



# Clubs Australia

**Parliamentary Joint Select Committee on Gambling Reform**

**Inquiry into interactive and online gambling and gambling advertising**

**Clubs Australia Submission**

**29 June 2011**

## **Introduction**

Research indicates that around 70 per cent of Australians participate in some form of gambling activity, with around five million individuals choosing to play poker machines at their local pub, club or casino within the last twelve months. The electronic gaming machine market is a “mature” industry. Statistics show that poker machine participation rates are falling and that overall expenditure is decreasing.<sup>1</sup> With the problem gambling prevalence rate falling in every Australian jurisdiction, there is now a host of research to demonstrate that the vast majority of Australians enjoy land-based gambling responsibly, and that state governments and industry have collaborated effectively to produce harm minimisation practices that reflect world’s best practice. When coupled with comprehensive responsible gambling measures, it is clear that Australians endorse gaming as a legitimate and enjoyable pastime.

The online gambling environment, however, differs radically from the land-based gaming experience. Unlike the electronic gaming machine (EGM) market, internet gambling is experiencing a phase of rapid growth, with participation rates rising and the number of online providers expanding. An unsafe and virtually unregulated market, the growth of the online gambling environment poses pointed new challenges for policy makers.

As an industry stakeholder, Clubs Australia holds a number of key concerns with the current state of online gambling regulation.

Online gambling environments are inherently problematic, fostering instances of problem gambling through irresponsible gambling practices. Unlike traditional venues which have mandatory shutdown periods, new technologies foster a “gamble anywhere, anytime” mentality. Gamblers can now place bets twenty-four seven via the internet, mobile phones or interactive televisions. As internet technology continues to pervade our lives, the number of individuals choosing to participate in online gambling will increase accordingly.

Clubs represent supervised gaming environments, where gaming staff have completed Responsible Conduct of Gambling (RCG) training and venues subscribe to industry initiated harm minimisation programs. Regulation places a number of restrictions on gaming machine features and design, and venues are subject to advertising restrictions, bans on credit gambling, industry codes of practice and regular audits and inspections. Regulatory requirements act as safeguards against problem gambling and irresponsible gambling practices. The club industry takes its commitment to responsible gambling obligations seriously.

By contrast, internet gambling sites afford gamblers very few protections. Online gambling sites are permitted to advertise, offer inducements and accept credit card payments. A number of sites prompt players to gamble via text message or offer lucrative sign-up bonuses in exchange for credit card details. Such practices are at variance with responsible gambling procedures.

Clubs Australia has concerns that the risks associated with online gambling are not being addressed effectively by policy makers. These concerns include the lack of adequate counselling services for online gamblers and the relative ease at which underage people can access online gambling websites.

Clubs Australia believes that harm minimisation practices should be applied consistently across the gamut of gambling services offered to Australian consumers. A consistent regulatory framework would provide all gamblers with access to equally safe gambling opportunities.

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<sup>1</sup> Productivity Commission (2010). *Inquiry Report into Gambling*.

## **Online Gambling: An Industry Profile**

Unlike the electronic gaming machine market, which has reached a phase of maturity, the internet gambling industry is experiencing a phase of exponential growth. Industry reports estimate that Australians spent around \$968 million gambling online in 2010.<sup>2</sup> Globally, revenue is expected to reach US \$30 billion by 2012.<sup>3</sup> A number of reports confirm that online gambling is the fastest growing segment of internet commerce.<sup>4</sup> Dr Sally Gainsbury, of Southern Cross University, has stated that the annual growth of internet gambling is as high as 10 to 20 per cent.<sup>5</sup>

Online sports betting is also rapidly gaining in popularity, particularly among young men. Dr Gainsbury has labelled sports gambling the fastest growing form of gambling in Australia.<sup>6</sup> Australians are set to spend \$611 million on online sports betting in 2011, up from \$264 million in 2006.<sup>7</sup> Industry figures confirm this rapid expansion. Sportingbet recently reported that gross amounts wagered in Australia had increased by 22 per cent (to \$1.2 billion) during the last financial year.<sup>8</sup> The company noted that the relaxation of advertising rules in 2008 had benefited internet-based businesses considerably.<sup>9</sup>

A study completed by Sydney Professor Alex Blaszczynski, from the University of Sydney, found that the face of problem gambling is changing. Internet based sports betting is now a bigger contributor to problem gambling than casino based games.<sup>10</sup> Technological development and the pervasiveness of gambling advertising have facilitated an increase in online gambling participation levels.

Mobile phone gambling represents another growth area. Researchers predict that participation in m-gambling (wagering and gambling services enabled through mobile technology) is set to rise rapidly over the next five years.<sup>11</sup> According to Juniper Research, global revenue from m-gambling is expected to reach in excess of US\$27.5 billion by 2013.<sup>12</sup> A UK survey reported that a number of m-gamblers found this form of gambling "less intimidating" than traditional land-based gambling as it afforded players greater discretion.<sup>13</sup>

In its Inquiry Report into Gambling, the Productivity Commission presented online gambling prevalence rates ranging from 0.1 to 4.3 per cent, indicating that only a small minority of people participate in gambling online.<sup>14</sup> Dr Sally Gainsbury has pointed out that these statistics are in stark contrast to a nationally representative market research report which found that 30 per cent of

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<sup>2</sup> Gainsbury, S. *Response to the Productivity Commission Inquiry Report into Gambling: Online gaming and the Interactive Gambling Act* Centre for Gambling Education & Research, Southern Cross University.

<sup>3</sup> KPMG International (2010). *Online gaming. A gamble or a sure bet?* Available at: <http://www.kpmg.com/EU/en/Documents/Online-Gaming.pdf>

<sup>4</sup> *Ibid.*

<sup>5</sup> Gainsbury, S, & Wood, R. (2010). *Is legalized online gaming in North America inevitable?* Paper presented at Discovery 2010 Conference, Toronto, Canada. Available at: [http://www.responsiblegambling.org/articles/Sally\\_Gainsbury.pdf](http://www.responsiblegambling.org/articles/Sally_Gainsbury.pdf)

<sup>6</sup> *Sports betting addiction a social time bomb in information age, say experts.* Courier Mail, March 27 (2011).

<sup>7</sup> Online Casino6 (2011). *Addiction to Sports Betting Grows with Celebrity Advertising.* Available at: <http://onlinecasino6.com/online-casino-news/addiction-to-sports-betting-grows-with-celebrity-advertising.html>

<sup>8</sup> <http://www.theaustralian.com.au/business/technology-drives-change-and-increasing-competition-in-gambling-sector/story-e6frg8zx-1225952874362>

<sup>9</sup> *Ibid.*

<sup>10</sup> News Story, The University of Sydney (2011). *Online sports betting has created new generation of problem gamblers.* Available at: <http://sydney.edu.au/news/84.html?newsstoryid=6545>

<sup>11</sup> Drennan, J et al. *Final Report, M-Gambling: A Strategic Social Marketing Approach to Protect Vulnerable Consumers.* Prepared for the Queensland Office of Liquor, Gaming and Racing.

<sup>12</sup> Cited in Drennan, J et al. *Final Report, M-Gambling: A Strategic Social Marketing Approach to Protect Vulnerable Consumers.* Prepared for the Queensland Office of Liquor, Gaming and Racing.

<sup>13</sup> Cited in Drennan, J et al. *Final Report, M-Gambling: A Strategic Social Marketing Approach to Protect Vulnerable Consumers.* Prepared for the Queensland Office of Liquor, Gaming and Racing.

<sup>14</sup> Cited in Gainsbury, S. *Response to the Productivity Commission Inquiry Report into Gambling: Online gaming and the Interactive Gambling Act* Centre for Gambling Education & Research, Southern Cross University.

Australians over the age of 16 had engaged in internet gambling during 2009.<sup>15</sup> Although further research would be useful, the general consensus is that prevalence rates are rising. From a global perspective, industry estimates indicate that the worldwide number of internet gamblers is at least 14 million and is possibly as high as 23 million.<sup>16</sup>

### **Problem gambling**

Researchers have suggested that internet gamblers are three to four times more likely to have a gambling problem than land-based gamblers.<sup>17</sup> In Canada, 17.1 per cent of internet gamblers classify as either moderate or severe problem gamblers according to the Canadian Problem Gambling Index.<sup>18</sup> According to researchers, encountering problems with gambling is a key indicator for predicting that someone engages in internet gambling.<sup>19</sup>

A recent report confirms that “internet gamblers, relative to others, are much more likely to be problem or pathological gamblers.”<sup>20</sup> Factors such as ease of access, anonymity and instant gratification lead to higher rates of problem gambling and players participating in longer periods of uninterrupted play.

### **Youth**

Adolescents and young adults are at particular risk of developing an online gambling problem. Several studies, both Australian and international, have confirmed that online problem gambling prevalence rates are higher among adolescents than the general population. One researcher estimates that around 10 to 15 per cent of youth who gamble are at risk of developing a serious gambling problem.<sup>21</sup> In a study of young people conducted by Derevensky, Gupta and McBride (2006), participants cited “boredom” and “excitement” as the main reasons behind why they choose to gamble online.<sup>22</sup>

Research shows that 63 to 82 per cent of 12 to 17 year olds gamble each year, and 4 to 7 per cent of adolescents exhibit signs of pathological gambling.<sup>23</sup> According to one researcher, gamblers typically develop problem gambling behaviour during their teenage years.<sup>24</sup> As new technologies evolve, researchers predict a further “progressive increase in serious gambling-related problems experienced by youth.”<sup>25</sup>

Many online gambling websites do not provide stringent age verification procedures, allowing under aged users access to content which has been deemed inappropriate by government. A UK study of 30 websites found that only half of operators made “meaningful” attempts to verify the age of

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<sup>15</sup> Gainsbury, S. *Response to the Productivity Commission Inquiry Report into Gambling: Online gaming and the Interactive Gambling Act*. Centre for Gambling Education & Research, Southern Cross University.

<sup>16</sup> Cited in Wood, R, Williams R & Lawton, P. *Why do Internet gamblers prefer online versus land-based venues? Some preliminary findings and implications*. University of Lethbridge.

<sup>17</sup> Wood, R. & Williams, R (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options*. Ontario Problem Gambling Research Centre, Guelph, Ontario.

<sup>18</sup> *Ibid.*

<sup>19</sup> *Ibid.*

<sup>20</sup> Orme, S, Norhey, G & Townshend, P. (2010) *Discussion Paper on Internet and Other Forms of Remote Gambling*. Gambling and Public Health Alliance International.

<sup>21</sup> *Ibid.*

<sup>22</sup> Cited in Wood, R, Williams, R & Lawton, P. *Why do Internet gamblers prefer online versus land-based venues? Some preliminary findings and implications*. University of Lethbridge.

<sup>23</sup> Monaghan, S, Derevensky, J & Sklar, A (2008). *Impact of gambling advertisements and marketing on children and adolescents: Policy recommendations to minimize harm*. Journal of Gambling Issues: Issue 22, December.

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

online players.<sup>26</sup> Clubs Australia believes that the onus should fall on the site operator to ensure that under-aged individuals cannot gain access to gambling content and penalties should apply for failure to take reasonable steps to do so.

Social networking sites such as Facebook allow account holders of all ages to access gambling content through programs known as “apps.” Children can play slot games, buy credits and send free gifts such as “five free gifts” to friends. Apps such as “Slotmania” and “Texas HoldEm Poker” operate without any age verification measures and allow under-aged gamblers to purchase games and credits via PayPal or credit card accounts. Generous inducements encourage users to purchase “credits” in bulk amounts and players are continually encouraged to “invite” friends to play.



Figure 1: Screenshots of the Facebook App ‘Slotmania’

The format and content of such sites are clearly designed to appeal to children. Games feature colourful cartoon characters and are given catchy, child-friendly names such as “Bubble Rumble.” Users are able to “select the gift” they wish to send to their online friends. There are no warning messages, age restrictions or supervision of gaming; all is needed is a Facebook account.

A recent Canadian study, which surveyed almost 3000 parents, found that the majority of parents remain unconcerned by under-aged gambling.<sup>27</sup> Eric Meerkamper, a co-collaborator on the study, believes that “parents should be made more aware of the rapid growth of the underage gambling activities, including on social networking sites like Facebook...Encouraging parents to speak with their children about gambling is particularly important since unregulated online opportunities for youth gambling are growing at a phenomenal rate.”<sup>28</sup>

Researcher Dr Jeffrey Derevensky, of McGill University, commented that “you no longer have to worry about (under-aged individuals) sneaking into a club” as online games are “the new face of gambling.”<sup>29</sup>

### **Motivations for online usage**

Researchers have delved into the reasons behind why some players choose to gamble online. Overwhelmingly, survey participants stated that the twenty-four hour availability and convenience of online gambling were the principal attractions.<sup>30</sup> Other reasons provided by online gamblers

<sup>26</sup> Wood, R & Williams, R (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options*. Ontario Problem Gambling Research Centre, Guelph, Ontario.

<sup>27</sup> Virtual Casinos (2010) *Parents Ignore Underage Gambling Risks*. Available at: <http://www.virtuacasinos.com/Parents-Ignore-Underage-Gambling-Risks.htm>

<sup>28</sup> *Ibid.*

<sup>29</sup> The Sydney Morning Herald (2001). *Concern over youth gambling online*. Available at: <http://news.smh.com.au/breaking-news-national/concern-over-youth-gambling-online-20110523-1f064.html>

<sup>30</sup> *Ibid.*

included lack of crowds, anonymity and physical comfort – factors which are also more likely to result in longer periods of uninterrupted play.<sup>31</sup>

Internet gamblers were also asked to outline the key disadvantages associated with gambling online. These disadvantages included lack of face-to face contact, the tendency to spend more money, convenience and an isolating social atmosphere.<sup>32</sup>

A British study delivered parallel findings, with gamblers providing the following reasons for playing online: ease of access (84 per cent), flexibility of use (75 per cent), twenty-four hour availability (66 per cent), because friends do (67 per cent), large gambling choice (57 per cent), advertising (40 per cent), anonymity (25 per cent), demo games (21 per cent), and because family members did (14 per cent).<sup>33</sup>

### **Limited harm minimisation measures**

Clubs and other land-based operators are subject to extensive harm minimisation regulations. These measures act to ensure that players gamble in a safe, supervised and regulated environment.

By contrast, many online gambling sites offer little protection against fraud, money laundering or improper business practices. Studies cite incidents where gamblers have not been paid winnings or where sites have absconded with player deposits.<sup>34</sup> Websites offer inducements to gamble (such as free credits) and many operate without stringent age verification procedures in place. In some cases, players are not informed of how the games operate. As operators are often based offshore, there are limited avenues of redress for patrons who experience problems. A survey of over 10,000 internet gamblers found that more than one-third of participants had experienced a dispute with an online gambling website.<sup>35</sup>

Organisations such as eCOGRA (E-commerce and Online Gaming Regulation and Assurance) exist to ensure that online websites comply with “best operational practice requirements.” Launched in 2003, the website provides certification to sites that offer responsible and honest gambling practices such as prompt payment, random games, accurate advertising claims, fair trading practices and privacy protections. However, the list of “safe and fair” approved sites contains the names of only thirty casinos.<sup>36</sup> The online industry is unwilling to self-regulate.

### **Inducements**

It is standard practice for online gaming operators and wagering companies to offer gamblers incentives or inducements to place bets or open accounts. Typically, these take the form of free bets or games or sign up bonuses at improved odds and higher payout rates. According to a report by Blaszczynski, Sharpe, & Walker, there is evidence to suggest that the possibility to play without money makes games more attractive, reduces barriers to play, and may undermine attempts to quit.<sup>37</sup> Free gambling inducements “have been identified as fostering future gambling problems.”<sup>38</sup>

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<sup>31</sup> *Ibid.*

<sup>32</sup> *Ibid.*

<sup>33</sup> Griffiths, M & Barnes, A (2007). *Internet gambling: An online empirical study among student gamblers*. International Journal of Mental Health and Addiction.

<sup>34</sup> Williams, R & Wood, R (2007). *Internet Gambling: A Comprehensive Review and Synthesis of the Literature*. Ontario Problem Gambling Research Centre, Guelph, Ontario.

<sup>35</sup> *Ibid.*

<sup>36</sup> <http://www.ecogra.org/Home.aspx>

<sup>37</sup> Cited in Monaghan, S (2009) *Responsible gambling strategies for Internet gambling: the theoretical and empirical base of using pop-up messages to encourage self-awareness*. Southern Cross University.

<sup>38</sup> *Ibid.*

Some sites require the gambler to place a bet or provide credit card details in order to receive free credit. It is often the case that if a gambler wagers a high amount, the incentive is increased accordingly. As one research paper notes, in some cases such practices operate “ostensibly to familiarise the person with the game and to improve their skill. However, research suggests that there may be a more nefarious purpose.”<sup>39</sup> Players are then conditioned to expect large payouts only to find that when they swap to cash based gaming, the odds have been altered.

ClubsAustralia views the online gambling industry’s practice of offering free bets or other inducements as particularly dangerous. Governments in Victoria, NSW and South Australia have introduced laws forbidding the advertising of incentive bonuses for sign-ups; however, the websites of many online operators reveal that the sign-up incentives still exist and are being promoted online.

Other sites, such as Spin Casino, offer misleading or deceptive “welcome bonuses” that require gamblers to “play through” initial deposits at least 30 times before the bonus amount can be withdrawn from the player’s account.<sup>40</sup> In many cases, “welcome bonuses” are subject to impractical time restraints, encouraging gamblers to bet large amounts in short periods of time in order to receive bonus credit.

Some sites also operate with unreasonable or onerous “terms and conditions” in place. According to the website “Reviewed Casinos,” many gamblers find that upon attempting to collect their winnings, sites allege that such terms and conditions have been breached, thus the gambler forfeits the right to any winnings.<sup>41</sup> “Reviewed Casinos” allows gamblers to share their internet gambling experiences and hundreds of gamblers have left comments expressing their frustration with complicated terms and conditions and confiscated winnings. For example:

“I think the "bonus" that you get at spin palace is a joke. Thirty times the bonus amount MUST be bet BEFORE any withdrawal is made. That in effect ties up your initial deposit almost indefinitely. If you play roulette, only 8% goes to "paying down" your bonus dollars....”<sup>42</sup>

"I tried to make a withdrawal on the 9th and waited the required 24 hours. It’s now the 19th and still no money, just a "work in progress". When I started calling, I kept getting "24-48 hours" and now I'm getting "the holiday weekend.”<sup>43</sup>

“I won about AUD6000 after creating an account (deposited \$950) and that is after satisfying the over complicated bonus turnover limit. After sending through my details to them to confirm withdrawal (several times), I finally received an email which told me that I breached some clauses.”<sup>44</sup>

### **Credit card betting**

Legislation prevents credit card betting on poker machines in gaming venues. There are also restrictions on credit withdrawals from ATMs in non-casino gambling venues. By contrast, internet gamblers can legally use credit cards to fund gambling sprees on online wagering sites. Some sites aggressively promote the use of credit card gambling by offering the promise of lucrative free bets in exchange for sign-up accounts and credit card details.

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<sup>39</sup> Wood, R & Williams, R. (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options*. Ontario Problem Gambling Research Centre, Guelph, Ontario.

<sup>40</sup> <http://www.spinpalace.com/terms>

<sup>41</sup> [http://www.reviewed-casinos.com/casino\\_player\\_reviews/932/Spin\\_Palace\\_Casino/](http://www.reviewed-casinos.com/casino_player_reviews/932/Spin_Palace_Casino/)

<sup>42</sup> *Ibid.*

<sup>43</sup> *Ibid.*

<sup>44</sup> *Ibid.*

Clubs Australia is opposed to people gambling on credit, either online or at a venue.

Credit card gamblers are funding their habit through what is effectively a short term loan. If the initial amount is not paid off within a specified time period, interest accrues, increasing the likelihood of the gambler encountering financial difficulty or mismanaging funds.

Clubs Australia rejects the suggestion espoused by the Productivity Commission that credit cards enable gamblers to accurately track their play.<sup>45</sup> By the time it takes for a credit card statement to arrive, the gambler has usually “done the damage”. We also reject the suggestion that it is easier for family members to monitor gamblers’ spending habits by checking credit card statements. Privacy laws prevent this.

### **Advertising**

While the *Interactive Gambling Act 2001* prohibits the advertising of interactive gambling services, there are virtually no restrictions on advertising gambling products such as sports betting and wagering online or through mainstream media. Currently, companies advertise widely during televised national sporting events, heavily promoting gambling services and the placing of bets. In some instances, sporting odds are even provided during match commentary. A number of researchers have indicated that advertising expenditure appears to be increasing<sup>46</sup> and that gambling advertising during sporting events is increasingly viewed as a social norm. A High Court judgment has confirmed that current laws permit wagering companies to advertise, offer inducements to players and offer credit betting facilities.<sup>47</sup> These outcomes are contrary to good public policy.

Advertisements for these types of gambling products also do not contain information relating to the chances of winning or provide visible warning statements that highlight the potential risks associated with excessive gambling. Children who watch sporting television broadcasts cannot avoid gambling promotions which take place both during the match and commercial breaks. Several researchers have suggested that youth, an identified at-risk population, are particularly susceptible to gambling promotions and advertising.<sup>48</sup>

The association of gambling with sportspeople and sports broadcasters glamorises participation in gambling and informs youth of opportunities to engage. The results of a recent study clearly underscore the power of gambling advertising. Forty-two per cent of those surveyed stated that gambling advertising made them want to try gambling.<sup>49</sup> Another study examined sources of gambling advertising: 96 per cent reported exposure through television advertising and 93 per cent reported internet exposure.<sup>50</sup>

By contrast, land-based venues in most jurisdictions are prohibited from promoting their gambling operations in advertising and signage. In NSW, venues are not permitted to acknowledge that such facilities even exist.

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<sup>45</sup> Productivity Commission (2010) *Inquiry Report Into Gambling*.

<sup>46</sup> Monaghan, S, Derevensky, J & Sklar, A (2008). *Impact of gambling advertisements and marketing on children and adolescents: Policy recommendations to minimize harm*. Journal of Gambling Issues: Issue 22, December, 2008.

<sup>47</sup> Betfair Pty Limited v Western Australia [2008] HCA 11. Available at: <http://www.austlii.edu.au/au/cases/cth/HCA/2008/11.html>

<sup>48</sup> Monaghan, S, Derevensky, J & Sklar, A (2008). *Impact of gambling advertisements and marketing on children and adolescents: Policy recommendations to minimize harm*. Journal of Gambling Issues: Issue 22, December, 2008.

<sup>49</sup> *Ibid.*

<sup>50</sup> Cited in Monaghan, S, Derevensky, J & Sklar, A (2008). *Impact of gambling advertisements and marketing on children and adolescents: Policy recommendations to minimize harm*. Journal of Gambling Issues: Issue 22, December, 2008.



## **The cost effectiveness of online harm minimisation provisions**

Harm minimisation features can be incorporated into internet gambling sites with relative ease.

Online harm minimisation features are highly cost effective as they can be built into websites far more cheaply than land-based measures can. Dr Sally Gainsbury confirms that “internet-based treatment may be a highly cost-effective and beneficial option for treating problem gamblers.”<sup>51</sup>

The safety features of internet gambling sites should align with the requirements of venue-based gambling providers. It is important that online sites take active steps to prevent problem gambling from occurring, as venue-based gambling providers do.

Websites should be required to display visuals advising problem gamblers of how they can seek help. They should also provide contact details for gambling help services.

Online gambling sites should be required to prominently display a clock so that gamblers do not lose track of time. It should also be possible for gamblers to self-exclude voluntarily from websites and de-activate their gambling accounts for set periods of time.

Counselling services have been proven to be highly effective in providing support for land-based problem gamblers. Accordingly, a number of researchers believe that internet based counselling services and interventions can be of particular assistance to online problem gamblers. In the UK, organisations such as GamCare have been established to provide twenty-four hour help services to online gamblers.

Dr Sally Gainsbury suggests online counselling has heightened relevance for younger online users, who are at an increased risk of developing gambling related problems. She argues that this is because youth are already comfortable with turning to the internet for health related information.

Gainsbury remarks:

“Internet-based interventions appear to be suitable for youth and young adults dealing with gambling-related issues. Young people have specific barriers to accessing mental health services. These include time, costs and travel, as well as being overwhelmed by personal issues, lack of confidence in seeking help, not recognising the extent of the problem as well as a preference to turn to informal sources for help. Upwards of 90 to 95 per cent of teenagers report regular internet use in most developed countries, and the internet is rapidly becoming a source of information and help for youth.”<sup>52</sup>

Online support groups or counselling services also have the added advantage of affording the gambler anonymity, helping to overcome issues of embarrassment or perceived stigma.<sup>53</sup> Internet gamblers are able to seek online assistance without revealing their identity, making this form of treatment a more attractive option. Researchers have confirmed that shame and stigma often cause problem gamblers to delay seeking treatment.<sup>54</sup>

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<sup>51</sup> Gainsbury, S. (2011). *Internet Interventions for the treatment of problem gambling*. International Centre for Youth Gambling Problems and High-Risk Behaviours, Volume 11, Issue 1.

<sup>52</sup> *Ibid.*

<sup>53</sup> Cooper, G. (2001) *Online assistance for problem gamblers: an examination of participant characteristics and the role of stigma*. University of Toronto.

<sup>54</sup> Casey, L et al. (2009) *Internet-based delivery of cognitive behavior therapy versus monitoring, feedback and support for pathological gamblers*. Griffith University.

A 2009 study stated that “the internet is fast becoming an important tool for delivering mental health services and may hold considerable promise for treating pathological gamblers.”<sup>55</sup> The first Australian study to examine the efficacy of internet-based problem gambling treatment services, the report endorses cognitive behavioural therapy as “best practice approach” to treating problem gamblers, noting that it is “easily transferred to Internet-based delivery.”<sup>56</sup> According to the researchers: “the results from this project provide clear evidence that providing treatment via the internet is a useful addition in approaches to dealing with pathological gambling. Our findings suggest that Internet-based cognitive behavioural treatment appears to hold particular promise for the treatment of pathological gamblers.”<sup>57</sup>

A study which assessed the effectiveness of online educational messages found that participants reported significantly fewer irrational beliefs and demonstrated less risky gambling behavior after viewing educational messages.<sup>58</sup> Overall, the research concludes that warning messages are also effective in educating gamblers, as well as influencing patterns of play. Warning messages were also shown not to have any significant impact on enjoyment levels experienced by gamblers.

### **Club Gaming: Taxation and Community Benefits**

Unlike offshore gambling sites, clubs pay a range of Commonwealth, State, Territory and local government taxes. Clubs also provide employment and contribute to communities in countless tangible and intangible ways.

In 2004/05, the ABS reported that Australian clubs paid over \$1.1 billion in gaming machine tax. These taxes provide for government expenditure on health, transport and education. The level of taxation received from foreign-based online gambling companies via licence fees is a fraction of one percent of that paid by Australian venues.

Furthermore, clubs are not-for-profit entities which return the proceeds of gaming to the community in the form of sporting and social infrastructure which costs significant sums of money to build and maintain. Internet gambling, by comparison, has almost no maintenance or overhead costs: virtually all revenue derived is profit.

The funneling of gambling revenue from Australian clubs and other local operators to unknown international companies represents millions of dollars in lost taxation revenue, jobs and community benefits. ClubsAustralia believes the level of taxation paid by internet and interactive gambling services should be significantly raised, or that club tax rates be lowered to allow competition.

### **The Argument for Proper Regulation**

There is a view among some that Australia should de-regulate internet gambling, including allowing casino-style games. Indeed this was a recommendation of the Productivity Commission. Those of this view contend that de-regulation would ensure harm minimisation standards apply and are regulated by the Australian Government rather than less trustworthy foreign governments whose gambling operators may be immune from prosecution by Australian citizens. Instead Australians would be able to have confidence in the gambling provider/s, ensuring wins were actually paid and

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<sup>55</sup> *Ibid.*

<sup>56</sup> *Ibid.*

<sup>57</sup> *Ibid.*

<sup>58</sup> Floyd, K, Whelan, J & Meyers, A. (2006) Use of warning messages to modify gambling beliefs and behavior in a laboratory investigation. *Psychology of Addictive Behaviors*.

games were not rigged. Gaming expenditure and the consequential tax, employment and other benefits would also remain in, rather than flow purely out of, the Australian economy.

It is our contention that internet gambling must be regulated, as far as possible on parity with land based gaming, both to ensure equal standards of harm minimisation and to ensure competitive neutrality as the costs of regulatory compliance are burdensome.

Clubs Australia believes that online gambling should have significant harm minimisation standards including:

- voluntary pre-commitment;
- guidance for accessing problem gambler counseling services;
- restrictions on access to prevent play by minors;
- a ban on credit betting;
- a ban on inducements to gamble; and
- a ban on advertising, other than people who sign up to receive correspondence within gaming venues (that is, excluding newsagents and other retail outlets for lottery products).

## **Conclusion**

The most significant new trend in the conduct of gambling is the rise in popularity of internet or phone-based gambling. This new delivery method for gambling products, straight into the homes and pockets of gamblers, presents unique and unprecedented challenges for policy makers and new risks to the consumer. There is clear evidence that the growth in internet gambling has witnessed the birth of a new breed of problem gamblers. The insular and anti-social nature of internet gambling, combined with the lack of harm minimisation requirements, creates particularly vulnerable consumers.

There is an obvious need to extend effective harm minimisation measures to all forms of gambling and the Federal Government has both the power and responsibility to legislate mandatory harm minimisation measures for internet gambling. Consistency in regulation would ensure that gamblers are not penalised for their gambling preferences. It also has the added advantage of avoiding giving one form of gambling a competitive advantage over the other.

The structure and nature of the online gaming environment affords great potential for cost-effective regulation. Online harm minimisation features are far less costly than land-based measures and can be built into sites with relative ease and without delay. Online operators have the technical ability to monitor play and offer interactive communication services.

As staff supervision is an essential component of responsible gambling service, online gambling staff should also be required to complete RCG training. Furthermore, online gamblers should be able to take advantage of exclusion options should they feel the need to utilise such a mechanism.

As demonstrated, it is essential that harm minimisation practices that mirror land-based requirements should be introduced for all virtual gambling environments. This should include prohibitions on advertising and public sponsorships, inducements to gamble, credit betting and credit accounts. Internet gambling operators should be required to introduce online counselling services, stringent ID checks and other harm minimisation measures.

Clubs Australia highlights the need for the adoption of tested and proven harm minimisation strategies which are equivalent across all gambling media operators. There is simply no justification for holding the online modes of gambling to differing safety and regulatory standards. Online gambling has proven to be inherently more problematic than its bricks and mortar counterpart. Without adequate regulation by the Federal Government, these problems will exacerbate to the detriment of players, gambling providers and the community.