



# AUSTRALIAN HOTELS ASSOCIATION

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**Des Crowe**  
**Chief Executive Officer**

27 July 2010

Mr H Hansford  
Committee Secretary  
Senate Community Affairs Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Via e-mail: [community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)

Dear Mr Hansford

## **Inquiry into the prevalence of interactive and online gambling in Australia**

### **Introduction**

Unlike most other forms of gambling, which are controlled by state and territory governments, the regulation of online gambling is a Commonwealth responsibility.

Online gambling in Australia is regulated by the *Interactive Gambling Act 2001*. Under this legislation it is an offence to provide an interactive gambling service to a customer physically present in Australia, yet it is not an offence for Australian residents to play casino games online. There are also exemptions to the offence, including the provision of lotteries over the internet and some forms of online betting and wagering.

Over the past decade there has been an explosion in both the number of internet gambling sites and in the volume of money gambled online. In 2010 gamblers are expected to lose US \$24.5 billion online. Six years ago this figure was US \$8.2 billion<sup>1</sup>.

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<sup>1</sup> Christiansen Capital Advisors, LLC, (2009) -

[http://grossannualwager.com/Primary%20Navigation/Online%20Data%20Store/internet\\_gambling\\_data.htm](http://grossannualwager.com/Primary%20Navigation/Online%20Data%20Store/internet_gambling_data.htm)



Australians are already accounting for a significant portion of this expenditure with a recent study by Wood & Williams for the Ontario Problem Gambling Research Centre, Guelph, Canada finding Australian & New Zealand mean monthly internet gambling expenditure was the second highest in the world.<sup>2</sup>

Net Mean Monthly Gambling Expenditure (\$US)		
Rank	Region	Internet Gamblers
1	Africa	\$881.35
2	<b>Australia &amp; NZ</b>	<b>\$300.32</b>
3	South America	\$281.40
4	USA	\$237.68
5	Europe	\$169.04
6	Canada	\$166.55
7	Other	\$124.17
8	Caribbean	\$124.17
9	Asia	\$88.69
10	United Kingdom	\$64.64

### Internet Problem Gambling

*“the prevalence of problem gambling is 3 to 4 times higher in internet gamblers compared to non-internet gamblers.”<sup>3</sup>*

<sup>2</sup> Wood, R. Williams, R. (2009): Prevalence, Patterns, Problems and Policy Options, p67

<sup>3</sup> Wood, R. Williams, R. (2009): Prevalence, Patterns, Problems and Policy Options, p10

Internet gambling possesses certain features that can increase the risk of problem gambling, including<sup>4</sup>:

- Solitary play – increased potential to dissociate and lose track of time and/or money gambled;
- Play under the influence of drugs & alcohol – Responsible Service of Alcohol laws do not apply in the home;
- Accessibility & convenience – no time travel required, may lead to greater frequency of play;
- Anonymity – may reduce social anxiety and inhibitions. Problem gamblers may gamble in secret and in private;
- Electronic payments – may have a lower psychological value than cash, resulting in greater amounts wagered; and
- Credit card gambling – accounts are funded by credit card deposits. Gamblers bet with money they don't have.

It is therefore not surprising independent research has found internet gamblers are more likely to be problem gamblers than those who don't gamble online.

*“Levels of problem gambling appear to be substantially higher amongst Internet gamblers compared to non-internet gamblers.”<sup>5</sup>*

Further, a 2003/04 online survey of 1,920 internet gamblers found that 20.1% were classified as problem gamblers using the Canadian Problem Gambling Index.<sup>6</sup> This research was supported by the 2006 California Problem Gambling Prevalence Survey of 7,121 adults which found that 19.2% of internet gamblers were problems gamblers.<sup>7</sup>

## Consumer protection

*“A significant proportion of sites have unsatisfactory business and responsible gambling practices.”<sup>8</sup>*

Unlike gambling in an Australian hotel, which is regulated by Government to ensure consumer fairness and protection, many online gambling sites operate in a relatively unregulated environment and have little regard for the player.

A 2006 survey by the American Gaming Association found that 55% of players believe online casinos cheat, while 46% believed other players were cheating the site.<sup>9</sup>

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<sup>4</sup> Monaghan, S. (2009) A Critical Review of the Impact of Internet Gambling, p 8

<sup>5</sup> Monaghan, S. (2009) A Critical Review of the Impact of Internet Gambling, p 3

<sup>6</sup> Wood, R. Williams, R. Lawson, p (2007). Why do internet gamblers prefer online versus land based venues: some preliminary findings and implications. Journal of Gambling Issues, 20. p240

<sup>7</sup> Volberg, R. Nysse-Carris, K. & Gerstein, D (2006) 2006 California problem gambling prevalence survey, p63

<sup>8</sup> Wood, R. Williams, R. (2009): Prevalence, Patterns, Problems and Policy Options, p94

Further, eCOGRA a non-profit organization, specifically overseeing fair gaming, player protection and responsible operator conduct undertook a survey of 10,865 players in 2007 which found:

*“Over a third of survey respondents claimed to have had a dispute with an internet casino or internet poker website....just under half the respondents in this survey who reported having a dispute said it had been resolved.”<sup>10</sup>*

The unfortunate reality is that, without effective regulation of online gambling, there will always be many sites willing to accept any patron with money and there will be little incentive for online gambling to be provided responsibly. Furthermore, in an open marketplace there is always competitive pressure for having fewer restrictions.<sup>11</sup>

### **Internet Gambling & Youth**

The youth of Australia rapidly adopt and utilise new technology. With a penchant for risk taking behaviour, internet gambling represents a serious threat to our youth with independent research finding many young teenagers are already gambling online.

Virtually all Australian teenagers now use the internet and there is a real risk that vulnerable Australians, particularly those under the age of 18, will be attracted to these gambling websites. Unfortunately many internet gambling sites do not place great importance on ensuring appropriate identification is obtained from the gambler.

An investigation of 30 internet gambling sites in the UK found only half made genuine attempts to verify the age of players<sup>12</sup>, while a further study found only 20% of sites were given a ‘high’ rating for their responsible gambling measures.<sup>13</sup>

Similarly, another UK study found that a 16 year old was able to place bets online on 30 out of 37 internet gambling sites tested, while a European survey found that 17% of visitors to online gambling sites were under the age of 18.<sup>14</sup>

Further, a study of adolescent internet gamblers in Canada found that:

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<sup>9</sup> American Gaming Association (2006). State of the States 2006. The American Gaming Association survey of casino entertainment.

<sup>10</sup> eCOGRA (2007) An Exploratory Investigation in the Attitudes and Behaviours of Internet Casino & Poker players. Pg 14

<sup>11</sup> Wood, R. Williams, R. (2009): Prevalence, Patterns, Problems and Policy Options, p94

<sup>12</sup> Smeaton, M & Griffiths, M (2004) Internet Gambling and social responsibility: An exploratory study. Cyber Psychology & Behaviour

<sup>13</sup> Jawad, C. & Griffiths, S. (2008) A critical analysis of online gambling websites. Paper presented to at the 2008 EBEN-UK Annual Conference.

<sup>14</sup> Monaghan, S. (2009) A Critical Review of the Impact of Internet Gambling, p 8

*“Adolescents who have bet money online are more likely to be problem gamblers. Online gamblers have significantly lower grades. Adolescents who have wagered money online are more likely to engage in delinquent activity.”<sup>15</sup>*

In light of this research, it is alarming that young Australians are now being aggressively targeted by offshore internet casinos with the promise of ‘too good to be true’ sign-on bonuses.

In October 2008 the latest in a growing number of foreign online casinos sought a slice of Australia’s internet gambling market when Malta based Spin Palace Online<sup>16</sup> launched their Australian website with the promise of a \$1,000 sign up bonus. It was no surprise to discover the fine print actually reveals a new gambler is not eligible for the full bonus unless they deposit a total of \$6,150 and gamble online for a year!

The unfortunate reality is that unless these sites are regulated many vulnerable teenagers will continue to be drawn by misleading promotions to what they perceive to be ‘easy cash’.

### **Inducement to gamble - Free Bets**

It has become increasingly common for gambling operators, particularly internet casinos and corporate bookmakers, to offer free bets as a strategy to recruit new customers.

Round 1 of the 2009 AFL season saw the inclusion of a \$50 betting voucher in every copy of the *AFL Record*, a football publication read and collected by many children.

Appropriately, hotels throughout Australia are not permitted to offer free bets to attract customers to their gaming machines.

The AHA believes this is a serious responsible gambling issue. The offering of free bets by any gambling operator should not be permitted as it is a blatant attempt to encourage a person to gamble who otherwise would not have gambled.

The AHA calls for the Commonwealth to level the playing field and support a nationwide ban of free bets for new clients.

### **Level Playing Field**

In terms of regulation and harm minimisation a level playing field does not exist between online gambling operators and Australian hotels.

Unlike Australian hotels, many online gambling sites are operating without restriction, are not contributing tax to the Australian Government or to any state/territory government and have little or no consumer protection and harm minimisation measures in place.

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<sup>15</sup> Mackay, T-L. (2005) Betting on Youth: Adolescent Internet Gambling in Canada.

<sup>16</sup> <http://www.spinpalace.com/>

At a minimum, online gambling operators accepting bets from Australians should meet the following standards:

- Age verification before play is permitted;
- No credit card deposits – it is unsafe practice to allow bets to be placed with borrowed funds;
- Approved self-exclusion schemes should operate and be promoted to gamblers;
- Prominent display of problem gambling help information and 24/7 contact details of Australian based gambling counsellors;
- Information explaining each game including rules, how outcomes are determined and probabilities of winning;
- A clock in real local time must be visible;
- Player activity statements must be available;
- A ban on 24 hour gambling; and
- A ban on inducements to gamble.

### Internet Gambling – the Future

*“The popularity and prevalence of internet gambling will continue to grow and reach new demographic groups, including women, older professionals familiar with internet technology, and youth.”<sup>17</sup>*

In 1999 the Productivity Commission recognised the potential risks associated with online gambling:

*“online gambling also poses significant new risks for problem gambling. It represents a quantum leap in accessibility to gambling, and is likely to involve new groups of people in gambling.”<sup>18</sup>*

Unfortunately, that risk has become a reality and Australian gamblers now regularly play online poker machines and casino games such as roulette and poker.

Following the recent WA High Court challenge and the removal of nationwide advertising restrictions, it appears certain many new online gambling operators will be created.

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<sup>17</sup> Monaghan, S. (2009) A Critical Review of the Impact of Internet Gambling, p 12

<sup>18</sup> Productivity Commission, Australia's Gambling Industries, Inquiry Report, November 1999, p18.1

Recent new Australian entrants include:

- [www.luxbet.com](http://www.luxbet.com) – TABCORP owned Northern Territory bookmaking operation
- [www.titansbet.com.au](http://www.titansbet.com.au) – Queensland based NRL team joint venture with Betezy
- [www.betfair.com.au](http://www.betfair.com.au) – a UK betting exchange operating out of Tasmania. Betfair have recently announced sponsorship arrangements with Cricket Australia and the Wests Tigers

In addition, following recent regulatory approval by the Victorian and New South Wales Governments enables Foxtel viewers to place a racing bet with a click of their remote control. Mobile phones are becoming so technologically advanced that it can be reasonably assumed these hand held devices will become the next significant gambling medium.

Currently TAB Sportsbet is the number 3 ranked Sports app on iTunes, while bookmakers Betfair, Sportingbet and Centrebet all promote mobile phone betting.

Easy credit betting and offers of free bets to join continue to be advertised in all forms of media. It is now time for the Commonwealth to accept legislative responsibility and act swiftly to level the playing field and strictly regulate online gambling in Australia.

Yours sincerely

**Des Crowe**  
**National Chief Executive Officer**