

Public Consultation on the Green Paper on on-line gambling in the internal market

Contribution

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1. The general nature of the debate

This debate was generated because of the intrusion of on-line gambling as a competitor to the traditional national off-line gambling operators. Although some of the national gambling operators are actually offering both types of play, some of them do not offer the on-line variety and therefore competition exists.

The possibility of gambling becoming too freely available and as a result influencing minors to exhibit unruly behaviours was also considered a reason for holding the debate.

The appearance of on-line gambling dates from around the year 1997.

2. Our participation

Our horse racing portal cosmicway.net publishes regularly the views of people who participate in the games of chance. Our editorial policy in these matters is to support the consumers views but also to try to make them compatible with government objectives, national objectives and specific sports industry related objectives, to the extent that this is possible.

3. The economic issue

The state monopoly companies are those who complain most about internet gambling.

Those companies sometimes offer on-line gambling to the members of their local communities (for example PMU in France) but on the whole they dislike to get involved themselves and prefer to impose bans on the private firms who are trying to intrude the national territories.

A more specific issue exists relating to the horse racing industry. The horse racing industry needs the proceeds from betting, otherwise it will disappear. Unlike football and unlike lotteries, the horse racing industry in each country obtains funds from the local bettors.

The consumers of gambling products are being treated with extreme injustice by the national monopolies in the following ways:

Minimum prices

The national monopolies do not accept the concept of fair gaming. The prices/dividends are ridiculously low, or excessive tax is applied.

The security of economic transactions

Although modern computer terminals are on the whole carefully designed and on the whole error free, malfunctions do nevertheless occur in some infrequent occasions. The monopoly companies do not accept arbitration on such matters even though the amounts of money involved are likely to be small.

In the free market a similar issue of fair gaming exists, as there are no legal provisions for it.

But it tends to be ignored and it is regarded as non existent by most people, because the market adjusts itself and the consumer can exercise his freedom of choice.

In the restricted market the consumer is ignored and is regarded as a "victim".

The attitude of national monopolies to consider their clients as “victims” is notorious. Although this attitude tends to work against them to a considerable extent, they are maintaining it. Their spokespersons are showing extreme arrogance and are publicly making statements to the effect that «our customers are idiots» and «they will find the money to give to us». Further, the state monopoly companies are treating their clients in a terrible and despicable way when they say «if we ban the use of the internet, we will then be able to make things even worse for you». Thus, in their logic, getting rid of the competitor, will help them make things even more intolerable, rather than result in some improvements !

3.1. Specific malpractices

3.1.1. State Monopoly companies

3.1.1.1. Consumer groups are not allowed to participate in company meetings or to inform the decision making bodies.

3.1.1.2. Hidden dividend percentages: In the games of chance played by the pool method they hide the dividend percentages and don't publicize.

3.1.1.3. The advocacy of content censorship (sports news related to events offered for betting).

3.1.2. Internet companies

In the internet companies too there are a number of malpractices.

Those primarily relate to the fixed odds system of computing prices.

The fixed odds system exists because of historical reasons.

This system often makes the operator partial to the outcome of the events wagered upon by the public. In addition the operators many times feel compelled to impose arbitrary limits and even to withhold/refuse payment on the grounds of mere suspicion.

It should be replaced by the mutuel system, with known dividend percentages and with the participation of compliance authorities to ensure fair conduct of operations.

This problem tends to become a problem with the national monopoly companies too, because they tend to adopt the fixed odds system in their games.

In addition there exist internet companies of ill repute that create all sorts of problems.

The ill reputed companies tend to become known, but until that happens some clients suffer.

3.2. National taxes

Since state monopolies and national governments are one thing, if one speaks of the house percentage in a game of chance or the tax imposed afterwards on the winnings, it is really the same thing, even though they are described as two different things.

The big problem of many European states is the loss of revenue from the games of chance and the danger from competition. But it was their decision to omit internet platforms in the first place, so a piece of in the market that could be theirs was lost.

Nevertheless a logical compromise solution exists.

Every internet company should be made to pay taxes proportionally to the states of the European Union, depending on the relative intensity of gambling from each state.

Thus betfair (for example) could split into betfair.gr, betfair.fr, betfair.it etc.

4. False defenses put up by the state monopolies

4.1. Sports integrity

The adverse effect of on-line gambling to the integrity of sports events is being exaggerated quite dramatically to provide excuses for prohibitionist action.

The truth is that thanks to on-line gambling and the possibilities it offers some notorious cases of sports related corruption have been discovered and successfully prosecuted.

The other ultimate truth is that as long as there is any sport, there will be some corruption: Throughout history we distinguish between the following types of corrupt and illegal behaviour:

1st) Match fixing for reasons unrelated to gambling (i.e. championship-relegation). This happens as long as anyone remembers. Many public scandals have occurred, as well as many unjust accusations have leveled against players, ancient and contemporary.

2nd) Gamblers syndicates fixing matches to cheat the bookmakers.

3^d) Bookmakers fixing matches to cheat their clients.

4th) Gamblers syndicates trying to cheat the mutual system.

This demonstrates that there is no system that offers complete immunity.

In recent years only case (2) of the above is being dealt with.

Maybe this happens because the observation systems in operation are good only for this thing, that is to look into the lists of bookmaker clients and identify suspicious behaviours.

In cases (1), (3) and (4) something happens only when the law "gets lucky" !

It looks unintentional and the authorities (sports and legal) are not readily blamed for anything but at the same time it is unfair and imbalanced in the eyes of public opinion, to go after one group of lawbreakers and not all four of them.

4.1. So called money laundering by on-line companies

This is another case the monopolies are making, to justify prohibitionist action against on-line gambling. It is altogether untrue and it is a case of false testimony.

It is almost impossible for anyone to go into an alliance with bookmaker companies, for the purpose of money laundering. A sizeable conspiracy involving several number of persons is needed, as well as the falsification of computer records and the bribing of compliance officers.

There are no known cases, so far.

A **strong** possibility of money laundering exists with the monopoly companies though.

This is because betting is anonymous and so it happens everyday, quite probably against the will of those companies but rather because of their archaic control systems.

Nevertheless a simple money laundering scheme exists with all types of organized gambling, the on-line variety and the off-line variety. The gambler splits his money many ways so as to cover all the outcomes. He loses 8% to 12% of his money in the process, but the return is legal money.

Unless the source of the capital to make the bet is also investigated by the banks, this type of laundering will always exist, but it has nothing to do with on-line v. off-line or with national v. private betting companies.

5. Is Gambling personal choice or an addiction ?

The participation in games of chance is a matter of personal choice.

The fact that the money is invested with risk cannot be taken to mean that the participant has no legal rights and should not be protected against malpractices and excessive taxation.

As with all financial activities, the element of danger exists.

5.1. Gambling addiction

Although most national legislation systems prohibit the participation of minors in the games of chance, the danger group is by the nature of things not the underage but the somewhat older population. This is because one really has to have started working to have money for such activities.

In the age group 25 to 35 almost all suffer a temporary economic setback, as a result of excessive wagering, but it does not amount to addiction.

From the close view of the market we have for the last 25 years, the percentage of people who become addicts and are therefore in need of psychological assistance is of the order of 1%.

This happens because most people readily reject the moral doctrines concerning the acquisition of money and because such doctrines are in any case considered irrelevant and out of place in the modern capitalist societies. At the same time, in what concerns the specific dangers, there is no education by the state system. Only a few very timid attempts, because of the recent pressure.

The state monopoly advertisements in Greece are even now extremely provocative and favour addiction. Special care is being taken to address those to the people of the lowest possible education and iq (promising private steam liners, private islands a.s.o.)

5.1.1. Low prices against gambling addiction ! This is one of the new arguments put forward by the state monopolies. The faster the economic ruin of the person who participates in their games, the better gambling addiction is combated ! This cannot be considered serious talk.

6. The use of gambling revenues

Some of the revenue from games of chance is being diverted to charity.

This happens with private companies as well as with national companies.

It is not true that national authorities make better use of their funds and that they are helping society. Instead, what we are witnessing is this:

a) Scandalous donations to political party friends. This is all the more scandalous because the said companies are supposed to be public.

b) Scandalous management. Thus the state monopoly companies become obsolete and their technologies lag many years behind, because of indifference and wastage.

The only exception is the case of the horse racing industries because the horse racing industries themselves depend 100% on the betting.

The betting companies should be asked to contribute to a common fund, depending on whether or not they offer betting on horse racing events. A European coordinating body should exist, but unfortunately there appears to be no all-European agreement of any kind for this.

6.1. Note: The national monopoly companies are robbing their customers. We participate -rightly or wrongly- to WIN and not to DONATE. This cannot justify the imposition of limits to personal freedom. We are not against donations, by the national or the private companies. In the case of national companies we are against donations to party political friends, something that happens all too often.

7. Black Market

A blanket prohibition, as advocated by the monopoly companies, or extreme taxation levels are possibly going to lead to the creation of a black market, big or small. That is, more crime.

7.1. History of sportsbook black market in Greece

In Greece the black market existed in horse racing only up to the year 1995. At that time football fixed odds betting started becoming known in Greece (while before that it was not known) and most of the illegal horse racing black market operators decided to switch to football and abandon horse racing

In 1998 the Greek race course introduced online totalizator, making the illegal bookmakers disappear from horse racing. The football illegal market flourished up to the year 2000, when the national company OPAP introduced fixed odds betting coupons, while at around the same time people began making use of the internet. If black market exists today it is on a very small scale.

What will happen with strict prohibitionist methods and further cutting down of prices, we cannot say with precision.

8. Conclusions

8.1. Prices – The consumer should be protected with a system of minimum prices, for all types of wagering on or off line. (n.b. the difference is artificial and artificially introduced). Those should be based on the European average and not on monopoly company suggestions. Allowing the monopolies to stangulate the consumer, which is what they want, is most unfair.

8.2. Taxation – On line companies should be paying tax proportionally from their profits to the various European countries.

8.3. Gambling addiction – The public education system should become involved.

8.4. Horse Racing – A European conference of national horse racing authorities should be recommended.

8.5. Interim periods – Interim periods in which extremist measures can be applied should not be allowed.