

The Secretary  
Senate ECITA Legislation Committee  
S1.57  
Parliament House  
CANBERRA ACT 2600

**RE: Interactive Gambling Bill 2001**

This submission is made by Canbet which is licensed under ACT law to operate as a sports bookmaker.

Canbet made written and oral submissions to this committee last year when it was considering the Interactive Gambling (Moratorium) Bill 2000. Since our views remain the same we will only comment on aspects that bear on the Interactive Gambling Bill 2001.

**Difference between Gaming and Wagering**

There is a need to distinguish between gaming and wagering:

- Gaming involves gambling with the certainty that participants will in the end lose a set proportion of their bet. It is a feature of most gaming activities that they are repetitive with the bet and result happening in quick sequence. The Productivity Commission Report of 2000 identified gaming on poker machines as the main cause of problem gambling in Australia and the community has every right to be concerned that the spread of casino and poker machine type gaming on the internet will have a detrimental effect. All the massive growth in gambling has been in gaming and not wagering. In fact wagering has fallen by 11% over the past 25 years. Therefore, in relation to problem gambling, to paraphrase President Clinton – it's the poker machines stupid (see attached press cut).
- Wagering involves betting on a contest the outcome of which is uncertain. Whether the bookmaker or the punter wins is a test of their respective skill and knowledge. With wagering there is invariably a wait between the time of placing the bet and the outcome. It should be noted that the moratorium legislation excluded wagering from the ban. We were surprised that under the new legislation gaming and wagering have been lumped together.

**Applies to Australian Resident Bettors Only**

Overall current state/territory bookmaking regulations provide a high degree of protection for bettors. In less regulated environments such as the Caribbean, when internet bettors are sometimes dealing with MAFIA.COM they do not have such assurance. The current Bill means that Australian resident sports bettors are forced to use a less reliable service if they want to exercise their right to place a bet on the internet. Foreign bettors will continue to benefit from the protection of Australian regulation.

### **What is the Difference Between Wagering on the Phone or Over the Internet**

The Bill allows Australian resident bettors to place a wager over the phone but not on the internet. However, both transactions are communicated over the same copper telephone line. There are in fact advantages for the bettor to use the internet:

- As a bookmaker Canbet is able to offer better odds over the internet since the cost of taking the bet on the internet is one tenth of taking it over the phone.
- The bettor can see on his/her screen the odds being offered on all the games and, by moving between bookmaker sites, can find the best odds on offer.
- Bettors can time their wager to get the best odds. Phone bets often involve a delay and maybe an unexpected change of the odds.
- Hearing or speech impaired bettors may not be able to use the phone.

Bettors preference for the internet is reflected in the fact that over 90% of all our wagers now come by this means.

### **Bookmakers Exposure to Penalties**

Since Canbet actually takes few internet wagers from Australian residents on the face of it our business should not be affected much by the ban. However, despite our ability to put in place a number of IT and clerical control systems, Canbet cannot ensure with complete certainty that an internet wager is not placed by a person physically present in Australia. The penalties for allowing a wager to slip through are onerous.

Section 15 provides that we must apply 'reasonable diligence' in blocking out a person in Australia from wagering with us on the internet. However, the evidential burden is on the internet bookmaker to prove 'reasonable diligence'. Responsible company directors and officers cannot work under this sword of Damocles.

This problem could be alleviated if the Bill provided for Regulations prescribing what blocking mechanisms would be considered to constitute 'reasonable diligence'. As it currently stands the Bill makes it too dangerous to accept any internet bets and, if this is really the intention, then we are being inflicted with a prohibition by stealth.

### **Conclusion**

When the Chairman of Canbet, Mr Richard Farmer, appeared before this Committee last August he was asked what plans he would be making during the period of the moratorium. His answer was that he would be looking to find an alternative location for the business. This we have done and it is likely that Canbet Ltd will reluctantly move to the UK if the Bill passes in its present form. The UK Government has passed legislation to encourage bookmaking businesses to establish themselves there.

When giving this evidence Mr Farmer predicated that Canbet Ltd will have a gaming turnover of \$250 million in 2000 - 2001. At this stage it appears the result will be closer to \$300 million. If the Bill passes in its present form Australia will lose this growing export business which has to date been supported with export grants. Furthermore, we estimate that in this financial year Canbet will pay in tax some \$800,000 to the ACT Government. This will be lost to a foreign country.

If, as a result of this new legislation, Canbet has to cease its business altogether or incurs the substantial costs of moving it overseas we will may seek compensation from the Government

**We urge the Committee to recommend that:**

- **The ban on internet sports wagering by persons physically located in Australian be deleted from the Interactive Gambling Bill 2001.**
- **If this is not possible, then the Bill should provide for industry consultations with a view to developing Regulations which prescribe what blocking mechanisms internet bookmakers must put in place to have the protection of having taken ‘reasonable diligence’.**

Canbet’s Chairman is available to appear before the Committee. In addition if you require, our IT specialists can also appear to outline the technical difficulties inherent in blocking Australian residents on the internet. We are obtaining a legal opinion which outlines the jeopardy of our company officers under the legislation. If this becomes available in time we will provide it to the Committee.

If the Committee wishes to see an internet wagering operation at work they would be most welcome to visit Canbet’s offices at the Canberra racecourse.