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24 April 2001

Ms Andrea Griffiths  
The Secretary  
Senate ECITA Legislation Committee  
S1.57  
Parliament House  
Canberra ACT 2600

Dear Ms Griffiths,

**GOCORP Limited ("GOCORP") - INTERACTIVE GAMBLING BILL 2001**

In response to your invitation to comment Interactive Gambling Bill 2001, we are pleased to make this submission to the Senate ECITA Legislative Committee.

We summarise below our concerns regarding the Interactive Gambling Bill 2001 and the accompanying Explanatory Memorandum.

1. We note that the Explanatory Memorandum quotes heavily from the analyses within the Productivity Commission report on Gambling Industries and yet selectively avoids the recommendation of the Commission in respect to Internet Gambling that advised regulation rather than prohibition. The Commission's key findings included:  
  
" Internet Gambling offers the potential for consumer benefits as well as new risks for problem gambling. Managed liberalisation – with licensing of sites for probity, consumer protection and taxation – could meet most concerns although its effectiveness would require the assistance of the Commonwealth Government."
3. We contend that several of the key assumptions made in the Explanatory Memorandum in regard to the impact of the options considered are inaccurate or unfounded based upon the experience of GOCORP.
4. The deadline for reviewing the Bill by 1 July 2004 represents an extraordinary amount of time in which to review industry legislation particularly internet based industries. These virtual businesses experience continual technology changes, in addition Internet usage and global online gaming markets are expected to



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escalate dramatically. We propose the impact of any Bill passed in relation to internet content must be reviewed more frequently.



GOCORP supports the need for regulation and education as the appropriate mechanisms for protecting the interests of internet gaming players and minimising the harm of problem gambling. These mechanisms have the support of the Productivity Commission, the Senate Select Committee on Information Technology, the State and Territory Governments, and the Australian casino industry.

The reality is that Australians are already wagering or gaming with offshore online gaming providers. At this stage, we simply do not know how many are participating.

In a 1998-1999 study, the Productivity Commission estimated there were 90,000 Australians participating in online gaming. Of these, 65% indicated they had participated in online casino gaming in the past 12 months. Significantly, these numbers were recorded before the launch of Australia's regulated online casinos and during the early years of Australia's online wagering sites.

We submit that while some of the 90,000 players were wagering with Australian sports betting or horse racing sites, the majority were wagering or gaming with offshore online gaming providers.

Globally, the online gaming industry is anticipated to generate revenue of US\$2.5 billion in 2001. This industry has developed within an environment of limited regulation and largely based on gaming providers that are not subjected to any probity, player protection or security controls.

It is only in the past year that jurisdictions around the world have become active in online gaming regulation. There are now more than 50 jurisdictions which have legislated to permit and regulate online gaming. In the US, legislation to permit online gaming is currently being considered by the state congresses of Nevada and New Jersey, both states' renowned for their strong casino industries.

We believe it will not be long before Australian Internet users are viewing online advertising and search listings for online casinos operated by major gaming corporations in the USA and regulated by US state law. The availability of sites operated by these well known brands is expected to be highly attractive to those Australians who enjoy online gaming.

By preventing Australian online gaming providers from offering services domestically, Australian players will simply continue participating in offshore gaming, many using existing playing accounts.

GOCORP prior to it ceasing operations under the Moratorium legislation, was accepting play from Queensland residents, in return GOCORP offered substantial safeguards:

- Players must be aged over 18 years and personal identification is required to authorise registration. Strict registration procedures are thereafter followed each time a player logs into the site.
- Credit gambling is prohibited. Players are unable to operate their account to a negative balance. Only approved funds and accumulated winnings can be used for wagers.



- GOCORP imposes an initial deposit limit of \$500 per month. The amount players can potentially lose is therefore controlled by this deposit limit.
- There is a full audit trail provided of all transactions through online account information.
- Players' winnings are issued by non-negotiable cheque and are posted to the registered gambling account holder's address. Credit card accounts are not used to receive automatic payment from winnings.
- Credit cards with unlimited lines of credit are not accepted such as American Express and Diners Club.
- A hotlink is provided to community counselors, BetSmart, who provides advice about gambling problems, information and assistance.
- Through a self-exclusion button, players have the option to exclude themselves from playing for a 'cooling off period'. If they use this button three times they are considered to have a problem and are permanently excluded from registering again.

These controls are far stronger than are feasible with physical venues and particularly, gaming machines.

These controls are also far stronger than operating procedures used by Australian and international online wagering sites.

Importantly, these controls are non-existent with the multitude of unregulated online gaming sites or sites.

Australian regulated online casinos are the only online gaming providers who can succeed in delivering the Government's objective of preventing problem gambling.

The only comprehensive research into problem gambling in Australia was reported by the Productivity Commission and revealed there is a strong correlation between accessibility, particularly to gaming machines, and problem gambling. This research did not indicate online gaming as a specific source of problem gambling. Indeed, there is no research available on the specific correlation between gaming on the Internet and problem gambling.

The more relevant issue is that poker machines in pubs and clubs are recognised by the Productivity Commission, social commentators and the community as being the greatest source of problem gambling. If the Government accepts the assumption that by blocking access to online gaming, Australians will return in greater numbers to pubs, clubs and other gaming venues, then the Government must also accept that this may increase the incidence of problem gambling created by poker machines.



In closing, regulation and education is the optimal approach to the online delivery of a service that is legal in the physical world. Through regulation we can:

- protect players' interests
- minimise the risk of problem gambling
- limit player spending and therefore also potential losses
- prevent access by minors
- ensure players have direct access to online support and counselling
- monitor and learn from actual player behaviour
- take world leading e-commerce solutions to the global information technology industry

None of these benefits are available to Australia with the proposed Bill.

We would be pleased to present our views and answer any questions of the Committee if a public hearing is to be held. Thank you for the opportunity to present these comments on the Interactive Gambling Bill 2001.

Yours sincerely,

Christopher Cullen  
Chairman

