



30<sup>th</sup> June, 2011.

Committee Secretary  
Joint Select Committee on Gambling Reform  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

**Inquiry into Interactive and Online Gambling and Gambling Advertising**

**Peter Turnbull**  
**Chief Executive Officer**

## INTRODUCTION

### Definitions:

“**The Interactive Gambling Bill 2001** (the Bill) provides for restrictions and complaints in relation to interactive gambling services. The framework in the Bill has three main elements. Firstly it creates an offence of providing an interactive gambling service to customers in Australia. Secondly the Bill establishes a complaints scheme which will enable Australians to make complaints about interactive gambling services on the Internet which are available to Australians. Thirdly the Bill prohibits the advertising of interactive gambling services in Australia.” (Revised Memorandum)<sup>1</sup>

“**Claytons** is the brand name of a non-alcoholic, non-carbonated beverage coloured and packaged to resemble bottled [whisky](#). It was the subject of a major marketing campaign in [Australia](#) and [New Zealand](#) in the 1970s and 1980s, promoting it as "the drink you have when you're not having [a drink](#)" at a time when alcohol was being targeted as a major factor in the [road toll](#).”

Although the product is no longer being actively marketed, the name has entered into Australian and New Zealand vernacular where it represents a "poor substitute" or "an ineffective solution to a problem".<sup>2</sup>

### Comment

The Interactive Gambling Act 2001 has a strong affinity with the term “Claytons”. Like Claytons it has not been an effective solution to a problem – it definitely can be classified as “legislation you have when you’re not having legislation”.

Mr Jamie Nettleton, gaming law expert from Addisons law firm, says no-one has been prosecuted under the Interactive Gambling Act 2001 and it is ineffective legislation. "It has not been enforced at all and indeed it's legislation which is principally directed at people outside of Australia," he said. "Even if attempts were made to enforce it, it's very unlikely to be enforced against those operators."<sup>3</sup>

Sally Gainsbury concurs saying “..no website or corporation has been prosecuted for violating the IGA, perhaps an indication of the lack of enforcement of this policy combined with the increasing brazenness of offshore gambling sites.”<sup>4</sup>

The fact, that despite prohibition Australians spent almost one billion dollars last year on online gambling and that there is a prevalence of advertising of off shore gaming sites, prove that the legislation is not working, and urgently needs to be reviewed.

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<sup>1</sup> [www.archive.dcita.gov.au/.../interactive\\_gambling\\_bill\\_2001\\_revised\\_explanatory\\_memorandum.pdf](http://www.archive.dcita.gov.au/.../interactive_gambling_bill_2001_revised_explanatory_memorandum.pdf)

<sup>2</sup> [www.wikipedia.org](http://www.wikipedia.org)

<sup>3</sup> [www.abc.net.au/news/events/state\\_of\\_play/part1/](http://www.abc.net.au/news/events/state_of_play/part1/)

<sup>4</sup> Sally Gainsbury, Response to the PC Inquiry Report into Gambling pg. 4

## THE INTERNET AND GAMBLING

There can be no doubt that technology has a profound influence on human behaviour and the continued growth of the internet has provided the medium for dramatic changes in a number of areas in our lives, particularly in communication, entertainment and information.

It is hard to believe that back in August, 1995, there were only 18,957 websites. By December 2000 that number had inflated to 9.56 million.<sup>5</sup> As at June 2011 it was estimated that the number of websites had reached 346 million.<sup>6</sup>

In January 1996, Intercasino, based in Antigua became the first online casino to accept a wager over the internet.<sup>7</sup> By the end of that year there were about 15 sites and 650 by the end of 1999.<sup>8</sup>

Today <http://online.casinocity.com> states that there are 2,481 online casinos and gambling sites, 2,105 of those sites are English language sites that accept play from Australia (including 678 Casino sites offering Slots & Table games, 505 Poker sites, 353 Sports betting sites and 346 Bingo sites). There are a staggering 2,837 different types of slot machines available to choose from.

The 2,481 online gambling sites emanate from 75 Jurisdictions with the most popular being Malta (503 sites), Netherlands Antilles (330 sites), Gibraltar (259 sites), Costa Rica (188 sites), Kahnawake (146 sites) and United Kingdom (108 sites). The 2,105 sites that accept play from Australia are based in 49 jurisdictions.

The presence of gambling on the internet is exemplified on Google. If you Google the following words you will be amazed at the number of search results:

**“Online gambling”** – 24.3 million results

**“Online Sports Betting”** – 25.5 million results

**“Online Casino”** – 93.2 million results

**“Gambling”** – 157 million results

**“Casino”** – 507 million results

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<sup>5</sup> [www.news.bbc.co.uk/1/hi/sci/tech/1738496.stm](http://www.news.bbc.co.uk/1/hi/sci/tech/1738496.stm)

<sup>6</sup> [www.verveuk.eu/node/40](http://www.verveuk.eu/node/40)

<sup>7</sup> [www.intercasino.com/about-us/](http://www.intercasino.com/about-us/)

<sup>8</sup> [www.pgfnz.org.nz/Robert\\_Williams\\_2010\\_Internet\\_Gambling\\_NZ.pdf](http://www.pgfnz.org.nz/Robert_Williams_2010_Internet_Gambling_NZ.pdf)

These Google searches list gambling sites, sites reviewing gambling sites, marketing & promotional sites linking to gambling sites, gambling articles (pro & anti gambling) and gambling research. Obviously the greater the presence on the internet the greater the chance of the gambling site gaining new business.

Marketing and promotion of gambling websites is aggressive and competitive, with attractive inducements to sign up and play. These range from sign up bonuses (eg. NobleHouse.com \$4,000), matched deposits for 1<sup>st</sup> deposit or up to a certain amount, free plays and bonuses, ongoing rewards redeemable for playing credits and refer a friend to get bonus or play credits. Free play sites (including those available in Australia through .net sites) are also a popular conduit for operators to them entice new players to play for money.

Two websites that provide an extensive coverage of the inducements offered by a number of gaming sites are:

[www.onlineslotsentertainment.com](http://www.onlineslotsentertainment.com)

and

[www.online.casinocity.com](http://www.online.casinocity.com)

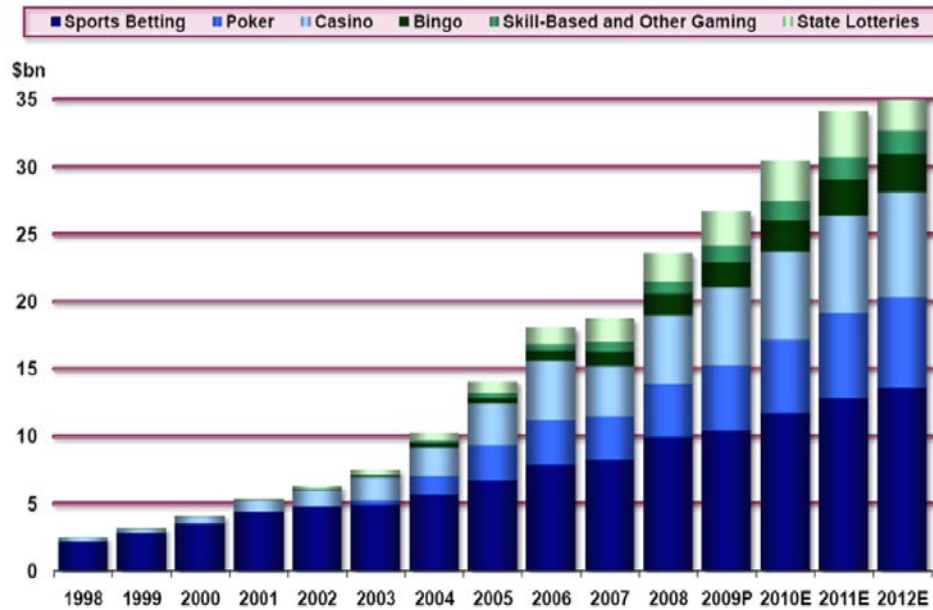
Sponsored links & pop ups on websites is another key method – particularly with Google & Yahoo. Sponsored links to off shore gambling sites are provided by Australia's two leading media companies, News Limited and Fairfax. A search using the words "Wilkie gambling" in the search engine of the Daily Telegraph home page provided links to casino-coral.com and to vipcasinosfullhouseonline.com (which is a direct link to NobleCasino.com). A search of the same 2 words on the SMH home page provided links to partycasino.com and casino-coral.com. Searches on "Wilkie internet gambling" provided links to other overseas gaming sites. This is an example of how the Interactive Gambling Act is a "Claytons" piece of legislation.

The use of celebrities is also widespread, particularly on Poker sites. Shane Warne is the face of 888poker while James Woods and Vince Van Patten greet you on HollywoodPoker.com saying you do not which Hollywood star will be playing on the same poker table as you. There are also a number of professional poker players, like Joe Hachem, Daniel Negreanu and Doyle Brunson who promote different poker sites.

Overseas online gaming sites accept payment from Australia via 147 alternative options, with the most popular options based on credit.

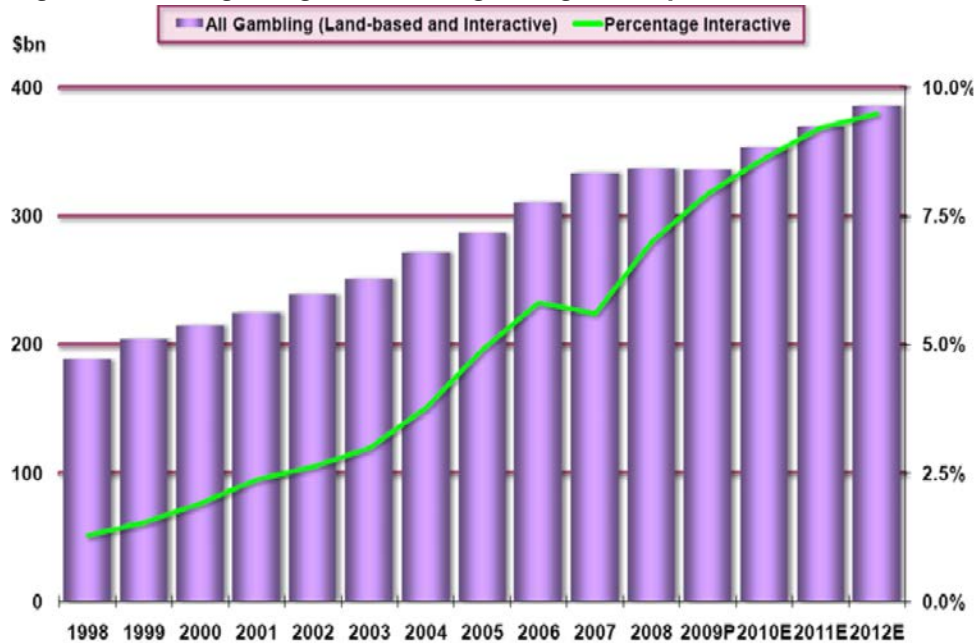
The global online gambling market, which is estimated to have reached \$30 billion in 2010, is represented by the following product segments:

**Figure 1. Global online gaming market by product segment<sup>9</sup>**



Online gaming currently represents approximately 8% of the global gaming market and is projected to grow to nearly 10% by 2012.

**Figure 2. Global gaming market and growing online penetration<sup>10</sup>**



<sup>9</sup> Party Gaming citing H2 Gambling Capital

<sup>10</sup> Party Gaming citing H2 Gambling Capital

While most industries saw a decline in profits during 2010, thanks in part to the global recession, the online gambling industry continued growing. H2 Gambling Capital, a gambling consulting agency in the UK that tracks industry statistics, reported that online gambling revenue increased by 12.5% last year.

The industry as a whole generated \$29.95 billion in revenue, according to the consulting firm. In addition to the whole industry, they also broke things down by the different products offered. Online bingo proved to be the gambling product growing the most, registering a 28.4% revenue growth to \$2.67 billion.

The report by H2 Gambling Capital also showed that online casinos saw a 13.3% increase in revenue to \$2.67 billion. Online poker revenue rose by only 7.1%, the lowest in the report, but that may be because poker is already more popular and possibly reaching its peak. Online poker still brought in \$5.06 billion in 2010.

Sports betting saw a big revenue jump in 2010, bolstered by betting on the FIFA World Cup. Sports betting revenues increased by 10.8% to \$12.06 billion.

This growth is not surprising. A 2009 study by Wood and Williams of internet gamblers found that the advantage of gambling online versus land-based venues was primarily based on its 24 hour availability & convenience (42.3%), don't have to drive or leave the house (27.9%), better game experience (8.9%), more physically comfortable (8.6%), no crowds (6.5%), greater privacy & anonymity (6.1%) and higher payout rates (5.5%) being the major responses.<sup>11</sup>

Higher pay out rates for online sites over land based venues is possible because of far smaller operational costs. Land based venues have capital costs for land, building, gaming products, wages, maintenance, power, cleaning and so on.

A 2008 study by AC Nielson found that gambling was within the top 6 activities performed online in Australia across different age groups:

**Table 3. Gambling on internet across all age groups<sup>12</sup>**

|   | 16-24           | 25-34           | 35-44           | 45-54           | 55-64           | 65+             |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1 | Email           | Email           | Email           | Email           | Email           | Email           |
| 2 | Hotel bookings  | Video streaming | Video streaming | Banking         | Video streaming | Video streaming |
| 3 | Video streaming | Banking         | Banking         | Video streaming | Audio streaming | Banking         |
| 4 | Banking         | Auctions        | <b>Gambling</b> | <b>Gambling</b> | Auctions        | <b>Gambling</b> |
| 5 | Audio streaming | <b>Gambling</b> | Auctions        | Auctions        | <b>Gambling</b> | Auctions        |
| 6 | <b>Gambling</b> | Chat groups     | Chat groups     | Chat groups     | Chat groups     | Chat groups     |

<sup>11</sup> R.Wood & R. Williams, Internet Gambling: Prevalence, Patterns, Problems & Policy Options Jan 2009

<sup>12</sup> Nielsen Online (2008) Study

Australians reportedly spent AUD\$968 million in 2010, gambling on unregulated casino and poker sites and participation in online gambling and wagering is expected to increase at 10-20% per year.<sup>13</sup>

The popularity and growth of internet gambling transcends a number of concerns relating to the integrity and unscrupulous business practices of a number of sites. The only apparent regulation and accreditation for online gaming sites is provided by eCOGRA (e Commerce & Online Gaming Regulation & Assurance) “that provides an international framework for best operational practice requirements, with particular emphasis on fair and responsible gambling.”<sup>14</sup>

The website also states that “Since 2003, eCOGRA certification has become synonymous with the highest industry levels of fair and responsible gaming, professional conduct and superior operating standards. 145 online gaming sites are accredited with the eCOGRA Safe and Fair seal.”

## **SPORTS BETTING**

The Interactive Gambling Act did not prohibit online sports books & betting exchanges, but qualified that live sports betting be only allowed in retail and over the phone (and not via the internet). However live betting on racing is allowed via the internet.

Sports betting turnover in Australia has -

- doubled in just 5 years
- its share of the overall gambling industry is growing at an annual rate 24 times that of horse racing (12% compared to 0.5% for horse racing.)
- as % of total gambling spend in Australia, increased from 1.1% to 1.9%.

It was predicted that Australian revenue on online sports betting for 2011 will reach \$611 million, up from \$264 million in 2006.<sup>15</sup>

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<sup>13</sup> Sally Gainsbury, Gainsbury Gambling Research Volume 22 No.2

<sup>14</sup> [www.ecogra.com](http://www.ecogra.com)

<sup>15</sup> [sportsbetsaustralia.com/gambling-information/gambling-news/](http://sportsbetsaustralia.com/gambling-information/gambling-news/)

## ADVERTISING & MARKETING

As with off shore gambling sites there are a number of websites that provide reviews of sports betting sites, including “new player bonuses” and other inducements to bet on those sites.

Samples of these sites:

[www.aussportsbetting.com](http://www.aussportsbetting.com)

[www.australiangambling.com.au/sports-betting/bookmaker-free-bets/](http://www.australiangambling.com.au/sports-betting/bookmaker-free-bets/)

[www.gamblingaustralia.com.au/all-online-sports-betting-agencies.html](http://www.gamblingaustralia.com.au/all-online-sports-betting-agencies.html)

[www.betting-sites.com.au](http://www.betting-sites.com.au)

Inducements include:

- 100% first deposit bonus
- Deposit \$25 to get a \$100 free bet
- Deposit \$30 to get a \$100 free bet
- Place first bet up to \$50 and if it loses they'll refund you up to \$50 (Excludes VIC and SA)
- \$1000 Free Bet – 15% Signup bonus: Enter promotional Code HIGHROLLER. To get the most of this bonus we need to deposit \$15,000. The minimum requirement is a \$2,000 first deposit.
- Get 10% added to your odds
- Get \$50 FREE Bets. 20% BETTER ODDS
- Score a \$200 Bet You Can't Lose!
- Join Today and Receive \$100 Deposit Bonus!

The major Sports betting agencies have commercial agreements with sport governing bodies such as the NRL, AFL, Cricket Australia, Tennis Australia, PGA and V8 Supercars Australia as well as sponsorships with individual AFL teams such as Carlton (Sportingbet), St Kilda (Centrebet) and Richmond (Tabcorp), NRL teams such as St George Illawarra, Manly, Penrith, North Queensland, Parramatta (all Centrebet) and Brisbane (Sportingbet).

These collective agreements result in maximum exposure at sporting grounds (electronic scoreboards and fence advertising), during televised sport on free to air, pay TV and radio (including live odds during games), high exposure in the print media (newspapers & sporting magazines) as well as via the internet and mobile phones.



## TECHNOLOGY

The mobile betting market has grown rapidly in the last few years and players now have a range of mobile betting services and sports books to choose from for their mobile phone, none more so than the iPhone. iPhone betting apps have provided a huge step forward for the mobile market. iPhone (and smart phones in general) have such large, user-friendly and high resolution screens and processing speeds that it actually makes markets such as sports betting very user-friendly.

Betfair have previously marketed mobile betting as “A bookie in your pocket”. Betfair has seen remarkable growth in their mobile betting announcing last week that it took more than £1 billion in bets on mobile phones, with 168,000 users (up 122% on the previous years) and revenue was up 88% year on year.<sup>16</sup> There is no doubt that mobile betting will continue to increase as technology continues to improve. As well, Paddy Power<sup>17</sup> in Great Britain has released apps for mobile roulette, blackjack and poker, which will make these games more accessible, and will no doubt drive similar revenue growth.

Interactive gambling via Digital TV is a relatively new phenomenon in the Australian market, but the potential is huge. 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. In the UK there are over 30 Digital TV stations offering sports betting and fixed odds betting.

Digital TV will add a new dimension to gambling, and the potential for massive growth by bringing more new and immediate opportunities to gamblers and this will not be restricted to horse racing alone but many sports. There are several digital TV channels that have signed exclusive rights with companies to provide gambling products over the Interactive television and also through SMS TV. These channels will provide live gambling products like poker, roulette, sports betting, blackjack and racing packages. These services will be offered through the digital TV and would have a revenue sharing model with the gaming company. They will provide both services like play for fun gaming and, also in the future live gambling for real money through their channel. The viewers will have to subscribe to play the games and to participate in gambling through the channel.

Gambling through Interactive Digital TV is definitely going to flourish in the future.

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<sup>16</sup> [http://corporate.betfair.com/media/pressreleases/2011/2011\\_06.30.aspx](http://corporate.betfair.com/media/pressreleases/2011/2011_06.30.aspx)

<sup>17</sup> [www.paddypowermobile.com/mobile\\_games](http://www.paddypowermobile.com/mobile_games)

## **SPORTS BETTING CONCERNS**

A number of concerns relating to Sports betting have been raised recently.

Following public and media outcries over the promotion of live betting odds during sports coverage was addressed by the COAG Joint Select Committee on Gambling Reform, placing a deadline of June 2012 for the industry to address the issue. The restrictions would apply to all sports, with the exception of horse racing.

As well, following an alleged incident in an NRL game in the 2010 season, the NRL is reviewing the range of “exotic betting” provided on matches.

Unfortunately the growth in sports betting around the world has been accompanied by allegations of corruption, match fixing, cheating and insider trading of information. It is therefore incumbent on governments to supplement peak professional sport organisations’ bans on offenders with the highest possible punishments to deter this potential criminal activity. Leagues Clubs Australia supports the recommendation in the consultation paper of the NSW Law Reform Commission for a new law – the “offence of cheating in relation to sports and event betting” – which would carry a maximum penalty of 10 years jail.<sup>18</sup>

The rise of internet-based sports betting is changing the face of problem gambling in Australia, says Alex Blaszczynski, Professor of Clinical Psychology at Sydney University. He reports that “we are seeing that young men in particular are turning to gambling on sports” and predicts an “increased risk of higher rates of problem gamblers.” It was reported that the number of people with sports betting-related problems attending gambling addiction clinics have surged by around 70 per cent in just three years.<sup>19</sup>

A research project led by Dr Mark Griffiths, professor of Gambling Studies at Nottingham Trent University, used data from the most recent British Gambling Prevalence Survey to show that the level of problem gambling among those who had used the internet to gamble was ten times higher than among those who did not.<sup>20</sup>

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<sup>18</sup> NSW Law Reform Commission Consultation Paper 12 “Cheating at Gambling”

<sup>19</sup> [www.smh.com.au/.../internet\\_breeds\\_gamble\\_anytime\\_generation\\_20110315](http://www.smh.com.au/.../internet_breeds_gamble_anytime_generation_20110315)

<sup>20</sup> [www.ermagazine.com/news/258857/study-problem-gaming-ten-times-more-common-online.shtml](http://www.ermagazine.com/news/258857/study-problem-gaming-ten-times-more-common-online.shtml)

## **REGULATORY FRAMEWORK**

The Productivity Commission said in its report:

“The current prohibition perversely amounts to discriminatory deregulation, ensuring that the Australian gaming market is exclusively catered to by offshore providers who operate under a variety of regulatory regimes.”<sup>21</sup>

The report recommended the amendment by the Australian government of the Interactive Gambling Act of 2001 to permit the supply of online poker games, subject to a regulatory regime that mandates strict probity standards & high standards of harm minimisation. It also recommended that the Australian government monitor the effectiveness of the harm minimisation, and then evaluate whether the provision of online poker should then continue, and whether the liberalisation should be extended to other online gaming forms.

In essence this Productivity Commission recommendation did not move from its position in 1999, where managed liberalisation was also its favoured option.

As well, in March 2000 the Parliament of the Commonwealth of Australia published "Netbets: A review of online gambling in Australia". The report was produced by the Senate Select Committee on Information Technologies and is a well researched document produced with significant industry and community consultation. The key recommendation being Recommendation 1: "The Committee recommends that Federal, State and Territory governments work together to develop uniform and strict regulatory controls on online gambling with a particular focus on consumer protection through the Ministerial Council on Gambling".<sup>22</sup>

Clearly the Interactive Gambling Act 2001 is not working, and the resultant online gambling environment for Australians playing on off shore sites is lacking the necessary harm minimisation measures and consumer protection controls.

## **THE WAY FORWARD**

Back in May, 1998, Tom W. Bell Director, Telecommunications and Technology Studies, Cato Institute, appeared before the National Gambling Impact Study commission in Chicago in a debate on legalization versus prohibition of internet gambling. Bell made the following points -

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21 Productivity Commission Inquiry Report – Gambling 15.21

22 [www.aph.gov.au/senate/committee/it\\_ctte/...1999.../gambling/.../index.html](http://www.aph.gov.au/senate/committee/it_ctte/...1999.../gambling/.../index.html)

“First, Internet technology renders prohibition futile. The Internet's inherently open architecture already hobbles law enforcement officials, while relentless technological innovation ensures that they will only fall farther and farther behind.

Second, as an international network, the Internet offers an instant detour around merely domestic prohibitions. Principles of national sovereignty will prevent the U.S. from forcing other countries to enforce a ban on Internet gambling, and it takes only one safe harbor abroad to ensure that U.S. citizens can gamble over the Internet.

Third, consumer demand for Internet gambling and the states' demand for tax revenue will create enormous political pressure for legalization.<sup>23</sup>

More recently Jamie Nettleton said "History shows that prohibition doesn't work. Where there's demand there'll be supply, and it's better for that to be regulated, so it's controlled rather than uncontrolled."<sup>24</sup>

Even eminent gambling researcher, Sally Gainsbury, concluded that “Legalised and regulated Internet gambling sites would offer a safer online gambling platform with stronger customer protection and responsible gambling policies” and that “Legalised Internet gambling would establish an appropriate taxation model resulting in taxation revenue returning to the federal and state governments and the community through funding of research, prevention and treatment schemes from government and industry bodies.”<sup>25</sup>

The debate on legalisation versus prohibition aside, we are urgently in need of a regulatory framework for internet gambling that is consistent with land-based venues in Australia requiring:

- abolition of credit betting
- restricting access for under age consumers
- self exclusion options
- voluntary pre-commitment
- provision of online counseling services
- abolition of inducements
- monitoring of spending patterns that are unusual

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<sup>23</sup> [www.cato.org/pub\\_display.php?pub\\_id=12370](http://www.cato.org/pub_display.php?pub_id=12370)

<sup>24</sup> <http://www.smh.com.au/national/mps-weigh-up-online-bet-ban-20110305-1biyj.html>

<sup>25</sup> Gainsbury: Response to the PC Inquiry Report into Gambling: Online Gaming and Interactive Gambling Act 2010 pg.7

We are also in need for consumer protection measures that

- ensure safe financial transactions
- provide safeguards to prevent fraud, identity theft & money laundering
- provide dispute resolution procedures
- ensure the integrity of the site and the games on those sites.