



August 17, 2010

Dear Senate Community Affairs Committee,

Please find attached a submission to the inquiry on interactive and online gambling in Australia. Thank you for the opportunity to contribute to this important and worthwhile inquiry. Our submission aims to highlight the need for more research on Internet and interactive gambling, particularly concerning the Australian context and the impact of this new form of gambling on various aspects of society. We have also attempted to briefly describe some of the risks and benefits of Internet gambling to the Australian community that may be taken into consideration in the development of regulatory policies and procedures.

The authors of the current submission are currently engaged in a research project that is investigating the nature of interactive gambling in Australia. This study aims to further the understanding of interactive gambling and is working in co-operation with many key stakeholders, including gambling operators (Internet and terrestrial), treatment agencies, and research institutions as well as involving the general public. We welcome the involvement of further stakeholders and interested parties in this important research.

We look forward to hearing the outcome of the present inquiry.

Sincerely,

Sally Gainsbury

Southern Cross University
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Senate Community Affairs Committee: The Prevalence of Interactive and Online Gambling in Australia

Internet and interactive (mobile phone, PDAs and interactive television) gambling appears to be one of the fastest growing forms of gambling internationally and in Australia. A KPMG report (KPMG International, 2010) cited a H2 Gambling Capital estimate that the global interactive gaming market will grow 42% to US\$30 billion in 2010. In Canada, the provinces of Quebec and Ontario are introducing legislation permitting online gambling, while in Australia, the Productivity Commission (2010) has offered similar recommendations.

Currently in Australia, the Interactive Gambling Act (IGA) prohibits Internet gambling sites from accepting money from Australian residents. However, Australians have convenient access to over 2,176 Internet gaming sites and are expected to spend over AUD\$968 million in 2010 on illegal online casino, poker and bingo sites. The inadequacy of regulatory restrictions and compliance is evident in the apparent absence of any companies or individuals being prosecuted for breaches of the Act.

The Productivity Commission (2010) estimated that between one and four per cent of Australians gamble through interactive mediums, although a nationally representative telephone poll by Roy Morgan Research indicates that 30% of Australians over the age of 16 gamble online (Nielsen Online, 2010); however it is very difficult to give precise estimates of the prevalence of interactive gambling given that the majority of online gambling sites are conducted by offshore companies and licensed providers operating in unregulated markets. In contrast to authorized sports betting and wagering online services and Australian terrestrial (land-based) operators, internationally-based operators do not provide accurate data or report on levels of interactive participation. These findings suggest that the IGA may not be highly effective if at all in preventing Australians from gambling online or preventing significant amounts of un-taxed revenue being taken offshore.

There are several activities associated with Internet gambling that need to be addressed. These include but not limited to the capacity for cross-jurisdictional shifting of monies for illegal or terrorist purposes, laundering money, loss of taxable revenue to overseas countries, possibilities of exploiting/cheating players, lack of procedures for the resolution of disputes, lack of clarity over boundaries of legal responsibility, and harm to local residents.

The CEN Workshop (2010), incorporating members of the national standards bodies of 30 European and Mediterranean countries have developed nine draft control objectives relating to responsible remote (Internet) gambling. The intent is to establish uniform guidelines, principles and policies. The nine control objectives include:

- The protection of vulnerable customers
- The prevention of underage gambling
- Zero tolerance of fraudulent and criminal behaviour
- Protection of customer privacy and safeguarding of information
- Prompt and accurate customer payments
- Fair gaming
- Ethical and responsible marketing
- Commitment to customer satisfaction and support
- Secure, safe and reliable operating environment

Australian approaches to responsible Internet gambling ought to take into consideration, and

where appropriate, adopt or introduce relevant policies and procedures that are consistent with those implemented in other international jurisdictions. Given the Internet is a global phenomenon, a uniform set of guidelines informing policy decision makers across international boundaries must be pursued to maximize regulatory control and monitoring.

The scope of the present submission to the Senate Community Affairs Committee is directed toward the issue of harm to the local population through excessive Internet use and problem gambling.

Advances in computer graphics and technology have led to the development of sophisticated and graphically attractive Internet gaming sites that operate 24 hours 7 days per week and are readily accessible through mobile phones, personal devices (iPad), and lap-top computers. As a consequence, there is an expression of public concern that Internet gambling results in the negative impact and costs associated with excessive gambling and the potential to exploit vulnerable segments of the community.

The focus of this submission to the Senate Community Affairs Committee is on the potential risks and benefits of Internet gambling to the Australian community that may be taken into consideration in the development of regulatory policies and procedures.

Research and evaluation

The interactive gambling literature is characterised by few, small-scale studies, the finding of which rapidly date as result of constant changes in technology and the market. In addition, very little research has directly examined interactive gambling in Australia. Consequently, there is little information about the demographics of users, extent of use and/or impact of online gambling in Australia making it difficult to develop appropriate policy responses or predict market trends. To address this lack of empirical data, it is recommended that the government must as a first step undertake research to describe the socio-demographics of Internet users in Australia, including the impact on society at the individual, family and community level. Such research should attempt to further the understanding of interactive gambling in terms of participation levels, frequency and duration of play, expenditure, Internet gambling sites used and pattern of engagement with all forms of gambling (interactive and terrestrial). Additionally, research is needed to clarify the relationship between interactive gambling and problem gambling, and the involvement of youth and young adults in Internet gambling. As individuals become increasingly comfortable and familiar with gambling through interactive mediums it is expected that the popularity of Internet gambling will increase. The Productivity Commission has recommended that Internet gambling be increasingly legalised and regulated; however, in the absence of basic and fundamental data, it is not possible to formulate effective policy changes.

Youth

There are several areas of concern with interactive gambling that require further investigation. One such concern is the participation of youth and young adults in interactive gambling. Youth are familiar and comfortable with interactive and anonymous electronic media and use the Internet for a multitude of social, entertainment, educational and business interactions. Australian studies have found that a substantial proportion of school students gamble online (Delfabbro et al., 2005; Jackson et al., 2008). Furthermore, international studies indicate that Internet gamblers are more likely to be younger adults (Wood & Williams, 2009). As young adults have been identified as being at greatest risk for

gambling-related problems compared to any other age cohort (Delfabbro, 2008), this may indicate that young adults that gamble online are particularly vulnerable to potential harmful consequences. This concern is supported by several research studies that have found relatively high rates of Internet and associated problem gambling amongst young adult populations (Griffiths & Barnes, 2008; McBride & Derevensky, 2009; Petry & Winestock, 2007; Wood, Griffiths, & Parke, 2007), again highlighting the necessity for further research in this population to understand the impact of interactive gambling amongst this vulnerable population. Development of attitudes and entrenched behaviour toward Internet gambling among adolescence has implications for longer term involvement in adulthood and chronicity of problems affecting families and the broader community.

Problem Gambling

A second significant concern is the apparent association between interactive gambling and problem gambling. Several studies have found higher rates of problem gambling in Internet gamblers as compared to non-Internet and terrestrial gamblers (Griffiths et al., 2008; Petry, 2006; Volberg et al., 2006; Wood & Williams, 2007; 2009). However, it is unclear whether problem gamblers gamble online and exacerbate existing problems, or whether particular factors of Internet gambling, including availability, convenience, use of credit and speed of play, lead to gambling problems. It is highly likely that both are contributing factors and that the association between interactive gambling and problem gambling is multifaceted. Responsible gambling strategies and harm-minimisation measures can be enacted online to minimise potential gambling-related harms; in some cases this can be achieved more effectively than can be implemented in land-based venues. Internet gambling sites are increasingly implementing consumer protection measures and abiding by mandated or voluntary codes of conduct; however, as long as unregulated sites are available and present an attractive and reasonable alternative, individuals will be able to gamble in a manner that causes significant problems. Therefore, it is possible that increased use of interactive gambling may result in an increase in gambling-related problems with associated social and financial burdens on society including psychological, health, legal and welfare services. In particular, given the anonymity and absence of interpersonal interaction characteristic of Internet gambling, it remains a challenge to limit underage gambling. Use of robotics (software programs that evaluate statistical probabilities and thus have an unfair advantage but are designed to mimic humans giving the impression that players are competing against other humans) is also difficult to control in unregulated markets.

Internet Treatment Options

As Australians are already using interactive mediums to gamble, both legally and illegally, it is expected that the some individuals will develop or exacerbate gambling-related problems. Given that fewer than 10% of problem gamblers seek formal treatment, and this is typically in response to a life crisis, new forms of treatment should be considered to assist problem gamblers who are unwilling or unable to access existing treatment options. Internet-based treatment options represent a new form of help that may be more appealing to individuals, particularly those comfortable and familiar with Internet technology. Emerging research is demonstrating the effectiveness of Internet-based interventions, including online therapy and self-help options, for gambling, including youth-specific interventions (Monaghan & Blaszczynski, 2009a; 2009b; Monaghan & Wood, 2010). The implementation of relatively simple Internet interventions, such as brief assessments with automated normative feedback, may be particularly useful in increasing awareness of potential gambling-related problems amongst vulnerable populations and lead to appropriate behavioural regulation and change. Such strategies may even be incorporated as a mandatory component of Internet gambling

sites as a responsible gambling strategy.

Sponsorship of Sporting Teams and Events

Exceptions to the IGA include lotteries and wagering, including sports betting, which are allowed to be offered through interactive mediums by licensed providers. Sports betting is Australia's fastest growing form of gambling, which is primarily attributed to the increased popularity of interactive gambling. The increased use of interactive mediums to place wagers may be in part related to the extensive advertising and marketing campaigns of online wagering sites, including sponsorship of sporting teams and events. Partnerships between Internet gambling corporations and sporting associations appear to be quite symbiotic as costs associated with sports increase and sports fans represent an ideal market for online gambling. Although mandated and self-regulated codes of conduct restrict the involvement of other "non-healthy" products including tobacco, alcohol, and junk food, little attention has been paid to the potential harm caused by sports sponsorship from Internet gambling corporations. Some jurisdictions, including the U.K., have prohibited the placement of gambling corporation logos on promotional merchandise, in recognition of the potential risk posed to vulnerable populations. The prominent exposure of gambling products normalises this activity and associates it with healthy activities and role models posing a direct risk to youth who are susceptible to influence (Monaghan & Derevensky, 2008; Monaghan et al., 2008). The involvement of Internet gambling sites in the sponsorship of sporting teams and events should be carefully considered and regulated to reduce any risks of exposure to vulnerable populations.

International Internet Gambling Policy Cohesion

The introduction and growth of interactive gambling has been relatively sudden and many jurisdictions are finding that their regulations are outdated and ineffective with regards to this medium of gambling. However, due to difficulties effectively regulating Internet gambling and some reluctance to permit this medium, there is no "gold standard" regulation in existence that can be used to guide an appropriate policy response. This is in part because Internet gambling is a global phenomenon, but policy must reflect the needs of a local population and legal restrictions. Nevertheless, internationally jurisdictions are increasingly enacting more sophisticated regulatory approaches in acknowledgement of the reality and permanence of Internet gambling. Although Australian policy makers must formulate a unique response to Internet gambling, international legislation can be used to guide policies.

The Productivity Commission (2010) recommended that a cohesive approach be taken to maximise alliances with other similar jurisdictions. This is an extremely sensible approach as it would allow policy measures such as filters and blocking software to be shared and Internet sites to be regulated and evaluated based on international guidelines. In particular, there should be a national policy framework to guide regulation in all Australian states and territories. This is very important to reduce competition between states and ensure a cohesive corporate responsibility and consumer protection policy is in place. Furthermore, alliances with a country such as Canada, which has many similarities with Australia including a cohesive policy framework, would be expected to provide mutual benefits for both jurisdictions.

Southern Cross University, University of Sydney & Lethbridge University current research

The attention of the Senate Community Affairs Committee is drawn to current research that is in the early stages of implementation that is designed to obtain detailed demographic information on Internet use and associated problem gambling prevalence rates in Australia.

The extent of the research is in part subject to successful grant applications to Gambling Research Australia.

Given the lack of information and understanding of interactive gambling in Australia a pilot research project is underway led by a team of experienced gambling researchers including Dr Sally Gainsbury (Southern Cross University & University of Sydney), Professor Nerilee Hing (Southern Cross University), Professor Alex Blaszczynski (University of Sydney) and Associate Professor Robert Wood (University of Lethbridge). This research will examine the characteristics of Internet gamblers in Australia to determine the impact of this form of gambling on society, to inform key stakeholders and to assist in forming appropriate responses to the increasing popularity and effect of interactive gambling. This research is a small-scale pilot project that is supported by an Allied Health Sciences grant from the Menzies Foundation. It will utilise an online survey, previously used in a large scale sample of international Internet gamblers, to provide important insight into Internet gambling, in particular the engagement of young adults in this form of gambling. The research is currently seeking individuals and organisations that would like to be involved, particularly gambling-related websites that are able to place a link to the online survey on their website and share relevant de-identified data. Independent research is vital to increase the understanding of the impact of Internet gambling in Australia and collaboration between researchers, gambling operators and industry bodies, governments and regulators as well as the involvement of individual research participants is crucial to successful and meaningful research.

It is anticipated that aspects of the results of this comprehensive study will be analysed within the next one to three years and findings will be made available to the Senate Community Affairs Committee and/or other relevant agencies.

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