

**Western Australian Government Submission**

**Senate Environment, Communications, Information  
Technology and the Arts References Committee**

**“Inquiry into the Interactive Gambling Bill 2001”**

**April 2001**

## Background

The Western Australian Government is fully supportive of the Commonwealth's concerns relating to the proliferation of interactive gaming services over the internet. Qualified support for the 12 month moratorium on interactive gaming and investigation of a ban has however been contingent on the Commonwealth limiting the definition of 'interactive gambling services' to 'casino-style' gaming services, and consequently excluding wagering and lotteries products from any proposed ban.

The Western Australian Government is therefore disappointed to note the intention of the *Interactive Gambling Bill 2001* to include wagering and lotteries in a permanent ban on interactive gambling services provided to Australian residents by Australian service providers.

Western Australia has maintained a responsible approach to the regulation of gambling. The State was reported by the Productivity Commission as having the lowest number of problem gamblers in Australia, largely as a result of long standing government policy in Western Australia of prohibiting the licensing of electronic gaming machines outside the Casino. The banning of interactive 'casino-style' gaming services delivered over the internet is consistent with this policy.

The clear distinction between 'casino-style' gaming products including electronic gaming machines and their virtual equivalents, and wagering and lotteries products available over the internet was recognised by the Productivity Commission in its Report on Australia's Gambling Industries:

*"the grounds for bans are strongest for gaming technologies (casino-type games such as roulette and virtual gaming machines). The case for banning internet wagering (sports betting and racing) or traditional lotteries are weaker, reflecting likely lower risks and the fact that other mediums for making these gambles, such as phone-betting, are close substitutes for the internet".<sup>1</sup>*

In Western Australia, the move to internet distribution by the TAB and proposed move by the Lotteries Commission reflects the embrace of new technology by well regulated service providers. Taking advantage of advances in technology has seen the TAB for example, move in the past from agency to telephone operated services, then touch tone services, to directly connected PC's and now to the internet. As the Productivity Commission summarised, *"internet wagering represents a relatively small technological step since people could already lodge their bets by phone."*<sup>2</sup>

The Western Australian Government sees little difference between the now acceptable purchasing of products, including shares, in an 'e-commerce' environment, and buying a lottery ticket or placing a bet with the TAB through the internet.

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<sup>1</sup> p18.54, Productivity Commission, 'Inquiry Report into Australia's Gambling Industries', November 1999

<sup>2</sup> p18.27, Productivity Commission, 'Inquiry Report into Australia's Gambling Industries', November 1999

Interactive gaming through the internet on the other hand, involves the player actively interacting with a game, making choices or decisions impacting on the outcome and getting an immediate result in the gaming session. Interactive gaming means that the player can personally initiate a game. This form of gaming is clearly different to on-line or internet wagering where the event (horse race or sporting event) is controlled by external forces and subject to a time delay. Similarly, a lottery draw is an external activity occurring some time after a ticket is purchased.

It is the increased availability over the internet of interactive 'casino-style' gaming services that the State Government wishes to control, and not the availability of wagering and lotteries products in an on-line environment.

With respect to the mechanisms that would assist in the implementation of a ban on interactive 'casino-style' gaming provided by both Australian and off-shore gambling service providers, the Western Australian Government believes the Commonwealth should further explore avenues to restrict the flow of funds from Australian consumers to interactive gaming services. A key aspect would be the implementation of legislation making it difficult for the banking sector to recover credit card gambling debt. The issue of repudiation by customers of gambling debts would make granting of merchant status to interactive gaming service providers by the banking sector a high-risk undertaking. Without an effective funds transfer system in place international gambling service providers would soon cease to operate in Australia.

In addition, the Western Australian Government proposes a cooperative approach to the regulation of Australian based internet hosts and service providers. This approach would involve state based regulators such as the Gaming Commission of Western Australia, taking an active role in pursuing complaints or indeed monitoring the development of interactive gaming sites. The Commonwealth's legislation should establish an authority for State regulators to undertake this role.

## **Wagering on the internet**

Internet wagering has developed and is regarded in Western Australia as a technical extension of telephone wagering.

Internet wagering was introduced by the Western Australian TAB in 1997 and represents 2 per cent of total turnover. Whilst growth in revenue from internet betting services is expected, it should be recognised that it will be modest and largely reflective of the movement or migration of traditional agency based customers, originally to telephone services and more recently to internet services.

The internet provides an important platform through which Western Australians access wagering services within the State. The Western Australian TAB internet service provides not only a readily accessible wagering service but also information and live audio to many Western Australians who would not normally have access to these services.

Western Australia, with an area of over a million square kilometres provides service operators such as the Western Australian TAB with vastly different problems to that experienced by TAB's in locations such as the ACT or Victoria. The TAB internet wagering and information platform provides a much needed and efficient service to many Western Australians interested in racing.

The internet services from the Western Australian TAB will this year generate \$18 million in turnover, some \$810,000 in taxes plus TAB revenue of around \$2.286 million (the vast majority of which is distributed to the industry). The importance of the internet wagering service as a source of current and future revenue must be recognised, and while not all of this revenue will be compromised by a ban due to turnover being redirected to telephone and agency services, the risk to revenues must be noted.

More importantly, the internet is expected over time to play a significant role in the growth of the wagering business in Western Australia. Not only are TAB customers looking to the internet as a preferred place to bet, the internet affords industry the opportunity to access members of the community that could or would not access race courses or TAB agencies and have instead adopted the internet as a normal part of their social and business experience.

Racing is a key part of the social and economic fabric of Western Australia, in particular the rural sector. The life-blood of racing is the TAB as it provides the bulk of the funding supporting the industry. Any impact on the performance of the TAB will have a direct impact on the racing industry and indeed government taxes and services that these taxes support.

The sale of bets by the TAB and bookmakers on racing and sporting outcomes (wagering) is not a recent phenomenon, nor has the Productivity Commission's Report highlighted these areas as a source of problem gambling in Australia.

For the above reasons, the Western Australian Government does not support the inclusion of wagering services in the Commonwealth's proposed ban on interactive gambling services on the internet.

### **Lotteries on the internet**

Like the TAB, lotteries have been part of the Western Australian way of life for many years. Using the internet as a new sales outlet for lottery tickets will improve access for Western Australians living in rural and remote parts of the State where access to lotteries outlets is limited and dependence on the internet for satisfaction of retail needs is increasing. Market research and unsolicited customer feedback indicates that customers now expect lottery tickets to become available for purchase on the internet in the near future.

While lotteries constitute one of the most accessible forms of gaming, this accessibility has not significantly contributed to the increased incidence of problem gambling in the Australian community. Lotteries in fact provide a net community benefit. At page 11.1 of its report, the Productivity Commission, in gauging the net impacts of the gambling industries, concludes as a *Key Message* that its *quantitative estimates for lotteries suggest that they provide a clear benefit and, in the process, general few social costs*. In Western Australia this year, the Lotteries Commission will turnover \$453 million and return \$130 million to the community.

The Lotteries Commission considers the electronic sale of its products will be necessary to protect its revenue base, and hence funding beneficiaries, from international competition. A permanent ban on the availability of Australian lotteries products on the internet may risk Australian residents accessing unregulated off-shore sites, leading to potential revenue loss for Australian lotteries and consequent loss of benefit for communities.

Legal advice obtained by the Lotteries Commission has confirmed that the *Interactive Gambling Bill 2001*, like the moratorium legislation, seems to cover not only internet gambling but the conduct of lotteries business by way of datacasting, broadcasting and the use of wide area networks. While it is noted that an exemption applies to telephone betting under section 5.3(a), the exemption has a very limited ambit as it only covers gambling services providing on the basis that dealings with customers are wholly by way of voice calls made using a standard telephone service.

For the reasons outlined above, the Western Australian Government strongly submits that lotteries services should not be included in the Commonwealth's proposed ban on interactive gambling services on the internet.

## Conclusion

In November 2000, the Council of Australian Governments (COAG) committed to the implementation of a national framework to address problem gambling in Australia. This framework will focus on four central themes including prevention, early intervention and continuing support, the building of effective partnerships and research.

It is important that the Commonwealth, States and Territories work together to develop appropriate harm minimisation strategies and a framework to ensure that measures to prevent the growth of problem gambling are implemented without unduly restricting the enjoyment of recreational gamblers.

It is equally important to recognise that regulation of gambling is the jurisdictional responsibility of each State and Territory.

The overarching goal of the proposed ban on interactive gambling services is to reduce accessibility and thus further reduce the incidence of problem gambling in Australia.

Given evidence that the incidence of problem gambling is highest amongst patrons of electronic gaming machines and not other gambling products such as lotteries, the Western Australian Government believes that the ban should be limited to virtual "casino-style" gaming opportunities on the internet.

The Western Australian Government is aware of the problems caused by the spread of electronic gaming machines in the communities of other Australian jurisdictions and has, for this reason, resisted the temptation of pursuing the revenue streams on offer. Consequently, the Government would welcome a ban on interactive "casino-style" gaming as such a move would confirm its continuing opposition to the introduction of gaming machines in the community.

The inclusion of Western Australian TAB, bookmakers and lotteries services in a permanent ban will not only impact consumers, service providers and revenues raised by these industries, but indirectly affect the wider community, jeopardising the health of the racing industry and funding of community projects by the lotteries industry.

The Western Australian Government does not support the inclusion of existing regulated gambling services such as Lotteries, TAB and bookmaking services in the proposed ban on interactive gambling and thus strongly recommends their exclusion from the *Interactive Gambling Bill 2001*.