poker machines and wagering and sports betting products integrated with the 'push-media' of latest odds, clips of goals or race finishes, etc. Services which send clips of the latest goal scored in an English Premier League match to a 3G mobile telephone service, for example, are integrated with in-the-run betting on who will be the first or next goal scorer. With social and spatial mobility predicted to be defining characteristics of twenty-first century living, commodities will increasingly be integrated into portable techno-communications platforms.<sup>32</sup> Future wagering products will thus be increasingly shaped by these conditions.

---

<sup>29</sup> Bulkley, K., (2003), Article in *The Guardian*, 10 March, [www.guardian.co.uk](http://www.guardian.co.uk)

<sup>30</sup> PBL, (2003), 'Review of Issues Related to Commonwealth Interactive Gambling Regulation', submission to Review of Commonwealth IGA.

<sup>31</sup> The full integration of the home into 'globalised' gambling networks is likely to be only a short step away. It is not difficult to imagine that in the future Australians will be able to play virtual 'pokies' on their local hotel and club network from the comfort of their own homes. After all, as a mechanism to prevent the 'loss' of future online gaming revenues in the trans-national space of the world wide web, governments may have little alternative but to entice recreational gamblers to spend locally by opening their already sophisticated club and hotel gaming networks to 'off-course' pokie players. In the use of the totalisator and the off-course TAB to combat the lure of the SP bookies, there is an historical precedent that may well prove persuasive.

<sup>32</sup> See Urry, J., (1999), *Sociology Beyond Societies: Mobilities for the Twenty-First Century*.

Technology in the form of networking and computerisation is also an important aspect of the process of 'desegregation',<sup>33</sup> or the increasing situating of multiple forms of gambling within a range of leisure, entertainment and gambling venues. Computerised information technology allows the situating of TAB outlets, linked Keno games and linked jackpot EGMs in Australian registered club venues for example. In hotels, outlets for off-course totalisator betting have been commonplace for some time and are now joined by gaming machines, which are linked to centralised jackpots in most States. Casinos in all States feature 'sports bars', where betting can be done through the TAB on racing or sports, in addition to table games and linked EGMs promising substantial jackpot prizes. The co-location of these disparate gambling forms in contemporary venues reflects the fact that these forms are increasingly facilitated by a single technical media.<sup>34</sup>

However, the forms of commercialised and commodified wagering described do not exhaust the possible applications in the realm of digital networks. As discussed above, peer-to-peer (P2P) applications operated on a different principle, whereby individual users are connected to each other through the facilitation or 'matching' of the P2P platform, enabling the direct sharing of files, playing of games or making of bets for example. Peer-to-peer applications are already popular in facilitating multiple-player poker, including those regulated through internet casino sites. Gambling operators such as Betfair who run P2P 'betting exchanges' will match a specific client who is willing to accept the offer of a particular bet made by another client. Thus P2P gambling is not reliant on either the traditional off-course pool wagering model or the gaming/Random Number Generated model. It can be argued that P2P applications could threaten wagering markets, due to the probability of finding more attractive odds, the opportunity to 'lay' bets and the possibility of betting on a wider range of outcomes and contingencies.

Arguments have also been put forward by wagering operators (TABCORP (Vic), 2003) and many in the racing industry that P2P betting, through betting exchanges such as Betfair, may threaten the integrity of racing. This is due to the perception that the opportunity to 'lay' bets allows gamblers to bet against a particular outcome, that is, that a particular horse or greyhound will not win. It is claimed that this may prove tempting to those involved in the racing industry with the opportunity to ensure a particular runner does not win. This is the reason that bookmakers, who systematically bet against winners, are licensed and regulated to ensure the probity of the racing industry. Given that the systematic 'laying off' of bets to hedge against risk is a global practice of bookmakers, this criticism is perhaps more a commentary on the state of financial monitoring and institutional cooperation in relation to the betting audit trail than a crucial issue of concern, perhaps even more so given the fact that racing industries wage an ongoing battle to ensure that wagering clients are betting on the basis of fair and honest competition.

A second argument, that P2P betting on racing does not contribute to the racing industry, says more about transition in the incorporation of new gambling media into fully governed regimes of taxation and other social contributions, than it does about any necessary reason why betting exchanges cannot be persuaded or required to make such a contribution. In May 1992, Betfair reached an agreement with both the British Horseracing Board for a race data licence and the Horserace Betting Levy Board in

---

<sup>33</sup> Considered by Miers, D. (1996).

<sup>34</sup> See Austrin, T. and Curtis, B., (2001).

relation to its contribution to racing.<sup>35</sup> In Australia, where regulation and control of gambling is far messier due to it being a responsibility of the various State and Territory governments, this contribution is more likely to come from the payment of product fees to the 'content providers' who administer racing in each jurisdiction.

Given that the Commonwealth has chosen not to restrict the access of betting exchanges to Australian wagering customers through the *Interactive Gambling Act 2001*, from which they are currently largely exempt, then the major way in which regulators will shape the future wagering market will be through the types of bets allowed rather than through determining the media through which this gambling is provided. This course of action seems logical given that TABs are already concerned by, and actively lobbying against, their inability to offer the same suite of wagering products across all distribution channels due to current restrictions on online gambling imposed by the *Interactive Gambling Act 2001*. Of particular interest here is the distinction between 'in-the-run betting' and 'micro betting'. Currently in-the-run betting is allowed, aside from via the internet, on the outcome of longer duration events, such as Test cricket or the AFL premiership season, for example, subsequent to the commencement of a particular match or season. Whilst all interested parties in the wagering industry have pressed to have restrictions on in-the-run betting via the internet removed from the *Interactive Gambling Act 2001*, it is noticeable that the providers of subscriber and digital television services with interactive potential would like to see the further removal of restrictions on so-called 'contingency' in-the-run betting, such as next goal, wicket or try for example. This type of in-the-run betting is that described as 'micro-betting' by many established wagering businesses, in particular totalisator operators, which they oppose ostensibly due to social concerns revolving around a potential increase in the numbers or severity of 'problem gamblers'.

Perhaps the logical (but not necessarily likely) outcome of this debate would be the removal of restrictions on in-the-run betting, with State and Territory authorities responsible for the precise contours of the contingency or micro-betting markets provided by operators within their jurisdiction. It is perhaps stating the obvious to observe that the major argument for taking this course, and for the establishment of agreements with overseas wagering and betting exchange operators regarding product fees and types of bets, is due to the apparent fact that preventing Australian bettors gambling with overseas race or sports betting providers is not a technically or practically feasible option.

### **4.3 Summary: Technology, Markets and Trends**

The researchers were able to interview a diverse range of stakeholders in the racing industry, gambling regulators, the gambling industry and to discuss likely future trends within the industry, including advances in technology and new products.

The future cannot be predicted with certainty but there is widespread agreement around broad trends and emerging technologies. We consider some of the more important issues here.

Wagering appears likely to remain in a phase of relatively constant transformation in the short- to medium-term future. The final outcome of the review of the *Interactive Gambling Act 2001* will determine to some extent the future dimensions of wagering business in

---

<sup>35</sup> The 42<sup>nd</sup> Levy Agreement in the UK instituted a 10 per cent levy on gross winnings of all layers with betting exchanges. The UK Department of Culture Media and Society (DCMS) also invited Betfair to take a seat on its Bookmakers' Committee. This was a further sign, following the DCMS position paper on the revamping of gambling legislation (available from DCMS website), that betting exchanges will be incorporated into the regulatory regime emerging in 2004 under the auspices of a new Gambling Commission.

Australia. More broadly, the logic of commodification and the reach of global digital networks of communication and commerce will continue to shape the nature and modes of delivery of future wagering products. The advent of the home as a site of digitally networked entertainment and leisure and the potential of mobile delivery of wagering commodities will transform the social and spatial contours of the wagering market. It is likely that these parameters will shape the future of directions of wagering business, in particular the likely rapid expansion in the scale and scope of globalised sports betting.

Gambling and wagering are positioning for a 'mass appeal market' which is associated with the availability and advancement of technology.

The mass appeal market has the following characteristics:

- It seeks to provide that many people wager often, rather than a relatively few people wager regularly;
- The market is events driven, so that sports betting for example, can be expected to be incorporated into the mainstream;
- It seeks to provide for fun, entertainment, high levels of accessibility where impulse betting is facilitated; and
- Most importantly, internet and digital technology will drive the 'mass appeal' to open up that market.

Advances in technology and the take-up rate of mobile telephones, the internet and digital television will provide the platform for online wagering and gaming. Major stakeholders in the industry predict similar directions although they may differ on the speed of take-up and the impact of greater accessibility to wagering opportunities. Independent assessments (in our literature review) concur with industry stakeholders. For example:

*'Mass appeal online betting and gaming is likely to be dependent on the digital TV market, the global take-up rate of satellite and cable and the next generation of mobile telephony'*

(Ernst and Young UK: 2001).

*'Independent forecasters predict explosive growth in global online betting. The driving force is internet and digital technology that will open up mass-market sports betting by delivering live entertainment, news and information, to internet linked PCs, WAP mobile phones and interactive television'.*

(Ernst and Young UK: 2001).

The 'mass appeal market' also seeks to differentiate between soft gambling with high rates of accessibility — including EGMs in hotels/clubs, X-Lotto or Powerball ticket, Keno) and 'hard gambling' which is associated mostly with casino attendance and table gambling. The latter is a relatively restricted market — both in terms of the numbers of people who regularly attend a casino, as measured by real per capita expenditure<sup>36</sup> and on measures of gambling participation by venue and mode. In the UK, it is observed that 'while 70 per cent of the adult population in the UK regularly participate (at least once a month) in the National Lottery, only three per cent visited a casino in 2001'.<sup>37</sup> Similar trends are found for Australia, where gambling rates for those who have participated in any form of gambling in the last twelve months approximate 77 per cent of the adult population. Of those who had gambled in the last twelve months, some 61 per cent reported playing a lottery or a lotto game compared to seven per cent who played a table game at the casino.<sup>38</sup>

The necessary complimentary component of 'this future model' is high-quality regulation, licensing and taxation regimes. The consumer will expect protection and privacy — in short, a high level of security and confidence in online systems and trust in the provider and the product.

Opportunities for online wagering are expanding with the uptake of new technologies and the entry into the market of online betting operators. The internet, the mobile phone and digital television already enable betting to take place without the need to attend a betting venue such as a local TAB shop (or leave your home). Just as the TAB shop and then telephone accounts separated wagering from actually attending a race meeting and then enabled interstate betting, so these new technologies are expanding the scope of wagering opportunities.

If the next generation of mobile telephony, the increasing access to the internet and interactive television represent the platform for new wagering opportunities, then this is likely to impact on traditional venues such as standalone betting shops and other retail outlets such as hotels and clubs. Already we are witnessing the development of 'sportsbars' and specialist bars for different segments of the market. At the very least, it is likely that venues will increasingly diversify and upgrade into 'entertainment destinations' providing a suite of wagering and gambling options. The standalone betting shop will continue to upgrade, but they are likely to reduce in number.

---

<sup>36</sup> Expenditure per capita is inflated for all casinos because of the tourism component of all expenditure.

<sup>37</sup> Ernst and Young (2002), 'Look before you leap: Staking out a successful future in the UK gaming marketing', p. 6.

<sup>38</sup> Source: 2003 Victorian Longitudinal Community Attitudes Survey Draft, September 2003, Centre for Gambling Research, ANU.



# 5. Profile of Wagering and of Electronic Gaming Machine Gambling

## 5.1 Introduction

It is important to differentiate between those who engage in recreational gambling and those for whom gambling may lead to problem or uncontrolled gambling. There is a third group — those who do not wager or gamble at all. The majority of those who gamble do so in a controlled fashion. They are able to regulate their expenditure and enjoy ‘having a flutter’, the ‘thrill of beating the bookmaker’ or the hope of the ‘helicopter drop from various sized wins in X-Lotto’. Whether in a family or work syndicate or the weekly purchase of a single ticket and the occasional raffle ticket, gambling is a controlled activity. For many, participation in gambling is even more restricted to the single or special event such as the Melbourne Cup. From TAB (Vic) customer profile analysis, some 65 per cent of the Victorian adult population do not engage in wagering. A further 24 per cent are reported to bet infrequently (less than 12 days per year).

For all forms of gambling, it is estimated 77 per cent of Victorian adults participated at least once in the previous 12 months.<sup>39</sup> There are high participation rates for lotto and lottery games; for EGMs the rate varies between 30 and 35 per cent; for race wagering between 16–30 per cent; while a range of domestic and international surveys reveal casino gambling to involve usually less than 10 per cent of the adult population. In the following discussion the researchers consider both recreational gamblers and the problem gambler; the latter are estimated to comprise between 2.1 and 2.3 per cent of the Victorian adult population representing in the order of 73,000 to 75,000 individuals.

There are potentially an unlimited number of ways of ‘building the profile’ of those who wager and those who play EGMs including *inter alia*, by direct observation, perhaps accompanied by an interview, by analysis of users and non-users of loyalty card schemes, from data on recreational punters and EGM players provided by operators of gambling services, from existing surveys and research papers and from those who have a long association and often intimate knowledge of the wagering and gaming market (e.g., bookmakers). Player profiles can also be established from those who chose to pay a small subscriber or associates fee to access clubs for the purposes of gaming. In the discussion that follows we have used all these sources (and more) to develop player profiles.

The study ‘The Experience of Problem Gamblers, Their Loved Ones and Service Providers’<sup>40</sup> confirms the data on those who predominantly access gambling help services, that ‘the most dominant form of gambling for 85 per cent of problem gamblers is through EGMs at pubs and clubs’. EGMs at the Crown Casino and TAB/Sports wagering follow in that order, as contributing to problem gambling. There is a high correlation between what problem gamblers report and the estimates by service providers of the dominant form of gambling by problem gamblers.

---

<sup>39</sup> McMillen J. et. al., (2003b), ‘2003 Victorian Longitudinal Community Attitudes Survey’, Centre for Gambling Research, p. 14.

<sup>40</sup> ‘The Experiences of Problem Gamblers, Their Loved Ones and Services Providers’, New Focus Research, Draft Report to the Gambling Research Panel, December 2003, p. 6.

However, one cautionary note is warranted here, in that it is well known that males tend to access helping services less often than females. Combined with the profile that wagering on racing is predominantly a male activity and gambling on EGMs is slightly skewed towards females, then it is probable that males and problem gambling from wagering are under represented in help service clientele and service-wide statistics.

## **5.2 Who Wagers? Industry Customer Profile**

Customer profile data provided by TABCORP (Vic) shows there are five per cent of regular wagerers who bet at least 52 days per annum and account for 78 per cent of TAB turnover. A further five per cent are occasional gamblers who bet between 12 and 52 days per annum and account for a further 13 per cent of turnover. So 10 per cent of those who wager account for 91 per cent of TAB turnover. Within these classifications are included the professional punters and syndicate punters who are often quite sophisticated, knowledgeable and successful. Data from community surveys, attendances at gambling counselling, attendances at general financial counselling and problem gambling estimates provided by the Productivity Commission study (1999) all indicate that approximately 2.2 to 3.1 per cent of those who wager on a weekly basis are problem gamblers based on SOGS 10+. Using these estimates and the known number of regular gamblers (bet at least weekly) with the TAB and subtracting syndicates and organised punters, we estimate 2,500– 4,000 racing punters are likely to experience gambling problems. The severity of gambling problems is somewhat more difficult to comment upon. Certainly a distinguishing feature of the EGM ‘problem gambler’ and problem gamblers from race wagering, is that in the latter case the onset of the problem takes longer to develop, but can accelerate quickly as chasing losses is also a characteristic of those who wager. However, the traditional form of wagering relative to the button pushing of EGMs provides far more circuit breakers, more time outs and (many argue) a greater degree of social interaction.

## **5.3 Who Wagers? A Subjective View**

On a more subjective basis, bookmakers who have been in the business a long time describe the traditional recreational punter as having the following characteristics:

- Overwhelmingly male, young age group 20–35;
- Business people, middle income earners, with disposable income who prefer to punt on-course;
- Employed male who ‘grew up with racing’, had an interest in racing, knew of others involved in racing, had a history of association with racing;
- Have not changed to sports betting or EGMs; and
- Attend race meetings on weekends and/or maintains an account with a licensed bookmaker.

A second classification of the punter is the:

- Professional punter, almost exclusively older male (45–64 years);
- Operates by telephone; and
- Much larger average bet (\$5,000+).

Bookmakers comment that this group of sophisticated punters are usually very knowledgeable, well organised and controlled in their betting behaviour. They sustain high losses but match with large wins.

Other classifications are the:

- TAB agency punter who bets 'on a number', a 'colour', or based on a tip from others, so that there is often no real skill is involved;
- Usually male, regular Saturday punter, never mid-week;
- The 'event punter' who only attends on certain days, maybe once a year for the special outing, punter uses no skill; and
- Member of a syndicate of owners who may attend to watch performance of part-owned horse, bet from the heart based on luck, hope and chance.

Punters are drawn from four principal groups of people:

- From the racing industry itself, including the owner, trainers and support staff, breeders and jockeys;
- The corporate sector;
- Members of individual racing clubs; and
- The recreational gambler.

From the perspective of many experienced bookmakers, the requirement for cash-based wagering on the tote, at a TAB standalone facility or PubTAB and with bookmakers provides a constraint on the punter. In addition, deposit accounts are required for internet and telephone-based betting providing additional in-built checks and balances. Breaks between racing events provided a 'natural break in play', although television coverage acts to narrow the gap and broaden exposure to race events anywhere in Australia. Picking a winner was thought to require some skill and commitment of time so there was greater involvement, participation and decision making in wagering.

Overall, the researchers concur with this assessment. Ultimately, it is the expansion in television coverage and the commodification of wagering by new wagering products, that is creating a convergence of wagering products with gaming products (i.e., 'wagering' becomes 'gaming'). Race wagering is likely to continue as the mature stream of the wagering business.

Advertising and marketing of the on-course racing product is increasingly targeted at 'theme meetings', the special event, the experience of entertainment and excitement, and is designed to attract those with discretionary income. It is indisputable that such events are a very popular form of social and recreational outings. The theme meeting is well known — ladies day, the family/picnic meeting, the special non-metropolitan event — each designed to tap into a different market segment and to encourage a younger clientele to attend a race meeting. The importance of the number of people attending a race meeting is that the entry fee goes to the club; returns to racing clubs from wagering for on-course, TAB and bookmakers may range from one cent through to ten cents per dollar spent.

## **5.4 Who Wagers? Social Research's Views**

There have been seven surveys into Community Gambling Patterns and Perceptions in Victoria since 1992. Most recently, the Centre for Gambling Research (ANU: 2003) was commissioned by the Gambling Research Panel to undertake the 2003 Victorian Longitudinal Community Attitudes Survey. A consistent finding of these studies and others, is that the participation rate in horse racing wagering activities has declined since the early 1990s from approximately 20–21 per cent down to 13–14 per cent.

Notwithstanding the decline in racing wagering activities, this report has discussed the popularity of racing as a pastime in Australia (see: Section 2.1). Horse racing is the second most popular sporting event as measured by adult attendances in Australia and Victoria. Attendance rates in Victoria for horse racing were 15.8 per cent of adults in 2002, 4.3 per cent for harness racing and 2.1 per cent for dog racing. Australia's racing industry in an international context is very significant as measured by the number of races, prize money or wagering turnover. The decline in wagering is not generally reflected in attendances, although it is related to the popularity of newly available forms of gambling such as electronic gaming machines and the casino.

Two-thirds of all people who attended harness racing and dog racing in 2002 were male and 57 per cent of all people who attended horse racing were male. Community surveys confirm that this smaller number of race betters is male, in full-time work, are regular horse betters participating usually weekly, of which there are a higher proportion of 'committed heavy gamblers'. Overall this gambling group express a high level of satisfaction with their experience of horse race gambling — enjoying the thrill of winning, beating the odds, hoping to get lucky and believing that they had won back at least two-thirds of their gambling outlay.

The profile compiled of those who bet on races or sporting events was described as:

- Predominantly male (83 per cent)\*;<sup>41</sup>
- Aged between 35–64 years\*;
- Australian born, English main language at home\*;
- Full-time employment\*;
- Personal income more than \$25,000 per annum;
- Household income in the range \$40,000 to \$60,000 p.a.;
- Educated up to high school\*; and
- Couple with no children (i.e., no children or children not at home).<sup>42</sup>

The profile of those who wager on races or sporting events is similar to those who access counselling support services for problem gambling (Gambler's Help) and financial counselling support services (Commonwealth and State-funded services). Those who access specific gambling help services in Victoria for problems arising from TAB betting or race course betting, represent 9.6 per cent of all clients.

This is consistent with other research and community surveys.

For instance, the Productivity Commission identified that the prevalence of problem gambling, while varying by mode, was highest for gaming machines and then racing, while prevalence rates were relatively low for other forms of gambling such as lotteries.

The 2003 Victorian Longitudinal Community Attitudes Survey found that 'betting on horse or greyhound races or a sporting event was the second favourite type of gambling among problem gamblers (8.8 per cent)'. Between the 1999 and 2003 surveys, participation in race betting (horse and greyhounds) 'remained steady at 28.2 per cent' with the two major forms of gambling being lotto/lottery games and EGM participation. internet gambling was very minor while sports betting accounted for less than six per cent of all those wagering.

---

<sup>41</sup> The asterisk indicates this characteristic was the same for EGM problem gamblers as reported in the ANU survey.

<sup>42</sup> Centre for Gambling Research (2003b), Table 67.

However, the ‘typical’ person who wagers differs from those who experience gambling problems as a result of attendance at the casino. This group is predominantly younger (18–24 years) and foreign born; they share similar low levels of education, lower personal incomes and report no child dependents. Some migrant groups are claimed by the racing industry to have been ‘lost to the casinos’, particularly Chinese and Vietnamese racegoers.

In the Centre’s own survey on communities in Victoria and Western Australia<sup>43</sup> the researchers found that wagering participation rates were higher in Western Australia (36.2 per cent) than in Victoria (33.7 per cent). Those respondents in Western Australia were more likely to have wagered at ‘least once a week or more’; to have visited a local TAB or hotel to place a bet and more likely to have accessed the internet to wager. Recreational punters who had gambled once or twice in the past year or occasionally every few months were more likely to have visited the casino in Western Australia (15.3 per cent) compared to only 5.8 per cent of Victorian punters, while in both states the ‘serious’ punter wagering weekly had not visited the casino at all.

Of those who present to financial counsellors with gambling related financial problems there are clear differences between clients in Western Australia compared to Victoria and South Australia. Some 29 per cent of clients in Western Australia develop problems from wagering and sports betting and a further 33 per cent from casino table gaming. However, wagering in the other two States accounts for 6.8 per cent (Victoria) and 8.6 per cent (South Australia) of all clients and only 3.2 in both States from casino table gaming.<sup>44</sup>

Those who wager on racing or sporting events report the desire ‘to test their skill’; this is not the case for EGM problem gamblers who do not indicate any test of skill but usually report some factor which they believe is favourable to them (e.g., ‘feeling lucky’, ‘the thrill of winning’). Put simply, they dupe themselves and they are duped by the gamblers fallacy.

When placing a wager the most favoured locations are a TAB agency, hotel/club, and then the racetrack, while relatively few respondents report using the telephone and finally the internet.

## 5.5 Who Wagers? Profile of Internet Use for Wagering

Australian researchers<sup>45</sup> conducted a unique and innovative Australian study to map internet gambling using pre-existing account customers with TAB websites and other specified gambling websites. While the study was undertaken with the assistance of totalisator operators, and will bias the profile of all internet users, it is particularly relevant for our purposes in understanding who are online wagering participants as we are concerned with the profile of this group of internet users.

The profile of internet users of wagering sites was;

- Overwhelming male (85 per cent );<sup>46</sup>
- Age range concentrated in the 35–54 age groups for account-holding internet users, but more skewed towards a younger age range for the ‘internet surfer’ (18–44 years);

---

<sup>43</sup> Preliminary results from survey of communities undertaken for the Victorian Gambling Research Panel, ‘Community Impact of Gambling: A Comparison of Victorian and Western Australian Communities (forthcoming).

<sup>44</sup> Preliminary results from survey of financial counsellors undertaken for the Victorian Gambling Research Panel, ‘Community Impact of Gambling: A Comparison of Victorian and Western Australian Communities (forthcoming).

<sup>45</sup> McMillen, J., et al., (2000-03), ARC Grant (refer bibliography).

<sup>46</sup> Female participation in gambling sites, including internet casino has been reported as high as 50 per cent.

- 75–80 per cent of users were employed either full-time or part-time and a further 10 per cent indicated they were retired;
- The unemployed represented less than three per cent of users;
- 70 per cent were grouped into three occupations, managers and administrators, professionals and tradespersons and related workers with the first two of these representing 54 per cent of respondents;<sup>47</sup> and
- Generally earning 'above-average' or higher incomes.

In analysing the profile of internet users, the researchers conclude that the respondent profile is 'consistent with the notion of a 'digital divide' (i.e., access is determined by social and economic circumstances), with such employment and earnings characteristics likely within a sample defined initially by their participation in an activity predicated on skilled utilisation of the internet and information technology'.<sup>48</sup>

The principal activities were wagering on racing (95 per cent), and sports betting (35 per cent, rising to 42 per cent in a follow-up survey) with 86 per cent betting on sports online in the group including account holders and 'net surfers'. Almost half of all account holders participate in weekly race wagering while less than 10 per cent reported engaging in sports betting on a daily or weekly basis. This finding is consistent with the surge in sports betting being principally associated with the promotion of major events (World Soccer Cup, AFL Grand Final). However, account holders for race wagering may restrict betting activities to racing as the more general survey found 45 per cent of respondents wager on sports either daily or weekly. Woolley (2003) acknowledges that Survey B (follow-up survey) 'located a sub-set of gamblers, who as well as being relatively broadly involved in online gambling, are relatively frequently involved in online race and sports betting'.<sup>49</sup>

Online gamblers predominantly maintain one account, although more than 25 per cent hold two or more accounts, and tend to use one TAB website for wagering. A very small number of survey respondents maintain more than five accounts (less than one per cent).

The pattern of participation by account holders for online wagering can be characterised as overwhelming male, single account holders for wagering on racing and then sports betting. They 'participate less broadly and less frequently in online gambling activity than all gamblers surveyed taken as a whole ... there are minority groups who utilise more than one gambling account online and participate more broadly and frequently than do the "stay at home" gamblers. The data thus suggests that different modes of participation in online betting on races and sports are emerging'.<sup>50</sup>

Relevant to this study, the researchers did record that a 'small proportion of racing and sports betting gamblers reported problems related to their specifically *online* participation in gambling'.<sup>51</sup>

---

<sup>47</sup> This compares to 2001 Census occupational classifications in which these two categories represent 27.4 per cent of all occupations.

<sup>48</sup> Woolley, R., (2003), p. 12.

<sup>49</sup> Woolley, R., (2003), p. 14.

<sup>50</sup> Woolley, R., (2003), p. 16.

<sup>51</sup> Woolley, R., (2003), p. 19.

## 5.6 Who Gambles on EGMs? A Profile of Users

The purpose in understanding who gambles is to contrast the behaviours and characteristics of this group with those who wager. This question is an integral part of market segmentation/market differentiation, and so it could be expected that the providers of wagering and gaming services are likely to have conducted most research in this area. This in fact is the starting point for the discussion.

The Productivity Commission (1999) estimated that approximately 42.3 per cent of Australian gaming machine expenditure (i.e., losses or net gaming revenue) is accounted for by a relatively small number of problem gamblers. We noted earlier in this report that some five per cent of the total adult population of Victoria who regularly wager (approximately 180,000 adults) contribute 78 per cent of turnover. Not all in this group could be classified as problem gamblers and further, the data relates to turnover, not wagering losses. However, it is most likely that those who experience problems with wagering would be included in this five per cent of those who regularly wager.

What gaming machine operators 'know' based on their profile of users of EGMs and users of loyalty card schemes can be grouped under three broad headings:

- Demographics (gender, age);
- Patterns of visitation (spend, venue visitation/frequency, length and time of play); and
- Consumer preferences (type of machine, credit value).

The profile of users who are members of loyalty card programs analysed by one operator is described as follows:

- 15 per cent of EGM players contribute 57 per cent of revenue;
- 34 per cent of EGM players contribute 82 per cent of revenue;
- EGM players aged 36 to 65 contribute the highest player expenditure but the age range of 46 to 55 years 'provide the greatest value to business';
- All players excluding those under 25 years, spend approximately 1.5 hours playing EGMs per visit;
- 36 per cent of turnover is contributed in the hours 1.00 to 5.00pm and a further 31 per cent in the hours 7.00 to 11.00pm;
- Players on lower credit value machines play longer, at a lower spend rate and spend less than players on higher denomination machine;
- Gaming has a slight female bias, and they tend to play longer on lower credit value machines; and
- Up to 66 per cent of a venue's gaming revenue is likely to come from women.

This player profile of those who are prepared to join a non-casino loyalty scheme may bias towards women; they are more likely to seek the preferential benefits of membership such as lunches which accompany an outing. In addition, those disinclined to join such schemes are identified as not wishing to be detected in a gaming venue and/or wishing to retain such information from a spouse or partner. Keeping identity a secret to ensure the Australian Taxation Office is not able to access gaming records, (a reason provided by gamblers) may also bias males out of such schemes. The same motivation operates in favour of cash-based rather than credit or telephone-based wagering.

Young people in the age range 18–25 are estimated to contribute less than 1.4 per cent of turnover relative to the age group 46–55 that contributes 32 per cent of turnover; a further 25 per cent of turnover is attributed to the 56–65 age group.

Community Attitudes surveys provide another perspective on 'who gambles on EGMs'. The most recent survey<sup>52</sup> attempted to contrast problem gamblers arising from betting on racing or sports and pokies/gaming machines. The only discernable differences reported were, that those wagering tended to include more couples with no children with a more confined income range for personal and household incomes. Among problem gamblers 84 per cent experienced problems arising from playing 'the pokies'; only 8.8 per cent experienced problems from wagering. One difference which the Community Attitudes survey did not highlight is the apparent female bias in EGM participation relative to wagering. Less than nine per cent of all problem gamblers from TAB and racing are females. This contrasts with more than 50 per cent of clients who are females that access Gambler's Help services. The female bias in EGM gambling is confirmed by access to gambling counselling services in Victoria (68 per cent of gambling services, including concerned calls) and the researchers' analysis of national data on access to general financial counselling services.<sup>53</sup>

Overall EGM participation was said to involve 33.5 per cent of all Victorians; wagering was estimated at 28.2 per cent; EGM participation involved more females (53.3 per cent) and was most concentrated in the 50–64 age group; wagering involved more males (53.7 per cent) and was heavily concentrated in the 35–49 age group. Females predominate in EGM gambling, scratch tickets and lotto whereas males are said to predominate in race betting.

In Western Australia, where EGMs are restricted to the Burswood Casino, the same gender bias is evident. Those accessing counselling services for problem gambling in the period 2001 to 2003 were:

- EGMs, 56 per cent female;
- TAB, 84 per cent males; and
- TAB on-course and general on-course, 100 per cent male.

## **5.7 Who's Wagering? Protection of Minors**

An additional research outcome was to inquire into whether recent changes impact on any particular groups with regard to under age gambling or established or new groups which may be identified as 'at risk' of entering into problem gambling.

Changes in wagering such as greater ease in placing a bet and less reliance on skill, incorporated in the 'convenience wager' where the punter bets on a colour, number or sequence of numbers and 'mystery bets', have the potential to increase the rate of wagering. The televising of more events and re-scheduling of events (i.e., the twilight meeting) also possess a potential to encourage more people to wager. There are a number of other factors such as exposure to racing and gaming in pub venues as the venues reposition to provide a greater variety of entertainment. While these developments make gaming and wagering more accessible to young people in particular, it is not axiomatic that they contribute to problem gambling. They simply increase exposure.

---

<sup>52</sup> Victorian Longitudinal Community Attitudes Survey, Draft September 2003.

<sup>53</sup> Analysis of FaCS data on access to Financial Counsellors confirms the prevalence of EGM related problems.

The development of new technology platforms — telephone, internet, interactive television — combined with opportunities for a much greater array of wagering opportunities for sports betting, in-run wagering, etc., present greater regulatory challenges. The protection of minors is one such challenge.

Under the *Gaming and Betting Act 1994*, a minor, defined as a person under the age of 18 years, must 'not make a bet or buy a ticket in a totalisator or approved betting competition', while an operator or permit holder must not accept a bet from, or give or send a ticket or acknowledgement in respect of a bet to a person under 18 years of age. *The Gaming Machine Control Act 1991* states that minors may not enter gaming machine areas and a minor may not play gaming machines in approved venues (Sections 90 and 91). Proof of age may be requested by a responsible person.

Telephone betting accounts are relatively easy to open and can be completed online for most betting agencies. An individual must indicate they are aged over 18 years. More difficult to circumvent is proof of age and identity when the punter is to be provided with a pay-out. At this point, proof is required in the form of a drivers licence or passport to verify age. The researchers have not identified that current systems for telephone and credit accounts, processes for opening accounts and verifying identity are deficient.

## Conclusion

To summarise, in an earlier chapter the researchers made clear that the rate of growth in expenditure in gambling overall was due entirely to the expansion of expenditure of EGMs and casino gaming. In the period 1993–94 EGM real per capita expenditure has increased at an annual rate of 12.4 per cent compared to wagering at 0.68 per cent. To some extent, the racing and other gaming industries have struggled to hold onto their existing customer base when confronted by the EGM and casino industry. The percentage of household disposable income contributed by racing has fallen from 0.80 per cent in 1976–77 to 0.60 by 1991–92 and by 2001–02 was 0.46 per cent; in 2001–02 expenditure on EGMs was 2.24 per cent of household disposable income and 0.79 per cent of household disposable income for the casino.

The growing popularity of EGMs and casino gambling did contribute to a decline in popularity of wagering and that there had been some transfer of expenditure from wagering to EGMs and the casino (see Section 2.4). However, the scale of expenditure switching represented 'only a tiny fraction of the current level of expenditure on EGMs and at the Crown Casino'.

Significant growth in EGM expenditure is in part due to new entrants into the gaming market — principally middle-aged females — and the expansion of opportunities to gamble in a statewide network of hotels and clubs. Participation by younger age groups (18–25 years of age) in EGM gambling appears to be significantly less than their share of population. They play for shorter periods of time on lower credit-value machines.

An examination of industry customer profile data, a review of literature, analysis of those who participate in wagering and sports betting via the internet, the views of social researchers and informed industry participants and observers indicates that:

- Those who wager and those who attend race meetings are predominantly male, the recreational punter tends to be young (aged 20–35) than the professional punter (aged 45–64); both groups often have some prior association with racing; both groups are likely to attend race meetings and maintain an account with a licensed bookmaker and/or the TAB;

- The regular TAB punter is also most likely male; internet users for wagering were overwhelmingly male, were employed and generally earned high incomes in professional, management and trade occupations;
- Sports betting attracts a younger clientele; and
- There are large, well organised and sophisticated syndicates operating in the wagering market that are not participants in EGM or casino gambling.

In contrast to those who wager (and participate at the casino) the EGM player is:

- Middle aged (36 to 65 years) with heavy play by those aged 46–55 years (contribute 32 percent of turnover);
- They spend on average 1.5 hours playing per visit;
- Young people in the age range 18–25, contribute less than 1.4 per cent of industry turnover; and
- EGM participation involves more females (53.3 per cent) concentrated in the 50–64 age range.

Across the two groups it is estimated:

- Among problem gamblers, 84 per cent experience problems with EGMs, less than nine per cent report problems with wagering;
- Participation rates for EGMs are estimated at 33–35 per cent of all adults while participation in wagering is estimated at between 16 and 19 per cent. (Note: industry estimates suggest participation in wagering is slightly higher than this); and
- 15 per cent of EGM players who are members of loyalty card programs are estimated to contribute 57 per cent of net gaming revenue (losses) while five per cent of those who regularly wager contribute 78 per cent of wagering turnover.

An analysis of those who seek counselling for gambling problems suggests that 'wagering gamblers' and 'EGM gamblers' are different populations in many respects. For instance, 55 per cent of problem gamblers who report problems from TAB betting indicate they do not play EGMs. Some 35 per cent who report problems from on-course betting do not play EGMs (or conversely 65 per cent report they do play EGMs). While this is a limited data set (confined to those who actually seek counselling) it does tend to indicate that there is some overlap between wagering and EGM gaming. However, our analysis of the decline in household disposable income devoted to wagering and the limited extent of expenditure switching from wagering to EGMs and the casino tends to support the view that the two groups are different. Certainly, it is largely males who report problems from TAB wagering and on-course wagering.

While prevalence rates for youth problem gambling are not well documented the statistical data from Gambler's Help suggests that young people are (happily) under-represented in proportion to the size of their respective age cohorts. They may also be using this service to gain information on other services such as accommodation, interpersonal problems and for other reasons. Notwithstanding, by age of caller young people (aged 16–18, or 15–19<sup>54</sup>) represent 0.03 per cent of callers in that age

---

<sup>54</sup> Recent changes in reporting age range for 2003-04.

range; callers in the 20–24 age range in 2003–04 represented 0.12 per cent of all persons in the age range.