

Submission to the Senate Environment, Communication, Information Technology and the Arts Committee re the Interactive Gambling Bill 2001

Introduction

In response to the Committee's invitation, the Australian Casino Association has prepared this submission regarding issues pertinent to the Interactive Gambling Bill 2001.

The Australian Casino Association represents the combined interests of the Australian casino industry and has been in existence since 1992. There are thirteen casinos in Australia and almost all of these casinos have either a direct interest or an indirect interest in the interactive gambling issue.

The Association supports a national regulatory approach

The Association supports a national regulatory approach to the implementation of player protection standards across all jurisdictions for interactive gambling as recommended by the Productivity Commission Report on Gambling Industries (November 1999). Furthermore, the Association does not believe that a ban on Australian residents accessing Australian Internet gambling sites will achieve the desired outcomes that the Government has set for this legislation.

The Association has issued its own Code of Practice regarding Internet gambling and all members subscribe to this Code. The casino industry has also been working with State and Territory Governments to achieve the highest levels of player protection standards to ensure the best possible and safest gaming environment. There is already significant commonality amongst the online gaming regulations legislated in Queensland, the Northern Territory, the Australian Capital Territory, Tasmania and Victoria.

In October 2000 at the Summit on Gambling held in Darwin, State and Territory regulators made progress towards a practical national solution. As a result, the document ***Australian Uniform Standards for the Regulation of Interactive Gambling*** (the AUS Model) has been finalised and was released for public comment on 5 April 2001.

The Association commends and supports this positive action by State and Territory regulators and believes that Australia can continue to lead the world in gambling regulation.

The AUS Model will:

- set uniform standards for Australian operators
- ensure that technical and other controls are in place to

- protect players
- ensure the system integrity and game fairness of Australian online casino sites
- promote harm minimisation and responsible gaming
- ensure the probity and integrity of industry participants

The Association appreciates that the Government has recognised the fact that Australian online casino operators are competitively positioned to capture a significant share of the growing international market. For these operators, the ability to offer services to these markets is critical to their commercial viability.

The online casino industry is a potential source of significant export revenue

The primary focus of our members has always been on overseas players and industry estimates indicate that more than 90% of the revenue earned by Australian operators will come from overseas. This is largely because of the fact that Australia only accounts for approximately 4% of world Internet users. It is also due to agreements with State and Territory regulators to withhold cash gaming services to Australian residents until a national approach to online gaming regulation has been determined.

The Association recently commissioned ACIL Consulting to provide an update on the latest developments regarding Internet gambling in Australia. ACIL provided the following information:

Based on information available to it in August 2000, the ACA estimated:

“Investment to date in interactive gambling amounts to around \$70 million with expected additional investment during the next five years of \$350 million. Total investment to 2004-05 is expected to exceed \$400 million.

The investment will generate significant income flows. Since the beginning of Australia’s interactive gambling industry up to June 2000, revenue from interactive gambling was around \$13 million. As new operators commence services and established operators expand, industry revenue is expected to be at least \$1.3 billion during the next five years.

The investment and revenue will deliver skilled employment opportunities. It is estimated that interactive gambling operators currently employ about 220 people and this could rise to more than 1,000 in five years. Wages and salaries are expected to increase from around \$13 million per year now to more than \$60 million per year in five years. In addition, employment will be generated in supplying industries.”

It is important to note that the estimates of current and future revenue relate primarily to export income given the intention at the time by major operators to focus on overseas markets. This means that the early estimates of export revenue from

Australian online gambling operators amount to more than \$250 million per year on average. At the time the estimates were made, some industry members and analysts regarded them as conservative. The moratorium, introduced by the Government in December 2000, put the industry on hold but it is expected that if the Australian industry is permitted to continue to operate after 19 May 2001, the investment program will be completed.

The latest information strongly suggests that the original estimates of the potential size of the Australian industry are indeed conservative and that the industry could become a significant source of export revenue.

The rest of the world is moving towards regulation

ACIL Consulting indicated that as the online gambling industry “matures and becomes more regulated”, it is possible to gain more realistic estimates of its size and structure. The latest gambling industry study by USA based financial analysts, Bear Stearns, estimated that there are now between 1200 and 1400 e-gaming sites. ACIL also indicated that there is now a shift underway in the industry with more than 50 jurisdictions having established regulated licensing regimes. South Africa, several European countries and the UK are moving towards a regulated structure. In fact, the South African government recently advertised for tenders for the development of a regulatory framework using the Australian model. ACIL also indicated that Nevada and New Jersey in the USA have introduced legislation to regulate online gaming, paving the way for the major Las Vegas casino operators to enter the online industry.

The Association is of the view that, while its primary focus has been and will continue to be the international market, those Australians who have had the ability to access regulated Australian sites should not be disadvantaged and forced to go elsewhere for their recreational pursuits. The Association is concerned that Australians will be forced to play on sites that are not subject to the same high degree of regulation as are Australian sites.

The Government’s assertion that Australians will not play these sites flies in the face of reality. The reality is many Australians are already gaming and wagering with offshore online operators. Backyard operators manage many of these sites where regulation is non-existent, and many have the appearance of being Australian sites as well. The proposed legislation will take away from Australians the only protection they have.

Conclusion

The Australian Casino Association maintains that the AUS Model regulations, if implemented across all Australian jurisdictions, will do more to ensure a thorough, regulated interactive gambling regime that will ensure high standards of customer protection for all Australians who wish to pursue their

chosen recreational pursuit of gambling, than will the proposals as outlined in the Interactive Gambling Bill 2001.

In addition, the Internet Industry Association could implement a code by which approved content filters could be made available to Australian Internet users. In this way Australians would have access to Australian regulated sites as well overseas sites. Australians would also be able if they so wished to download content filters that are available under the Online Content scheme.

Such a proposal would offer Australians the highest standard of customer protection and would provide consumers with the option of downloading content filtering tools.