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**RACING, GAMING AND LICENSING**

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Ms R Bloor  
Manager, Broadcasting and Online Content  
Department of Communications, Information Technology and the Arts  
GPO Box 2154  
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Dear Ms Bloor

**RE: REVIEW OF ISSUES RELATED TO COMMONWEALTH INTERACTIVE GAMBLING REGULATION**

The abovementioned Review sought comment on five specific issues. The Territory's Racing, Gaming and Licensing function forms part of Northern Territory Treasury. The Northern Territory Treasury's comments on these issues are set out in attachment A.

In summary, Northern Territory Treasury is of the view that properly regulated interactive gambling operations should be made available to Australians. The Commonwealth's current regime for regulating interactive gambling has not restricted access by Australians to interactive gambling – rather it has forced Australians toward foreign operated sites which are often unregulated. However, if the Commonwealth's regime for regulating interactive gambling is to remain in its current form, the exclusions should be maintained as they mitigate, to some extent, the impact of banning Australians from well regulated sites.

As background, further information is provided below regarding the Northern Territory's regulatory regime for interactive gambling activities.

**Northern Territory's regulatory regime for interactive gambling activities**

All interactive gambling operators licensed in the Northern Territory are subject to a robust regulatory regime. The following Northern Territory legislation regulates the activities defined by the *Interactive Gambling Act* as an interactive gambling service:

- the *Racing and Betting Act and Regulations* and the licence conditions cover all racing and betting activities including internet and telephone betting and wagering;
- the *Totalisator Licensing and Regulation Act*, which licenses and regulates totalisators and wagering by means of a totalisator system in the Territory; and
- the *Gaming Control Act and Gaming Control (Internet Gaming) Regulations*, which cover casinos and gaming, including Internet gaming and wagering.

A key focus of the Northern Territory's regulatory model is player protection. The Northern Territory Government recognises the problems with trying to protect consumers by blocking their access to service providers, particularly with the high volume of unregulated sites that are available. The Northern Territory's regulatory regime offers protection to players through the provision of reputable and responsible operators.



In order to obtain an operator's licence, the applicant must show that he/she:

- (a) is of good repute, having regard to character, honesty and integrity;
- (b) is of sound and stable financial background;
- (c) has or is able to obtain financial resources that are adequate to ensure the financial viability of the internet gaming business proposed to be conducted and to obtain the services of persons who have sufficient experience in the management and operation of the business;
- (d) has sufficient business ability to establish and maintain the business proposed to be conducted;
- (e) any person to be involved in the management or operation of the internet gaming business proposed to be conducted does not have association with a person, body or association who or which, in the opinion of the Minister, is not of good repute having regard to character, honesty and integrity or has undesirable or unsatisfactory financial resources; and
- (f) each director, partner, trustee, executive officer and secretary and any other officer or person determined by the Minister to be associated or connected with the ownership, administration or management of the operations or business of the person is a suitable person to act in that capacity.

As a result of the comprehensive regulatory regime and continued oversight of interactive gambling licences in the Northern Territory, the integrity or reputation of Territory operators is of paramount importance. The Territory is proud of its reputation as a world leader in this area.

The Territory's regulatory model places the onus on operators to act responsibly and the Government ensures its objectives are met through continuous monitoring and ongoing regulatory activities. The legislation and licensing conditions require operators to have in place harm minimisation measures to address the issues relating to problem gambling and access by minors. This requirement is supplemented by the Responsible Gambling Code of Practice ([www.nt.gov.au/ntt/licensing](http://www.nt.gov.au/ntt/licensing)) and the Ausmodel requirements.

Harm minimisation practices are strongly adhered to by Territory operators. As it is in each operator's business interest to adopt those practices, they have voluntarily incorporated harm minimisation measures into their operations to enhance their reputation as being fair and responsible, thus boosting player confidence and protection.

In terms of access and availability of interactive gambling services, there is a requirement for Northern Territory operators to have controls in place to mitigate risks of access by prohibited clients. However, as there are a host of unregulated sites available over the Internet, no jurisdiction has the ability to totally control access. From the Northern Territory's point of view, making reputable and well regulated sites available is a far better way of protecting Australians than forcing them to access sites that are unregulated, and where the integrity of the operators may be questionable. In our experience, this view is also shared by gambling intervention service providers in the Territory.

Yours sincerely

GARY MORIARTY  
Director of Licensing

May 2003

## REVIEW OF ISSUES RELATED TO COMMONWEALTH INTERACTIVE GAMBLING REGULATIONS

### SUBMISSION

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#### The Growth of Interactive Gambling Services

In the Northern Territory, there are currently eight (8) licensed operators that offer some form of interactive gambling products and of that, one operator provides products that are prohibited to Australians under the *Interactive Gambling Act*. As the prohibition applies to access by Australian residents, the products are only available to overseas market.

The Territory's licensed operators are:

#### GAMING

Lasseters Online	<a href="http://lasseters.com.au">lasseters.com.au</a>
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#### WAGERING

International All Sports	<a href="http://iasbet.com">iasbet.com</a>
Centrebet	<a href="http://centrebet.com">centrebet.com</a>
Consolidated Sportsbet	<a href="http://sportsbet.com.au">sportsbet.com.au</a>
Multibet	<a href="http://multibet.com">multibet.com</a>
Sportingbet Australia	<a href="http://sportingbet.com.au">sportingbet.com.au</a>
CentreRacing	<a href="http://centreracing.com.au">centreracing.com.au</a>
NTTAB	<a href="http://tabonline.com.au">tabonline.com.au</a>

There are currently over 370,000 gamblers registered with the Territory's eight licensed operators, with 226 known self-exclusions.

The Northern Territory interactive gambling turnover for the past three years is shown in the table below:

Period	Interactive Wagering Turnover (\$ million)	Interactive Gaming Turnover (\$ million)	Total Interactive Gambling Turnover (\$ million)
1999/00	328.8	105.7	434.5
2000/01	520.5	263.1	783.6
2001/02	1014.1	318.6	1332.7

Other interactive gambling operators have also expressed an interest in establishing their operations in the Territory and several applicants are in the process of evaluation.

## **The Social and Commercial Impact of Interactive Gambling Services**

Interactive gambling services provide strong economic benefits to the Northern Territory. There are over 230 people employed by Northern Territory operators.

There have been isolated incidences of problem gamblers detected, however, the overwhelming majority of players use the services responsibly. Organisations that assist problem gamblers in the Northern Territory report that there are approximately 270 people accessing gambling assistance each year. A further 90 were reported to be affected by gambling. While limited data is kept detailing the types of gambling problems, anecdotally, the majority of cases relate to electronic gaming machines in land-based venues (ie. poker machines). The cases involving interactive gambling are rare.

Significant Northern Territory Government support is provided to the gambling intervention services. Funds are made available through the Community Benefit Fund to administer education and rehabilitation programs and deliver intervention services.

## **The Operation of the IGA and the Effect of Existing Exclusions**

There appear to be some inconsistency with the Act, particularly the application of sections 5(3) and 8A(2) to micro wagering (“betting in the run”). The provisions operate to prohibit interactive micro wagering services, but allow such betting to occur via telephone.

The current restriction disadvantages Australian operators by limiting their use of available technology and limits their competitive capacity. The fact that micro wagering is allowed via telephone undermines the intent of section 8A(2), which is to address concerns that such betting could evolve into highly addictive and easily accessible forms of interactive gambling, as indicated in the explanatory memorandum. In the absence of firm evidence to demonstrate that impulse or other problem gambling has been worsened by “in the run” telephone betting, the current restriction against placing such bets via interactive mediums should be relaxed so as to eliminate the current inconsistency in the rules.

With regard to the *Interactive Gambling Act 2001* in general, the Northern Territory Government supports the general thrust to limit the access to interactive gambling, particularly the measures to try and prevent unregulated offshore sites being promoted and made available in Australia. However, given the difficulty with controlling internet access and in the interest of players, access to properly regulated interactive gambling services should be made available to Australians.

If the IGA is to remain in its current form, the Northern Territory Government strongly supports the continued exclusion of interactive wagering. This would also extend to new forms of interactive gambling mechanism such as Bet Exchanges.

Regulation will ensure the activities are subject to scrutiny and enables the regulator to ensure the environment is free from any unsavoury element. Regulation also enables the participants to contribute to the industry and continue to undertake research and development activities. In contrast, prohibiting the activity forces participants underground and offshore, taking away any government involvement, control and return to the industry.

### **Technological developments relevant to the regulation of interactive gambling services or capable of assisting in the Management of problem gambling**

There are a number of products available that may assist Operators in their efforts to adhere to the various laws and regulations that govern their business. The Northern Territory Government seeks to ensure Operators mitigate their business risks to an acceptable level however the adoption of these products is not mandated.

The Northern Territory Government requires operators to demonstrate that the deployment of new technology does not pose an unacceptable risk to the integrity, availability and confidentiality of the interactive gambling system.

### **The feasibility of and capacity to regulate financial transactions associated with the provision of interactive gambling services**

The consideration to regulate financial transactions will require careful consideration and significant consultation with, and input from, financial institutions.

For instance the following are just some of the issues that need to be considered further:

- developing mechanisms (legal and practical) for financial institutions to determine which financial transactions are legal and which ones are not. Currently there is considerable difficulty in identifying that a transaction is illegal.
- would the regulation apply to the purchase of the credit or the actual use of the credit to gamble, that is, can the player purchase the gambling credit while overseas and use it at a later date?
- can the Commonwealth Government prevent acquiring banks in another country from dealing with interactive gambling service providers or prevent the credit card schemes from honouring their arrangements with the acquiring bank? The credit card schemes operate in a global market and have arrangements with financial institutions in Australia and abroad. For any transaction conducted, the credit card scheme honours the credit card payment by paying the acquiring bank. The credit card issuer would then pay the credit card scheme to honour the payment made by their credit card. The customer will then need to repay the credit card issuer.
- could credit card users claim that their transactions are for illegal interactive gambling activity, in essence retract from their payment obligation at the expense of the credit card issuer?
- imposing greater demands on financial institutions will inevitably incur additional costs that are likely to be broadly passed onto credit card users; many of who are not gamblers.
- can illegal activities be detected through a third party payment system? Following moves by primarily US based financial institutions to prevent credit cards being used for online gambling, operators responded by seeking alternative deposit methods. These alternatives are in the form of third party payment systems such as Neteller and Firepay.