

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the Victorian Auditor-General's Reports no. 99: Follow up of Regulating Gambling and Liquor (2019) and no. 213: Reducing the Harm Caused by Gambling (2021)**

Melbourne – Tuesday 5 September 2023

### **MEMBERS**

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Paul Hamer

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O'Brien

Ellen Sandell



**WITNESS**

Jules Norton Selzer, General Manager, Corporate Affairs, Sportsbet.

**The CHAIR:** I declare open this hearing of the Public Accounts and Estimates Committee. I ask that mobile telephones please be turned to silent.

I will begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting, and we pay our respects to them, their elders past, present and emerging as well as elders from other communities who may be here with us today.

On behalf of the Parliament the committee is conducting this follow-up inquiry into the Victorian Auditor-General's reports on regulation of gambling and liquor and the reduction of gambling harm in Victoria.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside this hearing may not be protected by this privilege.

Witnesses will be provided with the proof version of the transcript to check, and verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome you, Jules Norton Selzer, General Manager, Corporate Affairs, from Sportsbet. I am going to invite you to make an opening statement or presentation of no more than 5 minutes, and this will be followed by questions from the committee. So over to you, Mr Norton Selzer.

**Jules NORTON SELZER:** Thank you, and thanks for introducing me. We are here today because we take our responsibilities extremely seriously. As a market leader in online wagering, we recognise that our business and industry's future is contingent on earning our social licence to operate. Sportsbet employs over 1200 staff, and 700 here in Victoria. We pay over \$1 billion in direct taxation, levies and fees, which then go on to directly sustain racing and sporting industries, including well over \$500 million in Victoria. So for every \$1 in net revenue Sportsbet earns, 51 cents goes straight back out the door to governments, racing and sport.

The standards of protection for consumers wagering online have risen substantially over recent years, particularly through the national consumer protection framework, which Sportsbet and Responsible Wagering Australia advocated for. So the final measures, as you have heard, have just been implemented, including BetStop, or the national self-exclusion register, which has just come in in late August. It is really important these measures are evaluated and understood as we consider future consumer protection reforms. Sportsbet has also advocated for a ban on wagering with credit cards and for customer identification to be verified before they wager rather than within the current 72-hour window. Since our appearance before the federal inquiry, we are pleased that these measures have been announced as federal government policy. But our responsibility in protecting customers goes above and beyond our support for and compliance with regulations. Sportsbet continually invests in people, products and data to improve safer gambling. So on people: our people care, and we have that culture embedded in our business, including specialist safer gambling teams that work 24/7, and every employee is incentivised on hitting safer gambling targets. Products: we spent over \$1 billion on tools like deposit limits, take-a-break tools and many other areas, which are communicated consistently to our customers. Data: we use predictive scores so that every single one of our customers has a daily risk score, and red-flag behaviour alerts that identify at-risk behaviour, which allows prevention and intervention. This has led to over 120,000 interventions so far in 2023.

What we are most excited about is the launch of our real-time intervention model. We believe this is a world first in harm prevention. The technology uses artificial intelligence to predict outlier behaviour in real time and before a transaction occurs. This has now been launched to over 50 per cent of our customers, and the early results are really promising. Just to give a quick quote from a customer recently, and I quote:

[QUOTE AWAITING VERIFICATION]

It is a good system that you have got here, where you call me. If you see my spike again, I would love a call again. I think what you have got is a great system. Appreciate you reaching out.

To be clear, this is much more rigorous than cash or retail betting. It is data-led, it focuses on the individual. Every bet is tracked and traced.

However, the work is never done, and any amount of harm is a problem. With that in mind, we make the following recommendations: (1) similar to what you have heard this morning – strongly supporting national consistency across wagering policy, so consumer protections are equal for customers no matter the state in which they bet; (2) balanced reform to advertising – we recognise the sentiment, and we believe solutions that reduce volume and frequency rather than complete bans would get the balance right; (3) introducing a ban on commissions to staff at wagering service providers – this was in the recommendations of the federal inquiry too; then four, industry-wide adoption of real-time, intervention-type tools, and we offer to make the proprietary IP available to all bookmakers for free and are happy to share further information and data on this to support that becoming a reality.

In closing, it is important to note that the vast majority of customers enjoy gambling recreationally and responsibly. We encourage reform that should be considered in a balanced way that recognises this and avoids pushing people to riskier environments that we have heard a bit about this morning, such as offshore, which is a significant part of the market and does not offer any consumer protections or make any economic contribution. So in closing, thank you, and I welcome your questions.

**The CHAIR:** Thank you. I am going to go straight to the Deputy Chair Mr McGowan.

**Nicholas McGOWAN:** Thank you for the presentation. My question is more around Sportsbet's policies and procedures regarding allegations of fraud. Do you have policies in that respect, both policies and procedures?

**Jules NORTON SELZER:** In terms of AML?

**Nicholas McGOWAN:** Yes.

**Jules NORTON SELZER:** Yes, absolutely. So we have strict AML procedures that we follow and comply with, and are obviously a very important part of our fraud detection.

**Nicholas McGOWAN:** Are you able to provide us copies of those policies?

**Jules NORTON SELZER:** I believe so. Let me take that on notice, but I am sure we can provide you the information that you would like.

**Nicholas McGOWAN:** Great, thanks. I am very interested in terms of whether there are industry standards relating to the algorithms used to market online gambling, and how the internet browsers are regulating Victoria, from your perspective.

**Jules NORTON SELZER:** I am very familiar with the algorithms we have developed from a risk analysis and data protection point of view. I can talk to that if it is helpful. The example I gave in my introduction was a couple of things – one is about risk indicators and predictive modelling, and what we have done is we have analysed hundreds of variables of customers that go on to self-exclude. So prior to the introduction of BetStop, Sportsbet had a self-exclusion; you press a button if you want to self-exclude. We have analysed and mapped the variables of behaviours that lead people to do that and have used that algorithm to develop a predictive model to basically understand risk. So trying to put it simply, there are three levels. Every person is rated between zero and one, every customer. Zero to 0.5 is playing responsibly. Above 0.5 to 0.95 is a risk and therefore certain measures are taken, such as the suppression of marketing. And then above that, so 0.95 to 1, is act, so that is when safety and gambling interventions will occur. So we use that predictive modelling framework to understand and try and anticipate risk. That is not talking about real-time intervention; that is another thing which maybe I can come on to separately.

**Nicholas McGOWAN:** That is where I was headed with the predictive modelling. On your data, are you able to share with us how many people you have actually excluded? Did I hear that correctly, can you actually exclude individuals, based on their own – it is at that granular level, that is my understanding?

**Jules NORTON SELZER:** Yes, absolutely. I can provide the specific number of people who have either self-excluded or through our modelling we have excluded. I have no problem with doing that separately. But I guess the point to make is we use three areas. There is the predictive modelling, which is that zero to one and the risk score. The second is – and this has been talked about by others this morning – a red-flag behaviour

alert. So other specific alerts such as increase in frequency of betting, time of day, chasing losses are the second tier. Then the third, which is the newest area, is real-time intervention. The difference with the third part is it intervenes ahead of and before a transaction occurs. The way we do that is we map your betting behaviour and history as an individual as well as against the whole customer base, and we intervene through three tiers of escalation before you actually try and make a deposit. So it detects outlier behaviour and uses AI to intervene before it occurs.

There are three tiers of level of severity. Tier 1 is slightly outside your normal behaviour. In that instance what will happen is on your phone you will get a notification that will pop up before you do the deposit and say, 'Are you sure you want to gamble? We're suggesting setting a deposit limit.' Tier 2 is a reasonable escalation of your normal behaviour that will mandate that you set a deposit limit, so you will not be able to go on and bet unless you then set a deposit limit. Then with the last tier, which is a significant escalation, you are blocked from depositing, your account is suspended and you receive a call from a safer gambling specialist within about 30 minutes to determine and make an informed decision if that is an indicator of harm and whether your account would be reopened or otherwise. Those are the three tiers in the newest area that we are focusing on in terms of real-time intervention.

**Nicholas McGOWAN:** I do not know if you are able to share, but I would be very interested to receive information about the volume of interactions you have at tier 1, 2 and 3, particularly 3. I guess at 3, once they have spoken with somebody, they then can reset it so they can actually then proceed to gamble. It would be interesting to see the breakdown of what the consequences are of those interventions at tier 3. I am particularly interested in the sheer number in terms of the predictive modelling you have – the zero to one. Then the other question that poses is whether 0.5 is sufficient. Do you actually intervene at 0.25 or 0.2 or 0.3 et cetera? Is that something that is continually examined and looked at?

**Jules NORTON SELZER:** Yes. I will try and answer them.

**Nicholas McGOWAN:** You can take that on notice, because obviously what I am really interested in – and you might not be able to answer that today – is the data in respect to the predictive modelling, the two other categories and then the three tiers that you talked about.

**Jules NORTON SELZER:** Yes, that is right. I can answer some of it, and then probably the specific numbers I will take on notice. To go to the predictive modelling, the first point I guess I would make is this is constantly updated, right? Every customer is always analysed and has a risk score between zero and one. That does not change. The zero to 0.5 is deemed that you are betting responsibly and you play on. Then I can give you the percentages on notice of the escalation in that predictive model. Separately on real-time intervention I can share the percentages at each tier. I mentioned the three tiers. Tier 1, for example, so far this year is about 50-plus per cent of triggers, tier 2 is about 46 and then the last tier – which is an extreme, so you would anticipate this being lower – is about 1.7 to 2 per cent. So those are the percentages across the real-time intervention tools. If I may just add a couple more points, this is early technology. We developed it last year. It is 50 per cent of our customer base. Having said that, we are learning, we are improving and we are trying to understand the results as we see them. But there are a couple of results that give us, I guess, some confidence around how it is developing. One is that 90 per cent of the customers who triggered the intervention did not have a deposit limit, so it means that the system is working in that it is identifying people who do not have a deposit limit and then putting in a deposit limit. Then the second point is people who do have a deposit limit – so just having a deposit limit does not change the tool. You might have one, but if it is outside your traditional means, the system will still intervene. So there are a strong cohort of customers who would have a deposit limit but then lower their deposit limit based on that tiered intervention. So early days, and I will provide plenty more information on notice, but those are some of the early indications we are seeing.

**Nicholas McGOWAN:** Right. I get one other question, because I know that others have got questions to ask and time is short. Would you mind breaking that down for us too? Excuse my bias, but I am particularly interested in the Victorian figures – the raw Victorian figures. As legislators, why would we not just try and ban all foreign online bookmaking?

**Jules NORTON SELZER:** I think there would be a significant impact in terms of the cultural contribution, as well as the economic and societal. When you say 'a foreign bookmaker', Sportsbet has 1200 employees within Australia, half of whom work in data and technology roles. We directly contribute \$1.2 billion to

\$1.3 billion in taxation and fees, and we make a significant contribution to the wider landscape, particularly in terms of supporting sport and racing. So there is a major impact that would occur in that scenario that would lead all of that to disappear, particularly around economic, cultural and social impact. We are very much invested here and we hire more and more people. I think if you look at the industries of the future, the data and technology drive the business, and the investment that this industry and this business is making in those areas is a positive area to focus around future employment.

**Nicholas McGOWAN:** If we banned foreign online bookmaking and we only had domestic – that is, companies that were based in Australia and paid tax fully in Australia and did not send any of that revenue or tax offshore – what would the difference be, other than the benefit to Australia?

**Jules NORTON SELZER:** Sorry, when you say ‘foreign’, do you mean illegal bookmakers?

**Nicholas McGOWAN:** No, foreign owned.

**Jules NORTON SELZER:** I think the impact would still be as I described, because I think it is not unusual that there are businesses that are international and that have international arms but have, in this case, a major brand in Australia that makes direct employment. It is hard for me to draw out the distinction you are making, because in the example I am giving that would lead to the impact that I have just described.

**Nicholas McGOWAN:** Thank you very much. Thank you, Chair. I appreciate that.

**The CHAIR:** Thank you, Mr McGowan. Mr Galea.

**Michael GALEA:** Thank you, Chair. Thank you, Mr Norton Selzer, for joining us. I believe in your presentation you mentioned a figure of something around \$500 million that you contributed in taxes in Victoria last year. Is that right?

**Jules NORTON SELZER:** Yes, taxation, levies and fees. So including direct taxation, product fees and point-of-consumption tax.

**Michael GALEA:** And how much was that point-of-consumption tax that you paid last year in Victoria?

**Jules NORTON SELZER:** The rate has just gone up from 1 July. It was 10 per cent and now it is 15 per cent.

**Michael GALEA:** Do you have a figure in dollars? Perhaps you can take that on notice.

**Jules NORTON SELZER:** Yes, I can provide that, no problem, on notice.

**Michael GALEA:** Thank you, and perhaps in a similar vein, do you have an approximate figure of how many Victorians make a transaction on your app each day?

**Jules NORTON SELZER:** I wish I could answer that directly now. I might need to take it on notice, but it would be proportionate to our active customer base. We have about a million active customers, so you could maybe work out – that is not daily, obviously, but in terms of the percentage of our customers who are in Victoria.

**Michael GALEA:** Sure. In your current advertising I have noticed there is a heavy focus on promoting your Bet with Mates feature, which I believe is commonly referred to as a chat function as well. It seems to be particularly targeted towards young males as well. When did you introduce your chat function?

**Jules NORTON SELZER:** Bet with Mates is a relatively new product, so in the last couple of years is when that came into the market.

**Michael GALEA:** And have you noticed an increase in revenue or transactions since that feature was brought in?

**Jules NORTON SELZER:** I do not think I can answer that clearly. I would take it on notice, but I do not know specifically related to that product.

**Michael GALEA:** I understand obviously there are all sorts of other factors that can drive your transactions, but I would have assumed that it would have been a measure in order to improve your revenue. Would that be fair – to improve engagement with the app?

**Jules NORTON SELZER:** I think what we have always done as a technology business is innovate to respond to customer demand, and I think what we have found with products like Bet with Mates as well as other products that we have released, similarly with Take a Break tools, is we develop products because we want to protect and support our customers enjoying themselves, and Bet with Mates is a functionality that people do enjoy and they do so responsibly.

**Michael GALEA:** You have talked about that responsible side, and I would like to come back to some of those interventions in a moment as well. Do you not see a risk, though? Say there is one out of a group of friends who might be participating on this app that might have attempted to step away a bit more from the gambling space because they have identified harm that has been caused to them. Do you think there is a risk then that they are sort of forced back into this system in order to socialise and not be isolated from their friends, if all their other friends are in that space? Do you think there is any risk of them being unnecessarily drawn into the Sportsbet app and then increasing their risk of gambling harm?

**Jules NORTON SELZER:** Our objective is always to support safer gambling and customers enjoying themselves responsibly and recreationally. That is the kind of main objective. In that example obviously that would not be something that we would support. I have not got any evidence to suggest specifically that that trend is happening. I would be interested to see it. But really, I come back to the main objective we have, which is that we want to be a sustainable business and industry and we want people to enjoy our products. The measures I have outlined in terms of our people and in terms of the structure of the business – the focus of safer gambling throughout all levels of the business, the development of modelling tools and the products we have introduced with now real-time intervention – are all things that, I think, demonstrate our objective to make sure we do that in the right and balanced way.

**Michael GALEA:** I realise you do not have it to hand, but if there is data that Sportsbet has in terms of, say – to use the term – problem gamblers and these chat functions, would you be prepared to provide that on notice?

**Jules NORTON SELZER:** Yes, I am happy to. I think the best example that we can provide is to give more detail around the risk thresholds that I have described in our predictive modelling: between zero to 0.5 and 0.95 to one. Like I said, the data points that we use and the variables are based on behaviours that then lead people to self-exclude. That is done purposely, in terms of developing a model that we think gives us good awareness and insight. I am happy to provide more information on that.

**Michael GALEA:** Thank you. That will be very valuable. You identified as well, I think, 120,000 interventions so far this year, and you also referred to your safer gambling specialist program. I believe Mr McGowan did as well. What does that sort of support referral process look like? And when you do refer someone for assistance or support, is that to internal parts of Sportsbet or is that to an outside agency?

**Jules NORTON SELZER:** So in terms of the interventions, they can take a range of forms. It is not always a sign of harm, and I think it is important to state that explicitly. When we actively encourage our customers to set a deposit limit, that is like a seatbelt. You know, we want people to do it to gamble more responsibly. I think there is a distinction between the utilisation of tools and products and it being about harm. Having said that, when we get to the pointy end, which is really what we want to avoid, the steps we take are predominantly, initially, through a safer gambling specialist. We have a 24/7 team who are trained to understand the science of distress or harm and make appropriate decisions, and I think that is a really important thing in terms of, I guess, the governance of this. When a safer gambling specialist in our business speaks to someone and they have enough evidence to consider that they are at risk, they can make the decision unilaterally. There is no management process. They are empowered to do that, and they have no consideration of other commercial factors. That is all done through our sustainability and safer gambling team. The separate part of your question was around outside support services. Separate to all the things that we do as a business we do of course work with third parties, such as research institutes. On the app help is very consistently communicated – you know, the helplines you can go to, so Gambler's Help. So there are a range of support services that are embedded in

the app as well as how we practically as a business work with those third parties to advance and improve our approach to consumer protection.

**Michael GALEA:** Would a safer gambling specialist remove someone from the platform and block them from gambling, or would they be motivated to keep them on the platform, perhaps at a more so-called responsible level.

**Jules NORTON SELZER:** It would all be based on the individual risk threshold. With the way that I have described predictive modelling, in that example if you are talking about the extreme end and this person is 0.95 and above, and there are amongst those variables things such as betting frequency or limits et cetera, then they would absolutely be empowered and would suspend or even block someone's account. But like I said, that is a small proportion, because the vast majority of customers do gamble responsibly. So while we are focused on that end, it is really important that we come back to the utilisation and normalisation of safer gambling tools to create a better experience, especially with things like deposit limits.

**Michael GALEA:** Sure. And if I can just finish by asking: those safer gambling specialists, from what you describe as well, my understanding is that they only intervene obviously at that higher end, that sort of 0.95.

**Jules NORTON SELZER:** No, sorry, they are involved throughout. I was just giving an example of whether they would remove someone from a platform. They are involved, for example, in a 0.5 and above scenario or if they have just seen a red flag. They might seem to be playing well but there is a red flag, particularly escalating deposits – they would speak to that person. In that example, there could be a legitimate explanation. You might have had your bonus and you got a tip from a mate on the races, and that is a reasonable reason why your betting might have increased. So the safer gambling specialists engage with customers every day at every level. Obviously the decision-making framework and our risk modelling determine the appropriate approach that they make.

**Michael GALEA:** Yes. Thank you.

**The CHAIR:** Thank you, Mr Galea. We will go to Mr O'Brien.

**Danny O'BRIEN:** Thank you, Chair. Can I just ask – you may have touched on this, I am sorry – do you have an idea what percentage of your customers do have a gambling problem or are considered problem gamblers?

**Jules NORTON SELZER:** What we try to do is use that predictive risk framework and then look at the amount of interventions we have. But that is not the same as a problem gambler, because, again, an intervention might be in the example I have just described. It is difficult for me to give you a precise percentage of problem gamblers. We look at those variables that lead people to self-exclude, and we look at the percentage of people that are in that highest risk bucket, which I mentioned earlier. They were very low percentages but appropriately so. Then we also look at interventions. I mentioned at the beginning we have had over 123,000 interventions so far this year, but just distinguishing that an intervention can be quite a positive interaction, encouraging people to take extra measures, whether it is around taking a break or setting a deposit limit or lowering a deposit limit to more reasonable levels. Those are all interactions that are not necessarily signs of a problem gambler.

**Danny O'BRIEN:** Yes. You mentioned in your intro that your staff are incentivised on safer gambling targets. Can you explain what that actually means? Also are there likewise incentives for higher turnover or revenue?

**Jules NORTON SELZER:** Yes, so what that means is a portion of bonus targets are set around the uptake of safer gambling tools, like deposit limits. So it is a very specific part of our – and that is all of our employees, not just management. That is every single person who works for Sportsbet: 1200 people. So that is part of the potential remuneration bonus.

**Danny O'BRIEN:** You mentioned also self-exclusion or exclusion where Sportsbet itself might ban someone and shut their account down.

**Jules NORTON SELZER:** Yes.



**Danny O'BRIEN:** Is there any sort of harmonised industry-wide system that ensures that people with a problem do not just shop around different providers?

**Jules NORTON SELZER:** Well, BetStop is now the best example of that. I mentioned before that we have a few things: take-a-break tools, which, again, are not necessarily a sign of problem gambling, and then a range of break tools, and then the ultimate sort of end is exclusion or self-exclusion. So you have been able to do that on Sportsbet for many years. The positive shift as of 21 August this year is now through the national self-exclusion register. That has an interoperability across all online wagers, or legal online wagers, in Australia. So in that example, if someone excludes from Sportsbet and registers that through BetStop, then they would not be able to access wagering services in any other provider.

**Danny O'BRIEN:** But if you have got someone, and it may well be for commercial reasons, where you might shut down someone's account because they have refused to pay outstanding bills, is there anything to stop them simply going on to another provider?

**Jules NORTON SELZER:** Well, there are similar protections. I cannot speak for the other providers, but RWA spoke earlier around some basic protections that we have in place that go above and beyond regulation. Things like red-flag alerts are particularly common, and I think those would be the things that would be detected in other WSPs.

**Danny O'BRIEN:** Okay. Has Sportsbet got a view in particular on Victoria's regulatory framework – as to how it operates, what could be improved and how it compares to other states?

**Jules NORTON SELZER:** With the risk of maybe repeating some similar themes from this morning, I would really emphasise the point around national consistency. I did listen to the session earlier. Whether you are licensed in the Northern Territory or Victoria does not actually change the fundamental for the consumer, in the sense that you are protected by the regulations in all those jurisdictions. So while you might be licensed in the NT, we of course adhere to regulatory codes of conduct in all states and territories. That creates obviously some complications that have been talked about, in terms of 26 regulatory bodies and in terms of some of the overlapping nature. I guess my comment would be around consistency. We have actively supported the national consumer protection framework for the last few years, and we have pushed for additional measures like credit card bans and zero-day verification. What I think we have seen through the national consumer protection framework process, particularly in the last year, is an increasing collaboration between state and federal governments to harmonise the regulatory approach to measures. So that has been a really positive thing. Just to pick out an example, the consistent gambling messaging came in in March this year, so it is at the end of advert frames now. That took six months, and that was through a process of intense consultation with industry, but importantly each state then enacted the same version of the regulation, whereas a year earlier the activity statements were quite different. So I think what we are seeing through the NCPF is an improvement towards harmonisation, and we would definitely support a similar version of an NCPF as we move forward into future reform.

**Danny O'BRIEN:** Thank you. Thank you, Chair.

**The CHAIR:** Thank you, Mr O'Brien. Mr Hilakari.

**Mathew HILAKARI:** Thank you so much for your presentation and appearing this morning. You mentioned earlier seatbelts for setting betting limits, and I thought that was a good analogy to prevent harm. What do you think of the idea of setting betting limits across all gambling platforms and all gambling opportunities nationwide as a seatbelt?

**Jules NORTON SELZER:** Sorry, when you say a 'limit', do you mean like a financial threshold, like a number?

**Mathew HILAKARI:** Yes. So I might say, 'I'm happy to lose \$250 this month,' and that would apply to all forms of gambling.

**Jules NORTON SELZER:** What I would say on that is the approach that I have tried to outline is both data led but also individualised. So the variables that we have talked about are particular to an individual customer and their experience. Putting it simply: \$100 for one person is very different to \$100 for another.

**Mathew HILAKARI:** But I guess I am getting to individuals setting their own betting limits. Would there be there a particular problem with that being outlined nationwide for all forms of gambling?

**Jules NORTON SELZER:** We support the principle of individuals setting deposit limits. I think that is a good thing and something that we should encourage. The thing to think about is the best way to achieve consumer protection, and what we have found particularly through real-time intervention tools is the more that you can work with customers to encourage them to make their decisions rather than a mandated approach, the more likely you are to get to positive consumer protection outcomes. There were a couple of examples that were given earlier in terms of the unintended consequences. Adding too much friction or being mandatory about that leads some customers to move to other environments, whether that is retail, or even more to offshore where there are none of these consumer protections, so the principle is around encouraging deposit limits but just being careful about making sure people are empowered and encouraged to set them themselves.

**Mathew HILAKARI:** Just on a different matter, self-exclusion as a percentage of your customers – what is the total or percentage number? I am happy for you to provide that on notice if you do not have it here today.

**Jules NORTON SELZER:** Yes, I am very happy to provide it on notice, for sure. I have not got the exact number in front of me, I am afraid.

**Mathew HILAKARI:** No, that is okay. In terms of preventing gambling harm, I mean, is this just a measure, with some of these technologies, to forecast daily profits and to engage customers in getting better outcomes for the company?

**Jules NORTON SELZER:** No –

**Mathew HILAKARI:** I mean, where is the firewall between protecting consumers versus using this information to improve company bottom lines, which is the purpose of a company, and that is accepted.

**Jules NORTON SELZER:** It is a good question. I guess the first thing I would say is the attempt is to always be balanced and have a sustainable business and industry for a long time, right. So you are factoring in a business that is in punting but also absolutely trying to protect our customer base. In terms of the specifics on our approach to the technology and the programs I have outlined, particularly predictive modelling, behavioural alerts and then real-time intervention, these technologies operate exclusively and independently within our business. So real-time intervention, for example, is run through our sustainability and safer gambling team. That technology has no interrelationship with any other part of the business, and the people who work and devised that program have no incentivisation around commercial outcomes. So the technologies that we have developed are very specifically designed for the purpose of harm minimisation and consumer protection. There is no other objective. And that is, by the way, a significant investment that is well beyond regulatory requirement, so I think that is an indication of how seriously we take it – not just the development of the products and what they can do but how we try to make sure we approach this in terms of our own governance and internal processes. Again, the people who are involved in the modelling and the data – all of that has no crossover with other parts of the business, so that is a really important point to emphasise in how we run these kinds of programs.

**Mathew HILAKARI:** I am really glad to hear that, so thank you for that. You mentioned the tier 1, tier 2, tier 3, the 50 per cent or 50-odd per cent and 46 per cent and 1.7 per cent. Is that related to the number of transactions per day that those extra screens appear? Could you just outline that a little bit or provide on notice the percentage of transactions that cause a tier 1, tier 2 or tier 3 outcome?

**Jules NORTON SELZER:** Yes. I can provide that on notice, but the percentages I outlined were the overall percentage of where the trigger rates occur. So as 100 per cent between the three tiers proportionately those are the – but I can provide that information as well.

**Mathew HILAKARI:** That would be brilliant – and just how often per day behavioural alerts are triggered and if there are particular restrictions in terms of percentages as well. Last question from me, you mentioned that 10 per cent, in your submission, of gambling harm is caused online, and then in that same document it talks to inducements, complexity, easy access and normalisation of gambling as being what the harms are commonly linked to. Does your organisation offer inducements or complexity of gambling outcomes, such as favourite to win, online betting, which is easy access, and normalisation through social promotions like betting with mates?

**Jules NORTON SELZER:** We offer promotions, and promotions I think are a very legitimate part of a business that really the objective in a very competitive landscape is to encourage your customer base to stay with you rather than move to a competitor. That is the purpose of promotion. Just like I think an example was given earlier of frequent flyer points, so it is a very similar purpose and operation in terms of how we utilise promotions. It is important to kind of reflect that promotions are not used to draw in customers in the same way. It is about that competitive market. So promotions we think are very legitimate things. They are industry practice. I think it is important to understand the impact that, for example, the federal recommendation would have if you actually banned promotions, given the significant flow through that it has in terms of revenue and in terms of point of consumption tax – so both direct to government but specifically to the racing industry that relies heavily on the turnover generated by promotions to sustain that industry.

**Mathew HILAKARI:** Thank you, Chair.

**The CHAIR:** Thank you, Mr Hilakari. We will go to Mrs McArthur.

**Bev McARTHUR:** Thank you, Chair. Thank you, Mr Norton Selzer. Full disclosure here: I am not a very good customer of the gambling industry – I bet a couple of quid at a racecourse in England and lost it and thought there were probably far better ways I could waste my money. But I fully respect the right of every individual to choose how they spend their money and what they do with their time. Just as you are a legal entity, the online gambling industry and the oncourse betting industry – no different to alcohol being a legal product, even smoking being a legal product. Going to Mr Hilakari's points on setting limits, maybe we should look at setting limits for people drinking alcohol or smoking cigarettes if we are going to have this level of government intervention, going down that path. You said that your industry collects – I do not know whether I have got it right; it sounds extraordinary – \$1 billion in taxes, of which half a billion is collected in Victoria. Did I get that right?

**Jules NORTON SELZER:** You did, yes.

**Bev McARTHUR:** And that 51 cents out of every dollar that you collect goes to government?

**Jules NORTON SELZER:** The numbers I quoted were our total tax and levy contribution, so that is made up of – this is Sportsbet specifically – our taxation combined with the contribution through point-of-consumption tax, which is obviously a significant tax in most states and jurisdictions, and then thirdly, through product fees that then go directly to sporting bodies. So the combination of those is about \$1.2 billion, \$500-plus million of which is within Victoria.

**Bev McARTHUR:** You touched on the benefits to the racing industry. In country Victoria and in my electorate there are numerous small racing clubs that would not exist if there was not a gambling industry, basically, because they only survive from the money that is provided to them by the racing industry. If you were to be further restricted or closed down altogether, what do you predict would be the outcome for the racing industry?

**Jules NORTON SELZER:** I think what we would be concerned about would be the significant funding shortfall that would be generated from, at the most extreme end, a ban, but even the things that are being talked about in the federal inquiry, for example, a promotions ban, given the high rate of turnover that the industry relies on – and then the racing industry gets a significant portion of the point-of-consumption tax. They get a significant portion of the point-of-consumption tax and then also product fees, so there are two very important mechanisms that flow to racing. But even beyond the taxation support, there are sponsorship agreements and funding for racecourses – Sportsbet will be a sponsor of certain racetracks in Victoria, and that directly supports the operation of that racecourse, so that goes directly into regional communities and supporting, beyond the economic impact, the jobs, the employment and the support for those communities, really.

**Bev McARTHUR:** Yes. I mean, there are huge social and community benefits from the local and often only once-a-year race meeting in country Victoria. It is hugely beneficial from a social and community point of view. You did say you are leading the way in the online gambling industry in intervening in regard to problem gamblers, compared with I presume oncourse gambling. Does that need to catch up with your advances?

**Jules NORTON SELZER:** I would say in some areas, yes, because the examples we have given are about areas of practice that go above and beyond regulation and are data led. The key point is every bet is tracked and

traced. We talked a bit about this in the earlier session. It is very, very difficult to be under age and access a platform; there are ID verification processes before you get on the platform. Our risk modelling and analysis of every customer having a risk score are based on clear data and using those insights to develop risk strategies. All of these tools are very advanced and operate in an online environment. We would support other measures that upweight other forms of gambling that offer that level of, I guess, protection and data-led approach to intervention.

**Bev McARTHUR:** If we look at whether individuals have got the right to gamble or drink or smoke or whatever, why should your industry be singled out to any greater extent than any other industry that is legal that we might think is a problem?

**Jules NORTON SELZER:** I think what we would say is we really support proportionate and balanced regulation that recognises the vast majority of people enjoy gambling recreationally and responsibly and it makes a major contribution. However, there is some harm that can come from some of these industries, and that is why we support regulation and we actively advocate and support the NCPF. We have supported further changes around credit card bans and around zero-day verification, so it is not to say we do not support regulation. But we believe that balance needs to be sought that reflects the economic and social and cultural contribution that the industry makes significantly, and that is really our objective in working with all sorts of stakeholders to try and find the right balance and deal with the harm but ultimately allow a very important industry to exist.

**Bev McARTHUR:** I am hearing that the key message is national consistency and a proper process of consultation to get to a nationally consistent level of regulation.

**Jules NORTON SELZER:** Yes. I think that is right. It is a nationally consistent approach, and I gave that example earlier of how that has evolved through the NCPF to become more streamlined and consistent. This is not about it being convenient for us to comply with. Of course we absolutely want to comply 100 per cent. It is more about consistency for consumer protection so that you as a customer and a punter have the same consistent protections wherever you bet in Australia.

**Bev McARTHUR:** Thank you.

**The CHAIR:** Thanks, Mrs McArthur. Ms Kathage.

**Lauren KATHAGE:** Thank you, Chair. Thank you, Mr Norton Selzer. We have heard reports that your parent company, Flutter Entertainment, had a 45 per cent rise in online revenue between January and June 2020. Have you seen that increase sustained since that period?

**Jules NORTON SELZER:** Obviously the first thing we would say is Flutter is the holding company of which there are many companies and brands, so the numbers you are quoting will reflect a whole range of markets. I think what we did see during the COVID period was an increase or a displacement, really, of gambling activity given retail environments were closed. But what we have not seen is an overall increase in gambling. So there was this shift. Like in a lot of industries, people went to digital platforms, and I think ours was consistent with that. But the overall numbers in terms of gambling are pretty consistent, so I think that was really the shift. But that has certainly flattened in the most recent time as people have come out of COVID, and macro-economic factors come into that too.

**Lauren KATHAGE:** We have heard from prior witnesses and from submissions that they would encourage a public health approach to gambling rather than identifying the issue with the gambler themselves. We have heard from your colleagues this morning that they would disagree with that approach. What is your view or your organisation's view on a public health approach to gambling?

**Jules NORTON SELZER:** I think what I would say is the public health considerations are really important in any industry or product that has the potential to be misused, so that is certainly the case. That is why we have introduced several programs over recent years and tried to be an industry leader in promoting a positive approach to safer gambling through deposit limits and through Take a Break tools and ultimately the technological intervention I have described.

**Lauren KATHAGE:** The other products that are generally considered to come under a public health approach are addictive products, as is gambling. We know there are biological, chemical changes for people when they gamble. Some of the issues we have seen – not to dwell on advertising but just to get me to my next point – in the advertising we see around alcohol is around preventing children from being exposed to alcohol, whereas for gambling products, I guess with the lack of restrictions, that gambling advertising is actually seen by children. So that provides an environment where there is an increase in shame and stigma. We are hearing from gambling help service providers where people are ashamed to present with gambling issues, and because there is not a public health approach they think there is something wrong with them rather than recognising that it is a harmful product. Did you have any views on how that shame and stigma could be further addressed by sports betting companies?

**Jules NORTON SELZER:** You made a couple of points. I think the first thing is coming back to supporting a public health balance in consideration of our industry, alongside what I talked about earlier around the very important economic, social and cultural factors. So we support the principle; I think it is about the execution in terms of what a public health strategy means and how that is delivered. What we have seen successfully through the NCPF is a federal and state collaboration to drive consumer protection reforms relatively quickly as opposed to a national approach, so that is one theme. We support any education programs that seek to be preventative. Every tool I have mentioned and every focus point from our perspective in safer gambling is really aimed at prevention and intervention, before or ahead of the fact. That is really the key principle, and in a similar vein, education programs that do that in school are absolutely the right thing.

**Lauren KATHAGE:** We know that there is an association between gambling and family violence. We have had recent studies which have shown that of women presenting to an emergency department with a husband who has a gambling addiction, 64 per cent of those women identify a gambling issue as being the precipitating factor to the incidence of family violence. So let us assume then that that gentleman was seeking to change his behaviour. I am interested to understand how your company supports or prohibits his ability to do that. If somebody is flagged by your company on your scale, do they stop receiving offers of inducements?

**Jules NORTON SELZER:** In that predictive model I described, if you are 0.5 and above, up to 0.95, yes, you are removed from several things including marketing communications.

**Lauren KATHAGE:** So do they still receive bonus bets if they lose?

**Jules NORTON SELZER:** In that scenario they would not receive those kinds of marketing communications.

**Lauren KATHAGE:** If they lost, are they given the opportunity for bonus bets?

**Jules NORTON SELZER:** Not if they are above a certain threshold.

**Lauren KATHAGE:** What is that threshold?

**Jules NORTON SELZER:** The 0.5 and above is where marketing offers are suppressed.

**Lauren KATHAGE:** And was it 0.25 that was seen as problem gambling?

**Jules NORTON SELZER:** Zero to 0.5 is play on, and then 0.5 to 0.95 is when we take several kinds of intervention measures.

**Lauren KATHAGE:** So if the gentleman, say, was seeking to make a change, to close his account, or if he had had an unexpected bill and he wanted to close his account even though he had deposited money there, would he be able to get his money back?

**Jules NORTON SELZER:** It is hard for me to give a clear answer in a hypothetical situation like that. What I can say is we would use our risk tools to determine the right thing. In an example where someone is exhibiting signs and they have been flagged in our system, then the appropriate action would be taken. That might be suspension or even deleting that account.

**Lauren KATHAGE:** But if I deposited money in your app today and then sought to withdraw it, could I withdraw that without gambling?

**Jules NORTON SELZER:** If you deposited money and you withdrew it?

**Lauren KATHAGE:** Without gambling. Is that possible?

**Jules NORTON SELZER:** I believe so, yes.

**Lauren KATHAGE:** Are you sure?

**Jules NORTON SELZER:** Let me take it on notice, but yes.

**Lauren KATHAGE:** My understanding is that to withdraw money after depositing it into your app you need to gamble it. It has to go through once first.

**Jules NORTON SELZER:** Let me take that one on notice if I have not got that 100 per cent.

**Lauren KATHAGE:** One of the things you said before was around how you want to encourage customers to make their decisions rather than have a mandated approach. So isn't it the case that people's decision to stop or change their gambling behaviour is being restricted or mandated by Sportsbet, who will not allow them to take their money out after being deposited?

**Jules NORTON SELZER:** Let me come back to you on that specific point. But what we try to do through all of these tools is give people the information and tools that help them gamble responsibly and safely, and that is really the investment that we put in through the app, through those programs and through the technologies they have gone through, and then through how we embed that and how we approach it as a business.

**Lauren KATHAGE:** Would you support a change that would allow people to withdraw their funds after depositing them into your app and before gambling?

**Jules NORTON SELZER:** I probably will not give a policy position right here. I think I will need to take that specific question on notice in terms of the deposit and the withdrawal and come back to you, if that is all right.

**Lauren KATHAGE:** Thank you.

**The CHAIR:** Thank you, Ms Kathage. Ms Sandell.

**Ellen SANDELL:** Thank you, Chair. Sorry, can I just clarify? You have got 1200 staff overall. Is that correct?

**Jules NORTON SELZER:** Yes, in Australia.

**Ellen SANDELL:** And how many in Australia are part of your teams that might be called customer monitoring or what have you that are specifically working on identifying people at risk and then taking action?

**Jules NORTON SELZER:** I can answer that question on notice. The reason I cannot give a clear number is because there are several people who are, say, modelling specialists, who you would not traditionally think of as in the safer gambling team, whose job has been to build the tools, like real-time intervention, and who update and monitor our red-flag behavioural alert processes. There is a significant number of people within Sportsbet who interact with and support safer gambling, who are outside what we call our sustainability and safer gambling team and even more specifically are not necessarily trained 24/7 specialists.

**Ellen SANDELL:** Understood. And so how many are in the safer gambling team itself?

**Jules NORTON SELZER:** The actual specialists – there are 15 people who work in the safer gambling specialist team.

**Ellen SANDELL:** Thank you. Is that 15 FTE?

**Jules NORTON SELZER:** Yes.

**Ellen SANDELL:** Okay. Thank you. Do you provide training for all staff in safer gambling or identifying risk?

**Jules NORTON SELZER:** Yes. We have different levels of training based on the person's role, but for the whole of Sportsbet we have a number of training modules that everyone goes through. That was something that we did already and that has been amended and updated based on the requirements of the national consumer protection framework staff training module. We had a module and have adapted it based on those requirements, and that is all delivered in-house through our platforms. There are those training elements, and then there is specific training that specialists receive. The 24/7 team, for example, have training around Lifeline and other courses from experts. Even though they are not psychologists, we get outside support from psychologists and other training experts to help them understand and identify triggers and deal with difficult conversations.

**Ellen SANDELL:** And are they all delivered in-house?

**Jules NORTON SELZER:** For the safer gambling team?

**Ellen SANDELL:** Yes, the training for the safer gambling team – is that all delivered in-house or do they do any external training?

**Jules NORTON SELZER:** It is a combination. I mentioned we use external providers like Lifeline to support the training, so it is a bit of both.

**Ellen SANDELL:** Okay. Thank you. It would be great to know – maybe you could provide it on notice – the quantum of training that they receive. So for the safer gambling team, how many hours, say, per year? Is that required to be repeated every year or every whatever period? And then for the rest of your organisation, is it just a 1-hour online module or is it more than that?

**Jules NORTON SELZER:** Yes, I am happy to provide it, and I will try and do it in a way that demonstrates the different levels of training, because I guess what I am trying to emphasise is the responsibility of safer gambling does not only and entirely rest within the safer gambling team or more specifically the 24/7 support team, it is embedded in the rest of the business. Whether it comes to data scientists or whether it comes to modelling experts or whether it comes to technology and software engineers who build the products, all of these people – as well as from a leadership perspective – have a significant role in safer gambling. I will try and itemise that clearly.

**Ellen SANDELL:** Thank you. Just following on from Ms Kathage's questions, you mentioned that people who receive a score above 0.5 are automatically opted out of some of your marketing materials. I am interested in how you get to be 0.5. For example, if I was someone who was gambling and then I abruptly stopped and did not gamble for a long period, would that flag me as any of those numbers or would I still be receiving all of the marketing materials and inducements?

**Jules NORTON SELZER:** It is a good question, and it is hard to give a precise answer based on the variables that we use. I mentioned earlier that there are between 100 and 200 variables that we use that people who go on to self-exclude exhibit, based on their behaviours and signs they exhibit, so that could be things like betting frequency, betting on games or products that you would not normally do or escalating bets. There are several elements that would be put together to determine the risk threshold. It is not one of those specifically, but one of those might be enough that there is an alert. I can provide the range of variables we utilise, but ultimately it is using modelling to detect the different variables that we have in place to then determine whether you are in the zone of play-on or there is a risk at 0.5 and above and therefore measures are put in place to suppress marketing.

**Ellen SANDELL:** Thank you. We have heard evidence from other organisations where people have tried to stop gambling and identified that they might not actually go in and self-exclude on a platform but they might just go cold turkey and stop gambling, and then they are getting bombarded with emails and inducements and marketing materials to entice them back. Would your organisation support any regulatory limits on those kinds of marketing materials as well as on advertising?

**Jules NORTON SELZER:** Well, I think what I said in my opening remarks was that we support a greater use of data and predictive modelling and red-flag alerts to determine risk thresholds. So, yes, the implication in

that is that the more consistently we approach data and our understanding of risk, then certain thresholds would be met that would reduce marketing or promotional material. So the objective here is around a more consistent approach to consumer protection, and a key part of that is how we approach predictive modelling and red-flag behavioural alerts and ultimately, you know, real-time intervention, which we think is the future of the way this industry can go and the best mechanism we have in place to predict and intervene before an issue potentially occurs.

**Ellen SANDELL:** And a few of the earlier witnesses mentioned that they would not support bans on inducements and offers and things like that. Is Sportsbet's position the same as those – that you do not support a ban on inducements?

**Jules NORTON SELZER:** We would not support an overall ban on promotions – I think we use the term 'inducements', but if you do not mind, I will use 'promotions' because I think that is the most common terminology to describe the activity. But no, we would not support a complete ban for the reasons I gave, particularly given the fact that promotions are used around maintaining customers, they are used responsibly and they are useful credits that customers really enjoy, and given the risk of an extreme measure such as a ban in terms of the impact on racing and on other industries. Having said that, you know, we do support measures that would reduce harm, and we talked earlier – there were some examples, and I gave four recommendations in my opening remarks. I mean, with promotion specifically we would support – and we said this in the federal inquiry very clearly – a ban on the advertising of promotions. The New South Wales model is something that we think is appropriate. So that would be above the line – the advertising of promotions as opposed to the offering of a promotion to a customer who is logged in on an app and is seeking out those promotions.

**Ellen SANDELL:** Last question, Chair. You mentioned that these promotions are primarily used to retain customers as opposed to increase, say, people's betting or increase the amount they are spending. Is that true, though? We have seen a lot of reports of promotions being used – if someone has not bet for a while or is not betting as much as they were, then they are offered promotions. How can we be sure that that kind of predatory, I guess, marketing is not happening?

**Jules NORTON SELZER:** Well, maybe I can give you a couple of brief statistics. One would be that over 95 per cent of our promotions go to customers who have been with us for at least six months, and then the second point is that a very, very small percentage go to people who have been inactive for more than 30 days – so under 2 per cent. I think those data points indicate that the focus of promotions is rewarding loyalty amongst existing customers.

**Ellen SANDELL:** Okay. Thank you.

**The CHAIR:** Thanks, Ms Sandell. Just before we finish up, Mr Hamer has got a question.

**Jules NORTON SELZER:** Yes, sure.

**Paul HAMER:** Thank you. You mentioned that approximately half of your staff are in, you would consider, the data space. I think you mentioned that.

**Jules NORTON SELZER:** In the what, sorry?

**Paul HAMER:** Data – like the data analysis space.

**Jules NORTON SELZER:** Oh, yes, in technology.

**Paul HAMER:** In data and technology. And there are 15 of your staff who are looking specifically at individual harm minimisation, is that correct? Is that what you said?

**Jules NORTON SELZER:** So the first part was correct: that almost half of our workforce is involved in technology roles. The second part in terms of the 15 – that is 15 specialists who work in our 24/7 safer gambling phone operation team, so they are very specialised in that. But that number does not encapsulate people who have developed, for example, real-time intervention technology, or who are involved in supporting wider objectives on safer gambling.



**Paul HAMER:** I guess that was a pre-empt of the question: how many staff are focused on what Ms Sandell was just talking about in terms of promotion, marketing, developing those products, such as increasing the frequency of betting or increasing the amount that an individual might bet at a particular time?

**Jules NORTON SELZER:** I am happy to provide on notice a breakdown – I do not have it on the top of my head – of people who work in say the marketing or promotions team. But I would distinguish people who are involved in promotions versus the objective you described of increasing betting or frequency; it is about giving products that customers enjoy and that they want. We talked earlier about Bet with Mates and products like that; that is really the purpose of providing promotions, to reward loyalty in a competitive environment. It is not to necessarily encourage or accelerate betting, because we have very specific processes in place to try and minimise that.

**Paul HAMER:** Okay. If you could get back to me, that would be great. Thank you.

**Jules NORTON SELZER:** Yes, sure. No problem. Thank you.

**The CHAIR:** Mrs McArthur, please note, we are very much over time.

**Bev McARTHUR:** One very quick question: you said that the illegal offshore gambling institutions are penalised but the gamblers who use offshore illegal gambling are not. Do you think it would be a good idea that the users of illegal offshore gambling get penalised or that it becomes a criminal activity or whatever?

**Jules NORTON SELZER:** Our focus would be on the regulatory settings that encourage people to gamble through licensed operators. I think that is the best thing that we can work collaboratively with governments on, and it is really the risk which has been mentioned before around unintended consequences. You know, a lot of measures that have been mentioned in other markets, like in European countries, they have the right intent: clearly the objective is around supporting and advancing consumer protection. But the unintended risk is that you actually have the opposite effect, because we have done a lot of surveys amongst our own customer base, particularly on things like providing affordability checks or financial information that is deemed intrusive, and it is very clear that the reaction of customers is, ‘Well, I’ll either go to a retail shop where I don’t have to do that and I can bet cash, or I’ll go offshore.’ So not just internationally; we have evidence from our own customer base to show the risk of doing that. And none of these providers have deposit tools, none of them have take-a-break tools, none of them pay tax, and certainly none of them have anything like a real-time intervention model.

**Bev McARTHUR:** Okay, thank you.

**The CHAIR:** On that note, Mr Norton Selzer, thank you very much for appearing before the committee today. The committee or secretariat may have follow-up questions after today’s hearings. If this is the case, we will send you an email. The committee will follow up on any questions taken on notice in writing, and responses will be required within five working days of the committee’s request. Thank you for appearing. There were others who were invited to appear who declined the offer; we very much appreciate your time and the others that have appeared here today for appearing before us face to face. The evidence that you give is important to going towards a balanced report.

Those viewing the hearings, both in person and watching via live stream at home, should be aware that this inquiry explores liquor and gambling. As such, information discussed in these hearings may be distressing. Help is available at DirectLine, which supports people seeking help for alcohol and other drugs, on 1800 888 236, or Gambler’s Help at 1800 858 858.

This brings the committee’s hearings for the inquiry into regulating gambling and liquor and reducing gambling harm to a close. On behalf of the Deputy Chair and the committee I would like to thank everyone who has given evidence to the committee this morning, as well as Hansard, the committee secretariat and parliamentary attendants. I would also like to thank the hospitality, security and cleaning staff who have looked after all of us this morning. I declare this hearing adjourned.

**Committee adjourned.**