Australian Government
Department of Families, Housing,
Community Services and Indigenous Affairs

Review of current and future trends in interactive gambling activity and regulation
Literature review

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Report to the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs
by The Allen Consulting Group

Improving the lives of Australians

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Executive Summary

The Allen Consulting Group was commissioned by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) to undertake a literature review of the current trends and regulation of interactive gambling, both in Australia and overseas.

The purpose of this study is to analyse and report on publicly available information regarding current trends in interactive gambling, including:

- current services provided and the accessibility of these services
- the characteristics of people who gamble using interactive methods (including the Internet, mobile telephone devices and digital television)
- the current regulatory framework for harm minimisation, and non-regulatory harm minimisation approaches
- future trends in technology and regulation that may have an impact on the type and accessibility of services in the future.

Key definitions and terminology for this study

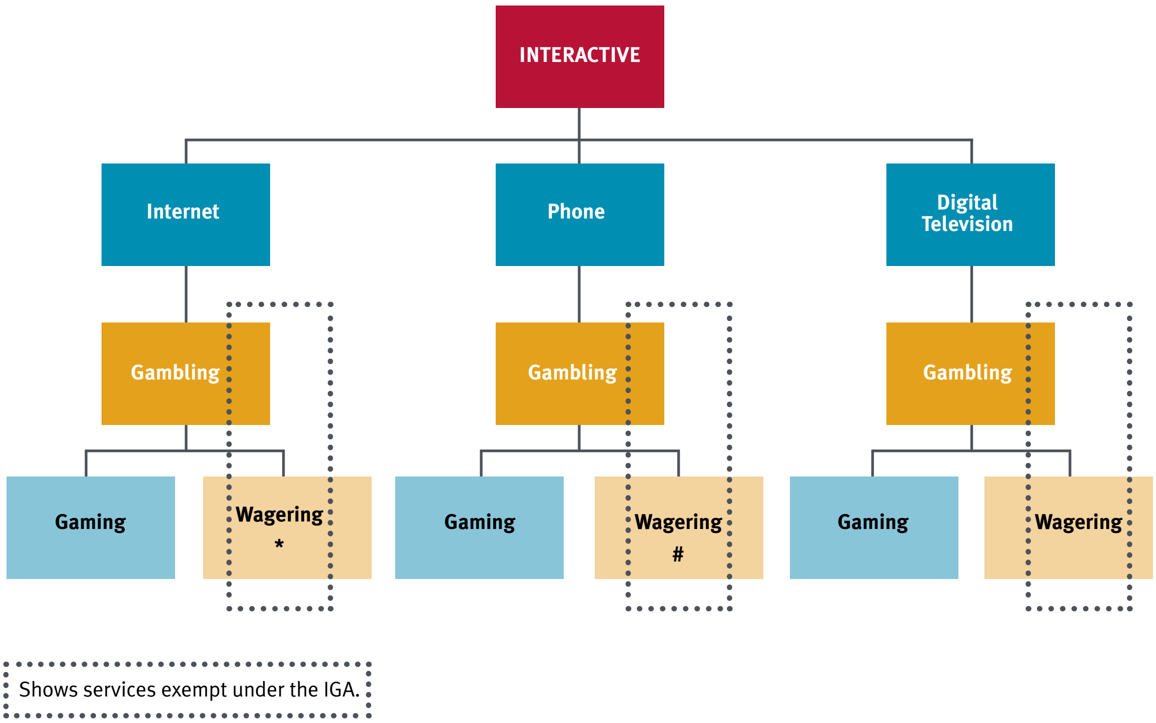
For the purposes of this study the term *interactive gambling* is the overarching term used to define the range of gambling activities that occur through interactive mediums. Using this terminology:

- *interactive* refers to the collective group of communication mediums—Internet, phone and digital television—through which gambling may occur; and
- *gambling* is the collective term for all forms of gambling, which can be divided into gaming and wagering forms.

Figure ES.1 illustrates how these definitions interrelate. Within this framework there are various forms of interactive gambling, for instance Internet gaming, Internet wagering, phone wagering, Television gaming, etc. Internet gambling is a collective term, which captures both *Internet gaming* and *Internet wagering*.

This terminology has been applied throughout this report to ensure consistency of language and to aid reader understanding. It is not strictly in-line with definitions in the Interactive Gambling Act 2001 (the IGA). For instance, under the IGA interactive gambling services are prohibited from being offered to individuals physically located in Australia, however the IGA also defines those services excluded from prohibition. In the IGA, these excluded services are *not* defined as *interactive gambling services* because the IGA defines all interactive gambling as those services prohibited (therefore, only prohibited services are considered to be interactive gambling). In this report, interactive gambling is used as an overarching term, and therefore is not used in the same way as in the IGA—'excluded services' in the IGA are referred to as 'legal services', primarily because the use of the term excluded is confusing when referring to services that are allowed. Figure ES.1 shows which types of interactive gambling are exempt under the IGA (which are Internet wagering, phone wagering and wagering via digital television).

Figure ES.1: Framework for defining interactive gambling



* Only legal when bet has been placed before event/game has commenced.

Only legal where dealings with customers are wholly by way of voice calls made using a standard telephone service.

Regulation of Interactive gambling in Australia

The IGA is the primary legislation in Australia for interactive gambling. The IGA prohibits interactive gambling services from being provided to individuals physically located in Australia. The IGA does provide exclusions to this prohibition, whereby certain wagering and gaming services, are legally allowed to be provided in Australia. The framing of the IGA, given that it sets the parameters for legal and illegal forms of services, has had a strong influence on what aspects of interactive gambling services are provided by Australian-based hosts. State and Territory legislation continues to regulate the way in which legal forms of interactive gambling can be provided in Australia (for instance, by licensing providers and setting requirements to protect players).

The exclusions afforded in the IGA to Internet wagering services (such as Internet sports betting) were primarily driven by perceived differences in the style of play—these legal forms of wagering were not considered to have the same continuous, and addictive, format as prohibited services. This study found that, in the period since the IGA was reviewed in 2004, the potential differences between Internet wagering and Internet gaming (the periodic versus repetitive style of play) are diminishing. The extent of Internet wagering opportunities now available to Australians at all times of the day appears to be transforming this style of play away from 'periodic' play.

Current supply and accessibility of interactive gambling services

In Australia the primary forms of interactive gambling are legal forms of interactive wagering on sporting events and racing. The sporting betting market has grown substantially in recent years, driven, in part, by growth in the use of the Internet and mobile phones as mediums for placing bets. New entrant to the market, Betfair, has brought to the market a new product based entirely on Internet and phone wagering.

There are currently no measures of the extent to which Australians are accessing overseas hosted Internet gaming sites (prohibited under the IGA). A preliminary investigation of accessibility, conducted by this study, found that large sites do use geo-location technology to block Australian-based access to Internet gaming and continuous play Internet wagering, both of which are prohibited from being provided to individuals physically located in Australia. However, this was not the case for all sites. To date, there have been very few reports of non-compliance by internationally hosted-sites under the IGA framework.

Characteristics of interactive gamblers

Research suggests that participation in Internet gambling (gaming and wagering) in Australia is very low (with participation rates in state or territory-based studies ranging from 0.2 to 2.7 per cent of the population). These estimates may have a negative bias depending on how 'Internet gambling' defined in surveys (as not all sports betting and wagering done on the Internet may be reported as Internet wagering). Notwithstanding some measurement variance, the levels of Internet gambling are considerably lower than lotteries and gaming machine participation (though sportsbetting participation is growing strongly, it is from a low base).

There is no evidence to suggest that individuals who participate in Internet gambling have a higher prevalence of problem gambling than other forms of gambling. This is partly due to the difficulties measuring problem gambling prevalence across a small proportion of gambling participants. Some researchers have asserted that the nature of Internet gambling (particularly Internet gaming) has higher risks for problem gambling because it can be repetitive and continuous, thereby making it more difficult for players to be aware of how much they have gambled. However, to date there are no robust studies showing a high correlation between growth in Internet gambling websites and problem gambling incidence, even in countries that allow a broader range of Internet gambling activities. This is an area where further research would be valuable.

Non-regulatory harm minimisation measures

Most large Internet gambling providers promote responsible gambling strategies and offer responsible gambling initiatives to players. The majority of these, such as self-set exclusion, and self-set betting limits or time limits, rely on individuals to recognise that they may need some assistance in limiting their play (and, therefore, the potential costs of their play). Research on the effectiveness of these measures is very limited. Surveys of gambling participants found a relatively moderate level of 'usefulness' for players. It is not clear the extent to which these initiatives have an impact on actually reducing potential harm through problem gambling. This is a potential area for further research.

International regulatory frameworks

International experience provides some useful regulatory models. The United Kingdom has moved away from a prohibition approach to licensing of providers. Other countries, including the United States, Canada and New Zealand have maintained prohibition on Internet gambling, including Internet wagering (which is more stringent than the Australian approach).

The impact of the UK model has yet to be properly observed, as licensing was introduced in September 2007. In the US, the introduction of regulation prohibiting financial transactions related to Internet gambling has already had an impact on the actions of large Internet gambling providers, with several removing access to their services by US patrons. There is a concern, however, that this approach may drive away larger publicly listed providers, but not smaller unregulated entities. These effects will continue to be monitored in the next 2–3 years.

Future technology trends

Technology in this field is constantly evolving, with new types of games and wagering methods being offered by providers to gain a competitive advantage. For governments, the important changes in technology to be aware of are those which have a transformation or 'step change' impact on the market. The key technological advances that would have a significant impact on the market are those that:

- *Strongly improve the enabling technology supporting Internet gambling, such as broadband access.* The National Broadband Plan is an example of reform in this area that may impact on the proportion of the population able to access Internet gambling sites at speeds that are conducive to online gaming and wagering.
- *Provide new platforms through which individuals can participate, such as mobile technology and digital television.* In this area, the most significant change has been, and will continue to be, smartphone technology (such as iphones, blackberries and the soon to be released google phones).

Chapter 1

Interactive gambling services

1.1 Introduction

This chapter provides a description of current interactive gambling services, including Australian-based and overseas hosted services. It discusses current trends in the provision of interactive gambling services, and provides information on the accessibility of these services, including age verification, payment methods and promotion of services.

1.2 What is interactive gambling?

Gambling can be considered in two broad categories:

- *gaming*—where the gambling event is based on chance, such as a lottery, roulette wheel or poker machine. Most forms of gaming activities involve very little element of skill, the exception being games like poker, which have an element of skill and strategy); and
- *wagering*—which is distinguishable from gaming in that the event on which the wager is placed would continue to exist without the participation of a gambler, though wagers are taken on the outcome of that event (typically sporting events). Wagering differs from gaming in that there is an element of skill involved in attempting to predict the outcome of the event (Senate Select Committee 2000, p.2).

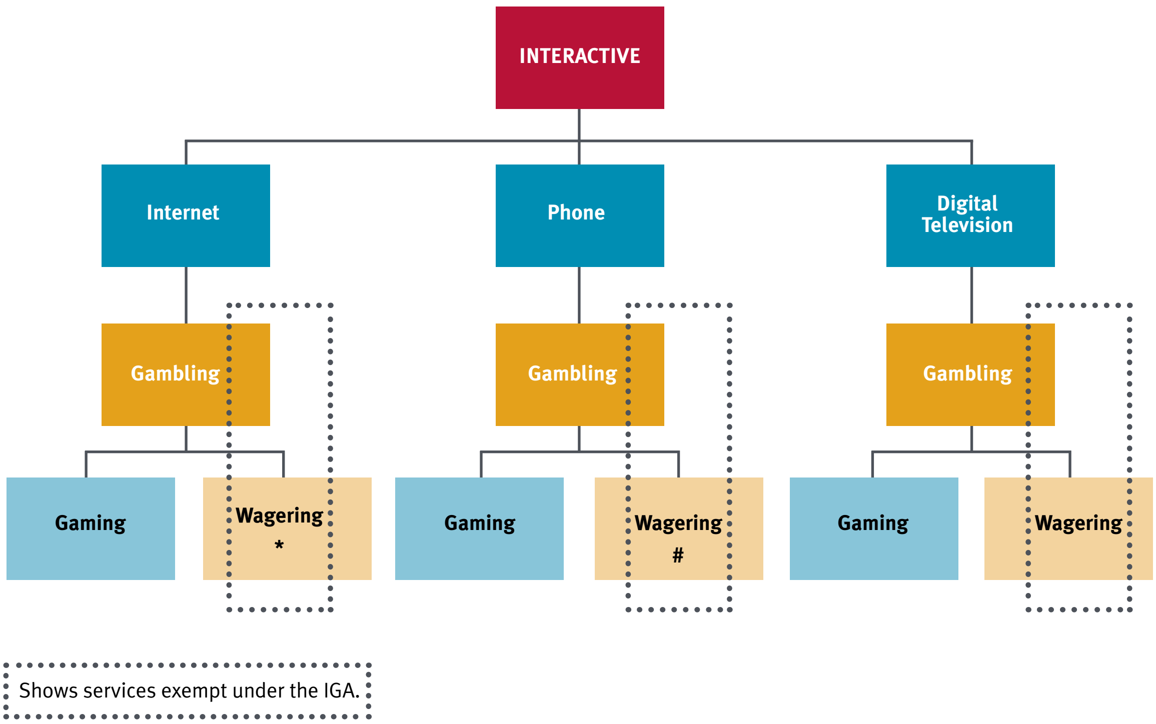
For the purposes of this study the term interactive gambling is the overarching term used to define the range of gambling activities that occur through interactive mediums. Using this terminology:

- *Interactive* refers to the collective group of communication mediums—Internet, phone and digital television—through which gambling may occur; and
- *Gambling* is the collective term for all forms of gambling, which can be divided into gaming and wagering forms.

Figure 1.1 illustrates how these definitions interrelate. Within this framework there are various forms of interactive gambling, for instance Internet gaming, Internet wagering, phone wagering, Television gaming, etc. Internet gambling is a collective term, which captures both *Internet gaming* and *Internet wagering*.

This terminology has been applied throughout this report to ensure consistency of language and to aid reader understanding. It is not strictly in-line with definitions in the Interactive Gambling Act 2001 (the IGA). For instance, under the IGA interactive gambling services are prohibited from being offered to individuals physically located in Australia, however the IGA also defines those services excluded from prohibition. In the IGA, these excluded services are *not* defined as *interactive gambling services* because the IGA defines all interactive gambling as those services prohibited (therefore, only prohibited services are considered to be interactive gambling). In this report, interactive gambling is used as an overarching term, and therefore is not used in the same way as in the IGA—'excluded services' in the IGA are referred to as 'legal services', primarily because the use of the term excluded is confusing when referring to services that are allowed. Figure 1.1 shows which types of interactive gambling are exempt under the IGA (which are Internet wagering, phone wagering and wagering via digital television).

Figure 1.1 Definition of interactive gambling



* Only legal when bet has been placed before event/game has commenced.

\# Only legal where dealings with customers are wholly by way of voice calls made using a standard telephone service.

This study reviews all potential types of interactive gambling services that Australians *may* be able to access (both now and in the future). This approach acknowledges that there may be prohibited Internet gambling services that are actually accessible to Australians.

1.3 Access to interactive gambling technologies

Access to all forms of interactive gambling is contingent on access to the technologies that underpin services. This section discusses the current accessibility of interactive technologies for interactive gambling services—the Internet, digital and subscription television and mobile phone technology.

Access to broadband Internet services

The first Internet gambling games were launched in 1995 (PC 1999, p.18). They provided slow games with simple graphics. Historically, available bandwidths and the processing power that interactive gambling software requires, has meant that users' experience with Internet gambling has been painfully slow, especially for games that require multiple graphics reloads—such as casino style games, including poker, virtual slot machines or black jack. Other factors that have contributed to slow play include link congestion, traffic to the website and the individual processing power of computers. However, speed continues to be an important part of user satisfaction when it comes to utilising the Internet for gambling and entertainment generally (ACMA 2008).

Internet gambling sites, such as Internet casinos, rely heavily on speed, graphics and sound quality to attract and satisfy users. Internet casino-style games may be web-based or download based. Web-based technology allows users to play games without installing software to the local computer (e.g. using Java, Flash or Shockwave plug-ins). However, Internet traffic and congestion, and the processing power of individual computers mean that the experience of users can vary widely. Download-based software requires players to download the software in order to participate. Download-based technology generally runs faster, although the initial download can take time and there is a risk of the program containing spyware or malware.

Since its emergence in Australia in the 1980s, the number of Australians using the Internet has increased markedly. According to the Australian Bureau of Statistics, 73 per cent of Australian households are connected to the Internet (ABS 2008). In 2007, around 80 per cent of Australians reported using the Internet, the vast majority of whom were current users (72.6 per cent, ARC CCI 2008, p.1).

Connection type can significantly influence user experience of, and practices on, the Internet. Slow connections may not be conducive to effective use of Internet gambling sites. As such, those who gamble via the Internet tend to be broadband users, with 10 per cent of broadband users choosing to gamble via the Internet, compared to 3 per cent of dial up users (ACMA 2008, p.17). Practical access to interactive gambling websites, in reality, means access which is sufficiently fast to achieve the appropriate 'user experience'. The availability of broadband Internet access therefore is a determinant of potential access to Internet gambling sites.

Location is a key determinant influencing the available provision of Internet connection types and capacities to Australian users. In Australia, DSL continues to be the dominant broadband service, comprising 70 per cent of broadband service usage (ABS 2008). The most common form of DSL is asynchronous DSL (ADSL), with ADSL2+ representing the higher quality version of DSL. Table 1.1 lists common connection types used in Australia and their theoretical maximum download speeds. Further, metropolitan users are nearly twice as likely to have a broadband connection compared to non-metropolitan users (46 per cent of users in major cities compared to 24 per cent of users in very remote areas, ACMA 2008, p. 10). This is because DSL service coverage in non-metropolitan areas is limited.

Table 1.1: Connection types and theoretical maximum download speeds

Connection type	Maximum download speed
Dial up	56 kbps
ISDN	192 kbps
Satellite	1 Mbps
ADSL	2 Mbps
ADSL2	12 Mbps
ADSL2+	24 Mbps
VDSL	52 Mbps

Source: ActewAGL 2009

Data suggests that access to high speed broadband is growing. From December 2007 to June 2008, subscribers with download connections of 1.5 Mbps or greater increased to 3.1 million (43 per cent of all subscribers), from 2.5 million (36 per cent). The increase appears to have been largely driven by the evolution of DSL from ADSL1 to ADSL2+ (which offers much faster broadband speeds, particularly for customers within 1.5 kilometres of the telephone exchange). Forty eight per cent of the population live within 1.5 kilometres of an ADSL2+ enabled exchange. Table 1.2 illustrates Internet subscription rates by bandwidth of connection.

Table 1.2: Internet Subscription by Bandwidth of Connection, June 2008

Maximum download speeds	No. of subscribers ('000)	% of subscribers
Less than 256 kbps	1581	22
256 kbps to < 512 kbps	1588	22
512 kbps to < 1.5 Mbps	963	13
1.5 Mbps to < 8 Mbps	1444	20
8 Mbps to < 24 Mbps	1390	19
24 Mbps or greater	262	4
All subscribers	**7228**	**100**

Source: ACMA 2008a, p. 16.

Access to Digital and Pay Television

Pay television was first launched in Australia in 1995. Satellite services were the first available services being offered from January 1995 onward, followed by the provision of cable services in September and October 1995 (ASTRA 2009). By the end of 1995, approximately 85 000 households (with 300 000 potential viewers) subscribed to pay television services.

Since then, pay television subscriptions have grown significantly in Australia. In 2008, approximately 27–30 per cent of Australian households subscribed to a pay television service (DBCDE 2009). Currently, there are three main pay television service providers in Australia: Foxtel, Austar and Optus. In addition, there are a number of smaller operators—including: Neighbourhood Cable, UBI World TV, SelecTV and TransACT Communications—that currently deliver subscription broadcasting and bundled services to niche and regional markets.

Sky Racing Active, the interactive television wagering service available to Victorian and New South Wales (NSW) TAB account holders, is provided through Foxtel and Optus digital television. Foxtel is available to more than 70 per cent of Australian homes, with more than 1.4 million homes currently connected to Foxtel[1] (Foxtel 2009).

Access to mobile phone services

The use of mobile phone technology in Australia has grown significantly over the last five years. Australia is now a world leader in mobile phone usage.

In June 2006, 82 per cent of persons in Australia aged 14 years and over used a mobile phone, with the 18–24 and 25–39 age groups recording the highest usage rates (DBCDE 2008). Mobile phone usage, as a percentage of area population, was fairly similar in both metropolitan and other areas, at 83 and 80 per cent respectively (DBCDE 2008).

1.4 Provision of Internet gambling services

Internet gambling (gaming and wagering) services are currently offered through both Australian-based and international hosts. The extent of various types of services offered in Australia is heavily influenced by the regulatory framework, with the major Australian-based host services offering Internet wagering services, while internationally hosted sites tend to offer a broader set of services, including gaming (casinos, poker) and wagering (sportsbetting, racing). The following sections explore the characteristics of Australian-based hosts and international hosts of gambling.

Australian-based hosts of Interactive wagering services

Legal forms of interactive wagering services are widely provided to Australians through Australian-based hosts. These include services provided over the Internet, phone or digital television.

1 Either directly or through services provided on a wholesale basis to other providers such as Optus TV.

Internet wagering services may be provided for a wide variety of sporting events (e.g. cricket, soccer, basketball, tennis), racing events (e.g. horse racing, MotoGP, greyhound racing, harness racing), or one-off/annual events (e.g. Elections, awards shows). Wagering via interactive television technology is only permitted in Victoria and New South Wales. Participation in certain lotteries is also permitted in Australia, so long as they are not highly repetitive or frequently drawn keno-type lotteries.

Appendix A provides details on the major Australian-based host services, which are predominantly racing and sports wagering, and lotteries sites (consistent with IGA requirements).

Allowing Betfair into the Australian market, which commenced in 2006, has significantly broadened the availability of Internet wagering services for Australians. In March 2008 Betfair won a High Court case against the Western Australian government, with the court ruling that:

> Western Australian legislation outlawing the operation of betting exchanges was unconstitutional because it imposed protectionist burdens on interstate trade and therefore contravened section 92 of the Constitution. (High Court of Australia 2008).

The basis of the case was Western Australian legislation (*Betting and Racing Legislation Amendment Act*) which made it an offence to bet with a betting exchange (of which Betfair is currently the only form available in Australia). This ruling is likely to lead to further transformation of the wagering market to a national market, consistent with the expansion of the Internet as a medium to deliver these services.

At the same time as changes have been driven by the entrance of Betfair to the Australian market, conventional wagering providers have developed Internet-based services, to complement their existing phone and shopfront services. The provision of interactive wagering services through mobile telephone technologies is also gaining popularity among larger Australian gambling providers. For example, Tabcorp now offers sports wagering via internet-enabled mobile phones through tab.mobi, a website optimised for mobile phone usage.

International hosts of Internet gambling

Outside of Australia, there are internationally hosted sites that provide the full array of Internet gambling services—gaming and wagering—including:

- Internet casinos, which offer games such as interactive slot machines, baccarat, roulette and craps
- Internet poker games where players can play against others online
- Internet sites for wagering, on a similar basis to those services already provided by shopfronts and telephone services in Australia, though in some cases on a broader set of events.

Estimates of the total number of Internet gambling sites vary. Taking sites registered through Casinocity.com, the estimate of 2069 Internet gambling sites, owned by 436 different companies (Williams and Wood 2007). These are primarily large, licensed sites, with the number of smaller unlicensed sites likely to be many times more. The largest providers—sites such as 888.com and partycasino.com, are publicly listed companies. Other large providers, such as Ladbrokes in the UK, are existing gambling firms which have adapted to the interactive environment and broadened their products to include interactive gaming and wagering alongside their traditional wagering products.

Internet gambling providers, are typically licensed in small countries or provinces that grant such licences (the exception being the United Kingdom which began licensing in 2007). Small countries and provinces offering licences include Antigua, Alderney, Gibraltar, the Isle of Man and Norfolk Island (which is allowed to set different licensing requirements to Australia in this regard). These small countries and provinces benefit through licensing revenues, though with small populations, do not have the same risk of potential costs from problem gambling. Table 1.3 lists the top 20 Internet gambling jurisdictions in July 2007 (by volume of transactions). This list highlights the prominence of small provinces in hosting Internet gambling service providers. Chapter 4 of this report provides details on the international regulatory framework for Internet gambling—an interesting aspect of this research, in comparing it to the list in Table 1.3, is the ranking of countries like the United States and Australia in this listing, despite current regulations which prohibit many forms of interactive gambling to be provided to individuals in those countries.

Table 1.3: Top 20 internet gambling jurisdictions in July 2007

Jurisdiction	Volume of Transactions (rank order)	Number of Internet gambling sites	Year first hosted Internet gambling
Gibraltar (British overseas territory)	1	126	1998
United Kingdom	2	99	1996
Antigua and Barbuda	3	197	1996
Malta	4	146	2000
Kahnawake Mohawk Territory (Quebec)	5	377	1999
Aldernay (British Channel Island)	6	36	2001
Hong Kong	7	1	
Netherland Antilles (Curacao)	8	299	1996
Phillipines	9	14	
United States	10	28	
Costa Rica	11	236	1996
Kalmykia (republic in Russian Federation)	12	2	
Australia	13	18	1996
Isle of Man	14	9	2001
Sweden	15	6	1999
Russian Federation	16	13	
Austria	17	9	2000
Belize	18	49	1996
Aland Islands (province of Finland)	19	1	2001
Seychelles	20	3	2003

Source: Williams and Wood 2007, p.8.

Free play Internet gambling

Of the Internet gambling sites sampled for this study, a majority provide the option of 'free play' gaming. Free play takes the form of:

- specific free play sites, with sub-sites of full gambling sites (such as the *www.playbetfair.com* site which offers games to play 'for fun' online, that is, without any financial risk involved)
- 'free play' options offered alongside 'real play' options for the same types of gaming options, as shown in the example from the Ladbrokes website below.

Figure 1.2: Free play and real play online casino options—ladbrokes

Source: http://www.ladbrokes.com

While free play gaming supports the notion that these sorts of games can be used as a form of entertainment, rather than to win money or other material goods, the implications of this type of gambling have the potential to be just as dangerous, if not more so, than real/cash play games. This is because free play allows players to become familiar with the game without the normal financial risks, and may lead players to believe they are more skilled at a game than they are, which will skew their perception about their chance of winning if they were to gamble their own funds in the game.

While free play gambling has the potential to be attractive to a number of stakeholders, especially those who may not be of legal gambling age, the major Australian providers have not made usage statistics publicly available. This may be because this type of gambling is relatively new. As such, because of the lack of definitive evidence, it is difficult to assess the trends, growth in popularity and impact of this activity in Australia.

Mobile phone and SMS gambling

While it is a relatively new technology, mobile gambling is already available throughout Europe, Asia and the UK. In these jurisdictions, services such as mobile scratch cards, wagering and mobile lotteries are available (Monaghan 2006: p.14). Further, larger providers, such as Ladbrokes in the UK, offer the full gamut of interactive gambling services, including both Internet and mobile phone gambling (gaming and wagering). Ladbrokes offers an extensive set of mobile phone gaming options, including a new iPhone service that allows access to all casino games through this medium.[2]

Research on the global mobile phone gambling industry estimates that the total market value will increase to $23 billion by the end of 2011, a massive growth from $2 billion in 2006 (Juniper Research, 2006). This estimate encompasses all forms of gambling available through mobile devices, both through mobile phone access to the Internet and through mobile-specific services.

A less developed aspect of mobile phone gambling is gaming or wagering using Short Message Service (SMS) technology. SMS gambling is most appropriate for quick betting, such as wagering or lotteries, where minimal

2 See http://casino.ladbrokes.com/en/mobile/iphone for details on this service.

input is required from the participant. In Australia, there has already been an attempt by a now defunct Adelaide based company, 'txt2-bet', to establish an SMS wagering service (though it is unclear whether this service included betting 'on the run').

A key area of growth in SMS gaming is SMS lotteries. Lottery sites such First Red observe that 'the wide appeal and acceptance of lotteries, and the fact that they are easily understood, makes them ideal for a mass marketing gaming offering' (First Red Lotteries, *www.redlottery.com*). A key point of difference between lotteries and other forms of mobile phone gambling is that lotteries can be accessed through non-3G enabled devices. Therefore, the potential market for these forms of gambling is broader, and more likely to include young and/or low income mobile phone owners. In the UK, lottery tickets can also be purchased through SMS requests.

1.5 Indicators of growth and trends in the interactive gambling industry

Interactive gambling is a relatively new form of gambling, and widely acknowledged as contributing to the growth of the broader gambling market. In Australia, research suggests that growth in the market has been primarily through growth in revenues from interactive wagering, which is currently allowed to be offered to Australians under the IGA (this includes Internet, phone and digital television wagering). That said, robust measures of the size and growth of this market are not freely available, in part, because revenues from wagers made using these mediums are not often separately reported from wagers made through more traditional means (that is, revenues from wagering are not typically reported on the basis of whether they are made via the Internet, phone or in person).

Some preliminary figures from Tabcorp indicate that interactive wagering revenues are increasing. For 2006–2007, Tabcorp reported that they had, for the first time, reached $1 billion in Internet wagering sales, achieving a 23 per cent year-on-year growth (Tabcorp 2007). Over the 2007–08 financial year, Tabcorp's Internet wagering sales increased by a further 17.4 per cent (Tabcorp 2008, p. 7). In 2008, Tabcorp reported having 700 000 regular retail wagering customers, 325 000 of whom bet through the Internet, pay television or telephone services (Tabcorp 2008, p.6).

In its 2005 publication on the gambling industry, the ABS estimated that in 2004–05 net gambling takings received via the Internet[3] in Australia increased by an average of 11.8 per cent per year from 2000–01 to 2004–05 (from $73.1m to $114.3m, ABS 2005). To put these data into context, Internet gambling represents only 0.74 per cent of Australia's total gambling revenue of $15.4 billion in 2004–05.

As a guide for the current size of the market, the ABS estimate is likely to be significantly smaller than current interactive wagering revenues given:

- the entry of Betfair in the market since the 2004-05 estimate (in 2006), with Betfair revenues in Australia estimated to be $23 million in 2007–08 (IBISWorld 2009); and
- the reported growth in sports betting offered through TABs and new services, which is strongly linked to trends in Internet-based provision of services.

Sports betting is a relatively new form of gambling in Australia, with State and Territory legislation progressively amended to allow sports betting in the 1990s. Existing gambling providers, such as Tabcorp report strong growth in sports betting revenues since 2005–06, as shown in Table 1.4. In addition, new entrants since 2006, such as Betfair, have grown the market significantly. This growth in sports betting has been identified as being closely linked to trends towards interactive wagering (IBISWorld 2009), and is a potential proxy measure for trends in interactive wagering (in the absence of more up-to-date ABS measures).

3 This item refers to takings from all gambling activity, net of payouts to players, from orders received via the Internet or web. Examples of online gambling activity include: poker/gaming machines, lotteries, lotto style games and football pools, instant money sales, Keno, on-course and off-course betting on thoroughbred, harness and greyhound racing, and other (e.g. sports) betting.

Table 1.4: Growth in sports betting revenues—Tabcorp holdings limited

Year	Annual growth rate in revenues (%)
2005–06	28.5
2006–07	24
2007–08	16

Source: IBIS World 2009

Internet gaming is a specific form of interactive gambling which is currently prohibited from being offered individual physically located in Australia (under the IGA). The extent to which non-compliant Internet gaming services are being offered in Australia is difficult to identify, as these are currently illegal, though the small number of complaints made to the Australian Communications and Media Authority may indicate that access is low (or, conversely, it may indicate that there is low awareness of the provisions under the IGA, or that few individuals have had a bad experience from Internet gaming sites). The next section in this chapter explores in more detail the potential accessibility of these sites for Australians.

The global Internet gambling market is reported to be growing, and projected to grow in the future. Figure 1.3 shows estimated and projected net gambling revenues for the global interactive gambling market. These estimates show a strongly growing market, with an almost eight-fold increase in revenues between 2001 and 2008. No robust data is available on the breakdown of this revenue by wagering and gaming.

Figure 1.3: Net internet gambling revenues, estimated and projected, 2001–2010, US$M

Source: Christiansen Capital Advisors (CCA) 2008, *CCA's Global Internet Gambling Revenue Estimates and Projections*, accessed from http://www.cca-i.com

1.6 Accessibility of Internet gambling services

Accessibility of Internet gambling services is contingent on a number of factors. Earlier discussion in this chapter highlighted the technology constraints on access to Internet gambling (related to broadband access and speed). Other factors include how these services are regulated, age and identity verification requirements and payment methods. Further, there is the issue of to what degree Australians are able to access Internet gaming services that are prohibited under the IGA.

Access by age

In Australia, persons under the age of 18 are banned from gaming areas of gambling venues. The same rule applies to all forms of interactive gambling—it is illegal for any person under the age of 18 to open an account or gamble online. In addition, the *Anti Money Laundering and Counter Terrorism Act 2006* requires licensed Sports Bookmakers to perform mandatory identification validation on all customers.

This study found that most large Internet wagering services provided by Australian-based hosts have age verification processes (as required under State and Territory legislation). These providers require applicants to undertake an age-verification check within a certain time frame, before the initial payout is permitted. Age and identification verification processes vary from provider to provider, but are usually undertaken in one of three ways:

- *Electronic verification:* carried out by the providers. Client details are matched against their details in the electoral roll or the white pages.
- *By post:* clients are required to send photocopies of documents that provide them with 100 points of identification to the gambling provider.
- *In person:* clients are required to report to a physical location, such as Golden Casket Agency or the Post Office, with 100 points of identification and a verification form to be forwarded to the provider.

If age verification is not undertaken within the given timeframe, accounts may be restricted or suspended until age is confirmed. Table A.1, details the age verification procedures undertake by some Australian-based providers of Internet wagering services.

While electronic and postal verification may still enable minors to gamble via the Internet by using an adult's credit card, underage access is not an insurmountable problem even in an uncontrolled environment. The motivation and reward gained for minors is weak (Monaghan 2006; Lambos, Delfabbro and Puglies 2007; Senate Select Committee 2000; Productivity Commission 1999; Gray, Browne and Prabhu 2007):

- Minors cannot make any financial gain if money is won. Persons under the age of 18 can only legally obtain a credit card if they are an adult's secondary account holder. If a minor uses an adult's credit card or account details to gamble, payment is only made by cheque or credited to the account holder. Payments to third party accounts are not permitted.
- For Internet or television based betting, the minor would need to know a password to access the account.
- There are a number of filters available for use by parents that can block access to gambling sites.
- Gambling by a minor can be easily detected by parents. Money gambled or won would be listed on a transaction statement.

Payment methods

A variety of payment methods exist which allow users to quickly transfer funds from their savings accounts for Internet payment. Table 1.5 details some of the common payment methods available to Internet gamblers. Paypal is currently available for use in Australian-based sites, though not all international sites. Paypal withdrew its services to interacting gambling sites following investigations from regulators in the United States in 2004. At this time, Paypal did report that they would allow payments from approved sites, which includes Australian-based sites as these are operating legally in Australia. Regulation of payments is discussed further in Chapters 3 and 5 of this report.

Table 1.5: Options for Payment on interactive gambling sites

Payment Method	Source	Deposit processing time	Withdrawal processing time
Bank transfer	Debit	1–3 working days	1–3 working days
BPAY	Debit	1–3 working days	Can only be used to fund accounts
Credit union	Debit	1–5 working days	1–5 working days
Mail cheque	Debit	1–3 working days	Can only be used to fund accounts
POLi	Debit	Instant	Can only be used to fund accounts
Money bookers	Debit (e-wallet)	Instant	Can only be used to fund accounts
Visa	Credit	Instant	Cards issued in Australia cannot be used for withdrawals
Mastercard	Credit	Instant	
Paypal	Debit	Instant	NA

Source: Various gambling websites

Scope for Australians to access prohibited services

The IGA prohibits Internet gambling services being provided to an individual who is physically present in Australia and is capable of becoming a customer of the service.

Research on Australian Internet gambling patterns suggests that only a very small proportion of Australians participate in Internet gambling (as explored further in Chapter 2 of this report). Research conducted in 2003 found that the vast majority of Australians that gambled via the Internet were accessing legal forms of Internet gambling on Australian-based sites (that is, wagering services or gaming services allowed under the IGA), though there was an emerging trend away from this position:

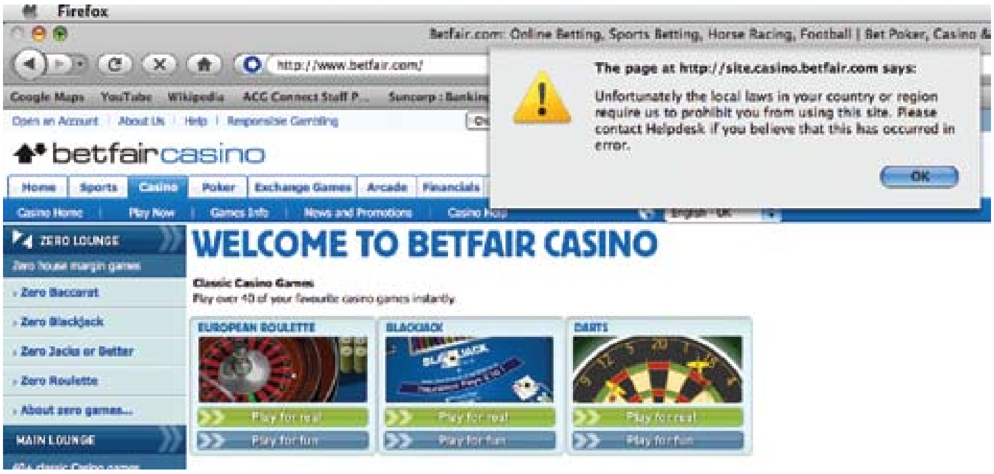
> The ACG Internet Gambling Survey, which was conducted for this report, indicated that few Australians bet with overseas suppliers. This behaviour, however, is beginning to change. Of the overseas providers, UK-licensed providers are the most likely to service Australian customers. (ACG 2003, p.3)

International experience suggests that some individuals will access Internet gambling sites whether or not they are prohibited (for example, the participation of US-based individuals in interactive gambling despite prohibition, as discussed in Chapter 5 of this report). Unfortunately, there are currently no robust estimates on this sort of access by Australians, which reflects the difficulties in measuring prohibited activities.

In order to better understand the extent to which Australians *could* access prohibited Internet gambling services, this study tested accessibility of a small sample of overseas hosted sites to Australian users—primarily those sites that offer services prohibited under the IGA. This research found a mixture of experience in gaining access to these sites.

Access to Betfair Internet casinos was tested using Australian based account details and UK based account details. With an Australian based account, only wagering services were offered. With a UK based account, online casino and gaming services were displayed, but access was blocked. Access was most likely blocked during this experiment on account of Betfair utilising geo-location software that was able to detect that the end user was located in Australia. Figure 1.4 shows how Betfair blocks the use of Internet gaming to Australian ISPs, most likely using geo-location technology.

Figure 1.4: Access prohibited to online casino—Betfair



Source: www.betfair.com

Conversely, Ladbrokes does provide access to all Internet gambling services for Australian based accounts. The extent to which winnings would be paid out to Australians is unclear, though there is no indication on the website that payouts would be limited. Other sites provide warnings that, while Australians are able to play online, they may not receive their winnings. Internet wagering site, www.bet365.com offers wagering to Australians, but does not allow Australian-based players to participate in continuous betting (consistent with IGA requirements).

1.7 Promotion of interactive gambling services

The regulatory framework heavily influences the promotion of interactive gambling services for both Australian-based and overseas sites. The promotion of prohibited interactive gambling services to customers physically located in Australia is illegal under the IGA. The prohibition extends to all forms of media, both electronic and non-electronic, including advertising in newspapers, magazines and billboards or via the Internet, broadcast services and hoardings. It is not, however, an offence to advertise in media outside Australia, such as international magazines or websites, that do not specifically target Australian clientele. Promotion of interactive wagering services is allowed under the IGA.

While not allowed under the IGA, this review also considered the extent to which promotion of illegal gambling services is occurring (that is, whether individuals physically located in Australia were being subject to promotion of illegal Internet gambling services).

Advertising of interactive wagering services in Australia

Interactive wagering services and lotteries can be promoted and advertised within Australia (as they considered to be legal forms of gambling under the IGA). A majority of these services are additions or components of traditional wagering services and are therefore promoted through the advertising of these services. Recent changes to regulation of gambling advertising in Victoria and New South Wales have relaxed barriers to advertising across State and Territory borders. The impact of this change has not as yet been observed, though it is likely that this change will benefit new entrants to the market which are not based on the traditional State-based model (such as Internet providers).

The most significant new entrant in the market, Betfair, has received a lot of attention for its use of sponsorships and partnerships to promote itself in the market. In the 2008–09 summer, Betfair entered into a deal with the Nine Network for cross promotion of Betfair odds and wagering options during live cricket coverage, and extensive billboard advertising of Betfair at cricket grounds (The Australian, 2008). This extensive promotion was criticised by some community organisations as not protecting potential underage gamblers from being drawn into sports wagering. Betfair also recently negotiated a sponsorship deal with the Melbourne Racing Club, which will involve Betfair promotion on race days.

Internet advertising and links to gambling sites

Once people are online, a key method of advertising a particular Internet gambling website to them, is through sponsored links and pop-up advertisements on web pages. Sponsored links are a particular feature of search engines, such as Google and Yahoo!, who take the search items entered and provide sponsored links alongside search results.

In 2004 all major search engines (including Google and Yahoo!), introduced a global ban on gambling advertisements on its sites, meaning that no sponsored links to gambling pages would appear on Google search pages. This decision is considered to be a response to warnings from the US Department of Justice that media outlets, including websites, would be monitored to ensure that they did not promote illegal interactive gambling websites to US citizens.

Google chose to lift this ban in the UK in 2008, primarily due to a change in regulation which made advertising for interactive gaming legal in the UK (for specific sites)—further details on the UK regulatory approach are provided in Chapter 5 of this report. In changing its policy, Google announced 'all advertisers using the service would have to be regulated in Britain or Europe and would have to have internet links to organisations helping problem gamblers' (The Independent 2008).

Outside traditional forms of advertising or sponsored links, Internet gambling sites can promote themselves through what is termed 'pop-under' windows. This approach, typically implemented by specialist firms who seek to direct Internet 'traffic', targets specific source sites and sets windows to open under these sites, which are essentially the home page of Internet gambling sites (such as Internet casinos or poker). This approach to promotion is significantly more difficult for regulators to control, though computer owners can install systems and filters which will block pop-up or pop-under windows.

For Australian users, search engines do not provide sponsored links to Internet gambling sites, though a direct search online will provide access to overseas hosted Internet gambling sites. The degree to which other forms of illegal promotion are reaching Australian consumers is unclear, though the regulatory approach in other countries has an important influence. In particular, the effectiveness of prohibition of advertising in the US will impact on how much illegal advertising is available online, and therefore potentially accessible for Australians going online. International regulatory frameworks, including regulation of advertising, are assessed in more detail in Chapter 5 of this report.

Inducements—free bets and allowances offered online

Inducements, including free bets and free daily allowances are an increasingly popular form of promotion of Internet gambling services. They often form the basis of pop-under or other forms of links to interactive gambling sites (for instance, the pop-under is likely to promote the free bet or free allowance as an incentive for new players).

Inducements are a common feature across most forms of interactive gambling (for instance, Betfair offers free $25 bets to Australians betting on sporting events). Inducements are typically aimed at encouraging players to sign up, 'refer-a-friend', or maintain/increase the frequency and/or regularity of their participation in gambling activities. Box 1.1 lists common inducement techniques utilised by interactive gambling service providers to encourage particular behaviours or actions from players. Examples of inducements provided by Australia's most popular Internet gambling hosts are set out in Table A.1.

Box 1.1: Common gambling inducements

Sign up bonuses

- Play a certain amount of money and receive money free, win or lose
- Receive a certain amount of money to sign up and gamble with
- Free credits
- Make a first deposit of a certain amount or more and free money
- First deposit matched up to a certain amount

Referral incentives

- Refer a friend and get free money or credits

Frequency incentives

- Receive money back on losses
- Receive credit back on losses

Source: Various interactive gambling websites

Chapter 2

Characteristics of Internet gamblers

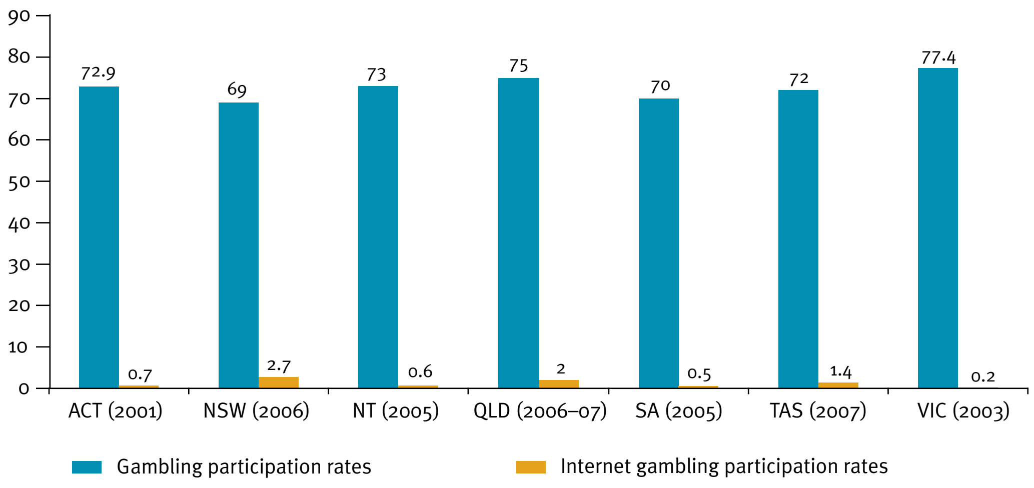
2.1 Internet gambling participation

There is currently no national measure of Internet gambling participation in Australia. Analysis conducted by the Allen Consulting Group in 2003 estimated that the proportion of the adult population who had gambled for money on the Internet over the 12 months to April 2003 was 1.2 per cent and that is, 176 000 adult Australians. Four years prior, the Productivity Commission estimated 0.64 per cent of adult Australians gambled on the Internet (PC 1999).

State and Territory-based measures provide some indication of participation, compared with total participation in all forms of gambling, as shown in Figure 2.1 below. These data show very low participation rates in Internet gambling, compared with conventional forms of gambling. Lotteries (80 per cent) and gaming machines (39 per cent) are the types of gambling with the highest participation rates, on average, across Australia (AGC 2008, p.1). Unfortunately, the majority of these studies were conducted in 2006 or earlier, meaning that they do not reflect any change in behaviour that may have occurred as a result of the introduction of Betfair in 2006, and the growth in sports betting more broadly. That said, the most recently released prevalence study, for Tasmania, concluded that penetration of Internet gambling remained low and was not the preferred method of a vast majority of gamblers:

> Internet gambling remains rare (< 3 per cent) and there was little evidence that the recent proliferation of poker shows on TV had contributed to significant participation in poker tournaments. People also do not appear to have strongly embraced new technologies as a way to facilitate their gambling. Most gamblers rarely place bets by phone or over the Internet and still prefer to place bets in person at either off-course or on-course betting outlets. (South Australian Centre for Economic Studies 2008, p.71)

Figure 2.1: Gambling participation rates and internet gambling participation rates, by State and Territory, percentage



Note: Data for Western Australia not available

Sources: Survey of the Nature and Extent of Gambling and Problem Gambling in the ACT (2001); Prevalence of Gambling and Problem Gambling in NSW (2006); An overview of Gambling in the Northern Territory (2006); Queensland Household Gambling Survey 2006–07; Gambling Prevalence in South Australia (Oct–Dec 2005); Social and Economic Impact Study into Gambling in Tasmania 2008; Victorian Longitudinal Community Attitudes Survey 2003; Australia's Gambling Industries (1999)

2.2 Demographics of Internet gambling

Demographic information on Internet gambling participation is a key gap in current, publicly available data. The following discussion provides the available information on demographics of Internet gambling participants (such as age and sex).

Participation by age

According to the *Australian Internet and Technology Report* (2008), Internet gambling is more than twice as popular among men than women (14 per cent compared to 6 per cent). Internet gambling was also cited as one of the top ten activities conducted online, by all age groups, with the 35–44, 45–54 and 65+ age groups citing gambling as their fourth top activity to perform online (as shown in Table 2.1).

Table 2.1: Top ten activities performed online by age group, February 2008

	16–24	25–34	35–44	45–54	55–64	65+
1	E-mail	E-mail	E-mail	E-mail	E-mail	E-mail
2	Accommodation bookings	Streaming video	Streaming video	Banking	Streaming video	Streaming video
3	Streaming video	Banking	Banking	Streaming video	Streaming video	Banking
4	Banking	Auctions	**Gambling**	**Gambling**	Auctions	**Gambling**
5	Streaming audio	**Gambling**	Auctions	Auctions	**Gambling**	Auctions
6	**Gambling**	Chat groups	Chat groups	Chat groups	Chat groups	Chat groups
7	Auctions	Accommodation bookings	Accommodation bookings	News, sports or weather updates	Online forums	Submitting forms or information to government websites
8	Downloading podcasts	Online forums	Online forums	Online forums	News, sports or weather updates	News, sports or weather updates
9	Buying airline tickets	Streaming audio	Buying airline tickets	Buying airline tickets	Submitting forms or information to government websites	Online forums
10	Downloading vodcasts	Voice over IP/internet telephony	News, sports or weather updates	Submitting forms or information to government websites	Online social networking (e.g. Facebook, MySpace, LinkedIn)	Online social networking (e.g. Facebook, MySpace, LinkedIn)

Source: Nielsen Online (2008) *The Australia Internet and Technology Report*, February, 16 + years old, sample = 1356, Multiple responses.

Youth gambling

An emerging area of interest around interactive gambling is participation by young people. Given the popularity of the Internet and mobile phone technology amongst adolescents, there is a question as to whether interactive gambling is likely to 'draw in' young people at a higher rate than conventional forms of gambling.

While broader studies exist which assess gambling participation amongst young people, to date, there are only a small number of Australian-based studies that address the issue of youth-based online gambling. Gray et al (2007) has made the following observation about trends in youth gambling:

> In recent years, the incidence of underage gambling and its ability to lead to problem gambling behaviours at an early age has become a source of concern. It is estimated that between 80 and 90 per cent of adolescents gamble in any given year (Felsher et al 2004, Petry 2005), and that 10 to 15 per cent of those that gamble are at risk of developing problem gambling (Felsher et al 2004, Messerlian et al 2005, Nower and Blaszccynski 2004).

A large study conducted in South Australia assessed adolescent participation in gambling. It found that:

- 56.3 per cent of teenagers surveyed had gambled
- Internet gambling had the lowest participation of all types sampled (4 per cent), with the most popular form of gambling being scratch tickets (39.7 per cent). Gambling using mobile phones was not directly measured in this survey.

Because of their affinity with the most up to date technologies, it could be assumed that a strong inclination for young people to be attracted to interactive gambling would exist. There is, however, no current data to support this view. In fact, data suggests that other forms of gambling that allow young people to benefit financially are currently more attractive (as noted in Chapter 1, people under the age of 18 will find it more difficult to benefit financially from interactive gambling because of age verification, and in some instances the need for credit card accounts to get winnings).

Participation by gender

Several studies indicate a higher participation of men than women in traditional regular gambling activities (PC 1999; Charles Darwin University 2006; AIGR 2001). While the same is asserted to be true for interactive gambling, the lack of reliable data specific to the Australian context, makes this assertion difficult to confirm absolutely (Monaghan 2006; Charles Darwin University 2006).

There is some data on Internet gambling specifically, which suggests that the level of participation of men versus women, varies according to the activity undertaken. For instance, the typical Internet casino player tends to be female (54.8 per cent), while men dominate Internet poker (73.8 per cent) and sports and racing wagering activities (85–92 per cent) (Monaghan 2006, p.11–13).

However, the higher participation of men in Internet gambling activities is not unpredictable. Historically, men were the early adopters of the use of Internet technology. On average, male users have been online longer than female users by about 16 months (ARC CCI 2008, p.16). According to the *Internet in Australia* report, nearly a quarter of men surveyed had been using the Internet for more than 10 years, compared to almost half the proportion of females (24.1 per cent to 13.8 per cent) (ARC CCI 2008, p.16).

2.3 Problem gambling

A 2005 study commissioned by Gambling Research Australia, '*Problem Gambling and Harm: Towards a National Definition*', recommended that the national definition of problem gambling be:

> Problem gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community. (SA Centre for Economic Studies 2005, p.i).

Given the relatively recent growth in the popularity of Internet wagering and the prohibition of Internet gambling in Australia, there is little data to assess the impact of these services in terms of problem gambling.

A key gap in the current understanding of Internet gambling participation in Australia is the incidence of problem gambling. Nevertheless, some State and Territory-based studies of gambling have estimated the incidence of problem gambling among Internet gamblers (as illustrated in Table 2.2, below).

Table 2.2: Estimated incidence of problem gambling amongst Internet gambling participants—by State and Territory

	Survey	Estimated incidence of problem gambling (margins of error)
ACT	Survey of the Nature and Extent of Gambling and Problem Gambling in the ACT (2001)	Not estimated
NSW	Prevalence of Gambling and Problem Gambling in NSW (2006)	6 per cent
NT	An overview of Gambling in the Northern Territory (2006)	5% (0.1–8.6%)
QLD	Queensland Household Gambling Survey (2006)	7.1% (1.6–12.5%)
SA	Gambling Prevalence in South Australia (Oct–Dec 2005)	Not estimated
Tas	Social and Economic Impact Study into Gambling in Tasmania 2008	Not directly estimated (Moderate and Problem gambler estimated as 10.9 per cent)
Vic	Victorian Longitudinal Community Attitudes Survey 2003	Not estimated
WA	No relevant WA survey	Not estimated

Sources: As listed above

For those jurisdictions providing an estimate, problem gambling rates can be interpreted as being higher than those exhibited for conventional gambling. However, there are a number of factors which suggest this finding is not robust, namely:

- In the two studies where ranges of estimates were given (NT and QLD), the range was very broad and close to zero at the low end, which indicates the poor predictive capacity of this measure.
- The low reported *total* participation rates for Internet gambling make problem gambling proportions less robust, as they are small proportions of an already small data set—essentially the data runs into the problem of small raw numbers, with minor changes making a large difference to the overall result.

The Tasmanian government commissioned a socio-economic impact study on gambling in 2008, which reports gambling prevalence by gambling type, compared with problem gambling incidence. The study found that, in Tasmania, there were very low rates of internet gambling participation (less than 2 per cent of regular gamblers). Further the study found that, compared with other types of gambling, internet gambling did not have a higher incidence of problem gambling (as shown in Table 2.3).

Table 2.3: Gambling Preferences of Moderate Risk and Problem Gambler Groups (per cent), Tasmania

	No Risk and Low Risk Groups	Moderate Risk and Problem gamblers
Lotteries	71.1	70.1
Scratch tickets	41.8	65.5 ⇑
Gaming Machines	69.1	87.3 ⇑
Keno	65.0	80.0 ⇑
Horse Racing	61.0	61.8
Casino table games	28.9	9.1 ⇓
Sports-betting	20.1	29.1
Bingo	6.8	1.8
Private card games/Majong	24.0	23.6
Poker tournaments	8.4	9.1
Internet	12.4	10.9

Note: all are regular gamblers. ⇑ or ⇓ indicate that the proportion is significantly higher or lower than the overall sample proportion.
Source: South Australian Centre for Economic Studies 2008.

A more fundamental question for this analysis is the potential for Internet gambling to contribute to problem gambling in Australia over time, rather than the total number of participants who are problem gamblers. There are two potential scenarios in which Internet gambling may contribute to the incidence of problem gambling (which are not necessarily mutually exclusive):

- Internet gambling may draw in new people to gambling, a proportion of whom develop into problem gamblers;
- existing problem gamblers are attracted to Internet gambling and, while Internet gambling was not the initial catalyst for the problem gambling, the nature of Internet gambling (24 hour access, anonymity) is attractive for people with an existing problem.

A third scenario is that Internet gambling makes no significant contribution to the problem gambling trend, and is similar to other forms of wagering or gaming (i.e. the Internet medium is not a factor in the incidence of problem gambling).

This study found research findings to support both of the above scenarios. One school of thought is that certain features of Internet gambling services, and the characteristics of those who use these services, may result in this form of gambling leading to problem gambling behaviours for some individuals (Monaghan 2006, p. 23). These features include the greater accessibility, availability, convenience and ease of play. They also include the greater anonymity, the solitary nature of play, the immersive nature of the Internet, the use of credit or debit electronic payment and the ability of players to gamble under the influence of drugs or alcohol (to a greater degree than they would be able to in a public gaming venue). Other research suggests that problem gambling is more highly correlated with highly accessible, continuous forms of gambling (Nisbet 2005).

The *Australasian Gambling Review* notes overseas research which suggests that home-based gambling—via the internet, telephone, interactive television or mobile phones, is likely to become increasingly common (2007, p.47). The review also notes that, worldwide, the growing trend in gambling is toward more technologically advanced platforms, which allow users increasing opportunities to gamble alone and/or in isolation without any form of social interaction (2007, p.47).

The counter view suggests that, as with traditional offline gambling services, the type, circumstances and motivations surrounding gambling activities influence the level of harm that may be experienced. As such, the likelihood of Internet gamblers being at risk of experiencing problem gambling behaviours are relatively similar to comparable traditional, offline gambling services (DCITA 2004, p.25). In its 2004 review of the IGA, DCITA concluded that:

> There is no evidence to suggest that the pattern of problem gambling prevalence by gambling mode in offline services is likely to be substantially different for equivalent online services. While online wagering services are associated with some degree of problem gambling, the level of social harm associated with these services is likely to remain less than that associated with online gaming and casino table games. (DCITA 2004, p.31)

Research for DCITA by the Allen Consulting Group found that the social costs of problem gambling on interactive services are unlikely to be any different from the social costs of gambling on traditional (offline) services. (DCITA 2004, p.31).

It is also important to note that, despite the growth in broadband Internet access in the last five to seven years, participation in Internet gambling remains low—considerably lower than for conventional gaming, such as electronic gaming machines. Low online gambling rates may be attributable to a number of factors, including: (a) that gamblers are inherently social in nature; or (b) that other aspects of the gaming experience, such as cheap drinks and meals in licensed clubs, are a key draw card to attracting people to gaming venues (Monaghan 2006, p.17; Senate Select Committee 2001, p. 123).

Influence of free play options on problem gambling

Free play games are risky because pre-determined odds are often better than play for cash games. This means that players are more likely to win, more often, on these types of games. This may establish a false expectation in players who may reasonably expect that the odds and win rates will be similar in a cash play environment. Free play gaming sites also pose a risk in that they create dissociation between actions and consequences in that players are not losing real money if their wagers are unsuccessful.

Free play sites are used, where allowed, as a method for generating players for future cash play games. Free play gaming has the potential to be just as addictive as play for cash games. Indeed, the free play environment is often the first experience that young people have of gambling (Lambos, Delfabbro and Puglies 2007). The free play environment allows players to develop gambling patterns and behaviours. This means that by the time players move into a cash play environment, their gambling behaviours and practices will be well entrenched and will be mirrored in the cash play environment (Jolley et al 2005, p.206). Indeed, research suggests that there is no or little difference in players' behaviour between free play or points play games and real cash/credit for online gambling (Jolley et al 2005, p.206). The gambling industry also recognises this close similarity between free play and real money sites. Many online casinos offer signup bonuses to new players, which usually require a minimum amount of play before allowing a cash-out.

Influence of SMS update services

Because the technology is so new, no definitive evidence exists to suggest that mobile alerts will adversely affect the gambling behaviour of Australians. However, the potential for harm is a reality that needs to be considered. SMS mobile alerts provide subscribers with unlimited access to the latest odds, meeting and race times, scratchings and results. While this type of service is convenient for users, it also poses a number of risks.

Firstly, the constant stream of information, especially betting odds, may actually stimulate betting frequency by acting as a reminder to players to gamble. The corollary affect of this may be that players gamble more frequently than they otherwise might have. Further, increasing the saturation of information to players may actually entice players to gamble. Entice, in that players may be drawn in by particular betting odds, scratchings or other factors affecting races.

Chapter 3

Regulation of interactive gambling in Australia

3.1 Introduction

The identification of the costs—both to individuals and the community—of problem gambling has lead to governments and the community sector acting to minimise harm from gambling activities.

A key task for this study is to identify current gambling harm minimisation approaches in Australia, and assess how these initiatives relate to Internet gambling (if at all). This is an important aspect of the analysis of the impact of Internet gambling—where there are potential problem gambling outcomes from Internet gambling, it is important that appropriate harm minimisation strategies and initiatives are in place.

Harm minimisation for Internet gambling can be achieved through:

- direct regulation of Internet gambling services
- bringing Internet gambling within the scope of broader gambling regulation frameworks (primarily those in the States and Territories)
- non-regulatory approaches which seek to minimise the incidence of problem gambling which may be caused by Internet gambling participation.

This chapter focuses on direct regulation of Internet gambling. Chapter 4 provides an analysis of non-regulatory measures. Chapter 5 describes international regulatory approaches for interactive gambling.

3.2 The Interactive Gambling Act 2001

The *Interactive Gambling Act 2001* (the IGA) is the principal, overarching policy instrument for the regulation of interactive gambling in Australia. As Federal legislation, it signalled a change from the previous approach of only State and Territory-based regulation of gambling. While there are State and Territory-based regulations for interactive gambling (several of which pre-date the IGA), the IGA specifies that these can continue in so far as they are capable of operating concurrently with the Act (that is, States and Territory legislation should not be inconsistent with the IGA).

The IGA establishes a legislative framework for the regulation of interactive gambling services in Australia. It targets service providers, rather than their potential or actual customers. Business operators or service providers have obligations to comply with the requirements in the IGA, which relate to the types of services they are allowed to offer to Australians physically located in Australia, as specified in the IGA.

The IGA defines interactive gambling, which services are prohibited, and specifies those services that are excluded in the Act (that is, those that are *allowed* to be offered to customers physically located in Australia) (as set out in Box 3.1).

Box 3.1: Definition of interactive gambling services and excluded services under the *Interactive Gambling Act 2001*

Interactive gambling services (s.5)

For the purposes of this Act, an interactive gambling service is a gambling service, where:

(a) the service is provided in the course of carrying on a business; and

(b) the service is provided to customers using any of the following:

(i) an Internet carriage service;

(ii) any other listed carriage service;

(iii) a broadcasting service;

(iv) any other content service;

(v) a datacasting service.

Prohibited Internet gambling services (s.6)

For the purposes of this Act, a prohibited Internet gambling service is a gambling service, where:

(a) the service is provided in the course of carrying on a business; and

(b) the service is provided to customers using an Internet carriage service; and

(c) an individual who is physically present in Australia is capable of becoming a customer of the service.

in determining whether an individual who is physically present in Australia is capable of becoming a customer of a service, it is to be assumed that the individual will not falsify or conceal the individual's identity or location.

Excluded services (s.5)

For the purposes of this Act, none of the following services is an interactive gambling service :

(a) a telephone betting service;

(aa) an excluded wagering service;

(ab) an excluded gaming service;

(ac) a service that has a designated broadcasting link;

(ad) a service that has a designated datacasting link;

(ae) an excluded lottery service

(b) a service to the extent to which it relates to the entering into of contracts that are financial products within the meaning of Chapter 7 of the Corporations Act 2001 ;

(c) an exempt service.

Source: *Interactive Gambling Act 2001*

As noted in Box 3.1, excluded services are defined in the IGA. These are:

- telephone betting services
- excluded wagering services including betting on a horse race, harness race, greyhound race or sporting event, or any other event, series of events or contingency, where the bet is placed prior to the event commencing
- excluded lottery services—which include most forms of lottery service, except online instant and scratch lotteries and other highly repetitive or frequently drawn keno-type lotteries
- excluded gaming services provided to customers in a public place
- services that have a designated broadcasting or datacasting link, including:
  - a program or series of programs broadcast on a broadcasting service
  - programs or content transmitted on a datacasting service
- certain contracts (including options and futures contracts) that are exempt from gaming or wagering laws under the Corporations Act 2001
- any service declared exempt by the Minister.

While the Act does allow wagering on sporting events, it does not allow continuous betting, the two types of which are:

- *'on the run'*—a form of continuous wagering whereby the bettor is able to wager on the outcome of a sporting event after that event has begun (e.g. betting on the outcome of a football match at half time). Interactive forms of this type of gambling are specifically prohibited under the IGA (para. 8A(2)(a)).
- *'ball by ball'*—a form of continuous wagering whereby the bettor is able to wager on the outcome of a specific event within a sporting contest (e.g. whether or not the next serve in a tennis match will be an ace). Interactive forms of this type of gambling are specifically prohibited under the IGA (para. 8A(2)(b)). (DCITA 2004, p.iii)

These forms of continuous wagering are allowed through phone wagering services, but only through voice calls, not using Internet access through a phone (such as a 'smartphone').

The IGA also makes it an offence to advertise interactive gambling services in Australia. Prohibition does not extend to advertisements in media outside Australia, such as overseas magazines that are not principally intended for distribution or use in Australia, or websites that do not specifically target Australian audiences. There have only been a small number of reported advertising infringements to the IGA since 2001, information on these is provided at Appendix C of this report.

Industry-based complaints system

The Act establishes a complaints process, administered by the Australian Communications and Media Authority (ACMA), which allows persons to report Internet gambling providers offering prohibited services to Australian customers. Complaints about content hosted in Australia are referred to the Australian Federal Police. Complaints about interactive services hosted outside Australia are investigated by ACMA. Following investigation, sites found to be hosting prohibited content will be identified and placed on a 'black list' maintained and implemented by approved filter vendors. The installation and use of filtering technologies by users is voluntary, meaning that only those users who have installed and regularly updated their software will be protected.

The Interactive Gambling Industry Code

The Act implements a targeted prohibition. As well as the above provisions, the Act is supported by the *Interactive Gambling Industry Code*. The Code attains industry co-regulation of Internet gambling content, pursuant to the requirements of the IGA. It establishes procedures to be followed by Internet service providers to assist, within the capacity of available technologies, in providing a means to prevent access by users to certain Internet content (i.e. the prohibited gambling technologies outlined in the IGA).

3.3 State and Territory regulation of legal forms of interactive gambling services

While the IGA was introduced as Commonwealth legislation, States and Territories have maintained responsibility for regulation of gambling within their jurisdictions, and some have direct regulation of interactive gambling (many of which pre-date the IGA). The IGA states that it is not intended to exclude or limit the operation of State and Territory legislation relating to interactive gambling, insofar as it is consistent with the IGA.

While the IGA makes it illegal for prohibited Internet gambling services to be provided for customers physically located in Australia (and sets penalties for non-compliance), State and Territory legislation regulates legal forms of interactive gambling, which includes the operation of these services and their promotion. The focus of this legislation is therefore on fairness of play, restrictions on under-age play and ensuring secure payments to players.

Appendix E provides a summary of the regulation of interactive gambling in each jurisdiction. For those jurisdictions that have specific legislation for interactive gambling there are a number of common aspects to the regulatory approach.

- A requirement for player registration, which includes verification of the identity and age of the player. Some jurisdictions do allow a restricted or provisional registration of a player without this verification, with a limit on the amount that can be wagered and a time limit for the registration to be in place (for instance, in Queensland a restricted registration is valid for up to two months and has a $500 limit on wagers from a player's account).
- A requirement for control systems and computer systems to be approved by a government authority, which includes rules of the game, terms and conditions, accounting systems, means of monitoring players' accounts and security.
- Vetting of key employees or key persons within licensed providers, which typically involves character assessments and financial viability tests.
- Player protection measures, which include obligations to follow players' instructions in relation to betting limits and self-exclusion.
- Restrictions on the use of players' funds and requirements for funds to be remitted back to the player when requested.
- For all jurisdictions, providers are prohibited from providing credit to their players or acting as an agent for a credit provider.

These measures complement the IGA in that they set parameters for protection of players for excluded services in the IGA.

3.4 Research on the effectiveness of the current regulatory approach for interactive gambling

This study was not intended to conduct a comprehensive review of the IGA, or broader regulatory framework around gambling in Australia. The review of research and literature conducted for this study does, however, present some interesting observations on the development of the interactive market, and the implications for regulation in Australia.

Different treatment of interactive gaming and interactive wagering in legislation

In practice, the exclusion in the IGA makes a distinction between interactive gaming and wagering. The IGA allows most forms of interactive wagering to be offered to Australians, with the exception of continuous playing options. The IGA does also allow for certain types of interactive gaming to be excluded where they are offered in a public place, this generally excludes most forms of gaming that are offered through websites (examples of interactive gaming services offered in a public place, such as a bar or club, are keno or linked jackpot gaming machines, DCITA 2004, p.52)

The review of the IGA in 2004 explored the appropriateness of this distinction (of what is prohibited and what is excluded under the IGA). Submissions to the review from providers of Internet wagering services supported this distinction on the basis of a lower relative risk of problem gambling from wagering:

> Consistent with the representations made by the Australian racing and wagering industry to previous gambling inquiries, many of the industry submissions to the current review contended that the characteristics of wagering engender an inherently lower potential for problem gambling behaviour. In summary, it was argued that interactive wagering tends to occur periodically, rather than providing for continuous play, provides a temporal interval between bet placement and the outcome of the event, is based on the outcome of an independent contingency and incorporates an element of skill as opposed to chance. (DCITA 2004, p.55)

In the time since the review, the number of sites and types of events that a player can place a wager on has expanded significantly. Australians are now able to place a wager on a very broad range of international sporting, political and entertainment events at any time of the day (particularly given international time zones, with European events occurring overnight Australian time). The 'periodical' nature of wagering, compared with Internet gambling, has therefore diminished—wagering now has the potential to be a much more continuous form of play.

Distinction between phone and Internet wagering

Currently, IGA allows continuous play wagering over the phone (using voice calls) but not through other interactive means (such as the Internet or digital television). In the time since the introduction of the IGA, the development of 'smartphone' technology makes the distinction between phones and Internet more artificial, as the same device can access the Internet, SMS, email or phone. A key issue for further consideration is whether this trend changes the premise of the current different requirements in the IGA (one argument being that phone wagering, though a voice call, is slower and less likely to have the 'repetitive' characteristics of online wagering). In particular, further consideration should be given to whether it is still relevant to make this distinction between the type of gambling that can be done using voice call and that which can be done via the Internet, in particular to link it back to the rationale for regulation and the potential risks to consumers of different forms of gambling.

Potential for financial payment regulation

Under section 69A of the IGA, the Government may make regulations providing that an agreement for the payment of money for the supply of a prohibited Internet gambling service has no effect.

> The likely result of regulations would be that Australian card-issuing financial institutions would be liable for any dishonoured gambling-related debts under either of the major credit card associations (MasterCard and Visa1). Online casino operators would be under little pressure to wind back their operations to Australians, and consumers may be attracted by their capacity to repudiate any debt incurred by such gambling.
>
> Australian card-issuing institutions would probably respond to the introduction of such regulations by blocking the use of their cards for all gambling-related transactions, including wagering and lottery services permitted under the IGA. (DCITA 2004, p.viii)

This remains an area for further consideration for governments, though the research on interactive gambling participation suggests that the size of the population participating may be too small to justify major changes in regulation.

Dependence on international regulatory settings

While prohibition of Internet gambling services appears to have been effective in blocking the development of Australian-based Internet gambling websites which would offer services directly to Australians, there are weaker controls on accessibility of overseas-based websites for Australians. Because Australian legislation cannot control overseas-based services, Australia is reliant on overseas regulatory setting to support the Australian regulatory objective. Chapter 5 of this report provides further details on international regulatory frameworks, and their relevance for Australia (including how such regulation impacts on outcomes from regulation in Australia).

Chapter 4

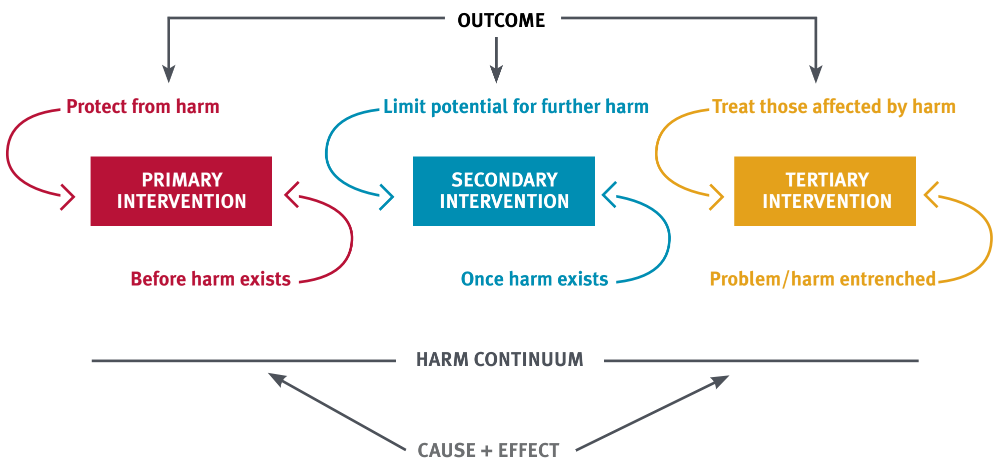
Non-regulatory harm minimisation measures

Internet gambling harm minimisation methods expressed in various State and Territory instruments come together to form the ‘harm prevention model’. This model follows a basic three-tiered approach to harm prevention—primary, secondary and tertiary.

- *Primary interventions* are those that attempt to protect people from harm before it develops.
- *Secondary interventions* are those that limit the potential for harm once such harm exists.
- *Tertiary interventions* are those that attempt to treat those who are already seriously affected by the problem.

Each stage is tapered to address specific threats to Internet gamblers and their progression along the ‘harm continuum’. The various harm prevention techniques used by the States and Territories mainly draw from the primary and secondary levels of prevention. Figure 4.1 outlines the ‘harm prevention model’.

Figure 4.1: State and Territory Harm Prevention Model



Source: Allen Consulting Group

4.2 Non-regulatory harm minimisation initiatives

Non-regulatory harm minimisation initiatives are typically information or support measures which are provided by government or community organisations. While regulatory approaches typically restrict or control access to gambling, non-regulatory measures work to limit the harm from gambling through information and support (such as through counselling). The intention is to minimise the proportion of gamblers that develop into problem gamblers, and to support problem gamblers in addressing their addiction. As such, a high proportion of non-regulatory initiatives are at the tertiary end of the harm minimisation spectrum—they work to support individuals already experiencing a problem with gambling.

Over the last five years, States and Territories have invested over $200 million in harm minimisation strategies to reduce the incidence of problem gambling and encourage responsible gambling behaviours. Non-regulatory approaches have included telephone and face-to-face counselling services, public awareness and education, campaigning, research, intervention, strategies, partnerships with community groups and support for individuals and families.

Problem gambling support services

A number of government and non-government support services exist in Australia to assist those exhibiting problem behaviours. Support services vary greatly. They range from simple web-based self-assessment tools to hotlines, individual counselling services and treatment programs, and self-assistance guides.

Box 4.1: Examples of Problem Gambling Support Service Providers in Australia

Hotlines/ telephone counselling: Lifeline, Salvation Army, Gambling Help line, Break even, Amity Community Services, Relationships Australia, Anglicare, National Problem Gambler's Hotline, Gamblers Anonymous, Mission Australia, Centacare, Uniting Care, Alcohol and Drug Foundation (Qld).

Gambling treatment programs and centres: Salvation Army, Monash University, University of Sydney, Moonyah Rehabilitation Centre.

Self-help: Break even, Problem Gambling, Relationships Australia.

Face-to-face counselling: Relationships Australia, BreakEven, St Vincent's Hospital, Flinders Therapy Service for Problem Gamblers, Gambler's Anonymous.

Source: Various websites.

Youth and School-based programs

Gambling is strictly limited by age in all Australian jurisdictions. Persons must be 18 years or over to legally participate in any form of legalised gambling (excluding 'minor gambling' in some jurisdictions),[4] both traditional and interactive. However, research shows that youth interest in poker, sports betting, Internet gambling and other unregulated gambling activities is growing (AGC 2009).

In Australia, a number of jurisdictions are responding to this problem through the provision of early intervention programs that target school-aged children. Literature shows that gambling behaviour begins around the age of 12 to 13 years (Gray, Browne and Prabhu 2007). Therefore, early intervention is appropriate, as interventions need to be implemented prior to the onset of gambling behaviour to delay or prevent problem behaviour from occurring.

The aim of gambling education in schools is to make students aware of the risks and potential problems associated with gambling, and support students in making informed choices. The syllabus varies but, on the whole, programs examine the myths, odds, beliefs and superstitions surrounding gambling and also provide advice on where to go for help if gambling is a problem. Some school-based gambling education resources and programs used in Australian schools are listed in Box 4.2, below.

4 "Minor gambling" encompasses charitable and non-profit gaming including art unions, bingo, lucky envelopes, raffles and the like. Jurisdictions that allow minor gambling include: Queensland, South Australia, and Western Australia.

Box 4.2: Gambling Education—School Resources and Programs

Queensland

- *Responsible Gambling Teaching Resource Kit*, Office of Liquor, Gaming and Racing.

Victoria

- *Gspot*—web based resources, Community Support Fund Victoria.
- *Problem gambling: a guide for Victorian schools,* Problem Gambling Victoria.
- *You figure it out: Know the odds*—interactive CD rom. Uniting Care, The Foundation for Young Australians.

Tasmania

- *What's the Real Deal? Responsible Gambling Education Kit*, Tasmanian Department of Health and Human Services.

New South Wales

- *Gambling: Calculating the Risk*—interactive website, New South Wales Responsible Gambling Fund.
- *Gambling Hangover*—interactive website, New South Wales Responsible Gambling Fund.

South Australia

- *Gambling Education—using a financial literacy approach*—web based resources*,* Department of Education and Children's Services.
- *Dicey dealings*—resources and strategies to assist teachers educate students on gambling. Department of Education and Children's Services.

Source: Various websites.

4.2 Responsible gambling initiatives of Internet gambling operators

In addition to these broader harm minimisation strategies that address problem gambling across all forms of gambling, Internet gambling providers themselves have responsible gambling strategies. These include information provision, such as links to counselling services, as well as specific facilities online that can assist players in limiting their play (and therefore, the potential harm from their gambling).

Examples of the specific strategies implemented by Australian-based hosts are provided in Table A.1. Common strategies include allowing players to:

- self exclude, which involves the closing of the player's account
- setting bet limits, which involves a player setting a limit on the amount they can bet from their account in a given period
- setting loss limits, which work by the player setting a limit on losses for a specified period, with the provider preventing the player from losing further in that period (an example of this being the Main Loss Limit facility provided by Betfair).

All of these facilities require an initial action or nomination by the player, recognising that they may need some limits applied to their gambling activity. The effectiveness is therefore limited to the extent that some players may not identify their action as been a 'problem'.

Research commissioned by e-Commerce and Online Gaming Regulation and Assurance (eCOGRA) tested perceptions of responsible gambling initiatives used by Internet gambling providers, such as those listed above. The research found survey respondents generally considered the initiatives as useful, though the majority of measures were considered in the middle range (Table 4.1). Self-set time limits and self-exclusion were considered to have the lowest level of usefulness of the measures tested.

Table 4.1: Players Perception of the Value of Responsible Gambling Features

	Not at all useful (%)	Not very useful (%)	Quite useful (%)	Very useful (%)	Extremely useful (%)
Self-set spending limits	11	18	40	18	12
Self-set time limits	19	31	32	12	7
Self-exclusion	16	26	35	13	10
Regulation financial statements	9	16	42	20	13
Self-assessment test	14	23	38	15	9

Source: eCOGRA

While these observations are useful, a more useful indicator would be the observed impact of the responsible gambling features (RGFs) in practice. As eCOGRA notes, this is an area where there has been little research:

> Unfortunately, there is a distinct of lack of research that has investigated RGFs and their efficacy. What little has been done has been either inconclusive or has only found partial support for their effectiveness (e.g. Blaszczynski, Sharpe and Walker; 2001; Loba et al. 2002; Schellinck, and Schrans, 2002). What is clear is that further research is urgently needed to investigate the applicability and the general effectiveness of RGFs in the context of Internet gambling. (eCOGRA 2007, p.13)

Chapter 5

International approaches to regulating interactive gambling

5.1 Introduction

The global nature of interactive gambling makes the effectiveness of regulation within countries highly dependent on international regulatory settings. In particular, the controls that countries place on service providers located within their own borders have a significant impact on the operation of the global market as a whole. The costs of insufficient or ineffective regulation in one country can be wide-spread, and not easily identified, as consumers of services can come from virtually anywhere in the world where there is sufficient access to technology.

This chapter explores the regulatory approach in four countries—the United Kingdom, United States, New Zealand and Canada—and reports on research into the impact of these approaches for the Australian regulatory approach.

5.2 United Kingdom

In the United Kingdom (UK) regulation of gambling, including interactive gambling, has undergone significant change since mid-2007, with the *Gambling Act 2005* (the Act) coming into force on 1 September 2007. Following implementation of the Act, online casinos, poker, wagering and lotteries are all legal under licence through the UK Gambling Commission. These gambling activities are collectively regulated in the Act under what it terms 'remote gambling'. The Act specifies the following in relation to remote gambling:

> (1) In this Act "remote gambling" means gambling in which persons participate by the use of remote communication.
>
> (2) In this Act "remote communication" means communication using—
>
> (a) the internet,
>
> (b) telephone,
>
> (c) television,
>
> (d) radio, or
>
> (e) any other kind of electronic or other technology for facilitating communication. (s.4)

The Act specifies and defines the following types of gambling that may occur through remote communications:

- Gaming and games of chance
- Casino
- Equal chance gaming
- Betting (and spread bets)
- Betting (competition prizes)
- Pool betting
- Lottery

It also specifies combinations of these categories (i.e. lotteries and gaming).

The Act prohibits the use of premises or the offering of services for the forms of gambling specified, unless a licence is held. The Act also specifies that, in relation to gambling software:

> A person commits an offence if in the course of a business he manufactures, supplies, installs or adapts gambling software unless he acts in accordance with an operating licence.
>
> (2) In this Act "gambling software"—
>
> (a) means computer software for use in connection with remote gambling. (s.41)

The Act also specifies to following in relation to services offered to other countries where these services are prohibited (such as Australia):

> (1) A person commits an offence if he does anything in Great Britain, or uses remote gambling equipment situated in Great Britain, for the purpose of inviting or enabling a person in a prohibited territory to participate in remote gambling.
>
> (2) In subsection (1) "prohibited territory" means a country or place designated for the purpose of this section by order made by the Secretary of State. (s.44)

The Act also specifies the prohibition on offering gambling services to young people.

Under the Act, the UK Gambling Commission has the power to grant licences for remote gambling operations. All operators must abide by the Licence Conditions and Codes of Practice, which include requirements to ensure all operators promote socially responsible gambling. Remote licence holders must consent to having equipment and software tested to ensure that fair practices are followed.

Commentary on the impact of the new Act has emphasised the shift in approach to a managed system as opposed to a prohibition model (that can be found in many other developed countries, including the United States, Australia and Canada). Milker and Beem observed that the new Act:

> ... provided a broader range of options for adult gamblers, including online gambling, simplified gambling regulations, transferred responsibility for gambling to the Department of Culture, Media and Sport (DCMS), and established a new Gambling Commission. The aim is to "rid the industry of outdated restrictions and allow British companies to compete with offshore based internet operations, whilst ensuring the continued integrity of the industry and protecting the vulnerable". (Milker and Beem 2006)

This regulatory approach is strongly supported by industry, which worked closely with the government in developing the new legislation. The key aspects of the new legislation, in terms of the changes it made to the status quo, are set out in Box 5.1.

Box 5.1: Changes to gambling regulation as a result of the UK gambling ACt 2007

According to the Department for Culture, Media & Sport, which has responsibility for gambling, key changes to the industry's regulation include:

- For the first time, betting shops and remote gambling sites based in the UK will be governed by a dedicated regulator, the Gambling Commission.
- Local authorities will be able to impose sanctions on operators, including limiting opening hours and reducing numbers of gaming machines.
- Local people will be able to object to new gambling licences and seek reviews of existing ones.
- New codes governing advertising come into force, requiring ads to be socially responsible and banning the use of models under 25 or linking gambling to sexual success.
- Adverts from outside Europe that fail to meet the UK's strict regulatory requirements will be banned.
- TV advertisements will be allowed for the first time, but subject to a voluntary 9pm watershed (with the exemption of betting ads during sports events).
- The membership requirement on casinos is lifted.
- Bingo clubs will be able to offer rollover jackpots.
- Questions on phone-in quizzes on TV and radio must be harder. This is to prevent pay-to-enter phone quizzes that are too easy operating as if they were lotteries and therefore evading limits on stakes and prizes and the legal requirement for licensed lotteries to give 20 per cent of profits to charity.
- Gambling operators will be required to display prominently information about responsible gambling and how to get help for problems. They will also have to work proactively to prevent underage gambling and contribute to problem gambling treatment and research, education and public awareness.
- Betting cheats, including sportspeople, will face a two-year jail sentence.
- UK-based betting operators will be required to pass information to sports bodies to prevent cheating.
- Gambling debts will become legally enforceable, helping to ensure those who win get paid.

Source: UK Gambling Commission, www.gamblingcommission.co.uk

Advertising of interactive gambling—the 'White List' of providers

The Act allows advertising of gambling activities licensed under the Act, but does not allow advertising of 'foreign' gambling services other than lotteries and remote gambling services in the European Economic Area (EEA).[5] In implementing the Act, the UK Department for Culture, Media and Sport (DCMS) released a 'White List' of interactive gambling providers who are allowed to advertise within the UK. The first 'White List', released in August 2007 included providers licensed in countries in the EEA, with the addition of licence holders from the Isle of Man and Alderney. Since that time, additional providers from other countries and provinces have been added to the list, including Tasmania.

Advertisements to the UK market have to comply with three codes of practice:

- The Committee of Advertising Practice (CAP) issues the non-broadcast Advertising Code
- The Broadcast Committee of Advertising Practice (BCAP) issues the broadcast Advertising Code
- Gambling Industry Code for Socially Responsible Advertising

5 The EEA consists of the 27 countries in the European Union together with Norway, Liechtenstein and Iceland

The Industry Code sets out the following general principles in relation to gambling adverts:

- be socially responsible and comply with the CAP and BCAP rules
- be legal and not misleading
- do not to exploit children and other vulnerable persons in relation to gambling activity
- do not specifically and intentionally target people under the age of 18 through the selection of media, style of presentation, content or context in which they appear.

In terms of specific requirements, there are three aspects of the Industry Code:

- All non-broadcast gambling advertising should contain a link to www.gambleaware.co.uk in order that customers can be educated about socially responsible gambling and given information where they might get help for problem gambling. Although not obligatory, it is recommended that gambling operators also include the words preceding the link, "for more information and advice visit".
- With the exception of bingo, new gambling products must not be advertised on television before 9pm. However this restriction does not apply to the advertising of sports betting in relation to televised sports events.
- Gambling operators shall not allow their logos or other promotional material to appear on any commercial merchandising which is designed for use by children.

The advertising codes will apply to any business that wishes to advertise to, or in, the UK market, whether or not they require a licence in the UK.

5.3 United States

The United States has taken a very different regulatory approach to the UK for interactive gambling. The approach to regulation has been prohibition of interactive gambling, though this has not been implemented through direct purpose legislation (as has been the case in Australia). In the US, the States have powers to regulate gambling within their own borders, with the Federal government able to regulate gambling activity that occurs across State borders. With the emergence of interactive gambling, the Federal government has sought to clarify aspects of existing legislation that address interactive gambling that occurs *across* State borders, while at the same time individual States have sought to build on their existing gambling regulations to cover interactive gambling *within* their borders.

There is no specific Federal legislation which prohibits interactive gambling, however, the *Interstate Wire Act 1961* is the primary piece of legislation used to assess the legality of interactive gambling. The Act notes:

> Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined under this title or imprisoned not more than two years, or both. (Chapter 50: Gambling)

The law has been interpreted by the US Department of Justice to mean that all online gambling is illegal. However, court rulings on this issue have not been conclusive:

- The U.S. Fifth Circuit Court of Appeals ruled in 2002 that the Wire Act applies only to sports betting and not other types of online gambling.
- The Supreme Court has not ruled on the meaning of the Federal Wire Act as it pertains to online gambling.

In addition, the phrase 'in the business of' is ambiguous, in that it may mean only businesses are affected. Individual players, therefore would not be in breech of the law in playing online or making wagers online.

This issue has lead many commentators and academics in the US to believe that the current legal framework is ambiguous. The US Department of Justice has sought to prosecute a small number of cases on the basis of the Wire Act, though these had divergent results (Morse 2007).

Some US States also have specific legislation which prohibits interactive gambling (for example: Illinois, Louisiana, Nevada, Oregon, and South Dakota). Other States, most notably Utah, either have full prohibitions on gambling, or sufficiently stringent controls that prohibition of interactive gambling is implied.

The Unlawful Internet Gambling Enforcement Act (UIGEA)

While there remains ambiguity around the application of the Wire Act, the US Federal government has moved to control interactive gambling through financial regulation. The Unlawful Internet Gambling Enforcement Act (UIGEA) of 2006 restricts US banks and credit card companies from processing transactions for any internet gambling sites. The UIGEA also makes it illegal for Internet gambling providers to accept money transfers from potential US online gamblers. There are exceptions to the UIGEA including between state horse race betting and other types of within-state online gambling as long as the individual state does not prohibit it.

The Act makes it a felony for a person engaged in the business of betting or wagering to knowingly accept money in connection with unlawful gambling. The crime is punishable by up to five years in prison. Furthermore, federal regulators are required to draft regulations designed to compel financial institutions to identify and block restricted gambling transactions. Noncompliant financial institutions are subject to civil penalties.

Reported impact of the UIGEA

The introduction of the UIGEA had an instant impact on the share prices of publicly listed interactive gambling firms, with valuations falling significantly. Shares of PartyGaming, the world's biggest Web poker company, fell 58 per cent in one day, while 888 Holdings, a specialist in online casino and card games, lost more than a quarter of its value. Sports betting site Sportingbet, which gets 50 per cent of its unique visitors from the US, fell 64 per cent (BusinessWeek 2006).

These falls represent lower investor confidence in the sector, acknowledging the importance of US patrons in the market (despite the prohibition in place even prior to the UIGEA). Evidence suggests that, prior to the introduction of the UIGEA, US patrons comprised a significant proportion of global interactive gambling participation. An example in the literature is of the Gibraltar-based online company PartyGaming PLC, which reported a reduction in daily revenues from $3.6 million to $872 920 after it decided to terminate customer relationships with US patrons (Morse 2007, p.447).

Interpretation of the UIGEA suggests that non-US based providers may be able to avoid prosecution under the Act by avoiding the jurisdictional reach of US courts (Morse 2007). However, efforts by the Justice Department and State Attorneys General have been aggressive in pursuing executives from companies suspected on being in violation of the Act and of State-based legislation,[6] which appears to be placing a significant deterrent on non-compliance.

5.4 New Zealand

Gambling in New Zealand is regulated by the Racing Act 2003, which covers racing and sports betting, and the Gambling Act 2003 which regulates all other forms of gambling. The Gambling Act 2003 (section 9(2)(b)) prohibits remote interactive gambling, defined as 'gambling by a person at a distance by interaction through a communication device'.

Under the Act, communication devices are defined as computers, telephones, radios and similar devices. To fall into the definition of gambling the participant must pay something to participate (directly or indirectly) and there must be an element of chance in order to win money or a prize. The prohibition would include selling lottery tickets on the Internet and would also include a New Zealand casino website.

6 For example, a Director of online betting firm Sportingbet was arrested by authorities while flying into New York. This arrest prompted Sportingbet to pay $400,000 to the State of Louisiana to drop charges of illegally directly online gambling towards the state.(Morse 2007, p.450)

There are several exemptions to this general rule:

- Sales promotions in the form of a lottery and conducted in New Zealand are excluded from the ban on remote interactive gambling. However, sales promotions that are not lotteries may fall under the definition of remote interactive gambling.
- The Lotteries Commission and the Racing Board can conduct approved forms of remote interactive gambling. New Zealand TAB can offer only wagering on sports, horses, and dogs.

The exemptions relate to products which are already offered through non-remote methods. New Zealand TAB and the Lotteries Commission are not permitted to offer casino gaming over the Internet, and new companies are not permitted to enter the Internet market.

The prohibition is on remote interactive gambling in New Zealand and therefore does not prohibit gambling conducted overseas. It is not illegal for someone in New Zealand to participate in gambling over the Internet if that website is based overseas (which is a key difference in this approach compared with the Australian regulatory model).

The Gambling Act 2003 provides for penalties for anybody who participates in unauthorised gambling. Fines can be imposed of up to $50 000 for organisations and up to $10 000 for individuals. This includes anybody participating in remote interactive gambling and anybody who conducts the gambling.

Regulation of promotion and advertising of interactive gambling

While the prohibition of remote interactive gambling only applies to New Zealand based websites, the legislation does prohibit advertising of overseas gambling services in New Zealand (section 16 of the Gambling Act 2003). The New Zealand Department of Internal Affairs advises that:

> An overseas gambling advertisement is any communication that publicises or promotes gambling, or a gambling operator, when that gambling, or operator is outside New Zealand and is reasonably likely to induce people to gamble outside New Zealand. (NZ Department of Internal Affairs, no date)

There are some exceptions to this rule:

- When the promotion of the gambling or the gambling operator is incidental to the purpose of the communication, for example, a tourism advertisement that mentions a casino in a city.
- Advertisements intended for the promotion of gambling equipment intended only for buyers of gambling-equipment.
- Advertisements or messages intended to prevent, minimise or treat harm including health messages concerning gambling.

5.5 Canada

Regulation of interactive gambling in Canada involves a mixture of national and provincial regulation for gambling.

At the Federal level, The Criminal Code of Canada makes it illegal to gamble within Canada unless the activity falls under sections 201, 202 and 206 of the Criminal Code. Exceptions to illegal gambling include activities such as lottery schemes, charity events, gambling on international cruise ships, bets made between individuals not engaged in the business of betting, and *pari-mutuel* betting.

In addition, each province has the power to regulate for interactive gambling within their province. Provincial governments have taken advantage of this opportunity to allow Internet gambling activity within their province, as along as it remains within the province. (Williams and Wood 2007)

While the *Criminal Code* may prohibit Canadians from participating in gambling on a website located in another country, there is no mechanism to effectively enforce the prohibition.

'First Nations' licensing interactive gambling operators

A further complicating factor in Canada is the role of First Nations governments as entities which can issue gambling licences (including licences for online gambling). These are Inuit communities recognised by the Canadian government. Quebec-based Kahnawake Mohawk First Nation have operated extensive online gambling sites since the late 1990s. The Kahnawake Mohawks assert that they are a sovereign nation and entitled to grant gaming licences for lottery schemes. The Kahnawake Mohawks themselves do not operate Internet sites but have established the Kahnawake Gaming Commission (KGC) to license and regulate some 30 gambling websites operated through Internet servers physically located on their tribal lands (Campbell et. al., p.62)

Kahnawake has sought, to date without success, to be included on the UK 'White List' of countries or regions from which licensed online gambling firms can advertise in the UK.

Regulation of wagering and sports betting

The Canadian provinces are permitted to offer sports betting and all provinces do through the Sport Select program. However, offering single sports betting (which is the primary service of Betfair) is prohibited even to the provinces. On the other hand, an individual placing a bet (even a single sports bet) from within Canada to a foreign website is not violating the Criminal Code. As a result, Betfair's services are considered to have uncertain footing in Canada—no laws are broken when a Canadian bets with Betfair, but the Canadian courts could not likely be used to resolve disputes either. In addition, not all Canadian credit cards can be used to deposit money with Betfair. This is because the credit card departments of some Canadian financial institutions are intertwined with American firms, meaning Betfair cannot be certain of the nationality of the card number.

5.6 Relevance of international regulatory frameworks for Australia

The regulatory frameworks in other countries are important for Australia for two key reasons:

- The effectiveness of these models directly impacts on the accessibility of interactive gambling services for Australians.
- The models provide useful examples for Australian regulators to consider as potential inclusions to the Australian regulatory model (or, conversely, provide cautionary tales of approaches which are not effective).

On this first point, the most important model is the UK model, given the evidence that Australians are most likely to use and trust UK-based sites, and the position of the UK as a country providing interactive gambling licenses. The UK will provide a valuable model for other countries to observe, in particular in the medium to long term, to test whether legalising access through licensing has a discernable impact on gambling participation and on problem gambling incidence.

The use of financial controls in the US will provide an interesting test case. While still early days, there is evidence of some changes in practice by the larger players. The focus on financial payments does appear to have had an influence on the willingness of large interactive gambling providers to offer their services to US patrons. Some research has questioned, however, what impact it has had on smaller providers, particularly those that are already operating outside of regulatory oversight (and therefore, have already signalled their intentions to operate in spite of regulation). As Morse (2007) observes:

> Without enforcement priority toward individuals engaged in gambling activities, U.S. patrons may nevertheless seek other alternatives in less regulated markets. This could have the counterproductive result of increasing opportunities for financing criminal or terrorist enterprises, risks which might have been largely avoided with publicly-traded and regulated firms (p.457).

The US and Canada provide useful comparators for Australia of models of prohibition (particularly in comparison to the UK approach). The effectiveness of the current prohibition approach has been questioned in the research, though the new approach to addressing the issue through regulation of financial transactions has yet to be tested fully over a sufficient period of time. There is low awareness amongst Internet users in both the US and

Canada about the prohibition of interactive gambling. A survey conducted between September 5 and September 9, 2007, shows that over 70 per cent of Canadians believe gambling over the internet is considered to be legal. In the United States, 59 per cent of Americans believe Internet gambling is a legal activity.

A more recent second poll conducted between January 3 and January 8 of 2008 replicated similar awareness levels in Canada (73 per cent), but indicated slightly fewer Americans (55 per cent) believe that gambling over the Internet is considered to be legal. (GAO 2002)

Chapter 6

Future technology trends

6.1 Introduction

The pace of change in information and communications technology is likely to influence future supply of interactive gambling services. Trends in technology have the ability to create new ways for providers to offer services. Technological advances can also influence services offered and increase accessibility through greater affordability—both of which have the potential to broaden the proportion of the population who can access interactive gambling services. Equally important is the response by governments to these changes, which will have an impact on the types of services offered and what Australians may be able to access in the future (both within and outside of the bounds of what is permissible under the IGA).

6.2 Expansion of broadband technology access and speeds

A potential future driver of change in the interactive gambling industry may come from expanded broadband coverage, and faster Broadband speeds. The National Broadband plan is the key policy initiative in this regard, currently being developed by the Australian Government.

While still being negotiated with potential providers, the intention of the plan is to improve both the coverage of broadband across the country (thereby addressing current gaps in remote areas), as well as improve future broadband access speed.

6.3 Growth in use of 'smartphone' technology

As reported in Chapter 1, mobile gambling is now widely available through overseas hosts. The current services typically involve downloading casino games onto mobile devices (for gaming) or accessible mobile-enhanced websites (for wagering). Both of these current forms of mobile phone gambling require relatively sophisticated devices which have 3G connectivity (such as Blackberry, iPhone, Palm Treo etc). Essentially, these services are capitalising on the shared interface between phone and Internet which the aforementioned devices provide.

While the affordability of these devices limits their take up, these devices are gaining popularity and have a growing share of the mobile phone market. Smart phones made up about 14 per cent of all mobile devices shipped globally in 2008 and should increase to more than 17 per cent of the total in 2009 (ABI Research 2009).

6.4 Digital Interactive TV

Interactive television can take multiple forms, one such type includes direct gambling on sporting events such as horse racing and football using a television remote control. In the UK, over 30 stations offer sports betting and fixed odds betting.

Interactive gambling via television based service is a relatively new phenomenon in the Australian market. The main player in this arena is Tabcorp. Through Foxtel services, Tabcorp has launched Sky Racing ACTIVE. Sky Racing ACTIVE is an interactive television service that provides Victorian and NSW Foxtel subscribers with the chance to view racing forms, odds, fields and results on all Gallops, Harness and Greyhound TAB meetings. Interactive betting through this service is available only to TAB account holders in Victoria and NSW, who must satisfy identification requirements. Account holders can also manage their TAB Account, deposit funds and check transaction history.

Some harm minimisation measures are in place that allow subscribers to block access to the Sky Racing channel and limit usage only to those who hold a TAB account, enabled by a password. The service also includes responsible gaming messages on screen. There is currently no indication of further developments in interactive gambling through digital pay television, or digital free-to-air television. However, there are certainly technologies available which support interactive gambling if providers choose to pursue this option in the future.

Chapter 7

Information gaps—where future research should focus

Throughout this study, key gaps in current research and data have been identified. To summarise, the following are the key information gaps for interactive gambling activity and participation.

- Demographic information on who is participating in interactive gambling, including by age, gender, socio-economic status etc. In particular, there is limited data for certain State and Territories (such as Western Australia).
- Information on the incidence of problem gambling amongst those who participate in interactive gambling. The error margins of current estimates mean that they are not sufficiently robust to determine whether interactive gambling is contributing to problem gambling in any significant way (and importantly, the data is insufficient for governments to have certainty in policy decisions on interactive gambling).
- Participation of Australians in international Internet gaming sites— due to the prohibition of these sites it is very difficult to measure how Australians may actually be accessing them.
- Prevalence of young people gambling using interactive methods—current indications are that young people are not necessarily drawn to interactive methods of gambling any more than other methods, though the data available is very limited. Given the emergence of new forms of interactive gambling, such as SMS methods, a greater understanding of youth gambling would assist governments in deciding whether specific policies should be put in place to address youth gambling specifically.
- The effectiveness of responsible gambling initiatives offered by Internet gambling service providers, such as self-exclusion or self-setting betting limits.

The common theme in the above listed areas is that they are all user focused. This highlights the key overall gaps on participation in interactive gambling. Understanding participation trends is essential in determining whether a policy response is required (as it assists in identifying whether a problem is present).

Appendix A

Australian Interactive Gambling Hosts

Table A.1: Australian Interactive Gambling hosts offering legal forms of Internet gambling in Australia

Operator	Mediums	Type of gambling	Harm minimisation measures	Accessibility	Age verification process	Available payment methods	Inducements
TAB Racing (VIC)	Internet Mobile phone	Racing	Self exclusion Links to gambling help lines and support services Information provision Gambling awareness weeks Primary, secondary and safety net initiatives Betting calculators Maximum value credit card deposits	List of restricted countries Age and intoxication guidelines Credit card to sign up Age limits	Must prove age with 100 points of identification	Credit card Cheque Money order Bpay Electronic funds transfer	Nil
Sportsbet	Internet	Racing and Sports wagering	Self imposed betting limits Self imposed deposit limits Self exclusion	Credit card to sign up Age limits	Must prove age with 100 points of identification	Credit card Cheque Money order Bpay Electronic funds transfer Paypal	
SportingBet Australia	Internet Phone	Racing and Sports wagering	Self imposed betting limits Self imposed deposit limits Self exclusion	Credit card to sign up Age limits	Must prove age with 100 points of identification	Credit card Cheque Money order Bpay Electronic funds transfer Paypal	
TABOnline	Internet	Racing and sports wagering	Self imposed betting limits Links to gambling help lines	Requires a credit card to sign up Age limits	Must prove age with 100 points of identification	Credit card Cheque Money order Bpay Electronic funds transfer	Nil
Golden Casket Lottery	Internet Mobile phone	Online lottery ticket purchase	Links to responsible play brochures Links to Queensland-based help-lines	Queensland customers only, residency check Age limits	ID and residency check at a Golden Casket Agency or by visiting a Qualified Witness to be completed within 90 days.	Mastercard Visa Visa debit cards Bpay	Nil
Tattersalls	Internet	Online lottery ticket purchase	Links to responsible play information Self assessment Self exclusion Links to counselling services	No payment to 3rd party accounts, unless authorised Age limits	ID and residency	Mastercard Visa BPAY Personal or Bank Cheque	Nil

Table A.1 (cont.)

Operator	Mediums	Type of gambling	Harm minimisation measures	Accessibility	Age verification process	Available payment methods	Inducements
Tabcorp Wagering	Internet Mobile phone Pay television	Racing and sports wagering	Self exclusion Links to gambling help lines and support services Information provision Gambling awareness weeks Primary, secondary and safety net initiatives Betting calculators Maximum value credit card deposits	TV wagering only available in Victoria to Foxtel subscribers NSW residents may use TV services, but not place bets Age and jurisdictional limits	Must prove age with 100 points of id	Credit card Cheque Money order Bpay Electronic funds transfer Cash deposits (shopfronts only)	Nil
TABOzbet	Internet	Racing and sports wagering	Self exclusion Links to gambling hotlines	Option to have 2 account holders Age limits	Customers must provide 100 points of id	Credit card Cheque Money order Bpay Electronic funds transfer	Nil
Betfair	Internet Mobile phone	Online racing and sports wagering (Online casino play offered to clients not in Australia)	Customer driven deposit and loss limits Game Session Timers Self-exclusion tools Self help and awareness information, including links Information and tools to protect underage access Warnings	Cannot access online casinos, even using a location alias. No credit card required for access. 3rd party accounts cannot be used. Age limits	Electronic verification by Betfair: matching clients against electoral roll or white pages In person: if electronic verification unsuccessful, customers must present to Australia Post with 100 points of ID	Bank/ credit union transfer POLi Bpay Visa Mastercard	Bet $50 and receive $50 free, in or lose
Oz Lotteries	Internet	Online lottery ticket purchase	Self exclusion Links to help line services Statistics for games	Age limits Residential verification No credit card required for sign up	Customers must provide 100 points of identification within 4 weeks	PayPal Credit card Bank deposit Cheque	Refer a friend incentives
Canbet	Internet	Online racing and sports wagering	Self exclusion, temporary and permanent Self help and awareness information, including links Information and tools to protect underage access Warnings	No credit card required for access (uses POLi). 3rd party accounts cannot be used. Age limits	100 points of id must be received within 90 days of account registration and prior to any withdrawals	Visa Mastercard Netteller Entropay Money bookers Bank transfer Cheque	Make a first deposit of $50 or more and receive a $100 free bet. Receive a 25% Australian Racing Rebate on net losses

Table A.1 (cont.)

Operator	Mediums	Type of gambling	Harm minimisation measures	Accessibility	Age verification process	Available payment methods	Inducements
Centrebet	Internet Mobile phone	Racing and sports wagering	Temporary and permanent exclusions Links to help lines Links to filtering services Self assessment	No credit card required for sign-up Age limits	Electronic verification by Centrebet Id verification due within 90 days If id cannot be verified electronically, 100 point id check will be undertaken	Mastercard Visa Maestro Mastercard debit card Visa debit card Solo Visa electron Moneybookers Bpay Bank transfer	$100 free betting bank
Sports Acumen	Internet Mobile phone	Racing and sports wagering	Self help and awareness information, including links Information and tools to protect underage access Warnings	Drivers' licence/ passport to verify age (will work with any name/ number combo) Do not need a credit card to gamble 3rd party accounts not valid Age limits	Customers must provide 100 points of identification prior to their first withdrawal or within one month of opening an account	Direct debit Credit card Poli Cheque Bpay Moneybookers Net teller Betting money	Value of first deposit matched up to the value of $100 AUD
IASbet.com	Internet Phone	Racing and sports wagering				Credit Cards (Visa and MasterCard), Bank Transfer/ Wire, NETeller, Moneybookers, Cheque, Money Orders Bankers Drafts.	sign-up bonuses (on the basis of first deposit, up to $1000 free bet where first deposit is over $2000). Refer a friend and receive $50 worth of free bets

Source: Various racing, wagering and lottery websites; iGaming 2009

Appendix B

Harm minimisation strategies

Table B.1: Traditional Gambling Harm Minimisation Strategies: A National Snapshot

Measure	Details	ACT	NSW	NT	QLD	SA	Tas	Vic	WA
Access to credit	Ban on accessing credit to gamble	✓	✓	✓	✓	✓	✓	✓	✓
Restricted access to ATMs and EFTPOS	Facilities are not permitted in gaming areas of pub, clubs and casinos	✓	✓	✓	✓	✓	✓	✓	✓
Limits on withdrawals from ATMs	Limit on cash that can be withdrawn per transaction and number or transactions.	X	X	$200 per transaction	X	$200 per transaction	One transaction for gaming per day	$200 per transaction	X
Certain winnings to be paid by cheque	Winnings over a certain amount to be paid by cheque	$1200 (gaming machines only)	$2000	Various from $250 to $2000	Various from $250 to $2000	X	Various from $250 to $2000	$1000	X
Cashless/ card-based gambling	Some clubs, hotels and casinos have approved card-based technologies	Ticket-out	Ticket-in, ticket-out	X	Trial of pre-commitment card-based gaming	X	X	X	X
Pre-commitment tools		X	Pre-commitment on loss limits on cashless/ card-based gambling	X	Self imposed money and time limits	Self imposed money and time limits	X	Pre-commitment mechanisms on all new gaming machines from 2010	X
Bet and win limits	Bet limits	X	$100 for multi-terminal gaming machines	X	X	X	X	$10 for machines approved before 1 July 2008; $5 for machines approved after this date	Range of bet limits depending on game
	Win limits—excluding casinos	X	$10 000 to $500 000	X	$10 000 for stand alone machines	X	X	X	$10 000 in casinos for non-jackpot prizes
Note acceptors	Limitations in some jurisdictions	$20 limit on maximum denomination accepted	X	Banned in clubs and pubs Limit on maximum denomination accepted	$20 limit on maximum denomination accepted	Banned in gaming machines Limit on maximum denomination accepted	Banned in clubs and pubs Limit on maximum denomination accepted	Limit on maximum denomination accepted	$100 limit on maximum denomination accepted

Table B.1 (cont.)

Measure	Details	ACT	NSW	NT	QLD	SA	Tas	Vic	WA
Display of odds and return to player	Odds are to be displayed for gaming machines	✓	✓	✓	✓	✓	✓	✓	✓
Provision for exclusion/ self-exclusion		✓ Mandatory	✓ Mandatory	✓ Mandatory	✓ Mandatory	✓	✓	✓ Mandatory	✓
Clocks to be displayed	Either on gaming machines or in the gaming area	✓	✓	✓	✓	✓	✓	✓	Installed on a voluntary basis
Limitation on 24 hour gaming in pubs and clubs	Ranging from 3-6 hour enforced breaks	✓	✓	✓	✓	✓	✓	✓	✓
Requirement for proper lighting		✓	X	X	X	X	X	✓	X
Restriction on player loyalty systems/ programs		✓	✓	✓	X	✓	X	✓	X
Advertising restrictions	Various, In some states applies to all gambling products in others, just gaming machines	✓	✓	✓	✓	✓	✓	✓	X
Ban on inducements		X	✓	✓	X	✓	X	X	X
Minors banned from gaming areas		✓	✓	✓	✓	✓	✓	✓	✓
Ban on smoking in gaming areas		✓	✓	X Equal amenity smoking and non-smoking areas Ban implemented from 2010, excl. high roller rooms	✓ Excl. premium gaming areas of casinos	✓	✓	✓	✓ Excl. international gaming facility

Table B.1 (cont.)

Measure	Details	ACT	NSW	NT	QLD	SA	Tas	Vic	WA
Public awareness campaigns	Provision of information on gambling through gambling awareness weeks, websites, media campaigns, problem gambling information materials and school education materials on problem gambling	✓	✓	✓	✓	✓	✓	✓	✓
Treatment services	Online and phone based services	✓	✓	✓	✓	✓	✓	✓	✓

Source: National Snapshot of Harm Minimisation Strategies

Appendix C

Advertising of prohibited interactive gambling services—complaints

Table E.1: Complaints reported

Date of complaint	Nature of complaint	Detail of complaint	Action taken
15 March 2003	Email received within Australia, containing promotion and links to an interactive gambling service offering betting exchange products. The complainant wrote in response to a number of emails that had been received containing details of an online wagering service.	It was alleged that advertisement for this service contained references to in-the-run betting, which is prohibited by the IGA.	The complaint was referred to the AFP on 28 March 2003. The AFP has advised that as of 2 March 2005 this matter is still under investigation.
24 April 2003	The unsolicited distribution of emails containing advertising and links for an offshore interactive casino.	The complainant wrote in response to the receipt of a number of unsolicited emails containing promotions for an online casino.	Upon carrying out an initial investigation into the alleged breach, DCITA referred this matter to the AFP. The AFP responded on 2 October 2003, advising that it would not proceed with an investigation into this matter.
9 May 2003	The use of an online advertising banner to promote an interactive gambling service on a website purported to be Australian-hosted.	The complainant alleged that the website had continually featured an advertisement for interactive gambling products.	Upon carrying out an initial investigation into the alleged breach, DCITA referred this matter to the AFP. The AFP responded on 12 June 2003, advising that it would not proceed with an investigation into this matter.
22 March 2004	The television broadcast of a boxing match where one fighter displayed a promotion for an online casino across his back.	The complainant wrote in response to the televised broadcast of a boxing match in which one participant had a URL for an offshore online casino tattooed on his back. The URL was clear to viewers throughout the match.	Upon carrying out an initial investigation, DCITA referred this matter to the AFP. The AFP responded on 27 April 2004, advising that it would not proceed with an investigation into this matter.
31 March 2004	A CD-ROM containing a link and promotion for an online casino was distributed with a cereal product within Australia.	The complainant wrote in relation to a promotional CD-ROM that was distributed with certain cereal products in early 2003. The manufacturer responded to this complaint with a media statement dated 31 March 2004.	Upon carrying out an initial investigation, DCITA concluded that this matter was unlikely to be a breach of the provisions of Section 7A of the IGA. Following discussions with the manufacturer, the Department was satisfied that the link was accidental and the manufacturer had no intention to promote the website. The product was recalled immediately.
	Search engines contain sponsored links from online gambling organisations when a misspelled search term is entered into the search engine.	The complainant wrote that a number of search engines contain sponsored links to online gambling sites. It was alleged that these links appear when a search term is misspelled, for example using "online gambling' instead of "online gambling".	The Department investigated the matter.
5 May 2006	Web sites contain interactive gambling services and advertisements for interactive gambling services.	The complainant wrote that a number of web sites contain sponsored links to online gambling sites and advertisements of interactive gambling services.	The Department referred the matter to the AFP.

Source: Australian Government Department of Communications, Information Technology and the Arts 2005 *Summary of Reports on the operation of the prohibition on interactive gambling advertisements 2003, 2004, 2005*, accessed from http://www.archive.dcita.gov.au/2007/11/online_gambling_links/Report_on_the_operation_of_the_prohibition_on_interactive_gambling_advertisements

Appendix D

Gambling participation statistics

Table D.2: Gambling participation by State/Territory

State (pop'n)	Survey	Problem gamblers (overall)		Gambling participation rates		Interactive gambling participation rates	
		%	**Persons**	**%**	**Persons**	**%**	**Persons**
ACT (0.32 mil)	*Survey of the Nature and Extent of Gambling and Problem Gambling in the ACT (2001)*	0.45	1050	72.9	233 280	0.7a	1633
NSW (6.82 mil)	*Prevalence of Gambling and Problem Gambling in NSW (2006)*	0.8	3765	69%	470 580	2.7b	12 706
NT (0.21 mil)	*An overview of Gambling in the Northern Territory (2006)*	1.06%	1625	73%	153 300	0.6%c	920
QLD (4.09 mil)	*Queensland Household Gambling Survey (2006)*	0.47%	15 378	80%	3 272 000	1.5%e	49 080
SA (1.54 mil)	*Gambling Prevalence in South Australia (Oct–Dec 2005)*	1.6%	17 248	70%	1 078 000	0.5%	5 390
Tas (0.49 mil)	*The Fourth Study into the impact of Gambling on Tasmania with Particular Reference to Problem Gambling (2005)*	0.18%	750	85%	416 500	1.3%f	5 415
Vic (4.9 mil)	*Victorian Longitudinal Community Attitudes Survey 2003*	0.74%	28 065	77.4%	3 792 600	0.2%	7 585
WA (1.87 mil)	Australia's Gambling Industries (1999)	0.7%	N/A	N/A	N/A	N/A	N/A

Sources: Various State and Territory reports (as noted in Table).

Notes: (a) 0.2% internet casino gaming; 0.5% horses/ greyhounds (b) 1% dog/ horse races; 0.7% sports betting; 1% casino games (c) 0.4–0.8% online casino games (d) Range: 0.1–8.6% (e) (1.2–1.8%) (f) 0.8% races; 0.4% sport; 0.1% casino games.

Appendix E

State and Territory regulation of interactive gambling

New South Wales

There is no specific legislation which directly regulates interactive gambling in New South Wales. The *Racing Administration Act 1998* administers sports betting in New South Wales, including setting a schedule of approved sporting events for which sports betting is allowed. Under the Act, sports betting must be provided under licence.

The Act provides that the Minister may issue Internet betting authorities for both racing and sports betting. The Act states that:

> The Minister may, in writing, authorise a licensed bookmaker to accept or make bets:
>
> (a) by telephone, or
>
> (b) electronically by means of the Internet, subscription TV or such other on-line communications systems as may be approved by the Minister, while the bookmaker is at a licensed racecourse at a time when it is lawful for betting to take place at the racecourse.

Internet betting on racing is very restricted—it cannot be conducted during the course of race meetings and can only be conducted on major races.

Victoria

In Victoria, interactive gambling is regulated through the *Interactive Gambling (Player Protection) Act 1999*, and associated regulations. The stated purpose of the Act is 'to make provision for the protection of persons participating in interactive games by regulating the provision of interactive gaming services'.

The Act establishes licensing of interactive gaming businesses, and associates involved in operating these services. The Act defines an interactive game as:

> a game in which —
>
> (a) a prize consisting of money or something else of value is offered or can be won under the rules of the game; and
>
> (b) a player —
>
> (i) enters the game or takes any step in the game by means of telecommunication device; and
>
> (ii) pays, or undertakes to pay, a monetary payment or other valuable consideration to participate in the game.

The Act allows other jurisdictions to be nominated as 'participating jurisdictions' meaning that licensed providers from these jurisdictions will be recognised in Victoria.

Under the licence conditions, providers must have the rules of a proposed interactive game, and relevant equipment for the game, approved by government.

The Act also sets requirements for licensed providers relating to:

- *Player registration*—the provider must not permit a person to play an approved game unless the player is registered (which means that the player has proven that they are over the age of 18 years and have had their identity verified)
- *Returns to players*—the players' proportion should be not less than 85 per cent
- *Players funds*— the provider must remit funds at the request of a player, and must not use player funds for any other purpose other than to debit funds made under a wager, or at the request of the player

- *Credit provision*—the provider must not provide credit to a player
- *Player requests*—the provider must abide by player requests in relation to betting limits or self exclusion.

The Act also establishes the process for licensing of providers, and penalties for non-compliance with licence conditions.

Queensland

In Queensland, interactive gambling is legislated for by the *Interactive Gambling (Player Protection) Act 1998*.

The object of the Act is to ensure that, on balance, the State and the community as a whole benefit from interactive gambling, through:

- ensuring the integrity and fairness of games
- ensuring the probity of those involved in the conduct of interactive gambling
- minimising the potential for harm from interactive gambling.

The Act defines an 'interactive game' as one where:

(a) prize consisting of money or something else of value is offered or can be won under the rules of the game; and

(b) a player:

(i) enters the game of takes any step in the game by means of a telecommunications device; and

(ii) gives, or undertakes to give, a monetary payment or other valuable consideration to enter, in the course of, the game.

A telecommunications device is defined in the Act as:

(a) a computer adapted for communicating by way of the internet or another communications network; or

(b) a television receiver adapted to allow the viewer to transmit information by way of a cable television network or another communications network; or

(c) a telephone; or

(d) any other electronic device or thing for communicating at a distance.

The Act provides for the licensing of providers of interactive games. Where provided under licence, interactive games are allowed, as are interactive games provided by 'external provider', which are providers licensed in other jurisdictions that are deemed to be 'participating jurisdictions' in the Act (that is, other State and Territories). The Act allows the Minister to exclude these 'external providers' if there is considered to be a risk to the public interest (therefore, externally licensed providers will not necessarily be allowed to trade in Queensland).

The Act establishes the required conduct of a licensed provider. Authorised games must be conducted under an approved control system, which includes the nature of the administration of the game, management of funds, systems for determining winnings and security.

In relation to the management of player participation and funds, the Act:

- requires that providers only establish 'unrestricted' accounts for players were verification of identification and age have been completed
- allows for restricted player access for two months, where the total amount deposited by the player cannot exceed $500
- prohibits providers from using player funds for means other the those instructed by the player
- prohibits providers from acting as a credit providers, or as an agent for another credit provider

- requires licensed providers to follow player instructions in relation to limits on wagered amounts and self-exclusion notices
- prohibits providers from advertising specific premises where interactive games can be played.

The Act also establishes the process for obtaining a licence, and conditions which must be met (including 'fit and proper person' conditions for nominated persons).

Western Australia

There is no specific legislation or regulations for interactive gambling in Western Australia. Provisions under the *Gaming And Betting (Contracts And Securities) Act 1985* and the *Betting Control Act 1954* establish the legislative framework around which betting and wagering should take place in the state. This includes the conduct of bookmakers, age limits of betting, forms of unlawful betting and licensing.

It was through amendments to the *Betting Control Act 1954* that the Western Australian government sought to ban out-of-state betting exchanges (such as Betfair) from accepting wagers from people located in their state. As discussed earlier in this report, this matter was taken the High Court where a ruling was made in Betfair's favour.

South Australia

There is no specific legislation in South Australia that regulates interactive gaming (as distinct from conventional forms of gaming or gambling). The South Australian *Lotteries and Gaming Act 1936* regulates lotteries and other forms of gaming in South Australia, and is the legislation that has been referenced in cases where applications for interactive gaming licenses have been made in South Australia.

The *Lotteries and Gaming Act 1936* establishes the betting age for gaming in South Australia as 18 years, and defines 'unlawful games' for which wagers are not to be taken.

Tasmania

In Tasmania, gaming is regulated under the *Gaming Control Act 1993*. There is no specific interactive gaming regulation, though the *Gaming Control Act 1993* does include provisions for the licensing of gaming providers who offer an interactive form of gaming.

The Act states that:

> A Tasmanian gaming licence endorsed with a sports betting endorsement authorises the licensed provider, subject to this Act and any conditions to which the Tasmanian gaming licence is subject, to do such of the following activities as are specified in the endorsement:
>
> (a) to accept wagers in respect of approved sports events by way of a telecommunications device situated in an approved location;
>
> (b) to accept wagers in respect of approved sports events in Tasmania with persons who are physically present at the event or an approved location;
>
> (c) to do all things necessarily incidental to carrying on the activities specified in the endorsement.

The Act also includes an endorsement for a gaming licence with simulated gaming endorsement:

> A Tasmanian gaming licence endorsed with a simulated gaming endorsement authorises the licensed provider, subject to this Act and any conditions to which the Tasmanian gaming licence is subject –
>
> (a) to conduct simulated games by way of a telecommunications device situated at an approved location; and
>
> (b) to accept by way of a telecommunications device wagers in respect of simulated games conducted by the licensed provider in Tasmania; and
>
> (c) to do all things necessarily incidental to carrying on the activities referred to in paragraphs (a) and (b).

Operators endorsed under these provisions in the Act must follow the requirements of a Tasmanian gaming licence. The Act also specifies the conduct of providers using interactive means:

> A licensed provider, in conducting a gaming activity, must not accept a wager from a person by means of a telecommunications device except where –
>
> (a) the person is registered as a player with the provider; and
>
> (b) the funds necessary to cover the amount of the wager are held by the provider on behalf of the person; and
>
> (c) the person's identity has been authenticated in accordance with the conditions to which the provider's Tasmanian gaming licence is subject.

These provisions are consistent with requirements in other States and Territories in relation to player registration for interactive gaming.

The Act includes provisions for player protection, including:

- providers must abide by a player's instructions in relation to limits on wagers
- providers must not act as a credit provider to a player
- providers must remit funds from a player's account at the request of the player or a player's representative within one working day of the request
- providers must not use funds in a player's account other than for wagers made by the player (or to remit the funds back to the player).

Northern Territory

In the Northern Territory interactive gambling is regulated under the *Gaming Control Act and Gaming Control (Internet Gaming) Regulations*.

Under the regulations, providers must hold a licence to provide an Internet game. In addition, key employees must hold an internet gaming key employee licence. These persons must be over 18 years and satisfy 'fit and proper person' type assessment of their character.

Internet games must be conducted under approved computer systems and control systems (which establish the rules, terms and conditions, internal controls and security). Licence holders must keep accounting records that correctly record and explain transactions.

The regulations establish a number of measures aimed at protecting players.

- All players must be registered to play, including providing verification of their identity and that they are over 18 years.
- A wager must not be accepted unless a player's account has sufficient funds to cover the wager.
- Funds cannot be drawn from a new account until registration has been verified.
- At the request of a player, remaining account funds must be returned to the player.
- Providers must not act as a credit provider to players.
- Providers must following a player's instructions in relation to setting limits on betting.

Australian Capital Territory

In the ACT interactive gambling is regulated for directly under the *Interactive Gambling Act 1998*. This Act establishes the conditions for authorised games and authorised providers for these games.

As with legislation in other jurisdictions, the Act allows the Minister to declare another jurisdiction as a participation jurisdiction where they are satisfied that there is compatibility with the ACT legislation.

Under the Act, providers of interactive games must be licensed as approved providers. The Act sets out a process for licensing, including conditions for the appropriateness of the applicant as a 'suitable person'. The Act establishes the required conduct of a licensed provider. Authorised games must be conducted under an approved control system, which includes the nature of the administration of the game, management of funds, systems for determining winnings and security. Under the licence conditions, providers must have the rules of a proposed interactive game, and relevant equipment for the game, approved by government.

The Act requires that players be registered for play. Registration must include verification of a players' personal details (name, address) and their age (must be over 18 years). Provisional registration can be made, where the registration has not been completed, but this cannot last for longer than 30 days. Players who are provisionally registered cannot have more than $100 in total deposits in their account.

Further requirements in the Act include:

- A requirement that wagers must be covered by an amount in a player's account, meaning that a player cannot go into debt with a provider to make a wager on a game. The licensed provider is not allowed to act as a credit provider to players.
- Prohibition on providers advertising premises that have been made available for playing interactive games
- Providers must follow a player's instructions in relation to betting limits and self-exclusion.

Appendix F

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