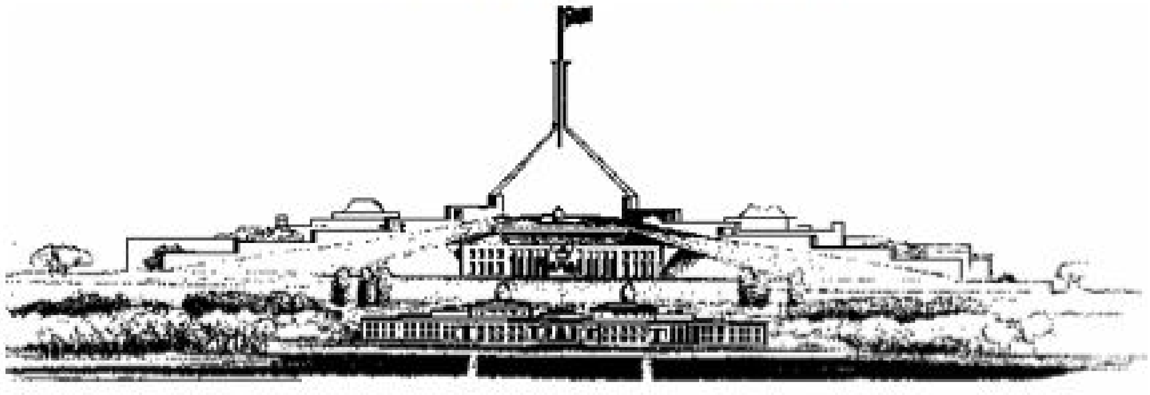
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

BILLS

Interactive Gambling Amendment (Lottery Betting) Bill 2018

Second Reading

SPEECH

Wednesday, 9 May 2018

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Wednesday, 9 May 2018	**Source**	House
Page	30	**Proof**	Yes
Questioner		**Responder**	
Speaker	O'Brien, Ted, MP	**Question No.**	

Mr TED O'BRIEN (Fairfax) (12:00): The Interactive Gambling Amendment (Lottery Betting) Bill 2018 is indeed welcomed. A number of members have advocated for it, and I am one of them. I spoke in the House last October about the issues addressed in this bill, and I'm grateful that the government, under the leadership of the communications minister, Senator Mitch Fifield, has responded with this bill that we debate today.

Legal gambling appropriately takes place in Australia, and should only take place, under a social contract. This bill represents a bid to ensure that the terms of that social contract are indeed met by all of the players all of the time. A key aspect of the social contract long employed in this country has been that taxpayers benefit from what is now a $24 billion domestic industry—at least that's the figure from the 2015-16 financial year. There was $24 billion wagered by Australians and, generally, taxpayers benefit. The revenue to the state from all forms of gambling in that 2015-16 year was just short of $6 billion. That's about 10 per cent of their total income via taxes, licence fees, levies and the like. Some of that money goes towards support programs for problem gamblers, but the bulk of it goes to essential services that benefit all taxpayers in the areas of health, education, infrastructure and the like.

Another big beneficiary of well-regulated gambling activity in this country is small business, principally by the sale of lottery tickets. Lotteries are an earner of $350 million-odd a year for some 4,000 newsagents, convenience stores, RSL clubs and the like that hold the appropriate state licence. This is very important income for those businesses. The states' share of lottery related gambling alone is over $1 billion a year.

This is obviously income on a scale that neither governments nor thousands of businesses can afford to lose, but a growing proportion of it indeed is under threat, as yet another impact of the digital age and the new disruptive business models it has spawned takes effect. I refer especially to the business models of companies such as Lottoland, which have in some part prompted this bill.

Lottoland is a self-described international internet bookmaker. It is based in the tax haven of Gibraltar. It pays no taxes or fees here other than an annual fee of half a million dollars to the Northern Territory government, which enables it to operate nationally and which is a fraction of what it would be liable for in various taxes, fees and levies if it were Australian based. Via its online business model, it takes business from Australian small businesses.

Its principal product is the provision of access for Australian punters to what are effectively synthetic tickets in highly lucrative, and therefore highly attractive, overseas lotteries. They are typically significantly larger than anything available here domestically. Here lotteries offer, apart from the occasional larger jackpot, first division prizes of a million or maybe a few million dollars. Occasionally it is $20 million or a bit more when jackpots last for a while. There are overseas lotteries that Lottoland deals in that have first division prizes of half a billion dollars. US PowerBet, which Lottoland offers access to, recently had a top prize of well over $600 million. US Mega Millions is huge by our standards at $166 million. EuroJackpot, which is also offered, was recently offering $85 million. These are, obviously, tantalising sums to Australian punters.

The company now boasts that it has around 650,000 Australian customers, from a worldwide base of over six million, which is extraordinary for a company that did not exist as recently as five years ago. It is a relatively new creature of the internet. The truth is, however, that despite popular misconceptions to the contrary, Lottoland does not, in fact, actually sell you a ticket in those megalotteries. You pick your numbers in exactly the same way as you do here, but Lottoland has no real connection with the organisations running the lotteries. The Lottoland product is, in fact, therefore, synthetic—a simulation, if you like, of the real thing. If you win a minor prize, Lottoland says it will pay you out of the revenue it has raised from selling its products, but it insures itself against the possibility that you might come up with the same set of numbers as the winner of the actual lottery. If in the highly unlikely event that you select the exact same numbers as the winner then Lottoland will call on its insurers to give you the payout, equivalent to what the lottery would pay out had you actually held a real ticket.

This is a heady business model—a model without the guaranteed prize pool of conventional established lotteries, a model that seeks to mimic the real thing, with almost identical marketing material and advertising, designed, one might assume, to confuse the consumer, everyday Australians, who might unwittingly transfer their confidence and product loyalty to this synthetic fake. Add to that, they pay, no doubt, little tax and—who knows?—maybe no tax at all in the country where they're based, the tax haven of Gibraltar. They avoid tax in the countries where they operate, made easy, of course, because they conduct their business online. And they make a lot of money.

The losers in this business model, however, are more than just a majority of punters, whose odds of winning are only a tiny fraction of the already huge odds of winning in a domestic lottery. The states are losers. They miss out on vital income. The Commonwealth misses out on GST. Thousands of small businesses are losing as customers are being lured away from properly regulated conventional products, and this is a very real, a very significant problem. Small business operators in my electorate of Fairfax, and I'm sure in other areas right across this country, are losing an important part of their income stream. They are also suffering from a decline in customer traffic through their stores, which negatively impacts other non-lottery sales as well. Therefore, no part of that social contract that has been the Australian model for gambling for many, many years is being met. The clear danger is that the problem for governments and the problem for small businesses is only going to get bigger and quite exponentially bigger, one would think.

A signpost of note is the extraordinarily rapid growth of Lottoland from a standing start in 2013 to over six million customers globally today, with 650,000 based in Australia alone. Lottoland has, in just five years, soared—soared, indeed, comet-like. Even Lottoland says its business is growing and growing fast, which is a very fair description. It promotes the fact that sales in 2016 were 300 million euros, about A$480 million, just four years after start-up, and it rates as one of the fastest-growing companies in Europe.

Clearly, if the synthetic lottery space were left unregulated, the number of Australians drawn into it would likely grow, and probably grow significantly. In the country with the highest per capita punting population in the world, there is a real likelihood that more Lottolands would sprout up online to employ the same business model and create even worse outcomes for the revenues of our small businesses.

In retrospect, maybe we shouldn't be surprised that this sort of behaviour is occurring. It's perhaps even predictable. But it was really only so in the imagination, certainly not in reality, when the Howard government began paying attention to developing threats posed by online gambling in 2001. This bill amends the Interactive Gambling Act 2001, which was prompted by the increased availability of gambling services that were beginning to emerge via the then relatively young internet. That act banned internet casinos, internet pokies, online scratchies and ball-by-ball sport wagering. More recently, we have outlawed credit betting online, but, at the time when the original act was developed in 2001, and indeed for more than a decade beyond, the sort of issue we now confront via this synthetic lottery business model simply did not exist.

This amending bill adds to the original Howard-era constraints on online gambling, established by that 2001 act, by acknowledging and seeking to regulate recent innovation in this space. This bill effectively prevents any gambling service provider from offering in Australia a platform for the placing, making or receiving of bets on the outcome of Australian or overseas lottery draws—that is, synthetic lotteries. The bill also specifies online betting on the outcome of Keno games—which is also offered, by the way, by Lottoland—as another synthetic lottery variant captured by this legislation. Further, it signifies a delay in the commencement of the bill for six months to allow gambling operators and consumers time to adjust their business and betting practices respectively.

Members of this House will be aware that one of the prompts for this bill was a concerted campaign in support of these changes by the organisations of small businesses most heavily impacted through loss of income. Members may also be aware of a vigorous, well-funded campaign from Lottoland to frustrate this bill, defending what they perceive to be a simple case of innovative disruption, a legitimate business activity, especially in this open era of free trade.

On the free trade argument, I will repeat what I said last October to this parliament when I called for the very action that this bill now delivers. I am not in any sense a protectionist. I have no problem—no problem—with overseas companies. I certainly do not object in principle to market disrupters, and I am very strongly in favour of free trade. However, my problem with the likes of Lottoland is that its business model is based on tax avoidance, and it defies a longstanding social contract in this country relating to gambling. While the veracity of this company in seeking a 12th-hour deal with the very small businesses it previously disregarded is untested, the clear reality is that, by basing itself in a tax haven, Lottoland and those that try to emulate it cheat the Australian taxpayer not simply by accident but by design, and I therefore unashamedly commend this bill to the House.