

## CHAPTER 3

### PROBLEM GAMBLING

*...you are only ever one win away from not having a problem.<sup>1</sup>*

#### **Introduction**

3.1 In this Chapter, the Committee discusses whether online gambling could lead to an increase in problem gambling, and how regulatory models could mitigate against any increase.

3.2 The Committee finds that online gambling has the potential to substantially increase the incidence of problem gambling in Australia. It considers a number of policy options for addressing problem gambling, including a ban and instituting harm minimisation policies in the regulation of online gambling.

3.3 The Committee does not support a ban, however it makes a number of recommendations that aim to improve the regulatory models and thereby try to limit any increase in problem gambling.

#### **Impact of online gambling on problem gambling**

##### *Accessibility*

3.4 The Productivity Commission estimated that approximately 130 000 Australians have severe problems with their gambling. A further 160 000 adults are estimated to have moderate problems, which may not require treatment but warrant policy concern. Taken together, 'problem gamblers' represent 290 000 people, or 2.1 per cent of Australian adults.<sup>2</sup>

3.5 Problem gamblers comprise 15 per cent of regular (non-lottery) gamblers and account for about \$3.5 billion in expenditure annually – about one-third of the gambling industries' market. They lose on average around \$12 000 each per year, compared with just under \$650 for other gamblers.<sup>3</sup>

3.6 The Productivity Commission stated that online gambling may further increase this number of problem gamblers:

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1 Reverend Tim Costello, Member, Inter Church Gambling Taskforce, *Official Committee Hansard*, Melbourne, 11 November 1999, p. 246.

2 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, p. 2.

3 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, p. 2.

Overall, however, the Commission considers it likely that (without harm minimisation measures and appropriate regulation) online gambling will pose significant new risks for problem gambling.<sup>4</sup>

3.7 The Productivity Commission is not certain that online gambling will in fact lead to an increase in the prevalence of problem gambling in Australia. The critical issue in drawing a conclusion is whether online gambling will increase the accessibility to gambling opportunities, as there may be a link between accessibility and problem gambling.<sup>5</sup>

3.8 Accessibility, in turn, is not simply about the number of gambling opportunities that are available:

Accessibility is not just about proximity; it is also about: the mass appeal and ease of use of a gambling form; any conditions on entering gambling venues, and the initial outlay required to gamble.<sup>6</sup>

3.9 The Committee considered a number of diverging views on the links between accessibility and problem gambling. These views came from evidence presented to the Committee and research undertaken by the Productivity Commission, the Victorian Casino and Gaming Authority (VCGA) and Australian Institute for Gambling Research (AIGR).

### **The links between online gambling, increased accessibility and problem gambling**

#### *Evidence presented to the Committee*

3.10 Evidence to the Committee suggests that online gambling will lead to an increased availability of gambling opportunities, which in turn will lead to an increase in problem gambling. For example, Reverend Tim Costello, Member, Inter Church Gambling Taskforce, stated that:

... problem gamblers are mainly created through accessibility. Unlike a drinker who might drive all over the city to find a hotel, it is the accessibility, visibility and proximity that creates problem gamblers. It gets no more accessible than Internet gambling. It is there in your home. You might be drinking; you might be depressed. It is the only form of gambling that is credit based. No other form is. It is the most seductive and dangerous, and every new technological advance creates a new category of problem gamblers.

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4 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 2, p. 18.21.

5 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, p. 8.1.

6 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, p. 8.1.

In this State, pokies which we thought would be fine because New South Wales had had them for 30 or 40 years once introduced, saw women, who had been about two per cent of problem gamblers, jump to being over 50 per cent when pokies went through clubs, pubs, and literally everywhere. We think there will be a similar, parallel creation of new problem gamblers who do not go to casinos and clubs but who, with online gambling, with the illusory promise that it is all regulated and safe and that they do not risk losing their money in the Cook Islands or the rogue offshore states, will actually be a new category of problem gamblers.<sup>7</sup>

3.11 Further, it was argued that new types of gambling that will arise from online gambling could attract new players to the market. For example, those with a disability who are unable to travel to gambling venues, may take up online gambling. Mr Ron Ruzzier, Coordinator, BreakEven Eastern, provided a case study:

... we think that we have had only one person at the moment presenting with an online gambling problem. We have a double whammy, because he is a person from a non-Australian background and he is also on a disability pension. The issues for him are that he thinks it is safe, that it is convenient, that he does not have to move physically, and that it is a very easy and convenient way for him to gamble. I take up what Reverend Tim Costello said: there is no doubt that accessibility to gambling certainly is a big issue. Eight out of 10 of the clients we see are experiencing problems with electronic gaming machines. If we had had a service prior to 1992 when the machines were introduced, all our gamblers would have been horse punters or gambling on illegal casinos. Now, as the Reverend said, half of our clients are women and those women, by and large, are gambling on electronic gaming machines.<sup>8</sup>

3.12 Ms Marilyn Webster, Acting Chair, Inter Church Gambling Taskforce, stated that online gambling will lead to an increase in gambling and problem gambling:

The statistical information from Victoria's own Victorian Casino and Gaming Authority demonstrates that, with the introduction of each gambling methodology, there is a consequent increase in the number of problem gamblers in the community.<sup>9</sup>

3.13 Dr Paul Henman, Research Fellow, Sociology Department, Macquarie University, stated that increased gambling opportunities will compound the level of problem gambling:

It is my considered, expert opinion that the introduction of and access to online gambling in Australia will:

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7 *Official Committee Hansard*, Melbourne, 11 November 1999, p. 227.

8 *Official Committee Hansard*, Melbourne, 11 November 1999, p. 229.

9 *Official Committee Hansard*, Melbourne, 11 November 1999, p. 240.

- stimulate and lead to an increased level of gambling in Australia, both in terms of amount of money gambled and the number of gamblers;
- create new gamblers out of current non-gamblers; and
- involve an increase in the numbers of people addicted to gambling and, consequently, the number of people damaged by obsessive gambling.<sup>10</sup>

3.14 In summary, the above evidence states that the level of problem gambling will increase with an increase in gambling opportunities. Online gambling not only increases the level of gambling opportunities in Australia, it also increases its accessibility.

#### *Independent research*

3.15 In contrast to this evidence, independent research on the consequences of increased accessibility to gambling opportunities, questions whether there is in fact a link between accessibility and problem gambling. Further, a link is contingent on the nature of the accessibility.

3.16 The Productivity Commission referred to some of the literature on problem gambling that disputes the link between problem gambling and increased accessibility. For example, the American Gaming Association argues that there is:

... a small, but relatively constant percentage of the population that exists independently of gaming availability, which demonstrates that areas with gaming do not have higher rates of problem gambling than those without gaming. Some states have even experienced decreases in problem gambling rates after the expansion of gambling ...<sup>11</sup>

3.17 Alternatively, it has also been argued that:

Exposure to gambling leads to increased levels of involvement in this activity. ... So the answer is 'yes', increased legalisation of gambling will lead to an increase in the prevalence of pathological gambling, and its attendant effects ...<sup>12</sup>

#### *Measure of accessibility*

3.18 The Productivity Commission suggests that there are multiple dimensions to 'accessibility' as outlined in Table 3.1 below.

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10 Dr Paul Henman, Submission 13, p. 63.

11 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, p. 8.2.

12 R Wildman, 1998, *Gambling: An Attempt at an Integration*, Wynn Resources, Edmonton, Canada, p. 263; Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, p. 8.2.

Table 3.1

*Meaning of 'Accessibility'*

<b>Dimensions to Accessibility</b>	<b>Explanation</b>
Continuity of gambling activity	Where the game is continuous and therefore allows for a sequence of bets to be placed over a short period of time, accessibility to gambling opportunities is increased. Electronic gaming machines (EGMs) provide a high level of accessibility to gambling opportunities. The VCGA states that horse racing is another example of a gambling activity where a large number of bets can be placed over a short period of time. Lotteries, which may be drawn once a week, provide a low level of continuity and accessibility.
Low outlay	Casino table games, such as black-jack and roulette, often involve relatively high stakes per game (of around \$5). The cost of a single game on an EGM can be as low as one cent. Low outlay games are more accessible to people on low incomes than high outlay games.
Gambling form	The ease of use of the gambling form affects its level of accessibility. For example, EGMs do not require skill compared with black-jack or betting on the races, and so are more accessible.
Opening hours	The more hours of gambling activity that are made available by the opening and closing hours of a gambling venue, the higher the level of accessibility to gambling opportunities.
Conditions of entry	Conditions of entry such as dress standards or expectations on patron behaviour may exclude or discourage some people from attending a gambling venue, and therefore decreases the level of accessibility.
Social accessibility	This is the sense in which a venue provides a non-threatening and attractive environment to groups who might otherwise feel excluded. For example, casinos are non-threatening and attractive to Australians from an Asian background, and clubs and hotels with EGMs are now seen as safe and socially acceptable places for women, when previously they were not.

Sources: Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, p. 8.6; *Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers*, Victorian Casino and Gaming Authority, August 1997, p. 65.

3.19 Online gambling, if unregulated, would lead to an increase in accessibility to gambling, and, arguably, to an increase in problem gambling. In Table 3.2. the Committee noted a number of characteristics of online gambling that would lead to an increase in accessibility.<sup>13</sup>

13 See also Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 2, p. 18.18.

Table 3.2

*Accessibility and online gambling*

<b>Dimensions to Accessibility</b>	<b>Features of Online Gambling</b>
Continuity of gambling activity	Online gambling has the capacity to make almost all forms of gambling continuous. For example, lotteries that are currently drawn weekly, could be drawn on the hour. Similarly, whereas previously betting on sporting events such as tennis may have been limited to the outcome of the match, online gambling will allow for bets to be placed on a tennis serve.
Low outlay	Online gambling currently allows for one-cent bets on black-jack and roulette. This is because it is cheaper to run these games in the virtual as opposed to the physical domain. It will also allow for a greater number of small bets to be placed on the various mini-outcomes of a sporting event, as opposed to one larger bet on the ultimate outcome. Consequently, new types of games will become increasingly accessible because of the low outlay involved.
Gambling form	The ease of use of online gambling forms is high because patrons can obtain assistance on how to play a game at their own pace, without the social stigma of displaying ignorance in a crowded casino. Also, betting on mini-outcomes in a sporting event will require less skill than judging the ultimate outcome of the event.
Opening hours	Online gambling venues operate 24 hours per day. It also provides up to date information on sporting events from around the world, which may take place late at night or early in the morning.
Conditions of entry	Dress standards and patron behaviour do not exclude a person from online gambling.
Social accessibility	Online gambling is multilingual and can be accessed in the comfort and security of one's home. Consequently, it is likely to be accessible to a wide range of social groups. Further, office workers will be able to engage in gambling activities during working hours, where previously this was not possible.

3.20 Although Table 3.2 suggests that online gambling will increase accessibility, the Productivity Commission referred to ameliorating features that assist to negate any increase in problem gambling:

- Most online gambling will be household based, where gamblers are more open to the scrutiny of other household members.
- Financial records for electronic transfers (as opposed to cash) from online gambling will be more easily scrutinised by other members of the household.
- Problem gamblers are inherently social in nature and prefer to gamble in social settings.<sup>14</sup>

14 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 2, pp. 18.20-18.21.

## Other factors affecting the prevalence of problem gambling

### *Profile of a problem gambler*

3.21 The VCGA considered whether problem gambling was more likely to occur or be more extensive or severe under particular circumstances. In considering this issue, it asked four questions:

- How does access and availability of gambling influence the ... occurrence of problem gambling?
- Does the type of gambling product preferred by a player influence the likelihood that he or she will report gambling related problems?
- Do demographic factors predict which players are most likely to experience problem gambling?
- Is problem gambling associated with any other measures of health and wellbeing?<sup>15</sup>

### Access and availability

3.22 As with the Productivity Commission, the VCGA states that there may be a connection between the accessibility of gambling and problem gambling. It states that the increasing availability of electronic gaming machines (EGMs) has been shown to have a strong association with problem gambling.<sup>16</sup>

### Type of gambling product

3.23 Gambling activities can be classified as continuous - where stake, play and determination occur in ongoing sequences lasting a few seconds in EGMs to several minutes in racing. Or they can be classified as discontinuous –where there are time intervals of hours or days between stake and outcome as in lottery style products.<sup>17</sup>

3.24 The AIGR conducted a study in which it reported on the impact of the two types of gambling activities – that is, lotteries versus other types of gambling.<sup>18</sup>

3.25 It found that those players who regularly (that is once a week or more often) gamble on continuous forms of gambling are more likely to report problems with

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15 *Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers*, Victorian Casino and Gaming Authority, August 1997, p. 60.

16 *Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers*, Victorian Casino and Gaming Authority, August 1997, p. 60.

17 *Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers*, Victorian Casino and Gaming Authority, August 1997, pp. 61-62.

18 *Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers*, Victorian Casino and Gaming Authority, August 1997, pp. 61-62.

gambling as opposed to players whose only regular form of gambling is lotto. This finding is supported by the Productivity Commission.

### Demographic factors

3.26 Recent research for the VCGA about the demographics of problem gamblers states that particular cultural groups are more likely to be problem gamblers.<sup>19</sup> It provides that problem gamblers are five to seven times more prevalent in the Chinese, Vietnamese, Greek and Arabic communities than in the community in general. Among Chinese gamblers, 10.7 per cent were deemed to be problem gamblers, 10.5 per cent in the Vietnamese community, 9 per cent in the Greek community and 7.2 per cent in the Arabic community. However, these ethnic groups gambled less than the general community. In the general community, 1.5 per cent were designated problem gamblers.

3.27 In contrast to the VCGA research, the Productivity Commission does not suggest a pattern of problem gambling amongst specific cultural groups:

It does not *seem* to affect the likelihood of [gambling] problems if a person was born in Australia or not. This is also the finding of [Jackson et al] when examining the ethnicity of Break Even clients in Victoria. However, there does seem to be a higher prevalence of problems amongst gamblers who do not speak English at home.<sup>20</sup>

3.28 The Productivity Commission states that ‘there are few clear individual factors, other than age, that are associated with a higher likelihood of gambling problems’ (26.4 per cent of problem gamblers being under 25 years of age)<sup>21</sup>. It summarised the characteristics of problem gamblers:

The most important factors associated with a higher likelihood of problems for regular gamblers appear to be age, the frequency of playing gaming machines, the frequency of betting on racing, the frequency of betting at the casino, and residency within a city.<sup>22</sup>

### Other measures of health and wellbeing

3.29 The VCGA stated that there are significant associations between problem gambling and hazardous use of alcohol in Australia and New Zealand, particularly

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19 *The Impact of Gaming on Specific Cultural Groups*, Victorian Casino and Gaming Authority, [http://www.gambling.vcga.vic.gov.au/domino/web\\_notes/vcga/vcgasite.nsf/pages/research](http://www.gambling.vcga.vic.gov.au/domino/web_notes/vcga/vcgasite.nsf/pages/research), as at 20 February 2000; *Canberra Times*, 19 February 2000, p. 8.

20 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, p. 6.56.

21 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, p. 6.55 & 6.59.

22 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, pp. 6.58-6.59.

amongst men who are regular gamblers.<sup>23</sup> The VCGA states, however, that there is a potentially fundamental and significant association with problem gambling, but that ‘much further research is needed before any causal links can be clarified’.<sup>24</sup>

### Summary

3.30 The VCGA concluded that the most consistently found conditions in which problem gambling is likely to be reported are:

- When accessibility to legalised gambling increases.
- When players live in the city rather than rural areas.
- When players prefer ‘continuous’ forms of gambling such as EGMS, betting and casino gaming.
- When players are single men aged less than 30 years.
- When women who gamble regularly prefer EGMs.<sup>25</sup>

### **The challenges that are posed by online gambling**

3.31 Online gambling has the potential to promote the various dimensions of accessibility, which the evidence and research suggests leads to increased levels of problem gambling. The Committee believes that there are other conditions in addition to the various dimensions of accessibility that may also exacerbate problem gambling. Namely, a lack of education about problem gambling and the absence of information about gambling activities and habits.

### *Risk factors*

3.32 The Committee proposes that conditions such as these, along with those that pertain to accessibility, make up a list of ‘risk factors’ that may exacerbate problem gambling in Australia, and which the regulatory models for online gambling must address. The ‘risk factors’ for problem gambling are presented below in Table 3.3:

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23 *Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers*, Victorian Casino and Gaming Authority, August 1997, p. 68.

24 *Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers*, Victorian Casino and Gaming Authority, August 1997, p. 68.

25 *Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers*, Victorian Casino and Gaming Authority, August 1997, p. 69.

Table 3.3

*Risk factors for problem gambling*

<b>Risk Factor</b>	<b>Definition</b>
Increased number and variety of continuous games	Online gambling provides a range of existing games that are continuous. For example, EGMs, black-jack and roulette. It also has the potential to introduce new types of gambling opportunities that are continuous, such as lotteries that are drawn on the hour and betting on mini-outcomes in sporting events.
24 hour access	Online gambling operations never close down.
Increased ease of use of the gambling forms	Online gambling provides a range of games that are very easy to use. In addition, instructions are provided on how to play a game, which include practice games where an actual dollar amount is not gambled. These are like tutorial sessions, which can be conducted in a variety of languages. This increases the risks posed to ethnic groups which the VCGA associated with high levels of problem gambling.
Increased social accessibility	Online gambling does not discriminate between social or cultural groups. For example, where parents may feel that it is socially unacceptable to gamble with their children present in public, online gambling will minimise the potential for social stigma.
Lack of education and information about gambling habits	A lack of information and education about the social and financial risks posed by gambling increases the dangers of gambling (both online and land based). Also, as online gambling transactions are electronic, players may lose track of the amounts they have gambled and lost.
Low outlays	Online gambling allows for low outlays on games that traditionally require relatively large outlays. For example, amounts bet on games such as black-jack can be as low as one cent, whereas in physical casinos the outlay is higher due to the costs involved in providing this type of gambling activity.
Appeal of technology to the younger population	The young adult population (aged 25 years or less) is most likely to develop problem gambling habits and are also the heaviest users of the Internet. <sup>26</sup> Consequently, there is an increased risk that young adults who gamble online are more likely than other groups to develop problem gambling habits.

3.33 The Committee believes that each of these risk factors require the greatest level of attention and regulation through uniform policies.

3.34 Online gambling makes available controls that could in fact mitigate against problem gambling. Therefore, although it may lead to increased gambling opportunities and accessibility, it may do so without impacting on problem gambling, as long as suitable regulatory controls are in place.

3.35 The Internet Industry Association referred to the controls made available through online gambling as opposed to conventional forms of gambling:

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26 Australian Bureau of Statistics, *Use of the Internet by Householders*, August 1999, p. 14; Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, p. 6.55.

Interactive gambling software is ... capable of addressing problem gambling in possibly more effective ways than are available to offline gambling operations. For example, online gambling operators with suitable software can ensure the customers are subject to expenditure limits, are able to set their own expenditure limits, are able to exclude themselves from gambling and have a record of transactions so that they know what they have spent.

While online gambling leads to greater and potentially more regular access to problem gamblers, it may also be seen as beneficial that the activity is taken out of licensed venues where alcohol is available and into the home where family members may be better placed to detect problem gambling and take steps to address the problem.<sup>27</sup>

3.36 The Inter Church Gambling Taskforce commented that the nature of online gambling may in fact detract from problem gambling, and that it contains control mechanisms that could exclude access by problem gamblers:

- Internet gambling in the home is less isolated from normal life than some present forms of gambling – gambling can be broken up or discouraged by the demands of home life and the reality of the world around them;
- More effective self-exclusion measures can be enforced on the Internet and more readily activated by problem gamblers and those around them;
- Gambling expenditure and behaviours can be more accurately monitored and tracked; there is the potential for a time lapse in gambling following severe losses as gamblers are required to re-load their account; and
- Internet gambling may not have the attraction to some who seek gambling as an escape from isolation or boredom. Venues provide some interaction and a sense of ‘being out’, whereas the home may not.<sup>28</sup>

3.37 The Committee notes the potential for new forms of gambling to increase the level of problem gambling in Australia. One way to guard against any increase is to ensure that a strict regulatory model is in place.

### **Policy options for addressing problem gambling**

3.38 The policy option to ban online gambling would address all of the risk factors associated with problem gambling. The consequences of this option are summarised in table 3.4 below:

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27 Internet Industry Association, Submission 57, p. 529.

28 Inter Church Gambling Taskforce, Submission 59, p. 632. See also WWWagering Gaming & Consultants, Submission 31, p. 200.

Table 3.4

*Consequences of banning online gambling in Australia*

<b>Risk factors</b>	<b>Policy option</b>	<b>Consequences of the policy option</b>
<ul style="list-style-type: none"> <li>• 24 hour access to gambling opportunities</li> <li>• Increased social accessibility</li> <li>• Increased number and variety of continuous games</li> <li>• Lack of education and information about gambling habits</li> <li>• Increased ease of use of gambling forms</li> <li>• Low outlays</li> <li>• Appeal of technology to the younger population</li> </ul>	<ul style="list-style-type: none"> <li>• Ban online gambling in Australia</li> </ul>	<ul style="list-style-type: none"> <li>• All risk factors are diminished (see left hand column).</li> <li>• People would gamble on overseas-based online gambling sites.</li> <li>• Difficult if not impossible to enforce and police.</li> <li>• Expensive to enforce.</li> <li>• Loss of taxation revenue to States and Territories.</li> <li>• Loss of e-commerce technology.</li> <li>• Threat to problem gambling posed by unregulated overseas gambling sites.</li> <li>• Loss of Australian revenue to overseas online gambling operators and governments.</li> <li>• Diminishes people's enjoyment of gambling activities.</li> <li>• Loss of export income.</li> <li>• Online gambling activities would be driven underground.</li> <li>• Deprives consumers of ability to access safe and well-regulated domestic operators.</li> </ul>

3.39 Other policy options to regulate online gambling and mitigate against the risk factors are outlined below. Implicit in this model is that, unlike the policy option to ban, regulation will preserve some of the benefits of online gambling, such as taxation revenue and technological advances. Further, it is likely that regulation will encourage Australian residents to access regulated Australian online gambling sites as opposed to overseas-based sites.

3.40 Table 3.5 summarises the various harm minimisation policies that could be employed. The consequences of the policies are also briefly discussed.

Table 3.5

*Consequences of regulating online gambling in Australia*

<b>Risk factors</b>	<b>Policy options</b>	<b>Consequences of the policy option</b>
<ul style="list-style-type: none"> <li>• 24 hour access to gambling opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Restrict operation hours of online gambling operators</li> <li>• Limit maximum hours of playing time per day – for example, 2 hours</li> <li>• Educate/assist with diagnosis of problem gambling</li> <li>• Player exclusions</li> <li>• Display time that person has been gambling</li> </ul>	<ul style="list-style-type: none"> <li>• Potential revenue for online gamblers is diminished.</li> <li>• Gambling patterns are more balanced.</li> <li>• Risk factor is diminished.</li> <li>• Gamblers may be tempted to gamble with overseas-based sites that are accessible 24 hours a day.</li> <li>• Australian online gambling operators may lose a section of the Australian market.</li> <li>• Players are attracted by a high level of regulation and integrity of operators.</li> </ul>
<ul style="list-style-type: none"> <li>• Increased social accessibility</li> </ul>	<ul style="list-style-type: none"> <li>• Player exclusions</li> <li>• Log on process to include warnings about problem gambling, in various languages</li> <li>• Display odds of game and time spent gambling</li> </ul>	<ul style="list-style-type: none"> <li>• Potential revenue for online gambling operators is diminished.</li> <li>• People alerted to potential for problem gambling.</li> <li>• Broader education across a range of social and cultural groups.</li> <li>• Gamblers are able to make more informed choices about their gambling patterns.</li> <li>• Risk factor is diminished.</li> <li>• Players are attracted by a high level of regulation and integrity of operators.</li> </ul>
<ul style="list-style-type: none"> <li>• Increased number and variety of continuous games</li> </ul>	<ul style="list-style-type: none"> <li>• Enforce breaks (for example, every 45 minutes)</li> <li>• Slow down speed of the games</li> <li>• Display odds of game and time spent gambling</li> <li>• Restrict operation hours of online gambling operators</li> </ul>	<ul style="list-style-type: none"> <li>• Potential revenue for online gambling operators is diminished.</li> <li>• Gamblers may be tempted to gamble with overseas-based sites, which allow for continuous gambling.</li> <li>• Gamblers are able to make more informed choices about their gambling patterns.</li> <li>• Risk factor is diminished.</li> <li>• Players are attracted by a high level of regulation and integrity of operators.</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of education and information about</li> </ul>	<ul style="list-style-type: none"> <li>• Educate/assist with diagnosis of problem gambling</li> <li>• Display odds of game and time</li> </ul>	<ul style="list-style-type: none"> <li>• Cost incurred in providing counselling and education services.</li> <li>• Risk factor is diminished.</li> </ul>

Risk factors	Policy options	Consequences of the policy option
gambling habits	spent gambling <ul style="list-style-type: none"> <li>• Enforce breaks (for example, every 45 minutes)</li> <li>• Slow down speed of the games</li> <li>• Log on process to include warnings about problem gambling, in various languages</li> </ul>	<ul style="list-style-type: none"> <li>• Players are attracted by the high level of regulation and integrity of operators.</li> <li>• Cost to operators of providing player with detailed financial records about their wins and losses.</li> </ul>
<ul style="list-style-type: none"> <li>• Increased ease of use of gambling forms</li> </ul>	<ul style="list-style-type: none"> <li>• Educate/assist with diagnosis of problem gambling</li> <li>• Player exclusions</li> <li>• Log on process to include warnings about problem gambling, in various languages</li> </ul>	<ul style="list-style-type: none"> <li>• Cost incurred in providing counselling and education services.</li> <li>• Risk factor is diminished.</li> <li>• Players are attracted by a high level of regulation and integrity of operators.</li> </ul>
<ul style="list-style-type: none"> <li>• Low outlays</li> </ul>	<ul style="list-style-type: none"> <li>• Educate/assist with diagnosis of problem gambling</li> <li>• Player exclusions</li> <li>• Log on process to include warnings about problem gambling, in various languages</li> </ul>	<ul style="list-style-type: none"> <li>• Cost incurred in providing counselling and education services.</li> <li>• Risk factor is diminished.</li> <li>• Players are attracted by a high level of regulation and integrity of operators.</li> </ul>
<ul style="list-style-type: none"> <li>• Appeal of technology to the younger population</li> </ul>	<ul style="list-style-type: none"> <li>• Educate/assist with diagnosis of problem gambling</li> <li>• Player exclusions</li> <li>• Log on process to include warnings about problem gambling, in various languages</li> </ul>	<ul style="list-style-type: none"> <li>• Cost incurred in providing counselling and education services.</li> <li>• Risk factor is diminished.</li> <li>• Players are attracted by a high level of regulation and integrity of operators.</li> </ul>

### Banning access to online gambling

3.41 The Committee believes that the desired policy outcome in the regulation of online gambling is to ensure that it does not have a negative impact on the Australian community. In particular, online gambling must not exacerbate the level of problem gambling in Australia, which has already reached unacceptable proportions.

3.42 Some church groups, such as the NSW Council of Churches and the Inter Church Gambling Taskforce, argued for a ban. Reverend Hon Fred Nile MLC, Honorary National President of the Christian Democratic Party, said:

At the end of that section I just quoted [Productivity Commission, Draft Report, *Australia's Gambling Industries*, July 1999, ch. 17], there are about 10 or 12 reasons why Internet gambling is far more dangerous than, say, casino gambling and so on because of things such as access being 24 hours a day; impulsive gambling – when you feel like doing it you can do it;

multilingual; ease of use is high; the similarity with using an ATM machine; that people working on a computer may not realise how much money they are actually spending and so on. So, for all those reasons, I know it is difficult, but I urge the Committee to look at a prohibition on Internet gambling in Australia.<sup>29</sup>

3.43 Reverend Tim Costello, Member, Inter Church Gambling Taskforce, stated that a prohibition should be enforced at the national level:

I would not want the Committee to believe that somehow we are a little half-hearted about a ban. We actually believe that a national framework – not a state framework – that has drawn up national guidelines is absolutely essential: a national framework that holds solidarity with the US, which is moving – and we should acknowledge this – to look at international conventions and maybe even a treaty in terms of how this is regulated. To break ranks with the US and to boast, as some of our states are doing, that we are the world leaders and that we are out there is corrosive of the US lead, is foolish, and ultimately will be defeating of proper international discussion and conventions which will ultimately be the only protection for all of us.<sup>30</sup>

3.44 The Committee therefore considered the policy option of banning online gambling. The ban would prohibit online gambling operations in Australia, and prevent Australian residents from accessing overseas-based sites. A ban is potentially an attractive policy option as it would, in a single step, address all of the risk factors discussed earlier in this Chapter. The Committee notes that the United States Federal Government has established a partial ban of online gambling. This model is discussed in Chapter 5.

#### *Feasibility of a ban*

3.45 Evidence to the Committee questioned whether a ban could in fact block the intrusion of online gambling services into Australia and prevent Australian residents from gambling on overseas-based sites. For example, Professor Jan McMillen, Executive Director, AIGR, stated that:

Prohibition is not a realistic option because, if we do not do it, there are already sites around the world that are doing it. Enforcement of illegal operators is impossible. Nobody is putting resources into that. ...

It really is difficult because unless we get global enforcement on this issue we are never going to ban Internet gambling. The providers will just move to a nice little liberal island somewhere, and Australians will bet there. If that happens we are going to lose those markets and regulatory opportunities that I talked about. We are going to lose control over consumer protection

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29 *Official Committee Hansard*, Sydney, 15 October 1999, p. 125.

30 *Official Committee Hansard*, Melbourne, 11 November, pp. 226-27.

policies. I think what we have is a chance to actually exercise some policy initiative, and we should be taking advantage of that.<sup>31</sup>

3.46 Mr Jim Hoggett, Member, Australian Casino Association, similarly advised the Committee that a prohibition is not a feasible policy option:

We think that applying bans in this area will not be very effective. Obviously, if we took the same line as the American Gaming Association and the American casinos, we would go for a ban. That is what they have done and that is why the President's commission on gambling in the USA has favoured what they call a pause, but in this area it really means a ban, and the industry was behind that. We do not think that would work. In fact, we think it would be perverse because it would simply leave the field to illegal and foreign operators. So we do not think that would work. This is partly because blocking technology, although it is quite good—and you can develop technology very rapidly to block and stop things—is always behind the technologies that allow you to get around things. If a person can devise methods to stop you doing something, another person can devise something that will get you round it, usually these days within a couple of weeks.

... It costs you half a million dollars to set up an Internet site so entry costs are very low. What that means is that lots of people can do it. Prohibition does two things: firstly, it leads to loss of consumer and producer benefits and, secondly, it provides the incentive for criminal activity. We think the sensible approach for Australia is a legal, regulated industry which provides consumers with an alternative and the alternative will be a supervised regulated site.<sup>32</sup>

... In principle we are not in favour of bans. Banning people from doing things is not something we would normally favour, unless there is some sound reason for it ... Look at all the bans in history that we have ever tried to put in place. They tried to ban alcohol in the United States, and they tried to ban gambling in this country. But why does a casino exist? Because they knew they could not ban illegal card games.<sup>33</sup>

3.47 Mr David Ohlson, Executive Manager Special Projects, Lasseters Online, also queried the feasibility of banning online gambling:

I think we need to look at two issues here. If we just say that we must ban it because this thing may occur, it is going to happen anyway. We do not believe, given our experience—and we have spent millions of dollars in development—that you will be able to effectively stop illegal online gaming. That situation can occur with or without a regulated online casino.

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31 *Official Committee Hansard*, Sydney, 15 October 1999, p. 77 and 82.

32 *Official Committee Hansard*, Sydney, 15 October 1999, p. 144.

33 *Official Committee Hansard*, Sydney, 15 October 1999, p. 148.

... if you just say that we should ban online gaming in Australia, there are 250 sites I can dial into now and play online gaming from within Australia. I do not think you can prevent access to those sites, from a technical perspective. What we are trying to offer is a regulated environment. Coming back to the scenario that you put forward, we believe education is the key. In a situation like that, there are still parents in the home. There needs to be an education process.<sup>34</sup>

3.48 Mr Piers Morgan, General Manager, Gaming and Wagering Development, Jupiters Ltd, said that:

... placing excessive restrictions, or indeed prohibitions, on consumers and operators of online gaming in Australia will not in our view be effective. At worst, it would only drive both groups offshore, potentially depriving consumers of an ability to access safe and well-regulated domestic operators and governments from a growing source of tax revenue.<sup>35</sup>

3.49 In contrast to the above evidence, Dr Ralph Lattimore, Assistant Commissioner, Productivity Commission, stated that a ban is a feasible policy option, though it carries a considerable cost:

This is clearly feasible and has already been done by some states, both nationally in some jurisdictions and internationally. For example, New Zealand's approach has been to wait and see and to otherwise not allow domestic sites. Certainly this is a technically feasible measure, but it has little advantage for consumers. The foreign sites which are unregulated are not a plane trip away; they are a mouse click away. They do not really deal with many of the prime issues that we were concerned about, like problem gambling and suspect supplier integrity. At the same time, it eliminates the domestic commercial advantages and the advantages for consumers, so it has some substantial drawbacks.<sup>36</sup>

3.50 Dr Lattimore advised the Committee of the impact of a ban if it was extended to include foreign Internet gambling sites as well as domestic sites:

The social impact of such a broad ban depends on controllability. If controllability is high, then unquestionably this reduces social costs through reducing problem gambling. If it is low, however – and bear in mind that we really do not know yet how effective any of the measures will be until we get to that era – it may actually exacerbate risks for problem gamblers and consumers by taking away access to safe sites. It leaves you with a problem where the market is driven by the lemons rather than the lemons being driven out by the high quality sites. What the social impacts would be of such a measure depends on the degree of controllability. Like the previous

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34 *Official Committee Hansard*, Alice Springs, 10 November 1999, pp. 182-83.

35 *Official Committee Hansard*, Alice Springs, 10 November 1999, p. 194.

36 *Official Committee Hansard*, Canberra, 16 February 2000, p. 267.

option, it also loses the consumer benefits and the commercial opportunities, and in a transition it clearly affects existing legal suppliers in Australia.<sup>37</sup>

3.51 The Productivity Commission found that the feasibility of a prohibition is also undermined by the possibility that the activity would be forced underground:

Prohibition often leads to the illegal and secretive supply of the prohibited goods by organised crime, with none of the safeguards for the consumer provided under a legal regime. It may well be that criminal impacts under prohibition would be greater than under a legal regime.<sup>38</sup>

3.52 It was for the above reasons that the Commission considers that blanket bans on specific forms of gambling to protect consumers would not be viable or desirable, although more targeted action may be appropriate in the absence of effective harm minimisation.<sup>39</sup>

#### *Technical aspects of a prohibition*

3.53 Mr Robert Farago and Mr Anthony Griffiths, Directors of Artson Systems Ltd, an Internet Service Provider located on the Gold Coast, commented on the difficulty of blocking access to Internet gambling sites. Mr Farago said:

You can do a partial block on the Net [of Internet gambling sites]. You can stop what is called http protocol, which is commonly used for viewing web pages. But anyone who wants to bypass that can do so quite readily by downloading from a selected special viewer, or something like that, which would then totally bypass any proxies and so on that ISPs would put in place.<sup>40</sup>

3.54 Mr Griffiths stated:

We believe that technically, by itself you cannot [ban Internet gambling]. ... all the person has to do is encrypt the packets. So, unless you have the budget of the CIA and you try to do an on-the-fly decryption of an encrypted transfer, you have no idea what actual data transfer is taking place; it is just some random bytes being transferred backwards and forwards.<sup>41</sup>

3.55 Therefore, from a technical viewpoint it is difficult to prevent access to overseas-based gambling sites. As the information packets transacted between the

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37 *Official Committee Hansard*, Canberra, 16 February 2000, p. 267.

38 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, pp. 4.11-4.12.

39 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 2, p. 16.1.

40 *Official Committee Hansard*, Canberra, 1 October 1999, p. 36.

41 *Official Committee Hansard*, Canberra, 1 October 1999, p. 37.

operator and the gambler are encrypted, it is difficult for the ISP to differentiate between information that does and does not relate to gambling.

3.56 The Australian Institute of Criminology submission stated that problems would persist even if all domestic online gambling sites were shut down:

Even if one were to succeed in closing down every provider of Internet gambling services within one's own jurisdiction, one would be hard pressed to prevent the determined gambler from 'dialling' a server offshore, constrained only by the inconvenience of obtaining an external connection and by the additional phone charges. Government efforts to inhibit Internet gambling by prohibiting related financial transactions may be defeated by services which offer to process all transactions in a permissive jurisdiction.

Here we begin to see a situation where if one jurisdiction outlaws Internet gambling, it could be forced to bear all the costs of enforcement, while the gambling revenues continue to flow to another jurisdiction.<sup>42</sup>

3.57 In its submission to the inquiry, GoCorp Ltd referred to a number of practical issues involved in prohibiting online gambling:

- It is not possible to require access providers to be aware of illicit information flowing through their systems, because there is no way that they can systematically detect it. It is not possible to scan the material by eye, because the volume is so great that [it is not] commercially feasible.
- It is not possible to stop information being embedded in simple messages through encryption. Encryption is easily available and may be impossible to detect.
- The only way to filter information entering into the country is by way of unplugging the Internet. Doing this would be commercial and cultural suicide.<sup>43</sup>

3.58 The following extract from the Productivity Commission's report on Australia's gambling industries summarises the main technical issues involved in blocking on the Internet:

#### **Blocking on the Internet**

Blocking on the Internet can occur at two levels — the application level and the packet level. At the application-level Internet sites are blocked by specifying the URL (address) of the site, a page or file within the site or by blocking an entire news group. With this type of blocking, ISPs direct access to the Internet via a proxy server which performs the blocking of material. The consumer configures his/her web browser to 'point to' the ISP proxy server and the server

42 Australian Institute of Criminology, Submission 2, p. 6.

43 GoCorp Ltd, Submission 58, p. 599.

can then compare clients' requests with a supplied 'black list'. This type of content blocking is conducted in countries such as Singapore and China.

At the packet-level content is blocked on the basis of the *source address* or where the packets have come from. This blocking technique requires a router. A router is a computer which examines the destination address of a packet, and directs the packet towards an output port. To block the packet the router examines the address of the sender of a packet, in addition to the destination address, and compares it with a supplied 'black list'. This level of blocking can be implemented within an organisation, at the ISP or Backbone Service Provider level, or at international Internet provider gateways.

A recently published report on *Blocking Content on the Internet* by CSIRO found that while technically possible, both packet-level and application-level blocking are not always effective. Specifically, the report found that consumers can overcome blocking by methods such as tunnelling (an IP packet is received inside another IP packet). Some web sites offer free anonymous surfing. A further possibility is that black listed sites may develop software to overcome blocking and this would require counteraction with the development of more sophisticated blocking techniques.

In the short term, CSIRO recommends the use of filtering software to control content problems. A wide range of filtering software is available including *Net Nanny*, *Cyber Patrol* and *Cybersitter*. They can operate on an ISP's proxy server or at the customer's end. While this approach cannot be guaranteed to prevent every consumer from gambling on illegal sites it is likely to work for the majority of gamblers. In addition the incentive for consumers to overcome the filtering of illegal gambling sites may not be very strong as legal sites would offer similar forms of gambling (albeit probably at lower odds).

In addition, CSIRO recommends that ISPs be encouraged to offer differentiated services to clients, based on access to the Internet through a proxy server. The ability of industry to provide this service will depend on the cost, who bears the cost and whether the service will impact on the services provided by the ISP. For example, using proxy servers to access the Internet is likely to slow down the speed of the Internet.

In the long term CSIRO proposes that Australia enter in international forums to work out ways for ISPs to determine the jurisdiction of the user. Once a jurisdiction is established the server can establish whether the requested content is legal in the user's jurisdiction.<sup>44</sup> *Source: McCrea, Smart and Andrews (1998).*

3.59 The National Crime Authority considers that it may be possible to partially control access to unlicensed and certain overseas online gambling sites by constructing a regime whereby Australian ISPs would be required to disable access to those sites if the ISP is served with a notice to do so.<sup>45</sup> Mr Greg Melick, Member, National Crime Authority, stated during evidence:

44 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 2, p. 18.45. See also McCrae, P., Smart, B., Andrews, M. 1998, *Blocking Content on the Internet: a Technical Perspective*, report prepared for the National Office of the Information Economy, CSIRO Mathematical and Information Sciences.

45 National Crime Authority, Submission 65, p. 7.

You can disable everything coming into Australia, but the first problem you are going to have is how to detect it and at what level you do it in the Internet domain. Once it is detected and you give the server notice, the ISP has to then take the domain name off his service or he is in strife. Your problem is then when people start going to Internet service providers outside of Australia. It means they have to pay an ISD phone call rate to do it, so it becomes more expensive for them, but once they start doing that the only way you can properly control it is by having international agreements on it. That is where the problem is. I can directly dial to an Internet service provider overseas and pay the associated costs. Of course, if the profit is there in gambling, they may be prepared to bill that themselves. They may have a 1800 number equivalent.<sup>46</sup>

There are gaps. There are always going to be gaps, so you try to make life difficult. If you go to the financiers and say, 'Your financial arrangements will be unenforceable if it is for illegal purposes,' and if you go to the Internet service providers and say, 'You will have to comply with this sort of regime,' you start making life difficult. Other countries start doing the same. You are always going to have your tax havens and all the rest of it which are going to facilitate this sort of traffic, because it is worth while.<sup>47</sup>

3.60 In summary, the evidence suggests that a ban may be technically possible. However, it would be costly and difficult to enforce and could be compromised by emerging technologies that bypass the prohibition.

#### Success of banning pornography on the Internet

3.61 In 1999, the Government passed the Broadcasting Services Amendment (Online Services) Bill to control illegal material (mainly pornography) on the Internet. The Australian Broadcasting Authority (ABA) considers, however, that the legislation does *not* provide a basis for blocking illegal offshore gambling sites. In its submission to the Productivity Commission, the ABA stated that 'the online services legislation was not designed as a broad consumer protection measure. It does not provide for other features which may be desirable for regulating online gambling, such as surveillance of the Internet to identify illegal gambling sites'.<sup>48</sup>

3.62 This led the Productivity Commission to conclude that new legislation would be necessary to achieve the blocking of unlicensed online gambling sites, as well as measures for identifying gambling sites and assessing compliance.

3.63 Implementation of the online services legislation has had some problems. For example, the ABA was unable to act against a pornographic website found in Australia, which circumvented the legislation by relocating to the United States. The

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46 *Official Committee Hansard*, Canberra, 16 February 2000, p. 260.

47 *Official Committee Hansard*, Canberra, 16 February 2000, p. 261.

48 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 2, p. 18.47.

website was issued with a takedown notice by the ABA to remove four pages of prohibited content from its site. The company complied with the order by moving the site to a new US web server.<sup>49</sup>

### **The consequences of a ban**

3.64 A ban may have an undesirable result in Australia's development of e-commerce. In its submission to the Committee, GoCorp Limited stated that:

... as Internet gaming fundamentally operates in the e-commerce sphere, real production-side benefits are created by the growth in Internet gambling. This is because:

- its increased usage will drive development in communications networks;
- its growth depends upon the development and enhancement of e-commerce systems and infrastructure for financial transactions processing, digital payment methods and encryption techniques; and
- the requirement to meet consumer expectations will drive the growth of skills and intellectual property in developing new software for content.

These benefits will also create economic multiplier effects for related industries.<sup>50</sup>

3.65 The Productivity Commission noted that many participants expressed concern that Internet gambling may diminish State/Territory revenue and affect community services. The Commission also highlighted the adverse impact of a ban on Internet gambling on Australia's export revenue.

3.66 Using a model to illustrate the potential tax effects of the expansion of Internet gambling, the Commission contends that under managed liberalisation, tax revenue may increase with the expansion of Internet gambling:

While some tax revenue is lost when Australians buy overseas-provided Internet gambling services and when more highly taxed traditional gambling forms are displaced, there is offsetting revenue from taxes on online gambling exports. Revenue gains can be significant if online gambling mainly represents a new market. However, this does depend on the extent to which Australia has a competitive advantage on online gambling.<sup>51</sup>

3.67 However, if Australia prohibited the provision of online gambling services, the Commission argues that Australian governments lose any export revenue as well as revenue displaced from lower taxed, non-gambling domestic goods and services. In

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49 *The Australian*, 1 February 2000, pp. 33-37.

50 GoCorp Limited, Submission 58, p. 581.

51 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 2, p. 16.31.

addition, prohibition would not stem the flow of taxes abroad, as some consumers could still be expected to buy overseas, even if it was illegal. As a result, prohibition would still be likely to generate revenue losses.<sup>52</sup>

3.68 A wide-ranging prohibition would be difficult to achieve and enforce. Because demand for gambling is so high now, a complete prohibition could have the following adverse social consequences:

- it may have the negative impact of driving the activity underground, creating a criminal class out of people who are caught in illicit consumption, creating large potential profits for illegal suppliers and a web of corruption;
- if the activity were illegal, treatment would also be difficult. Information on problem gambling would also be poor, frustrating the development of appropriate care services;
- illegality would also have the effect of denying consumers of gambling protection from unfair and corrupt suppliers, and governments would not be able to raise revenues from the industry;
- it would not be practicable in the medium term, given contractual obligations between governments and gambling providers and the significant adjustment costs which would be experienced by venues which had made large investments in gambling technologies; and
- it fails to recognise freedom of choice, which communities value highly.<sup>53</sup>

3.69 From the evidence, it appears that a prohibition would be difficult and costly to implement, which potentially undermines its effectiveness as a policy option. Although a prohibition would address all of the risk factors in one step, in practical terms, its enforcement would be convoluted and difficult as consumers and operators attempt to bypass and challenge the blocking technology. A prohibition would fail to provide an adequate safety net to those who do bypass the technology and gamble online, and could therefore fail to actively address problem gambling. Consequently, the majority of the Committee does not support the policy option of a prohibition.

### **Other policy options**

3.70 Strict regulation of online gambling, and not prohibition, is the preferable policy option, as it is a more practical and effective solution to the risk of problem gambling. It would allow for a range of harm minimisation policies to be applied to

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52 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 2, pp. 16.31- 16.32.

53 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 2, pp. 16.7-16.8.

online gambling which would negate the prospect of higher levels of problem gambling. These policies are more likely to be successfully applied as they are suited to Internet technology.

3.71 The Productivity Commission favours managed this approach. In evidence to the Committee, Dr Lattimore stated that:

On balance the Commission favours ... managed liberalisation, because it best balances the consumer protection measures with the consumer and commercial potential of the Internet. But there is something that can be done regardless of whichever of those regulatory options are taken. We saw, regardless of the regulatory options, some non-regulatory issues. They were things like the promotion of safe practice, so people know some of the risks of going onto Internet gambling sites without knowing something about supplier integrity, some of the dangers of problem gambling, the provision of help services, listing services which indicate which sites are legitimate and which are somewhat dubious, and the facilitation of PC based filtering. None of these options affect consumer choice in any way, and they may reduce problems, but the evidence from the implementation of similar sorts of measures on physical forms of gambling is that, by themselves, these would not be sufficient to deal with problem gambling. It is likely that you would have some need for regulation of consumer protection to achieve that.<sup>54</sup>

3.72 The Commission described managed liberalisation as follows:

The effect of managed liberalisation is to divert demand from the now difficult to access, unsafe sites to the ones that you have specified through consumer protection which are designed to be safe. In a sense, that would provide you with a safety valve. Even if control is not perfect, it does not need to be perfect. If consumers have access to safe sites, then they will generally use them in preference to sites which are somewhat dubious in nature. The principle is also consistent with the notion that all forms of gambling must conform to some standard. Then you do not worry so much about the medium; you worry about whether it conforms to that standard or not.<sup>55</sup>

### **Harm minimisation policies**

3.73 The Committee believes that managed liberalisation must at least incorporate the following harm minimisation policies:

- player and third party exclusions and the identification of problem gamblers
- time limits on gambling and the continuity of gambling activity

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54 *Official Committee Hansard*, Canberra, 16 February 2000, pp. 267-68.

55 *Official Committee Hansard*, Canberra, 16 February 2000, p. 267.

- links to problem gambling information
- warnings about the risks associated with gambling
- advertising
- player manipulation
- improved customer information – time, odds and financial records
- public education campaign.

#### *Player and third party exclusions and the identification of problem gamblers*

3.74 Some of the regulatory models for online gambling in Australia permit self or third-party exclusion from online gambling sites. Here, if a player is concerned that they are unable to handle their gambling habits, a service is offered that allows them or, in some cases, an interested third party, to exclude the player from the online gambling site. This is a measure designed to counter problem gambling.

3.75 The Committee heard evidence about the frequency with which players have been self-excluded from online gambling sites.

#### Number of exclusions

3.76 Mr Keith Cullen, Managing Director, eBet Pty Ltd, commented on the frequency of self-exclusions:

We offer a self-exclusion policy. We have had, through our service, some 8 500 people betting with us. We have that many registered customers and we have had two people self-exclude themselves.<sup>56</sup>

3.77 Similarly, Mr David Ohlson, Executive Manager Special Projects, Lasseters Online, commented on statistics relating to his own operations:

We are able to run a customer exclusions report. That is a report that is available on our system. We ran one last night. There are 32 people who have permanently excluded themselves from Lasseters Online, and there is a total of 161 individual exclusions. When we say 161, that could include someone who has just excluded themselves for seven days. One thing which I think is very important to stress is that we are in the early days of online. A lot of people are very interested in our operation, particularly competitors in overseas countries, and they test the self-exclusion button. More data and more time are required so that those statistics become more solid.<sup>57</sup>

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56 *Official Committee Hansard*, Melbourne, p. 251.

57 *Official Committee Hansard*, Alice Springs, 10 November 1999, pp. 177-78.

### Effectiveness of player exclusions

3.78 The Committee heard evidence that questioned the effectiveness of player exclusions as a means for tackling problem gambling. Mr Ron Ruzzier responded to a question about whether a problem gambler is able to diagnose his or her problem, and therefore exclude themselves:

That is certainly not our experience all of the time, Senator. The rough definition that we work on is that problem gambling is gambling in a manner, form or mode that causes harm to the individual themselves, to significant others or to the community at large. Whether people self-diagnose or not I think is a bit of a moot point. We had a phone call yesterday from a woman who has been married for 36 years to a problem gambler. He does not think he has got a problem. But the family is destroyed; they will lose their home in the next week or two. The marriage has gone down the tube. They have three children and grandchildren, so that effect is multiplied. This man does not consider himself to be a problem gambler—they never do—but he clearly is.<sup>58</sup>

3.79 Reverend Tim Costello supported this view:

What is very difficult about this whole notion of self-diagnosis and I am extremely sceptical about it is that, with respect to drug or alcohol addiction, firstly, you can now socially talk about them; secondly, third parties can clearly recognise the physiological symptoms slurred speech or tiredness, whatever it might be. With problem gambling there are no physiological signs, and you are only ever one win away from not having a problem. You are that close to not being a problem gambler. That means that this notion of self-diagnosis of problem gamblers is really, in my view, quite nonsensical for the great number of problem gamblers.<sup>59</sup>

3.80 Reverend Costello also referred to a case study that questions the effectiveness of third-party exclusions:

I saw a woman three weeks ago whose husband suicided after she found he had lost \$160 000. ... His wife had no idea until she found out how much he had lost, and a day later he suicided. She had no opportunity to rationally withdraw from this awful addiction once he was found out with the shame. Families do not have that opportunity and, once computers are in homes and accessible right across the board as they eventually will be that will only intensify the pain for families.<sup>60</sup>

3.81 From the evidence and the incidence of player exclusions from online gambling sites, a strong argument can be made that player exclusions are not an

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58 *Official Committee Hansard*, Melbourne, 11 November 1999, p. 245.

59 *Official Committee Hansard*, Melbourne, 11 November 1999, p. 246.

60 *Official Committee Hansard*, Melbourne, 11 November 1999, p. 231.

effective means for dealing with problem gamblers. The weak point is the difficulty in making the diagnosis that a person has a gambling problem.

3.82 One unique feature of online gambling is that the online gambling operator has access to records of a gambler's playing history. This would detail their losses and winnings, the number of times they place a bet in a session and the frequency of those sessions. This type of information could be used to identify problem gamblers, or those who are at risk. In such cases the operator could facilitate player exclusions. For example, the operator could alert the player with an email which states that their gambling patterns are indicative of problem gambling. This would provide a means for addressing the problems with diagnosis as referred to by Reverend Tim Costello and Mr Ron Ruzzier.

3.83 Online gambling operators would need to share information about their clients, as a problem gambler may access a number of different sites. Consequently, regulatory models would need to account for the various privacy issues that arise from this type of information sharing arrangement.

3.84 Where a consumer chooses to exclude themselves from an online gaming site, this should extend to exclusions from every other Australian-regulated online gaming site. The same should apply for interactive wagering.

3.85 As well as self-exclusions, all regulatory models should allow for third-party exclusions. These exclusions should also be blanket exclusions. The process specified in the Queensland regulatory model, that is, who the application is made to and the procedure for their decision to exclude a consumer, should also be applied.

#### *Time limits on gambling and the continuity of gambling activities*

3.86 The Productivity Commission, VCGA and AIGR have stated that continuous gambling activities are linked to problem gambling. Online gambling has the capacity to greatly increase the continuity of gambling activities. For example, whereas a game of black-jack or roulette in a casino involves several other players and the dealer must collect and distribute gambling chips, thereby slowing down the game, the same does not apply for an online casino. Similarly, betting on sporting events is now largely limited to the ultimate result, whereas interactive wagering will allow betting on mini-outcomes.

3.87 The Committee believes that harm minimisation policies must be introduced to guard against the impact of the increased continuity of gambling activities. These may include an education campaign, improved player exclusions, increased levels of information, compulsory breaks at regular intervals and limits to 24 hour access.

3.88 Further, standards could be introduced that regulate the speed and continuity of games. For example, a hand of virtual black-jack could be designed to take a specified time. The standards should be developed to militate against problem gambling.

*Links to problem gambling information*

3.89 Lasseters Online currently includes a link to problem gambling Internet sites. This facility is not explicitly required by Queensland and Northern Territory legislation that regulates online gaming. None of the regulatory models for interactive wagering in Australia stipulate this type of facility either. The Lasseters Online graphics are presented below in the order in which they can be accessed.



*Screen 1 contains a link 'Responsible Gaming'*

Play the Games Cashier Chat Competitions Sign Out Contact Us Help

## RESPONSIBLE GAMING

Lasseters Online cares about its Players and as a responsible Gaming Operator we actively discourage and pursue minors who attempt to play at our gaming site. Age checks are conducted by Lasseters Operational staff to detect underage players.

We realise that on occasions a Player may simply exceed their personal spending limit. The site allows a player to set their own bet limits so that they do not exceed a limit that is comfortable for them.

There are some Players that unfortunately develop a Gambling Problem they cannot control. When this occurs we offer the facility for a player to exclude themselves from the Games temporarily or on a permanent basis.

Lasseters Online has and will continue to maintain a high standard and a responsible attitude to gaming, for more information please see the side menu or [contact Customer Support](#).

**TRUST LASSETERS**  
Modern Test

Feel like a Chat? Join me at the rock chatroom...

**About the Casino**  
**About Lasseters**  
**Security and Privacy**  
**Responsible Gaming**  
**Players' Charter**  
**Trust Lasseters**  
**Government Licence**

*Screen 2 outlines the services made available to promote responsible gambling*

Lasseters Online: Help - Micr... \_ □ X

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 **Talking to Michael T Chat ID:1084**

Type what you'd like to say in the field below, then press the ENTER key to say it.

Hello David, how may I help you?

*Screen 3 presents the chat room facility which allows the consumer to direct specific queries about problem gambling to a Lasseters Online employee*

3.90 The link to problem gambling services on the Lasseters site comes under the heading 'Responsible Gaming'. If it is accessed, it leads to three separate links – 'child protection software', 'Amity Community Services', and 'Self Exclusion'. The link to Amity Community Services includes, among other things, information about diagnosing problem gambling and how to be a responsible gambler. The Amity Community Services Internet site also contains a link to a telephone assistance service in Australia (available in numerous languages), Europe and North America.

3.91 Lasseters Online also provides a service whereby the consumer can speak to one of the online assistants, by way of a chat room format. Essentially, this service allows a consumer to speak directly to a Lasseters employee who may assist with problem gambling. The chat room service is not specifically designed to deal with problem gambling, as it will field any queries about the online gaming service. However, the Lasseters employee will assist with inquiries about problem gambling, by referring the player to the relevant Internet sites.

3.92 A service similar to this should be required of all online gambling operators in Australia. The service could be improved by ensuring that the online assistants have received some training or accreditation in identifying and assisting problem gamblers.

#### *Advertising*

3.93 The Draft Regulatory Control Model contained a proposal for an advertising code of conduct for online gambling. At the time of the Committee's inquiry, the code has not yet been developed. Some of the regulatory models have, however, placed restrictions on advertising. That is, advertising cannot be offensive, false, misleading or offensive.

3.94 The regulation of advertising for online gambling should ensure that minors and problem gamblers are not targeted by advertising. The codes should also ensure that the risks associated with gambling are not understated by any advertising campaigns.

3.95 The Committee understands that advertising codes for online gambling are currently being developed at the State and Territory level. The Committee will await the outcome of these advertising codes before it considers this issue in detail.

#### *Warnings about the risks associated with gambling*

3.96 Clear warnings about the risks associated with gambling should be incorporated into online gambling sites. The warnings could, for example, be part of the process for logging on to an online gambling site. The consumer could be required to click on an information box (Yes or No) that asks them if they understand the warning and would like to proceed and access the site, whether they would like more information, or whether they would like to exit the site. The warnings will be more effective if they cannot be by-passed during the log on process. This would be similar to the process that sometimes applies to Internet sites with adult content. Here

the consumer is told that the site contains adult material and is given the opportunity to exit the site.

3.97 Further, clear warnings should be contained on the online gambling site, in a similar way to which the negative effects of smoking are advertised on packets of cigarettes.

#### *Player manipulation*

3.98 Mr Stephen Toneguzzo referred to some gaming technologies that encourage consumers to continue gambling:

In relation to fairness to the players, some of the things that we have investigated are that the random number generator is truly random, that the games are fair, that there are no misleading or deceptive comments on that site and that there are no techniques of psychological manipulation. This is one of the dangers with an unregulated site. For example, some years ago in Nevada there was what was called a 'near miss' concept, which some of the poker machine manufacturers put forward, that gave the punters the perception that they had just missed out on the jackpot and would induce them to continue playing. Those sorts of psychological manipulation techniques are something that we look for; it is something that we just do not allow.<sup>61</sup>

3.99 The Committee is pleased to note that this type of psychological manipulation is not permitted in Australia. However, the Committee also notes the legislation for the regulation of online gaming in the Northern Territory and Queensland does not specifically prohibit these types of games. The potential risks posed by psychological manipulation warrant a clear statement in any regulatory model that prohibits this type of gaming activity.

3.100 Online gambling operators will be able to build profiles of people's gambling habits, and tailor their gaming services accordingly. The information obtained about gamblers' preferences should not be used to encourage higher than acceptable levels of gambling.

#### *Improved customer information – time, odds and financial records*

3.101 In its submission to the Committee, the Inter Church Gambling Taskforce provided a list of player protection measures that could be adopted in addition to those that currently exist:

- Clear statement of odds to be readily available at each site.

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61 *Official Committee Hansard*, Sydney, 15 October 1999, p. 100.

- ... limits on the amount of time to be gambling and on-screen clocks to be provided which state the amount of time an individual has been gambling and how much they have lost/won overall.<sup>62</sup>

#### Clear statement of odds

3.102 The Committee believes that consumers should be given a clear indication of the level of player return for each game with respect to online gaming and interactive wagering. The statistical return should be clearly displayed.

#### Financial records

3.103 The Committee believes that consumers should have ready access to their betting history in a format that is easy to understand. The level of information should be comprehensive so that the consumer can call up their betting history with each online gambling operator in Australia, from one online gambling site. For example, a person who is gambling online at Lasseters Casino, would have access to their wagering record from Canbet Pty Ltd.

#### Time spent gambling

3.104 Two of the major risk factors for problem gambling are the continuity of games and extended periods of access. Harm minimisation policies should be introduced to deal with both factors. Specifically, restrictions on the operating hours and the continuity of the games should be introduced. For example online operating hours could be restricted and regular ‘cooling off’ breaks in gambling be enforced.

#### *Public education campaign*

3.105 In relation to public awareness of gambling, Mr Stephen Tonneguzzo supported public education campaigns:

I think there is a general lack of awareness in this country of gambling ... We have drink driving campaigns, we have responsible provision of alcohol and we have a national awareness of that. We do not have a national awareness of gambling. I think perhaps the states, or indeed, the Federal Government could take a more proactive role in promoting campaigns such as Star City’s ‘Bet with your head and not over it’ ... to get the message out that this in moderation is a national pastime and it is fun but you can have problems.<sup>63</sup>

3.106 When asked whether he was aware of any education campaigns targeted specifically at high school level, Mr Tonneguzzo replied that he was not:

I am aware of Jan McMillen’s group and another group called Bet Safe that have been promoting responsible gambling – stickers on machines,

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62 Inter Church Gambling Taskforce, Submission 59, p. 633, 643.

63 *Official Committee Hansard*, Sydney, 15 October 1999, p. 101.

brochures in casinos, etc – but I am not aware of any concerted national effort at all to educate players.<sup>64</sup>

3.107 The Women’s Christian Temperance Union of South Australia recommended:

- School children require written information about the dangers of online gambling, in conjunction with other material given about alcohol and other drugs
- Older Australians also require written information about the dangers of gambling because of the number of older people gambling regularly.<sup>65</sup>

3.108 Lasseters Casino Pty Ltd recommends that an education campaign be conducted to promote safe online gambling in conjunction with Australian online gaming operators.<sup>66</sup>

3.109 Young Media Australia recommends specific funding for community/parental education programs, particularly about underage online gambling.<sup>67</sup>

3.110 Professor Jan McMillen was supportive of education programs:

If the committee thinks that kids do not gamble, they are deluding themselves. I am not sure that this is a bad thing. People do not transform or metamorphise into different creatures the day they turn 18. We should be educating children about gambling, as we educate them about sex, driving, eating properly, and a whole range of things.

This is part of life in this country and we should be educating people, not shielding them and protecting them from it. All you have to do is stand outside any newsagent and watch mum buying a scratchie ticket for the kids. Kids are gambling. Kids turn on television and they are going to see it every night of the week. They cannot go down to the supermarket without walking past the TAB and the lottery outlet. This is part of life in Australia. We should be grappling with community education programs and programs in skills, teaching kids that this is learning to live with life. This is one of the decisions they are going to make, and they are gambling in their homes now.<sup>68</sup>

3.111 The Productivity Commission Report indicates the need for better and more readily available information about the risks and consequences of excessive gambling, which needs to be disseminated within the general community. The effectiveness of

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64 *Official Committee Hansard*, Sydney, 15 October 1999, p. 105.

65 Women’s Christian Temperance Union of South Australia, Submission 6, pp. 18-19. See also similar recommendations from the Western Australia Branch, Submission 19.

66 Lasseters Casino Pty Ltd, Submission 29, pp. 160, 186, 188.

67 Young Media Australia, Submission 44, p. 403.

68 *Official Committee Hansard*, Sydney, 15 October 1999, p. 82.

much of the currently available material provided by gambling venues is doubtful. The warnings are rarely as explicit as in other areas of public health like smoking and road safety advertisements.<sup>69</sup>

3.112 Given that online gambling brings gambling into the home in a way that has not occurred before, it is likely that there will be an increase in the numbers of people gambling from home. This brings with it the potential to expose more children to gambling like never before. Ease of access and familiarity with online gambling is likely to increase the likelihood of children's participation as adults.

3.113 The Committee accepts that gambling is a part of Australian life. However, in order to better educate adults and children about responsible gambling and the problems with gambling, the Committee recommends that an ongoing national awareness campaign be conducted, similar to the hard-hitting advertising campaigns relating to tobacco smoking and drink driving.

*Technology to implement harm minimisation policies*

3.114 In its submission to the Committee, the Twenty-Twice Consortium detailed its recently registered patent for 'Regulatory methods and means pertaining to the Australian and other national and international gaming establishments'.<sup>70</sup> The patent is for a new form of technology that may facilitate the implementation of harm minimisation policies.

3.115 The patent is essentially for a smart card that is used by consumers to gamble on any computer networked gambling activity. Therefore, it applies equally to EGMs (which have a closed computer network) as it does to online gambling. The smart card can set a limit on the amount that a person can gamble. Also, it can be programmed to exclude a person from participating in gambling activities. If the smart card was the only means by which EGMs and online gambling could be accessed, then any gambling limits and player exclusions would be wide ranging.

3.116 The provisional patent includes the following specifications:

- The application is installed into a smart card chip which regulates the amount that can be deposited into the player's smart card purse and spent within any given month or other fixed period of time. Any winnings can be either transferred from the card to the player's bank/casino account or further played with or collected by the player from the casino or gaming establishment by any other arrangement that is mutually agreeable to both the player and the casino or gaming establishment and excluding any identified problem gamblers and underage gamblers;

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69 Productivity Commission 1999, *Australia's Gambling Industries*, Report No. 10, AusInfo, Canberra, Vol. 1, pp. 43-44. See also Vol.2, pp.16.27-16.34.

70 Twenty Twice Consortium, Submission 66

- A further feature to be installed in the licensed gaming venue(s) ... is the ability to bar problem gamblers' smart cards and/or magnetic stripe cards either issued by a bank or gaming establishment or any other related third party entity. The facility would deny a player from accessing their accounts or game entry access held at any casino or other gaming establishment(s) thus denying the problem gambler the ability to bet or play games should they so be directed by an appropriately designated body such as a court or social welfare agency. This non-access period could be for days, weeks, months or years or in certain cases for life. This regulatory feature will be based on the recognition of a personal cardholder number(s) which is automatically accepted or rejected at all betting establishments that are subject to regulatory licensing;<sup>71</sup>

3.117 The Committee is pleased to note that new technologies are being developed that facilitate the implementation of harm minimisation policies for online gambling.

### **Conclusion**

3.118 The Committee believes that a prohibition would be difficult and expensive to implement, and is not guaranteed to prevent an increase in problem gambling. Rather than preventing access by problem gamblers to online gambling sites, it is more likely that a prohibition would steer them to overseas-based gambling sites that are only a mouse click away and fail to address problem gambling. A prohibition would also detract from the benefits associated with online gambling, such as the development and enhancement of e-commerce systems and infrastructure, and providing a legitimate entertainment outlet for responsible gamblers.

3.119 The implementation of harm minimisation policies is the favoured option as it is easier to implement and is likely to produce a more certain outcome. The policies proposed by the Committee are suited to Internet technology and could be implemented by State and Territory Governments who are skilled in the regulation of gambling. Problem gamblers would be attracted to Australian sites that are regulated and guaranteed by domestic governments, thereby minimising the risk posed by overseas-based sites.

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71 Twenty-Twice Consortium, Submission 66, p. 4.

