

INTERACTIVE GAMBLING BILL 2001

**Submission to the Environment, Communications, Information Technology and the Arts
Legislation Committee**

Andrew M. Baxter LLB B. Ec

**GPO Box 569
Adelaide
South Australia 5001**

Telephone 08 83709205

Mobile 0403 01 6600

Email – abba@picknowl.com.au

Overview of this submission

This submission is mainly concerned with ‘non-continuous’ interactive wagering facilities provided by Australian Service Providers on racing and sporting events. It looks at the effect of either a partial or complete ban (Option 2 or Option 3) on those Providers and raises the concern that there will be a loss of employment, a loss of technological opportunity and a loss of revenue at both the State and Federal level.

It points out that Interactive wagering with these Providers is simply a technological alternative to the existing telephony service which will enable productivity improvements within the industry and that any ban or limitation on those activities would risk the Providers moving offshore.

It asks that an exemption be made so that Australians betting with Australian Service providers through interactive means continue to be allowed to do so.

INTERACTIVE GAMBLING BILL 2001

The Interactive Gambling Bill 2001 introduced into Parliament on 5 April reflects the Federal Government's concern as to the use of interactive technologies expanding the availability of gambling and the potential for problem gambling to increase. This is in line with the recommendations contained in the report by the Productivity Commission on *Australia's Gambling Industries* in July 1999.

The Government is to be commended on this initiative.

However not every person is a problem gambler. I certainly am not.

If the Bill is passed in its current form persons like myself will be penalized simply because I use technological innovation. There will be negative implications for employment within service providers and for the potential reduction in revenue for both the State and Federal Governments. These points are not recognised in the Bill.

This submission asks that an exemption be made to exclude Australian Service Providers and Australians wagering on racing and sporting events with those Providers from certain provisions of the Bill.

In support of my submission I would like to raise the following:

(a) Interactive wagering on racing and sporting events is only an alternative to existing technology.

- **Telephone wagering has been available in Australia since the 1960s.**
- **Internet wagering has been operating in Australia since 1998.**
- **Internet wagering is simply an alternative to telephone wagering.**

The use of the Internet provides only an added convenience and alternative method of placing a wager to what has been available for several decades. The Productivity Commission (in the Report on Australia's Gambling Industries) acknowledges this fact when it stated that "*Internet wagering only represents a small technological step since people could already lodge bets remotely by phone*".

(b) Internet wagering provides the same service to the customer as telephone wagering BUT at a reduced cost to the service provider

The very nature of Internet wagering – that is keyboard entry as opposed to an operator voice service - allows service providers to service their customers **at a reduced cost**. This is surely in line with the Government and Productivity Commission's aim of reducing costs and improving productivity within Australia.

(c) Keyboard entry wagering is already available through State TABs – why discriminate against a wager placed using Australian technology?

Every TAB now has keyboard entry wagering allowing the customer to place bets without operator voice service. The Bill as it stands discriminates against the same keyboard wager because it is placed via the Internet.

I simply ask why the difference?

(d) The Bill fails to take into account the difference between wagering and gaming and therefore fails to isolate the real problem areas.

The Bill tends to treat all forms of gambling in the same manner.

Why?

There is no differentiation between gambling on poker machines and casino games with wagering on racing and sporting events. **Figure 2.9** of the **Productivity Commission Report into Australia's Gambling Industries of July 1999** shows that expenditure in racing wagering over the period from 1972 to 1998 has remained constant in 1997-98 values but has increased significantly in the area of gaming over that same period.

So how can that information be treated?

Without the statistics and the information available to the Commission since the date of that report, I would suggest that this expansion of problem gambling comes from other sources than through the introduction of interactive gambling on the Internet. The statistics indicate that in real terms, wagering on racing has remained constant.

- **The Bill should recognise Internet wagering on racing and sporting events is 'non-continuous' not like gambling on Keno, poker machines and the like.**

The simple definition applied here is the continuous playing of a machine either by attendance or remote application.

So the Bill should recognise there are differences in that -

- By placing a wager through an interactive source there is a time delay between the placing of a wager a particular racing and sporting events and the result of that event being decided.

So how should the Bill be amended?

- By accepting that there is difference between the means of gambling

AND BY

Simply allowing Australian Service Providers from being able to accept wagers from Australian residents on racing and sporting events through interactive means.

(e) Options proposed in the explanatory memoranda to the Bill

The explanatory memoranda identify three options with respect to a ban on interactive gambling.

Option 1 argues that the Commonwealth could opt for the status quo.

Option 2 provides for a partial ban (that is banning Australians from using Australian Service Providers BUT not persons from outside Australia using those Providers)

Option 3 offers a total ban that would eliminate the interactive gambling industry (all players would be banned).

Obviously **Option 3** is a draconian response to the problem and would be totally devastating for the Industry and should be rejected.

BUT even **Option 2** - the partial ban - would be devastating. In the outline to the Bill (page 10 – Interactive gambling industry) the report identifies that there may be “**significant negative commercial consequences** for segments of the industry that are focused on a domestic market”.

Some potential economic consequences were identified in an article in the **Northern Territory News of 28 March 2001**, where **Rajiv Maharaj** reported that if a ban is implemented:

- **up to 200 employees in the NT could be sacked**
- **the NT economy could lose hundreds of millions of dollars in revenue**

There would also be a loss of IT expertise and the cessation of development in technology

However the report fails to consider the following:

- **Possibility of the movement of Australian Service Providers offshore**

Mark Read, the Executive Chairman of International Allsports Ltd states in the article cited above, contingency plans have already been made to move offshore. The explanatory memoranda (page 14 – Other Issues) states that the restriction to access by Australian users to Offshore providers is limited to the extent that the Australian users filter those services. This is tantamount to saying that if an Australian Service Provider moves offshore there is nothing to stop his clients moving too.

The explanatory memoranda states that the recommended option is to ban the provision of services by Australian Service Providers to Australians but to still allow unrestricted access to the Australian Service Providers by overseas users. I simply ask what is there to stop an individual like myself emailing an overseas contact and authorising them to make racing and sporting event wagers on my behalf.

Conclusion

Australian service providers are regulated by comprehensive State legislation and pay tax to both State and Federal Governments. If the Government proceeds with the legislation as it now stands then almost certainly those providers would move offshore or overseas operations would fill the void. Needless to say any profits would not be repatriated back to Australia.

The media Release by the Productivity Commission dated 19 July 1999 in part states

*“New forms of gambling, such as the internet, create new risks and opportunities. But the report argues that **these can be managed through a process of liberalisation which puts an emphasis on harm minimisation and consumer protection**”.*

The Report says nothing about banning Australian service providers or an individual’s freedom to use technology as they see fit.

The Bill should be amended to exempt interactive gambling over the Internet where an Australian client uses betting products offered by Australian service providers, that is Australian TABs or Australian licensed bookmakers.