



**Clubs Australia**

**SUBMISSION TO THE  
COMMUNITY AFFAIRS SENATE COMMITTEE:  
INQUIRY INTO THE PREVELANCE OF INTERACTIVE AND ONLINE  
GAMBLING IN AUSTRALIA**

**JULY 2010**

**INTRODUCTION**

ClubsAustralia welcomes the opportunity to provide comment on the Community Affairs Senate Committee inquiry into the prevalence of online gambling, and the adequacy of the Interactive Gambling Act 2001. Such an inquiry is important in the wake of the Government's rejection of a recommendation to liberalise online gambling, emanating from the recent Productivity Commission Inquiry into Gambling.

The most significant new trend in the conduct of gambling is the rise in popularity of internet-based and mobile-phone-based gambling. This new delivery method for gambling products presents unique and unprecedented challenges for regulators, and risks to the consumer.

Despite an Australian ban on internet-based gambling through the Interactive Gambling Act 2001, internet users (and many mobile telephone users as well) are still able to access various forms of gambling, including online poker, casinos, sports betting and many other products. Because the internet is largely unregulated and crosses not only state but national borders, the consumer is able to access these products from the privacy and comfort of their home at any hour of the day, without supervision or interruption and for an unlimited amount of time. Offshore betting agencies are not required to adhere to Australia's rigorous standards for gambling operators and there is no quality assurance or consumer protection.

For problem gamblers and those at risk of problem gambling, this presents a particularly treacherous situation. The insular, antisocial nature of home computer usage means they are more vulnerable.

Aside from the risk to the consumer, the funnelling of gambling revenue from Australian clubs and other local operators to unknown international companies represents millions of dollars in lost taxation revenue, lost Australian jobs, and foregone community benefits from sponsorships and other social dividends that are presented by clubs.

Compared to online gambling, traditional land-based gaming is very heavily regulated. Clubs are subject to extensive mandatory and voluntary harm minimisation practices, including regular review and inspection. In contrast, web-based providers are able to operate 24/7 with little to no regulatory scrutiny. There have been numerous cases of fraud and theft, for which players have little protection.

ClubsAustralia is particularly concerned about the risk posed by these new gambling providers to young adults and under aged youth, who are the heaviest internet users, are more susceptible to aggressive advertising, and can access these sites with relative ease. The Federal Government has the power and the responsibility to legislate mandatory harm minimisation measures for internet gambling.

### **Regulation of the online industry**

ClubsAustralia believes that gambling, properly regulated, is a legitimate form of entertainment. Far from banning online gambling, ClubsAustralia instead believes that it should face identical regulation to that placed upon gaming machines. State and territory based measures such as the training and accreditation of staff in the responsible service of gaming, bans on gambling with credit in addition to restrictions on advertisements and inducements to gamble has made land based gambling a highly regulated form of entertainment.

ClubsAustralia has long held concerns about the vastly different regulatory treatment of online gambling in comparison to other forms of gambling. We are of the belief that this differing treatment has created an environment whereby online gambling operators are exempt from the rigorous advertising,

promotional and harm minimisation measures that are adhered to by other gambling operators. For example in NSW, Section 43 of the Gaming Machines Act 2001 prohibits clubs from publishing any advertising material for gaming machines.

The allowance of credit cards, and hence betting with credit, as an acceptable method of payment for online gambling when debit card, EFT or BPAY are considered safer forms of payment for online gambling is a an obvious risk to the consumer. Online providers also have the ability to liberally advertise their products within the mainstream media, through the sponsorship of sporting and racing events. This enables such companies to blatantly offer inducements for individuals to open an online account to gamble. It is not uncommon for online companies to offer free bets of up to \$150 to encourage people to gamble. Such practice appears to be conducted with minimal, if any, regard for the potential harm to the broader community by way of exposure to problem gamblers and targeting of sporting events viewed by minors. Online gambling providers are also under no obligation to provide their staff with RCG-equivalent training, similar to that which is compulsory in most Australian states and territories for those working in land based gaming venues.

Even without these allowances taken into consideration a recent inquiry by the Productivity Commission into gambling recognised that online gambling may lead to an increase in the number of problem gamblers through its high level of accessibility.<sup>1</sup> This view is supported by recent evidence suggesting that increased exposure to gambling in a population increases the prevalence of gambling and gambling-related problems.<sup>2</sup>

### Credit card betting

ClubsAustralia believes the use of credit cards when gambling online is simply dangerous, and remains of the firm position that people should not gamble with money they do not have.

Bets from the one account can be placed from a variety of sources such as multiple credit cards, debit cards, cash, free bets, e-wallets such as Moneybookers and Neteller, and BPay. However, winnings are only paid into a savings account, making it confusing and difficult to track losses and compare losses to winnings.

Legislation exists in all states preventing credit cards from being used on Electronic Gaming Machines (EGM's) or at casinos. This is a position ClubsAustralia supports, on the basis that all forms of gambling should be funded with the gambler's own money. Credit card-funded gambling is essentially gambling done using a short term loan – one which, if not paid off in 55 days or less, attracts an average interest rate of around 15-20 per cent. ClubsAustralia remains of the strong view that legislation relating to credit cards and online gambling should be brought into line with that which exists for EGMs and casino games. Anything else creates a clear inconsistency in the regulatory approach to safe gambling and the dangers credit cards can create for those who gamble.

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<sup>1</sup> Commonwealth Productivity Commission, Gambling Report, P15.1

<sup>2</sup> Fisher, S (1993), "Gambling and pathological gambling in adolescents", *Journal of Gambling Studies*, Volume 9, pp.277-288; Hardoon, KK, & Derevensky, JL (2001), "Social influences involved in children's gambling behaviour", *Journal of Gambling Studies*, Volume 17, pp.191-215; Abbott, MW (2007), "Situational factors that affect gambling behaviour" in G Smith, D Hodgins & R Williams (Eds.), *Research and measurement issues in gambling studies* (pp.251-278), New York: Elsevier.

ClubsAustralia believes a simple solution exists – using technology that is already used by online operators – which would prevent users from spending money they do not have. Consideration must be given to the use of a debit card system.

A debit card operates like an electronic cheque and bears virtually no physical difference to a credit card (although in some cases, accounts are designed exclusively for use on the Internet, meaning there is no physical card). Indeed, the only difference – albeit an important one – is that transactions transfer money from the bearer’s bank account, instead of requiring the bearer to repay the amount at a later date with the possibility of substantial interest incurred. A debit card should not be confused with an ATM/EFTPOS card. Debit cards, like credit cards, are acceptable through the internet and over the phone, while ATM cards are not. This is not fringe technology. Debit cards are already extremely popular, accounting for 24.6 per cent of all transactions among merchants with annual turnover of \$1 million or more, a recent survey found. This was virtually identical in percentage to credit cards, which comprise 26.5 per cent, while cash and cheques made up the rest.<sup>3</sup>

Reserve Bank of Australia figures show that debit cards take up 31.8 per cent of all non-cash retail payments. Between June 2008 and 2009, the purchase value using debit cards increased by 14.7 per cent, the largest growth of any non-cash payment forms.<sup>4</sup> Visa reports that the debit card is the fastest growing consumer product they have ever released; 70 million people use a Visa debit card each month, and over 115 million people worldwide hold a debit card under that brand.<sup>5</sup>

Debit card technology is well suited to online gambling in that it allows Australians to bet using money that is their own, while not requiring the installation or update of new technology for the online business. Indeed, 100 per cent of Australian online gambling operators have recognised the popularity and security of a debit card by declaring it an acceptable form of payment when placing bets. The vast majority of debit cards are offered free of charge as part of a savings account, are offered by all major banks, and enjoy the same security measures that make credit cards a popular form of online payment. It is therefore an ideal form of payment for online gamblers with built-in safeguards to prevent, or at least limit over-spending (such as on gambling).

ClubsAustralia notes recent comments by Betfair Australia’s chief executive, Andrew Twaits, who commented: “I think what we as an industry need to do is to provide the safest platform that we possibly can.”<sup>6</sup> ClubsAustralia argues that if the online industry is genuine in its commitment to maximising gambler safety, then credit card use must be banned and replaced by debit card technology.

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<sup>3</sup> “Debit cards on the rise”, SBS World News, 2 March 2009, <http://www.sbs.com.au/news/article/1010010/Debit-cards-on-the-rise> (accessed 8 December 2009).

<sup>4</sup> Reserve Bank of Australia, Payments Systems Board Annual Report 2008-2009, August 2009, <http://www.rba.gov.au/PublicationsAndResearch/PSBAnnualReports/2009/Pdf/2009-psb-ann-report.pdf>, Table 2, p.7.

<sup>5</sup> “History of Debit Cards in Australia”, Debitcard.com.au, <http://www.debitcard.com.au/debit-card-articles/17-history-of-debit-cards-in-australia>, accessed 8 December 2009.

<sup>6</sup> “Online gambling needs controls: Betfair”, *The Sydney Morning Herald*, 8 December 2009, <http://www.smh.com.au/business/online-gambling-needs-controls-betfair-20091207-kfpg.html>, accessed 8 December 2009.

## Mobile phone betting

ClubsAustralia is of the belief that the Senate Committee should carefully consider strict regulations relating to the use of mobile betting given the likely growth in this form of gambling over the coming years – particularly among young people.

From a worldwide revenue base of \$1.5 billion in 2005, gambling via mobile phone is tipped to reach \$26 billion by 2012.<sup>7</sup> Betting activities are divided among the principal categories of sports and spread betting, mobile lotteries and scratch cards, and casino and skill games.

Companies such as Betezy.com.au and Betfair.com.au offer users the opportunity to download software that allows them to place live bets via their mobile phone. Allowing betting to occur using such a familiar device as a mobile phone is an invitation to gamble that most young people are not sufficiently experienced to handle; nor can they appreciate the inherent risks involved. A survey of young consumers, conducted by the NSW Office of Fair Trading, found that nearly 90 per cent of young people have their own mobile phone, and one in five people aged 15-17 have trouble paying their phone bills.<sup>8</sup>

This financial stress will only be exacerbated by the growth in mobile gaming. Adding to the danger of mobile betting is the fact that many gambling websites have 'free play' sections that children and teenagers can access where they learn more about gambling. Gambling-like content can also be accessed in various non-monetary forms on mobile phones, video games and social networking sites such as Facebook and MySpace. This makes gambling a more visible, attractive and ubiquitous activity to adolescents. The broad accessibility of gambling also makes self-exclusion from gambling more difficult for vulnerable individuals and problem users.<sup>9</sup>

ClubsAustralia believes it is important to consider and respond to the potential danger of mobile betting as mobile phone technology improves and allows mobile betting to become more convenient and attractive to young people. This is in addition to the legitimate concerns ClubsAustralia has regarding the treatment of online gambling.

ClubsAustralia has also voiced these concerns in detailed submissions to the Productivity Commission report into gambling, in response to recommendations within the report to liberalise online gambling. ClubsAustralia supports the Commonwealth Government's rejection of such a move being part of Government policy.

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<sup>7</sup> Juniper Research, *Whitepaper – Mobile Gaming: A Good Bet For The Future*, October 2007, [www.juniperresearch.com/shop/products/whitepaper/pdf/MobileGamblingWhitepaper.pdf](http://www.juniperresearch.com/shop/products/whitepaper/pdf/MobileGamblingWhitepaper.pdf), p.5, accessed 24 March 2009.

<sup>8</sup> NSW Office of Fair Trading, *NSW Youth Consumer Survey*, November 2009, [http://www.fairtrading.nsw.gov.au/pdfs/About\\_us/Youth\\_consumer\\_survey\\_findings\\_09.pdf](http://www.fairtrading.nsw.gov.au/pdfs/About_us/Youth_consumer_survey_findings_09.pdf), accessed 8 December 2009.

<sup>9</sup> King, Daniel, Paul Delfabbro and Mark Griffiths, "The Convergence of Gambling and Digital Media: Implications for Gambling in Young People", *Springer Science+Business Media*, LLC 2009, p. 7.

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