



REVIEW OF ISSUES RELATED TO COMMONWEALTH INTERACTIVE GAMBLING REGULATION

**Submission by Professor Jan McMillen
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Please accept the following brief submission to assist the review of issues related to Commonwealth interactive gambling regulation.

Between 1997-2003 I was Director of a former gambling research centre at the University of Western Sydney, and have established an international reputation for quality multidisciplinary research into all aspects of gambling, gambling policy and associated impacts. My research has made a practical contribution to policy change and initiative in several jurisdictions. I have also held statutory appointments as a gambling regulator in two jurisdictions (Victorian Gaming Commission 1991-93; Queensland Gaming Commission 1991-2002).

In April 2003 I was appointed Director of the newly established ANU Centre for Gambling Research, an independent research centre in the Regulatory Institutions Network (RegNet) based at the Australian National University.

I have often expressed concerns that aspects of interactive gambling policy and commercial activity have developed without adequate understanding of regulatory issues or the socio-economic effects. In that regard, I welcome the current review. However, I regret that time constraints and other commitments prevent me from making a more substantive and detailed submission.

This submission is also based on the assumption that DCITA will consider the findings of the Productivity Commission's report (especially Chapter 18), the recommendations of the Senate Select Committee's *Netbets* report, and the NOIE investigations as well as the submissions on interactive gambling to those inquiries. Hence the issues and debates associated with those inquiries are not revisited in this submission.

Research relevant to the DCITA review

1. *Study the Development and Impacts of Sportsbetting and Interactive Gambling* 2000-2003: ARC-SPIRT Grant

Of particular relevance to this submission and to DCITA's current review is a large SPIRT (Strategic Partners in Research and Training) Grant I was awarded by the Australian Research Council to *Study the Development and Impacts of Sportsbetting and Interactive Gambling 2000-2003*. A summary of the core objectives of that research is attached (Attachment 1). This research proposal was prepared early in 1999, anticipating developments in interactive gambling and policy concerns that have since emerged through the Productivity Commission's *Inquiry into Australia's Gambling Industries* (1999) and the Senate Select Committee's report, *Netbets. A Review of Online Gambling in Australia* (2000).

The project research has also addressed the subsequent introduction and effects of the *Interactive Gambling Act 2001*, although contractual commitments to the ARC-SPIRT project have prevented this being the specific focus of research.

Research is still in progress, however, and will not produce comprehensive findings in time to assist this inquiry. I anticipate that the final research findings will be available by August when I must report to the ARC on the project. Data analysis has also been affected by my recent appointment to the Australian National University and the relocation of my data and research archives.

Even so, I will be pleased to share with the Department any relevant information from the project as data analysis progresses over the coming months.

You will note that this SPIRT project is addressing many of the issues being examined in the current DCITA inquiry. Specifically, the research is investigating issues such as the nature and growth of cross-border gambling, trends in interactive gambling participation and problem gambling, the implications for non-interactive gambling outlets, consumer confidence and consumer protection issues, the diversity and adequacy of existing regulations (including the *Interactive Gambling Act 2001*), legal and policy issues, the leakage of revenue and the effects of competitive taxation policies, etc.

Significant differences between interactive gaming and interactive wagering (including sportsbetting), regulatory inconsistencies between Australian states/territories and the steady and continued growth of internet gambling have emerged as critical issues in this research.

Importantly, with the cooperation of our research partners (Queensland Office of Gambling Regulation, TAB Ltd, UNiTAB and Global Gaming Services), to date the research has conducted three online surveys of internet gambling clients. Each survey was conducted over a ten day period.

In 2002 Lasseters Online Casino also offered to contribute to the research. With Lasseters' collaboration the project has analysed the patterns of gambling participation of Lasseters' online clients 2000-2001; and in March 2003 a survey of Lasseters' online clients was conducted.

Each survey was conducted over a ten day period. In total by June-July the project will have conducted five online surveys of internet gamblers:

- September 2001 – Wagering provider A – 1076 respondents

- September 2002 – Wagering provider B – 518 respondents
- December 2002 - Wagering provider A – 1726 respondents
- March 2003 – Gaming provider – 1285 respondents
- June-July 2003 – Wagering provider B – scheduled follow-up survey.

I understand that each of my ARC-SPIRT research partners will include basic frequency data from their individual client surveys in their submissions to the DCITA inquiry.

Also attached is a conference presentation (March 2003) which summarises the preliminary findings of the first two online surveys and the Lasseters client data (Attachment 2). A more detailed discussion of preliminary results from three surveys is provided in a draft journal article to be published in *International Gambling Studies* in June-July. On request, I can provide a copy in confidence.

It must be stressed that the data on problem gambling in these surveys are self-identified reports. For a number of reasons, including the current debates about the validity of existing gambling screens such as SOGS and the practical aspects of online survey design, I elected not to utilise any of the existing problem gambling screening instruments. That is, the respondents were asked questions such as:

- whether/how often they gambled more than intended;
- whether at any time they felt that they had a problem with their internet gambling; and
- to rate their problem gambling on a scale from 1-10.

More comprehensive analysis of survey data over coming months will enable the research team at ANU to explore a range of issues including:

- identify and map trends in internet gambling participation;
- undertake comparative analysis of gaming vs wagering patterns of participation and trends;
- identify and compare socio-demographic profiles of particular sub-groups of internet gamblers
- identify perceptions and attitudes of internet gamblers to a number of issues such as regulation, responsible gambling, dispute resolution, etc;
- provide information on problem gambling as reported by these sampled internet gamblers; and
- provide information on the use of harm minimisation strategies by internet gamblers.

As part of the ARC-SPIRT project, I will also analyse the submissions to this DCITA review and any subsequent policy outcome.

2. In view of the growing interest by commercial gambling providers and the gambling public in internet sportsbetting, two additional research reports are relevant to the DCITA inquiry:

- J.McMillen et al. (2001) *Analysis of Sports Betting Legislation & Regulation*, a report commissioned by the Australian Cricket Board; and

- J.McMillen et al. (2001) *Review of AFL Policies & Procedures*, a report commissioned by the Australian Football League.

Although this two research projects were not specifically directed to interactive sportsbetting or to the *Interactive Gambling Act 2001*, these reports expose the regulatory inconsistencies, inadequacies and risks associated with sportsbetting under the current regulatory regimes.

I can make these reports available to the Department on request.

Based on such research, my brief comments in response to the terms of reference for DCITA's review are as follows. I have begun from the premise that the test of legislation is whether, and to what extent, it achieves its stated objectives. I therefore have considered the aims and intentions of the *Interactive Gambling Act 2001* (as outlined in the Explanatory Memorandum) and examined these against subsequent events and research outcomes.

The Growth of Interactive Gambling Services

My research indicates that there has been continued, steady growth of interactive gambling services in Australia and overseas since the introduction of the *Interactive Gambling Act 2001* (IGA).

Gaming: The IGA has undoubtedly achieved its objective of preventing the proliferation of additional internet gaming licences based in Australia. Lasseters Online Casino remains the only approved Australian online gaming provider. Other commercial operators which had expressed interest in using Australia as their base have either abandoned their proposals or moved offshore (eg CrownCasino.com).

A more pertinent question is whether the IGA has prevented access to online gaming services by Australian citizens. Research by the Australian Casino Association (Hitwise 2002) and the surveys conducted for my SPIRT project suggest that Australians are still participating in online gaming through offshore sites.

Significantly, a major growth area appears to be internet lotteries. Interactive bingo also indicates growth trends.

Wagering: The major growth in interactive gambling, however, appears to be with online wagering. Licensed Australian providers have encouraged clients to migrate from telephone betting to internet gambling, thus producing major cost savings and thus increasing profit margins.

Moreover, wagering providers have introduced a wider range of betting options. Sportsbetting in particular has shown signs of potential growth. It is predicted that this trend will continue with the globalisation and telecasting of sports such as soccer, golf, tennis, motor racing, baseball, etc. P2P betting (as offered by Betfair) is likely to be very popular with Australian gamblers and will contribute to growth as it becomes more widely available.

Wagering, because of the nature of the betting product and transaction, is well-positioned to take advantage of new technologies such as mobile phones, WAP and digital television to expand market opportunities and attract new gamblers.

The Social and Economic Impact of Interactive Gambling Services

Social and economic impacts: It is clear from surveys conducted for my SPIRT project that interactive gambling is gaining in popularity and attracting significant levels of expenditure. It must be noted that survey findings tend to significantly under-report gambling participation and expenditure. Moreover, it can be assumed that a proportion of the survey respondents were not Australian residents. Hence to gain a more accurate understanding of the extent of interactive gambling expenditure and tax revenue it will be important to cross-check the survey data with the official expenditure and taxation figures for 2001-2002 and 2002-2003 produced by the Tasmanian Gambling Commission (Australia's Gambling Statistics).

However, given the restrictions in the *Interactive Gambling Act*, it can be said with some certainty that expenditure on interactive gaming (ie with Lasseters Online) has come from overseas gamblers, and thus represents a form of export earnings.

Problem gambling and harm minimisation: While Australian research since the Productivity Commission national study continues to show that the main source of problem gambling is gaming machines (with repetitive, continuous play), it must be noted that wagering is also associated with unacceptable levels of problem gambling (see prevalence surveys in the ACT and South Australia).

The proliferation of interactive gambling was predicted to result in an increase in gambling problems in the community. This has been confirmed by surveys conducted for my SPIRT research which indicate that a proportion of internet gamblers – both gaming and wagering - report problems with their gambling.

Significantly, my SPIRT research has shown that the harm minimisation strategy with the highest level of acceptance by both wagering and gaming customers is the ability to self-impose betting limits. Although 10% of Lasseters internet clients had used the option of self-exclusion at some stage, most other initiatives commonly recommended to protect gamblers from harm are rarely, if ever, utilised.

The Operation of the IGA and the Effect of Existing Exclusions

The IGA is unusual in that it seeks to impose uniform conditions on residents of all Australian states and territories, unlike the relatively fragmented and inconsistent regulation of land-based gambling. Offences under the IGA relate to the provision (s15) and advertising (s61) of 'interactive gambling services' to customers physically present in Australia. The definition of interactive gambling services is a broad one, however subsequent exclusions to this definition effectively mean that the IGA prohibits the offering and advertising of online casino gaming, including table games and poker machines, whilst online wagering and sports betting is allowed.

As indicated above, research for my SPIRT project indicates that the exclusion of online wagering and sports betting contradicts the core objectives of the IGA – to

inhibit the growth of interactive gambling; and to prevent further proliferation of gambling-related problems in the community.

While I am not an advocate for the continued expansion of commercial gambling, I do not propose the application of restrictions on internet wagering and sportsbetting similar to those directed to internet casino services. On the contrary, I remain unconvinced that efforts to prevent access by Australians to interactive gambling services will be effective.

Our preliminary analysis of the socio-demographic characteristics of internet gamblers surveyed (ie gambler's country of residence and location of the host gambling provider) indicates that attempts to 'block' access by residents of Australia or a particular state/territory to internet providers hosted outside that jurisdiction have not been successful.

In New South Wales, Section 8 of the *Unlawful Gambling Act 1998* is intended to prevent a resident of New South Wales from betting on racing with off-shore wagering operators; and subsection 30(3) of the *Racing Administration Act 1998* is intended to extend a long-standing (and reputedly effective) prohibition on advertising into NSW by interstate bookmakers or totalisators to any 'electronic betting' operators not licensed in NSW, or more specifically to the internet service providers (ISPs) who might host such online advertising. However, under the *Racing Administration Regulation 1999* members of the Internet Industry Association (IIA) who are bound by the IIA Code of Practice are exempt from this advertising restriction. To my knowledge, these NSW restrictions have yet to be tested.

In the case of the IGA, enforceability of the restrictions rests on a process that is complaints-driven. The Australian Broadcasting Authority (ABA) is responsible for receiving complaints that prohibited 'interactive gambling services' can be accessed in Australia (s20). Evidence suggests that only seven cases of prohibited internet gambling content have been investigated by the ABA.

There are indications, however that Australian residents do access internet gambling content hosted outside Australia. Our surveys show that a significant group of internet wagering gamblers (the 'stay at homes') prefer to gamble mainly with a known Australian service. A growing and more adventurous group (which I've called 'gambling nomads') show a tendency to utilise a number of gambling services around the world.

The IGA is based on fundamentally contradictory principles:

- that interactive gaming is unacceptable for Australians because of the potential for harm; yet it is acceptable an Australian casino gaming operator to provide interactive gambling to international customers; and
- that the potential for harm from interactive wagering is somehow less problematic than the harm from interactive gaming.

There are inherent ethical contradictions in this Act. *It is morally indefensible to imply that Australians should be protected from this form of gambling yet Australian operators can profit from the harm created in other countries.*

Technological developments relevant to the regulation of interactive gambling services or capable of assisting in the management of problem gambling.

I continue to support the broad findings on interactive gambling of the Productivity Commission and the majority report of the Senate Select Committee. Particular attention is drawn to their findings that available technology, legislation and policy processes should be utilised to ensure that interactive gambling regulations achieve consistency and high uniform standards, and that national consumer protection strategies (including community education) should be developed to minimise the potential increase in gambling problems.

It is notable that the 2001 Review of Gaming in the United Kingdom (the Budd report) and the subsequent White Paper issued by the Department of Culture, Media and Society (DCMS) have recommended against attempting to prohibit interactive gambling via digital media platforms, but appear likely to license and control it through a new centralised regulatory authority (the Gambling Commission).

As both the Productivity Commission and the Senate Select Committee found, the capacity to anticipate and address emergent social problems is far greater with interactive technology than it has been with electronic gaming machines in clubs and hotels, for example. Internet technology can be utilised to establish more effective harm minimisation strategies than those currently available to land-based gambling venues such as clubs, hotels, casinos and racetracks.

As was the case when the IGA was introduced, Lasseters Online appears to provide the most comprehensive harm minimisation safeguards for internet gamblers. The United Kingdom authorities have acknowledged that the AUSModel sets international benchmarks for internet player protection.

However, despite the liberalisation of internet wagering under the IGA, Australian internet wagering providers have not developed a coherent and uniform harm minimisation strategy comparable to the AUSModel for internet gaming.

Our SPIRT research suggests that Australian internet wagering services generally fall short of the regulatory standards set by the *Netbets* report and community expectations, as reflected in policy changes for land-based gambling services. Although resource and time constraints have prevented us undertaking a comprehensive audit of all Australian interactive gambling services, I strongly recommend that such an audit be commissioned or undertaken by DCITA.

Moreover, regardless of the outcome of this review, the Commonwealth has an opportunity and responsibility to collaborate with state/territory governments to develop a national community education campaign that advises consumers about the risks associated with interactive (and other forms of) gambling.

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

The DCITA's background paper indicates that consideration is being given to the introduction of regulations under the provisions of section 69A that would discourage

or prevent payment of money for an 'illegal' interactive gambling service. The practical and legal barriers to such a regulatory initiative have been canvassed in previous inquiries. Evidence presented suggests that measures such as the use of credit card transaction service codes will be ineffective for all the reasons cited in DCITA's paper.

In the absence of convincing evidence that such restrictions on interactive gambling are feasible, enforceable and in the public interest, I again submit that the Commonwealth has an essential and constructive role to facilitate coordination and provision of national regulations and social policies. An effective global ban of interactive gambling is not feasible, particularly in view of the UK's current proposals to liberalise this form of gambling. The most responsible option for Australian governments is to regulate as effectively as possible to protect consumers and maximise public benefit, utilising all Australia's political-legal and technical resources.

This is a brief submission on a complex and dynamic issue. Please contact me if I can further assist the DCITA review.

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ATTACHMENT 1

STUDY OF THE DEVELOPMENT AND IMPACTS OF LEGAL SPORTSBETTING AND INTERACTIVE/INTERNET GAMBLING

ARC-SPIRT Grant awarded to Professor Jan McMillen 2000-2003

1. SIGNIFICANCE AND INNOVATION

This research proposal is focussed on the recent introduction of legalised Internet and interactive gambling in Australia. Following prohibition of sportsbetting for almost a century, Australian states/territories introduced phone and football betting in TAB agencies in the 1980s; Northern Territory (NT) legalised Internet sportsbetting in 1996; in 1998 NSW legalised sportsbetting with licensed bookmakers; and in 1998-99 Queensland (Qld), ACT, Norfolk Island, Tasmania, NT legislated more broadly for Internet/interactive gambling. These trends are predicted to escalate rapidly with the advent of digital television in 2001.

The Australian sportsbetting industry expanded rapidly during the 1990s, with expectations by commercial operators (TABs and licensed bookmakers) and governments that market growth will bring direct economic benefits to the state (tax revenue, technological development, industry growth, employment) and to Australia. The Internet and digital telecommunications provide new ways to market all forms of gambling across state and national borders. It is estimated that 200 Internet gambling sites already operate on the World Wide Web. Revenues generated by these gambling sites were estimated at US\$500 million in 1997, with predicted revenues exceeding US\$7 billion by 2001 (Access Economics 1999). The three licensed Internet bookmakers in the NT increased their annual sportsbetting revenues by 80% in 1997-98 (McMillen & Togni 1998).

However there have been public concerns about the potential social impacts of Internet/interactive gambling (gambling related problems, underage gambling, reduced social interaction) and the effects on other leisure activities, particularly with home gambling and market competition (ACOSS 1997; Ford 1995, 1999; McMillen 1997, 1998a, 1998b, 1998c; McMillen & Grabosky 1998).

Significantly legalisation is a strongly contested issue. In 1997 a uniform regulatory approach was proposed for Australian jurisdictions to develop high standards of control, consumer protection and social responsibility (Working Party 1997). However, not all Australian governments have indicated support for the proposed National Regulatory Model in its current form. Governments in NSW and Western Australia have stated they will not legalise Internet/interactive gambling; a South Australian Parliamentary Committee has recommended against legalisation; several state and federal politicians have called for prohibition (Chapman 1999). The issue is currently being investigated at the national level by the Productivity Commission.

Australian innovations in legalised Internet/interactive gambling have attracted considerable attention from other nations (Interactive Gaming Council 1999; McMillen 1998c). Interests in the United States, in particular, have criticised Australia's leading role in Internet gambling. Legislation is being considered by the US Congress (the Kyl Bill) to prohibit cross-border Internet gambling; some states also have legislated to ban state residents from participating in this form of

gambling. Currently, in the USA only Nevada casinos can offer sportsbetting and only to on-site patrons. Some European countries (Finland, Sweden, Lichtenstein) have legalised Internet lotteries; other jurisdictions have resisted the trend because of regulatory concerns (European Association for the Study of Gambling 1998). New Zealand (NZ) prepared legislation in 1997 but did not proceed (Markland 1999). As players can access Internet gambling from any part of the globe, different national approaches to this cyberspace industry have the potential to lead to international tensions and disputes. Nor is it clear if the new global technology can be controlled effectively (Grabosky & Smith 1998).

In collaboration with key industry partners and community organisations affected by these developments, the proposed study will investigate the commercial growth of legalised sportsbetting and Internet/interactive gambling and their impacts over three years (2000-2002) in two states (NSW and Qld). **Examination of sportsbetting and Internet/interactive gambling developments in NSW and Qld offer a unique opportunity for comparative and integrated analysis of their political-legal frameworks, commercial initiatives, strategies to ensure responsible operation and socio-economic impacts. This will be the first research of its kind in the world, with considerable potential for application to other countries.**

The urgent need for research into and improved information regarding Internet/interactive gambling has been noted at several Australian conferences and in media reports. While socio-economic and policy impacts have been documented for other forms of Australian gambling (McMillen et al. 1996; McMillen & Togni 1998; Lynch & Veal 1998; Victorian Casino and Gaming Authority, various reports), no integrated analysis of the impacts of sportsbetting and Internet gambling has been undertaken, either in Australia or elsewhere. Recent initiatives, however, suggest that governments and industry have begun to see benefits in the collection of reliable data on gambling impacts. For example, the Australian Institute for Gambling Research (AIGR) has recently completed several studies for governments in Australia and NZ (McMillen & Togni 1998; McMillen & Woolley 1998; McMillen et al. 1998) which include preliminary analysis of trends in legalised Internet sportsbetting.

1.1. Aims of the Project

The key to this proposal is the present convergence of sportsbetting and interactive telecommunications technology and the implications which flow from this development at global, national and state levels. As indicated by the industry partners, there has been insufficient research to guide policy formulation or commercial decisions. The broad aims of the project are:

- **to document the history of sportsbetting in Australia and other countries, identifying the reasons for prohibition until legalisation began in the 1980s.**
- **to identify and assess the issues, trends and impacts of legalised sportsbetting and Internet/interactive gambling in Qld and NSW and the implications for similar developments elsewhere.**
- **to develop an integrated multidimensional impact assessment model which will measure the impacts of Internet/interactive gambling.**
- **to compare the pattern of policy and commercial development in NSW and Qld to identify and explain commonalities and differences.**
- **to explore the ways in which electronic technology might be developed for improved consumer protection, product integrity and service delivery.**
- **to suggest lines for further research and policy refinement.**

In order to achieve these aims, the research will explore the issues discussed in 3.1. Significantly, Australian states/territories lead the world in formulating Internet/interactive and sportsbetting legislation. Thus Australian researchers and industry partners are well positioned to undertake a project which is a world first in terms of scope and innovation, accumulation of essential new knowledge and analysis of relevant data.

1.2 Significance of the Project

This research makes a significant contribution to three areas of knowledge. First, it proposes the first comprehensive study of legislative, technological, socio-economic and policy issues related to the dynamic and volatile industry of Internet/interactive gambling. This study is designed to address issues of immediate concern to Australian national and state governments, industry operators and communities seeking to come to grips with the largely unknown implications of a major turning point in the application of interactive technology (Productivity Commission 1998). It proposes a multidimensional analysis of the historical and contemporary connection between sportsbetting in general and Internet/interactive gambling in particular. While the contemporary focus will be on research and policy issues relevant to the Australian context with particular emphasis on NSW and Qld, the global experience (eg legalisation/prohibition, commercial and technological development, research and policy issues) also are essential issues for analysis.

The second significant contribution of this research is the collaborative involvement of the major Australian industry participants in legalised sportsbetting and Internet/interactive gambling - the TABs of NSW and Qld, Global Gaming Services (GGS), and the Queensland Office of Gaming Regulation (QOGR) which developed Australia's first specific legislation for Internet/interactive gambling (*Interactive Gambling (Player protection) Act 1998*). These industry partners are international leaders in commercial development and policy formulation in this emerging industry. They are well positioned to provide essential technical, policy and legal expertise as well as practical insights into emerging issues.

A third significant aspect of the project is the investigation of specific social, economic, political-legal and technological issues identified in policy debates as the most significant in development of Internet/interactive gambling. Members of this research team have been at the forefront in identifying the policy issues and debates (Ford 1995, 1999; Ford & Farrell 1998; McMillen 1998a, 1998b, 1998c; McMillen & Grabosky 1998; Toneguzzo 1995, 1996, 1997, 1998). These include the extent of industry self-regulation and government regulation; cross-jurisdictional issues such as taxation, licensing, financial transactions, international relations; product integrity and licensing of legitimate and responsible companies; industry accountability and legal liability; consumer protection and privacy; the potential for technology to facilitate regulation and service delivery, and socio-economic impacts.

1.3 Contribution to Knowledge

As a world first, this study will make a major contribution to the accumulation of new knowledge of a rapidly expanding global phenomenon. To date there has been limited research on the subject of sportsbetting in Australia or overseas. Historical studies of sportsbetting in Australia have shown that betting on a range of sports (rowing, bike-riding, boxing, pigeon-racing, foot races, football and cricket) has been popular with

Australians since the nineteenth century, despite its illegality (O'Hara 1988, 1994, 1996; Lynch & Veal 1996). International research reveals similar patterns overseas (Munting 1996). International histories have concentrated on corruption in sport, notably with reference to US baseball and British soccer. More recently, industry journals have examined current sportsbetting practices in US casinos (*International Wagering and Gaming Business*).

Importantly, no studies have systematically examined the historical reasons for the prohibition of sportsbetting in most countries; or the current shift to legalisation in some jurisdictions (Nevada, Australian states/territories); or the role of technology in the globalisation and expansion of sportsbetting and Internet/interactive gambling; or the difficulties of individual governments in regulation and control of cross-border gambling (McMillen 1998c). These issues are central to this project. An historical understanding of sportsbetting is essential for contemporary analysis of evolving regulatory regimes and their impacts. The research also will add depth to existing literature and methodologies dealing with the public policy implications of Internet/interactive gambling for various sports.

1.4 Expected Outcomes

- Dissemination of research findings through reports and publications across a range of disciplines (eg gambling studies, technology management, economics, policy analysis, sports studies, history, sociology, law). These publications will increase the availability of reliable information on emerging trends and issues and contribute to theoretical and methodological debates in gambling studies. They also will contribute more generally to knowledge of the relationship between technology and society (Poole 1997).
- Periodic and regular advice to: governments, industry and community groups to assist strategic policy formulation and decision-making; advice to governments, industry and community groups on effective and innovative mechanisms of regulation; sporting bodies regarding the implications of sportsbetting for their sport, eg effective strategies for regulation and increased participation; industry partners and the community in general on consumer behaviour and on public confidence in the integrity of sportsbetting and Internet/interactive gambling.
- Development of strategic alliances between industry, government and community groups to identify and address emerging issues, trends and problems, and to ensure that the national benefits of sportsbetting and Internet/interactive gambling are maximised.
- Organisation of a national conference in 2001 to discuss emerging issues and clarify research for 2002.

2. ECONOMIC AND SOCIAL BENEFITS FOR AUSTRALIA

Research will generate reliable information about the pattern and effects of sportsbetting and Internet/interactive gambling which will benefit industry partners, governments and the general public. Systematic comparative data of this kind has not previously been available to guide decision-making. National benefits will include:

- the opportunity for industry partners to bring practical insights to the conduct of innovative research of national and international significance;
- identification at an early stage of emerging trends associated with sportsbetting and Internet/interactive gambling. This will allow collaborative responses to emerging problems and cost-effective remedial actions;

- regular analysis of emerging trends and issues to inform commercial and policy decisions to advance the social and economic benefits for NSW and Qld and for Australia as a whole.
- regular consultation and research collaboration to discuss the implications of trends and impacts will increase the prospect of a coordinated policy response based on a shared understanding of state and national benefits.
- improved information and understanding of these new forms of gambling and their implications can be utilised by all Australian governments, commercial operators and communities to meet their aspirations and needs. Industry and government will benefit by informed decisions, effective regulation, industry stability and secure revenues; the public will benefit by improved social and economic planning.
- significantly enhanced links between researchers and industry partners which will generate new knowledge and productive long-term research relationships. The unique nature of this study will allow development of analytical, policy and technical expertise which could have application world-wide.

3. APPROACH AND METHODOLOGY

The research agenda will focus on issues which give rise to an understanding of contemporary sportsbetting and interactive/Internet sports gambling and its context; permit measurement of industry growth and impacts; allow monitoring of the implications of the new technology for the sportsbetting industry; highlight, or facilitate hypotheses about, the problems/potential problems facing the industry, sporting bodies, governments, policy-makers and concerned members of the community; suggest alternatives for remedial action if required. Members of the collaborative research team bring to the project a unique multidisciplinary understanding of gambling issues, professional skills and experience.

3.1 Research Issues: The issues to be explored from a multidisciplinary team-based approach include:

3.1.1. The history of sportsbetting and interactive/Internet gambling: Research will be led by Assoc. Professor John O'Hara and Prof. Jan McMillen. Data sources include archival documents and available historical statistics. An historical analysis of sportsbetting in Australia from the late C19th will provide an essential understanding of the context of contemporary sportsbetting and Internet/interactive gambling. Significantly, for much of that time sportsbetting was illegal yet it maintained its popularity. A fundamental question for this project is why was sportsbetting prohibited while most other forms of gambling were legalised in Australia? Historical analysis of selected betting sports (eg cycling, boxing and foot races) which at times have been the focus of corruption will identify reasons for prohibition. Comparisons will be drawn with legalised and regulated sports (horse racing, greyhound racing, football) and sportsbetting in the US, Europe and Asia to identify approved regulatory regimes. Research into contemporary Australian developments will examine the emergence of Internet/interactive gambling, the sports preferred by gamblers in specific social contexts, the role of off-course bookmakers, the place of casino 'sportsbooks' offering sportsbetting (eg Star City Casino), regulatory issues and policy responses within and across state and national borders. The merger of gaming and betting options, the use of new transnational media and digital technologies in gambling, recent commercial initiatives by the NSW and Qld TABs are significant here. The implications of the 2000 Sydney Olympics also will be examined.

3.1.2. The current understanding of the new gambling technologies, their potential and problems: Research will be led by Prof. Jan McMillen & Steve Toneguzzo. Data sources will include government and industry reports, policy documents and technological specifications. An understanding of this issue is critical for industry operators, industry watchdogs, governments, policy-makers and other interested parties. The published reports of the *New Zealand Department of Internal Affairs Review of Gaming, series 5*; *New Zealand Casino Control Authority*; *Northern Territory Select Committee on Interactive Television Gaming*; *Parliament of South Australia Social Development Committee* and the Australian Regulators Working Party together summarise the current understanding of the above issues among regulators. Although industry has demonstrated the commercial potential of the emerging technology for gambling development, the technological aspects of this new form of gambling are well in advance of formulation of policy framework (McMillen 1998a, 1998b; Tonneguzzo 1995, 1998). Research will consider what constitutes Internet/interactive gambling, how it differs from conventional site-specific gambling, the market potential and the extent to which these forms of gambling can be regulated.

3.1.3 Cross-border gaming issues: Research will be led by Prof. Jan McMillen & Prof. Raja Junankar. Data sources include policy documents, legislation, surveys, interviews and relevant statistical data (eg HES, ABS, TGC, TAB and QOGR data). At a national level, issues arising from cross-border gaming relate primarily to matters of regulation, taxation and social impacts. At present these are matters of state jurisdiction; the Federal Government has indicated it does not wish to be involved. In the US, although e-commerce is encouraged, Internet gambling is viewed as a separate and contentious issue; an *Internet Gambling Prohibition Act* (the Kyl Bill) received strong support in the US Senate in 1998. By contrast, Australian regulators see Internet gambling as a form of e-commerce. Some argue that Australian prohibition would be ineffective and might prove counter-productive (McMillen 1998b, 1998c; McMillen and Grabosky 1998). This research will investigate the national implications of legislation in different jurisdictions and of Internet gambling providers located overseas. Questions include the effectiveness and limitations of existing legislation and regulatory arrangements, the extent to which the issues are similar for all types of gambling (eg lotteries, casino gaming, sportsbetting) and the implications of the US attempt at prohibition. Research will include consideration of possible lessons to be learned from other policy areas (eg pornography). Consideration also will be given to policy responses intended to confine gambling within the home jurisdiction and minimise cross-border leakage (eg Finland); restrict or ban cross-border gambling (as with the Kyl Bill); restrict participation by local residents but provide access for non-residents (as proposed for Tasmania); achieve intergovernmental agreements which ensure common agreement over the forms of gambling and the return to the country/state from which the wager originates (eg the National Regulatory Model).

3.1.4 Integrity of gambling services and products: Research will be led by Prof. Jan McMillen & Steve Toneguzzo. Data sources will include legislation and licensing criteria, technological specifications, statistical data, focus groups and surveys (of the community, TAB clients, Internet users). This issue is of great concern to state governments and the Australian industry (Ford & Farrell 1998; OnLine Gambling

Association of Australia [OLGAA]; Tonneguzzo 1997, 1998). Consideration will be given to regulation both of the sports and of gambling. This will include comparison of different regulatory models established to ensure the integrity of the game/sports (eg cricket, racing), the possibility of bans on sportsbetting imposed by other governments and/or sporting bodies (eg the IOC, the NRL), regulation of off-shore events and examination of models of state regulation and self-regulation. Research into the integrity of gambling operations (eg licensing criteria and processes, ways in which they differ from the requirements of conventional gambling licences) will include the placement of the contract; implications for the validity of current exclusive licenses (eg casino games, Keno, TAB licences); cross-media ownership (eg where an individual owns a media network, operates a sportsbook and owns a sports team); and the integrity of Internet transactions (technological controls, monitoring, identity issues, consumer protection, financial safeguards, credit policies, security & privacy). Mechanisms currently available to achieve regulatory goals will be identified and their effectiveness evaluated. It will consider how standards are determined and enforced, whether common standards should apply to all forms of gambling, and efforts to establish a national set of technical standards.

3.1.5. Financial transactions: Research will be led by Prof. Jan McMillen & Steve Tonneguzzo. Data sources will include legislation & policies, technological specifications, industry and other statistical data, community and consumer surveys. Research will examine ways in which cross-jurisdictional financial transactions are conducted and regulated. The Australian community, Internet users and licensed operators would expect governments to provide adequate procedures and safeguards so that Internet/interactive gambling operates with confidence and certainty. For example, how do Australian banking procedures affect Internet gambling transactions? What safeguards are in place to protect the gambler and the licensed provider? Is there a role for Federal authorities in regulation of international financial transactions and banking arrangements? Are auditing trails adequate?

3.1.6. Taxation: Research will be led by Prof. Raja Junankar & Prof. Jan McMillen. Data sources will include legislation and taxation policies, technological specifications, relevant statistical data (eg HES, ABS, TGC, TAB and QOGR data), community and consumer surveys. Given the extent to which Australian governments are dependant on gambling revenue to finance their operations, loss of revenue through cross-border gambling is of great concern (Smith 1998). This research will examine the most effective way to tax interactive and Internet gambling. Tax arrangements proposed in the National Regulatory Model enable state governments to provide tax advantages to attract operators to their state; but without a national approach it is likely that tax inconsistencies and concessions for competitive advantage will prevail. What will be the effects on fiscal policy and social welfare? What procedures will prevent/discourage tax evasion and money laundering?

3.1.7 Controlling illegal operations: Research will be led by Prof. Jan McMillen & Steve Tonneguzzo. Data sources will include legislation and licensing criteria, technological specifications, statistical data, enforcement policies. Illegal operators pose an obvious threat to legitimate operators and the tax system in much the same way as SP bookmakers have done in the past (Dixon 1996). Issues which need to be considered include the means by which illegal operators can be identified, who should take responsibility for enforcement of licensing requirements and prosecution of

offenders, and the identification and effectiveness of existing enforcement procedures for the detection and prosecution of illegal operators. Are deterrents and surveillance likely to be as effective as with site-specific gaming? Does technology (eg. encryption, digital signatures) provide adequate solutions? Are the policing and legal systems equipped to deal with the new gambling technologies?

3.1.8 *The impacts on existing forms of gambling:* Research will be led by Prof. Jan McMillen & Assoc. Prof. John O'Hara. Data sources will include government and industry documents, interviews, statistical data (eg HES, ABS, TGC), focus groups and surveys (community, TAB clients, Internet users). There is apprehension about the impacts of Internet/interactive gambling on established forms of gambling. Research will measure the extent to which sportsbetting and Internet/interactive gambling further expand the market or cannibalise other forms of gambling. This could change leisure patterns and impact on employment and other industries. The new technologies also could erode the value of existing site-specific gambling licences, prompting a response from those licensed operators. Alliances are already being formed which suggest product diversification and a drive for export markets by powerful commercial and media groups (Ferguson 1999). Commercial alliances could alter the power balance between regulators and operators with implications for regulation and policy.

3.1.9. *Legitimacy and consumer confidence:* Research will be led by Prof. Jan McMillen & Assoc. Prof. John O'Hara. Data sources will include government and industry documents, interviews, statistical data (eg HES, ABS, TGC, TAB and QOGR data), surveys (community, TAB clients, Internet users). The public does not appear to fully trust commercial transactions on the Internet; and the gambling industry has always been sensitive to public perceptions of potential fraud and crime. Legitimacy and public acceptance have been achieved only when there is an assurance that stringent regulations are in place. A long-standing opposition to poker-machines and casinos illustrates this point. Are there particular issues related to sportsbetting and interactive/Internet gambling which require specific regulations to ensure public confidence? What steps will be taken in consumer protection and consumer education? Research will monitor and compare gambler preferences and community attitudes to this new form of gambling over three years.

3.1.10 *Liability and privacy issues:* Research will be led by Prof. Jan McMillen & Steve Toneguzzo. Data sources will include legislation, policy and industry documents, technological specifications and statistical data. The National Regulatory Model places the onus on service providers to validate the *bona fides* of cross-border clients, with provision for penalties if they fail to do so. This seems to be intended to prevent operators from accepting bets from jurisdictions where gambling is illegal. How might this be enforced and monitored? In an increasingly competitive environment, some gambling providers could be tempted to sidestep this requirement. Research will examine who is liable for technological failures (eg software problems) - the regulator who licensed the service provider or the operator - and how the rights of international clients are safeguarded.

3.1.11 *Advertising/consumer education:* Research will be led by Prof. Jan McMillen and Assoc. Prof. John O'Hara. Data sources will include legislation, government and industry documents, interviews, focus groups and surveys (community, TAB clients,

Internet users). Problems with cross-jurisdictional restrictions on gambling advertising have created tensions between Australian governments. Research will explore regulatory and constitutional issues as they relate to advertising the new forms of gambling and their resolution. A critical issue will be how consumers can differentiate legitimate operators with high standards from others.

3.1.12 Social and economic impacts: Research will be led by Prof. Jan McMillen and Prof. Raja Junankar. Data sources will include government and industry documents, interviews, statistical data, focus groups and surveys (community, TAB clients, Internet users). Assessments of the impacts of sports betting and interactive/Internet gambling on crime, employment, leisure patterns, household spending, socially disadvantaged groups, the retail sector, other forms of gambling, government revenues and social welfare will be an important part of this study. The research team (particularly McMillen and QOGR) have extensive experience in such research.

3.1.13 The potential for underage gambling, problem gambling and support services: Research will be led by Prof. Jan McMillen and Prof. Raja Junankar. Data sources will include government and industry documents, interviews, statistical data, focus groups and surveys (community, TAB clients, Internet users). Community groups predict that sportsbetting and Internet/interactive gambling will increase problem gambling and encourage underage gambling. The National Regulatory Model recommends a number of procedures to address these concerns and the Productivity Commission is considering the issues in its current inquiry. This project will monitor the impacts of sportsbetting/Internet gambling in this regard. Research will examine responsible gambling policies and practices in respect of consumer protection and awareness, underage betting and problem gambling issues, and assess their level of compliance with the National Model and community expectations.

3.1.14 The political environment: Research will be led by Prof. Jan McMillen and Prof. Raja Junankar. Data sources will include legislation, government and industry documents, statistical data. Regulation of cross-border gambling in Australia is seen as a states' rights issue (Ford and Farrell 1998). Other commentators have argued, however, that some key issues are beyond the power of state governments to control (McMillen 1998d; McMillen and Grabosky 1998). For example, authority over international financial transactions, banking and telecommunications remains the constitutional responsibility of the Commonwealth. This project will examine the role of the Federal Government and the capacity of state governments to effectively regulate these aspects of sportsbetting/Internet gambling. It also will examine steps to achieve international agreement on these issues and the implications for national sovereignty.

3.1.15 Regulatory models and options: Research will be led by Prof. Jan McMillen and Steve Toneguzzo. Data sources will include legislation, policy and industry documents, technological specifications and statistical data. Most Australian regulators seem to agree that the degree of control which has been achieved over site-specific gambling is not possible with cross-border gambling. However, several political and community leaders have called for prohibition. The basic principle underlying the National Regulatory Model is one of cooperation and agreement between Australian state governments. The Model also involves a blend of government regulation (via legislated standards, licensing and auditing) and self-

regulation by gambling providers and their clients. But interstate rivalry, pressures from local service providers and competition for market advantage could persuade some government/s to break ranks and not adhere to the agreed policies and standards. The history of intergovernmental relations in Australia suggests that this is most likely in a competitive environment. This research will examine the feasibility of self-regulation - eg development of standards and procedures which are nationally and internationally agreed. For example, the approach proposed in the National Regulatory Model and Qld will be compared with the NT, Tasmanian, ACT and Norfolk Island models. It also will consider alternative models which will ensure common standards when dealing with international processes and agencies.

3.2 Methodology

Issues of specific interest to the collaborators and other more general issues and impacts will be examined over a three-year period (2000-2002). Data sources will include an extensive range of published and archival material (eg. media files, history archives, legislation and policy documents, Internet searches, commercial and academic publications), government and industry statistics (eg. taxation revenues, gambling expenditures, HES, ABS, TGC, TAB and QOGR data, data on illegal operations and crime, market research), focus groups and surveys (annual community surveys, TAB clients, Internet users). As the first study of its kind, an innovative multidimensional methodology will identify and explore the complex and evolving relationship between sportsbetting/gambling, telecommunications technology and the associated impacts. Using the analytical model suggested by Pearce (1989) as a starting point, a range of multidisciplinary techniques (eg surveys, documentary analysis, statistical analysis) and integrative devices (eg cost-benefit analysis of socio-economic impacts, input-out analysis, econometric modelling) will explore linkages between various trends and issues measured in both qualitative and quantitative terms. Econometric modelling will include a multinomial logit/probit method of estimation of gambling choices (Maddala 1983) and a linear expenditure system model of consumer behaviour (Deaton & Muellbauer 1980). Triangulation of methods will allow comprehensive analysis of sportsbetting/Internet gambling, cross-checking findings for validity and reliability (eg comparison of annual survey data with estimates using econometric models, comparison of HES, ABS, TGC, TAB & QOGR data).

Refinement of the research design will be an essential first step in the study. Each research strategy will be developed with extensive involvement of the industry partners and consultation with other community groups and relevant experts in the field. This collaborative approach reflects the lack of information on sportsbetting and Internet/interactive gambling, the dynamic nature of the research and the range of expected issues for investigation in the study. A comparative focus will be facilitated by duplicating the research methodologies in Qld and NSW. The performance of sportsbetting and Internet/interactive gambling will be evaluated against that of other forms of gambling so impacts of sportbetting/Internet gambling can be fully assessed. Isolation of trends and impacts of sportsbetting from other influences will be assisted by comparison with trends in other states/territories.

3.3. Research Plan: In the context of the rapidly changing climate and technological innovation, new issues are likely to arise throughout the duration of the project. Indeed, the value of a collaborative and exploratory project such as this is that new issues can be addressed as they occur and appropriate responses can be promptly

taken. The Steering Committee will be the coordinating mechanism for the research and will adjust the research design as circumstances dictate. Research will be undertaken in four stages:

Stage 1: 2000 (February-July). The preliminary and exploratory stage of the project will involve obtaining ethics approval from UWSM, update literature searches and media analyses; archival research; analysis of legislation, government reports and regulatory arrangements in Australia and overseas; a regular search and review of relevant Internet sites; compilation and processing of electronic data obtained from industry partner organisations and other industry organisations for statistical analysis and other purposes. Specialised software will be acquired to assist data collection and analysis. Questionnaires will be developed and trialed for the research surveys (community, TAB clients, Internet users). Key outcomes will be a detailed research design with a coordinated timeline for specific research tasks. A summary report will be presented to the Steering Committee for review and comment.

Stage 2: 2000 (July-December). This stage involves five principal research strategies: (1) Analysis of industry and government data, including data from industry partners. (2) Conduct of surveys in NSW and Qld and analysis of findings to identify trends and issues. Researchers will survey telephone clients of NSW TAB and TAB Qld, the general community with urban and rural samples (using Roy Morgan consultant services), Internet surveys (with assistance of industry partners) to measure and assess:

- consumer participation in sports betting/Internet gambling (types, expenditures, frequency, etc.)
- consumer preferences and expectations, general Internet use, attitudes to sportsbetting/Internet gambling
- levels of consumer confidence (of e-commerce in general, sportsbetting/Internet gambling in particular)
- levels of consumer understanding, knowledge of the 'odds'/takeout, deduction rates, etc. to measure how these affect betting preferences and participation
- knowledge of the sports and the effect of this knowledge on betting preferences and participation

(3) Discussion with focus groups in both states to elicit more detailed qualitative data on betting behaviour. (4) Distribution of a progress report to the Steering Committee for review and comment to assist with review and refinement of research design and methodology. (5) With industry partners, development of policy responses to emerging trends.

Stage 3: 2001. The second year of research will replicate and update research undertaken in 2000, including surveys. Continue data collection, analysis and identification of trends and issues at state and national levels. However, research will be adapted to accommodate the introduction of digital television. In addition a national conference will be organised in 2001 to clarify issues and trends, refine methodology and analysis. With industry partners, identify ameliorative measures and formulate policy advice to government, industry and community groups to address emerging problems and strengthen beneficial trends. Write work-in-progress papers for publication of the initial research findings. A progress report will be distributed to the Steering Committee for review and comment.

Stage 4: 2002. The third year of research will replicate, update and integrate research undertaken in 2000-2001, including follow-up surveys. Finalise data collection and complete analysis. Compare and evaluate findings in Qld and NSW. A comprehensive Final Report will be distributed to the Steering Committee for review and comment. Draft journal articles and other papers for submission to publishers.

3.4. Budget and Justification (Deleted:Confidential)

4. RESEARCHERS

4.1 Professor Jan McMillen is widely acknowledged as the leading researcher into contemporary Australian gambling and has established an effective collaborative research relationship with industry and governments in all states/territories as well as Federal Government agencies. As Executive Director of the AIGR, Jan McMillen is able to devote herself full-time to gambling research and project management. She brings to this project particular expertise in gambling policy analysis and multidisciplinary research into the social and economic impacts of gambling. As a member of two independent Gaming Commissions (Victoria 1991-93, and Qld 1991-present), she also has a unique understanding of contemporary gambling developments and regulatory issues. Many of her gambling research projects have involved innovative methodologies and collaborative research teams including government, industry and community partners. Her specialised experience will assist this project with research coordination and integration of data analysis.

4.2 Associate Professor John O'Hara is one of the leading scholars in the field of Australian sports history. The skills brought to this project by John O'Hara include research experience of more than 20 years working in the field of sports history, a doctoral dissertation in gambling studies and the administrative, supervisory and editorial expertise necessary to be part of research team, as demonstrated by his editorial contribution to the *Oxford Companion to Australian Sport* (1992). In recent years John O'Hara has been heavily involved in University and Faculty administration. He is currently completing a comparative history of Australian gambling as part of an AIGR research team with Professor McMillen.

4.3 Professor P.N (Raja) Junankar is recognised as one of Australia's leading experts in labour market economics, immigration, macroeconomics and public policy. He has had considerable research experience in projects funded by Australian and overseas governments, and by the ARC large and small grants scheme. His main areas of expertise for this project are with the impact of

sportsbetting and Internet/interactive gambling on employment and on the tax implications for public policy, including the proposed goods and services tax (GST). He has extensive experience in the conduct of econometric studies using large cross-sectional and longitudinal data sets, as well as time series data sets. In the proposed research his expertise in applied econometrics would be used in analysing the impact of sportsbetting and Internet/interactive gambling on consumer expenditure, employment leisure activities, taxation impacts, cross-border leakages, etc.

4.4. Steve Toneguzzo is the Managing Director of Global Gaming Services (GGS) and is recognised as one of Australia's leading technical experts in the field. Steve Tonneguzzo will be a Partner Investigator for the three years of the proposed project (2 days/month). A former regulator with the Qld Casino Control Division, he has contributed significantly to the technical development of integrity testing programs for gaming equipment and has played a leading role in conferences and government inquiries on Internet/interactive gambling. He brings to this project a unique blend of high level technical expertise, an understanding of both commercial and regulatory issues and access to a diverse range of data and skilled staff. One of his major research tasks will be use of specialised software and associated metrics to monitor Internet/interactive gambling, its operations and impacts.

4.5. The Chief Investigators will negotiate to include an **Associate Investigator** with relevant legal expertise. Industry partners also will provide legal assistance and advice.

5. INDUSTRY PARTNER COMMITMENT AND COLLABORATION

5.1. *Development of collaboration:* Building on the expertise of the Chief Investigators in gambling research and related areas, and many years of consultation and joint research in the field, agreements were made with key organisations involved with the introduction of legalised sportsbetting and Internet/interactive gambling in Qld and NSW. An information paper proposing relevant issues and trends (McMillen 1998c) was distributed to collaborators who identified their specific research concerns. Research arrangements subsequently have been established with each industry partner to ensure that their objectives have been incorporated into the proposal. Moreover, to a significant extent the AIGR and industry partners have begun the preparatory work for data collection relevant to the study.

As with the collaborative research practices adopted in other AIGR projects, ongoing consultation and specific research activities with industry partners will be supplemented by regular meetings of the research team and Steering Committee in Sydney and Brisbane. Thus genuine collaboration and research coordination will be achieved at each stage of the study. Industry partners will assist with data collection and analysis, monitor research progress, review progressive research findings and reports, and contribute to refinement of research design and issue identification. This close collaboration and active research participation will facilitate effective and agreed policy responses to trends and impacts as they are found.

The high level of commitment by industry partners reflects the serious and innovative nature of the research issues and the national importance of the research. All four industry partners have demonstrated a high degree of commitment to the project by their cash contributions, 'in kind' support and active involvement in research. The CEO of each industry partner will participate in the Steering Committee for the

project; three of the industry partners (TAB Ltd, QOGR and GGS) have assigned expert staff to assist with research and analysis; and their 'in kind' contributions provide a unique and complementary range of specialist technical expertise, data and infrastructure support which normally would be unavailable to university researchers. Collaboration with these industry partners will provide access to unique databases, specialised software and associated metrics, expert research assistance and technical advice, policy and legal expertise and a range of analytical and other services.¹

¹ Since the ARC grant was awarded, the Department of Racing and Gaming (NSW) has also agreed to participate in the study.



Australian online gambling policy: A lost opportunity?

Jan McMillen

Australian Centre for Gambling Research



Themes

- Gambling and the online context
 - *Interactive Gambling Act 2001*
 - International trends
- Online surveys: case studies
 - **Wagering**
 - **Sports betting**
 - **Gaming**
- Differentiated modes of participation
- Responsible gambling issues
- Regulatory issues



Regulatory issues 2001

- Market potential of online gambling
- The regulatory challenge
 - Legalisation or prohibition (PC, Senate Select Committee)
 - ◆ Self-regulation or regulation
 - ◆ Controlling illegal activities
 - Problem gambling and consumer confidence
 - Differentiation between forms of gambling? Rationale?
- Gaming: AUSModel
 - A coordinated national framework
 - Effective consumer protection mechanisms
 - Preset limits, complete transaction records, etc
- Wagering: regulatory inconsistencies
 - divided & competitive



A role for the Commonwealth?

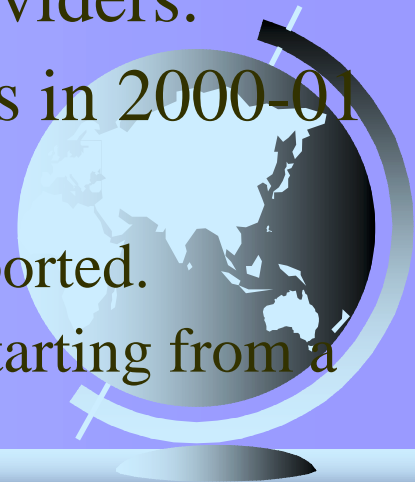
☞ Social harm and problem gambling: risk factors (Senate *Netbets* Report 2001)

Increased number and variety of continuous games	Potential to introduce new types of continuous gambling, eg hrly lotteries, sports events
24 hr access	Online gambling never closes down
Increased ease of use	Range of games that are easy to use
Increased social accessibility	Does not discriminate between social or cultural groups
Lack of information, education about online gambling	Lack of education increases the risks; players lose track of electronic transactions.
Low outlays	Low outlays eg one-cent blackjack
Appeal of technology to younger players	Young adults (25 yrs or less) more likely to develop problem gambling; also to be heaviest users



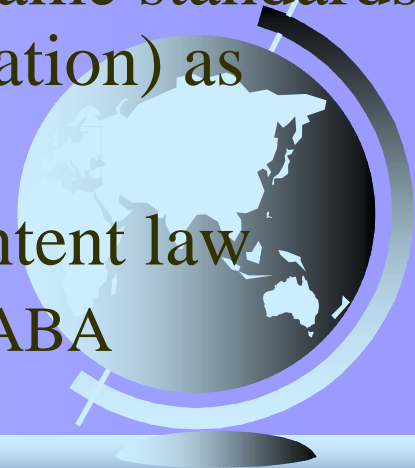
The Australian policy context

- Under the *Interactive Gambling Act 2001*, it is illegal to offer/advertise, internet gaming to Australian residents. In the Northern Territory, Lasseters Online Casino is permitted to offer online gaming to overseas customers.
- State and Territory governments license wagering operators (TABs) and bookmakers to offer race wagering and fixed odds sports betting online.
- NSW 1999 legislation made it a personal offence to bet on Australian racing with off-shore online providers.
- Sports betting expenditure with Aust providers in 2000-01 was recorded as A\$41.5 million.
 - We estimate this is approximately \$30m under-reported.
 - Fastest growing form of gambling in Australia – starting from a very small base.



👉 *Interactive Gambling Act 2001*

- Pragmatic political compromise
 - Ambiguous and contradictory
 - Fails to address the main problem (gaming machines)
 - Morally inconsistent, indefensible
- 👉 Act will not prevent Australians from gambling off-shore (ACA/Hitwise findings)
- Selective restriction of online casino gaming
 - ◆ Providers relocated offshore
 - Online wagering is flourishing
- 👉 Wagering providers have not achieved the same standards of consumer protection (or national coordination) as online gaming (AUSModel)
- 👉 Similar regulatory deficiencies to online content law
- Enforcement via complaints/whistleblowers to ABA
 - Prosecution rare, costly, inadequate



The international context

- Dynamic, uncertain and perplexing
 - cross-national differences and inconsistencies

- United Kingdom

- Budd Report, liberalisation
- White Paper

- United States

- Leach Bill
- consequences for Australia

- Europe – eg Netherlands, Malta

- New Zealand

- Canada

- Asia

- South Africa

Caribbean

Latin America

South America



Regulatory issues 2003

- DCITA's legislative review & issues paper 2003
 - Efficacy of existing legislation
 - Control through financial institutions? (S.69A)
 - Industry protection of market share - cooperation or competition?
 - The way forward: a consistent & principled national approach
- Disputes with USA & other nations are likely
 - Limitations of national sovereignty, state laws
 - Is international cooperation between governments & gambling providers possible?
 - To what extent will global trends and commercial interests influence the policy outcomes?
- The prospect for international protocols
 - Online gambling lacks support of international infrastructure
 - OECD e-commerce agreements



Online gambling surveys 2001-2

- ☞ Survey One: approximately 5000 wagering account holders emailed link to secure site
 - 1076 responses (Sept. 2001)
 - Follow up survey conducted in December 2002
- ☞ Survey Two: run off wagering provider website, banner link to introductory page
 - 518 responses (Sept. 2002)
- ☞ 10 days per survey



Survey One: wagering provider

- Almost half (48.8%) had been gambling online for over 1 year (since at least September 2000)
- High proportion (82.9%) gamble online at least weekly, 14.9% daily or more frequently
- In last 12 months
 - 92.7% gambled on racing online
 - 34.7% placed sports bets online
 - 7.7% gambled in an online lottery
 - 4.9% gambled at an online casino
 - 0.6% other gambling online



Survey Two: wagering provider

- 83.1% had been gambling online for more than 1 year (since Sept 2001)
- High proportion (84.1%) gamble online every week
- In last twelve months:
 - 94.6% gambled on racing online;
 - 85.6% made sports bets online;
 - 24.9% gambling in an online lottery;
 - 13.6% gambled at an online casino;
 - 13.1% placed P2P bets through a betting exchange.



Sports betting participation

SURVEY 1

- 34.7% participated in sports betting last 12 months
 - Half of these can be called regular sports bettors:
 - ◆ 10.6% monthly;
 - ◆ 7.1% weekly;
 - ◆ 0.1% daily.

SURVEY 2

- 85.6% participated in sports betting last 12 months
 - 11.8% monthly; 8.7% every two weeks [20.5%]
 - 34.2% weekly; 11.3% daily [45.5%]



Online involvement in gambling

- Number of websites used regularly for betting, information, tips/best bets, results?

SURVEY 1

- 55.9% use only one website
- 38.2% use 2-5 websites
 - ◆ Only 5.9% use 6 or more websites

SURVEY 2

- 34.5% use only one website
- 52.5% use 2-5 websites
- 6.9% use 6-10 websites
- 4.9 % use 10 or more websites



Online involvement in gambling (2)

☞ How many online gambling accounts do you currently use?

SURVEY 1

- 74.4% use only one account
- 24.8% use 2-5 online accounts

SURVEY 2

- 57.1% use only one account
- 38.0% use 2-5 accounts;
- 4.8% use 6 or more accounts



Online involvement in gambling (3)

- ☞ Use of non-website internet resources such as chat-rooms, messaging groups:
 - ◆ SURVEY 1: 8.2%
 - ◆ SURVEY 2: 6.0%; use such forms of communication regularly and make personal contacts for knowledge sharing.
- ☞ Suggests the emergence of ‘personalised networking’ (Wellman:2002) organised around online gambling.
- ☞ There is a strong relationship in both surveys between those who use multiple accounts/websites and those involved in non-website forms of online knowledge and information sharing.



Summary – different modes?

- Significant group of ‘stay at home’ wagering and sportsbetting gamblers using one site/account. Most have migrated to the Internet as a new medium for placing bets, continuing a long running involvement in gambling.
- A growing & significant group of more adventurous & nomadic participants, who utilise multiple resources and gambling opportunities provided by the Internet to develop a broader involvement in gambling.
- The second group are also show a relatively strong link to increased participation in other forms of online gambling such as lotteries and betting exchanges.
- More precise information and direct comparative data on these topics will emerge from the repeat of Survey 1 conducted in December (data analysis in progress).



Demographics of wagering and sports betting gamblers

☞ Gender

- Survey 1: 15.3% female; 84.7% male.
- Survey 2: 9.6% female; 90.4% male.
- This is very different from online gaming where the gender balance of participation appears relatively even.

☞ Age

	Survey 1	Survey 2
– 18-24	5.4%	13.4%
– 25-34	17.4%	27.8%
– 35-49	43.6%	38.7%
– 50-64	28.3%	18.2%
– 65+	3.8%	1.8%



Responsible Gambling Issues

☞ *Disagreed* that gambling via the internet creates more problems than other ways of gambling

– Survey 1: 66.2% (48.6% strongly)

– Survey 2: 62.1% (40.1% strongly)

☞ *Agreed*:

– Survey 1: 19.8% (4.9% strongly)

– Survey 2: 22.0% (6.3% strongly)



Responsible Gambling Issues (2)

- In choosing an online gambling site, how important is availability of problem gambling services?

SURVEY 1

– Not important	45.4%
– Important	21.4%
– Very important	12.7%
– Can't say	20.5%

SURVEY 2

– Not important	50.5%
– Important	20.9%
– Very important	13.8%
– Can't say	14.8%

- Betting limits most commonly used strategy (6.2%)



Responsible Gambling Issues (3)

☞ SURVEY 1:

- A total of 8.2% said that they sometimes gamble more than they intended to online
- most said this happened rarely
- 1.0% considered their current gambling to be a ‘serious problem’.

☞ SURVEY 2:

- A total 24.4% said that they sometimes gamble more than they intended to online
- 3.9% said this happened often and 1.8% said it happened always
- 4.6% considered their current gambling to be a ‘serious problem’.

☞ These data suggest gambling problems are occurring amongst a proportion of wagering and sports betting customers online.



Responsible Gambling Issues (4)

➡ Who has the major responsibility to reduce problem gambling?

➡ Survey 1:

- gambler/consumer 71.0%
- government/s 13.0%
- gambling operator/provider 9.5%.

➡ Survey 2:

- gambler/consumer 71.4%
- government/s 14.6%
- gambling operator/provider 7.6%



Regulatory Issues

- ☞ Is it important that a gambling site is governed by Australian regulations?
 - SURVEY 1: 76.6% important (47.8% very important)
 - Only 19.1% said Australian regulation was not at all important
 - SURVEY 2: 78.0% important (51.2% very important)
 - 17.7% said not at all important
- ☞ In the online environment government regulation is a significant factor for Australian wagering and sports betting gamblers.



Regulatory issues 2

- ☞ Is recognising the name or brand of a gambling provider important?
 - SURVEY 1: 87.8% important (64.0% very important)
 - Only 8.8% said a recognisable name or brand was not at all important.
 - SURVEY 2: 94.4% important (75.1% very important)
 - Only 4.3% said not at all important.



Demographics of online gaming players

☞ Region

- 86.7% North America
- Asia-Pacific 9.7%
- Europe 3.8%

☞ Gender of all players:

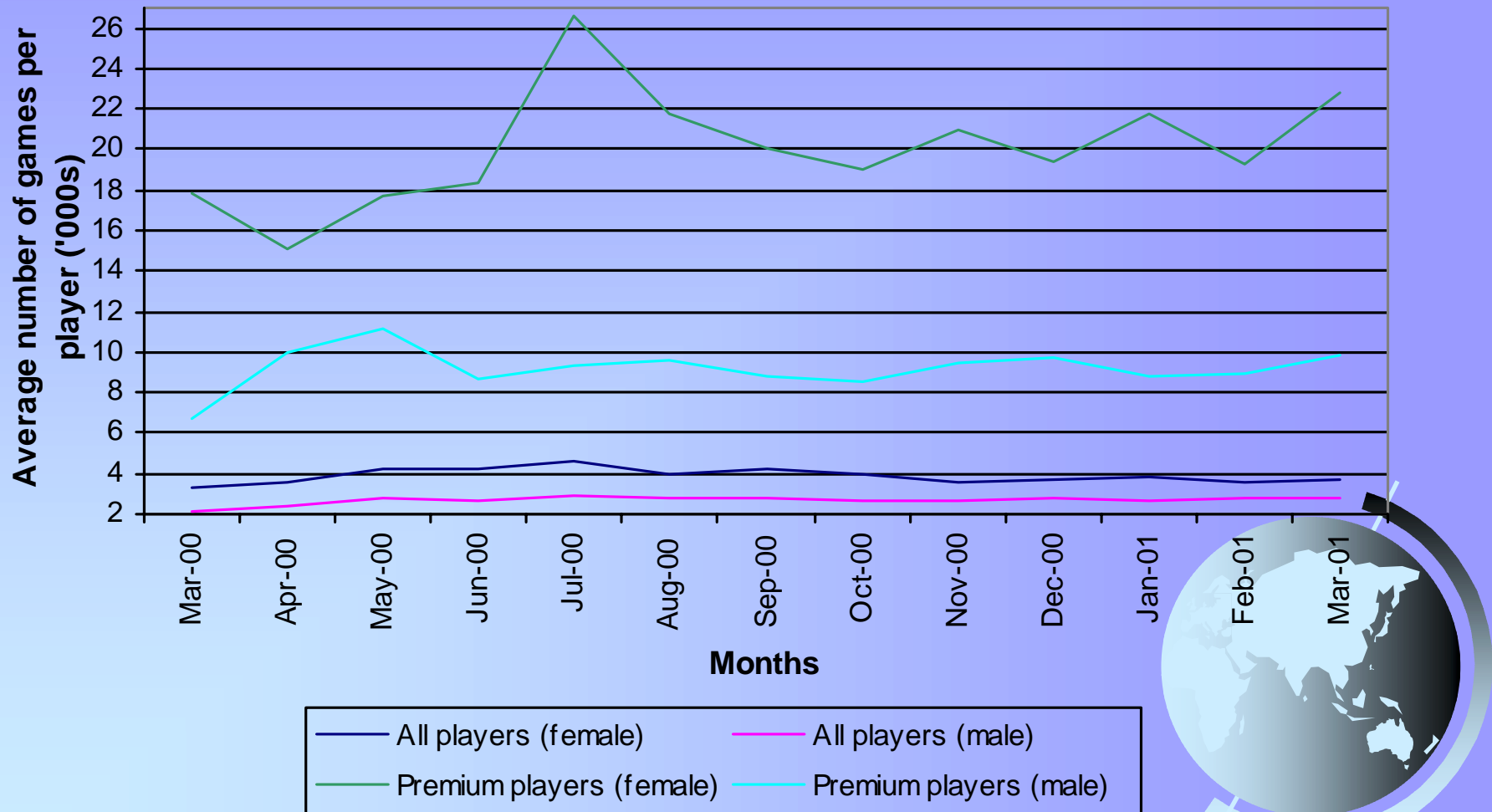
- 45.4% female March 2000;
- 49.9% female March 2001.

☞ Age of all players March 2001:

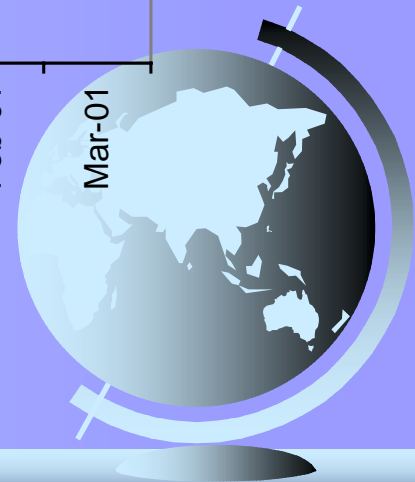
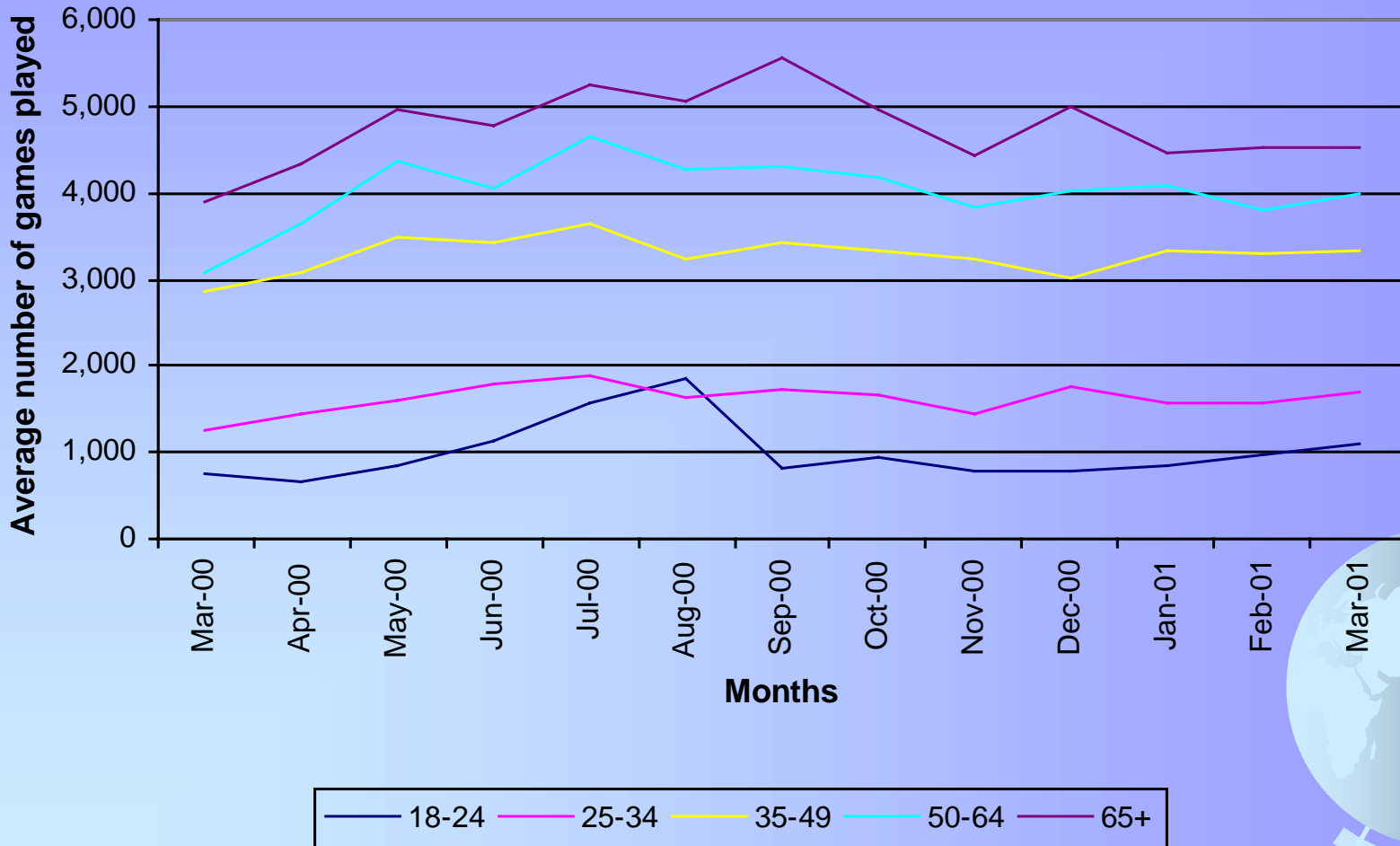
- 18-24 7.2%
- 25-34 22.0%
- 35-49 40.0%
- 50-64 26.2%
- 65+ 4.6%



Online gaming participation – gender (March 2000-2001)



Online gaming participation – age (March 2000-2001)

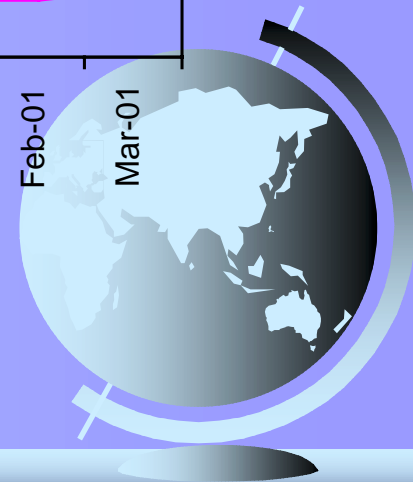
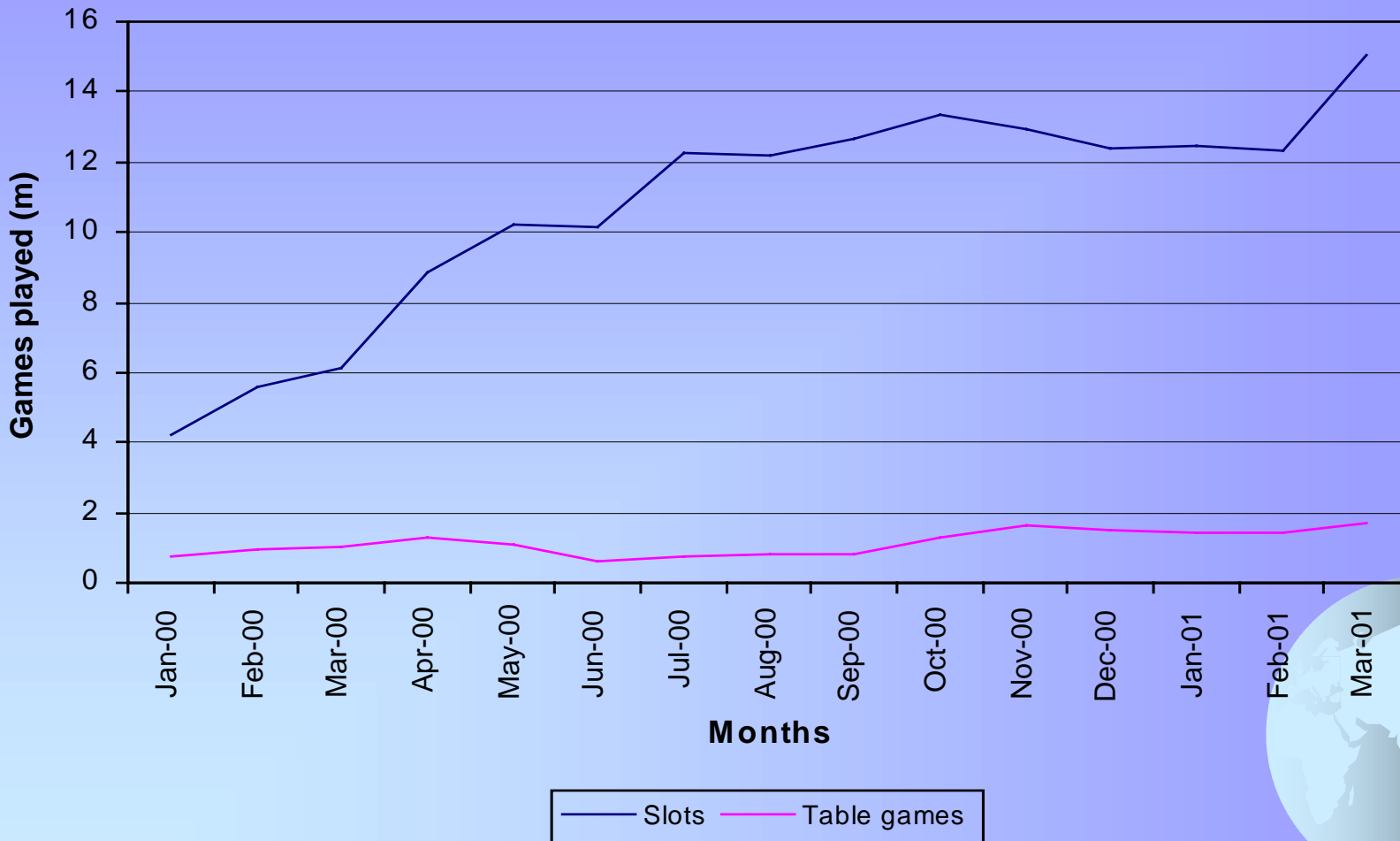


Online gaming – slots v. tables

- ☞ Slots increased share of total games by 4.03%;
 - share of total turnover by 4.85%;
 - share of total gambling expenditure by 4.39% in the period March 2000 to March 2001
- ☞ Table games are favoured by premium players and contribute a disproportionate amount to total turnover and expenditure.
 - Table games had a payout ratio 4.81% higher than slots.



Table games v. slots – games played



Modes of online gambling

- Research tentatively suggests differential participation between modes of online gambling.
- In the wagering and sports betting area:
 1. Internet as medium for delivering an established product – migration to the internet of predominantly male wagering customers in particular (lotteries also increasingly popular);
 2. Online ‘gambling nomads’ who are taking up the growing range of gambling opportunities available online – new products, different odds, superior information – by utilising multiple gambling related sites and other online resources.



Modes of online participation (2)

👉 Online gaming:

- Primarily North American, increasingly prefer slots over table games
 - ◆ a much more even gender participation than in wagering and sports betting to date.
 - ◆ some increase in female participation over 12 months
- Some differentiation appears to be emerging between:
 - ◆ ‘gambling consumers’ who play table games, bet relatively larger amounts and play less games; and
 - ◆ ‘entertainment consumers’ who play slot games, relatively frequently and make small (often minimum) bets per game.



Opportunities: concluding comments

- Whilst huge mass global markets will emerge (eg betting on soccer), modes of participation in gambling online are also likely to become increasingly varied and diverse
- Different modes & levels of participation in particular games will become more clearly defined over time
- Proliferation of new games and adaptations suited to the technological infrastructure (eg the P2P model – betting exchanges, poker etc) can be expected to transform the gambling landscape in significant ways



- Opportunities exist for highly effective technologically based approaches to responsible gambling
 - the potential to set parameters on play (time, bet frequency, bet size, expenditure limits etc) is virtually unlimited.
- Who will take the initiative? - industry or government?
 - tendency for devolution to industry
 - Challenges remain for the wagering sector
 - ◆ complexity and diversity of their products
 - ◆ common regulatory standards
 - mutual agreements across jurisdictions to accommodate a global industry





Australian online gambling policy: A lost opportunity?

Jan McMillen

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