

Chapter 4

Committee view

Online gambling

4.1 Online gambling is a popular entertainment pastime for many thousands of Australians, and the committee would like to thank the hundreds of Australian online poker players who made submissions to this inquiry and acknowledges their commitment to protecting their past-time. The committee also acknowledges that a number of Australians are professional and semi-professional poker players and that a prohibition on the provision of online poker services may have an impact on their capacity to earn income.

4.2 It is clear from the evidence presented to the committee that though the majority of people who engage in online gambling are able to do so safely and without experiencing gambling-related harms, tragically, this is not the case for all. The O'Farrell Review found that the rate of problem gambling for online gamblers is three times higher than that of problem gambling across all other platforms, including venue-based gambling. It found that 41 per cent of online gamblers were considered to be 'at risk' gamblers while less than 20 per cent of venue-based gamblers were considered to be 'at risk'. These 'at risk' gamblers experience harms to physical and mental health, and financial problems. Gambling-related harms also affect the friends and family of gamblers and can result in inter-generational harm. The Productivity Commission estimated that the social costs of problem gambling are \$4.7 billion per annum—a significant loss.

4.3 The committee is of the view that harm minimisation and consumer protection should be of primary importance when regulating the online gambling industry. As such, the committee supports the efforts of the Australian Government to ensure that the impacts of gambling-related harms on the community are reduced, and that Australian consumers are protected.

Online poker

4.4 It is estimated that the Australian online poker market is worth \$135 million, and though online poker has enjoyed significant popularity in the past, participation numbers have decreased over the past five years, likely in response to changes in the regulatory environment. However, despite its lack of popularity when compared to other forms of gambling, studies have shown that online poker continues to be played by a smaller, but highly engaged community.

4.5 Throughout the course of the inquiry, it was argued that online poker differs both in its features and impact on consumers. As such, it should be regulated differently to other forms of online gambling. In particular, it was highlighted that many consumers view online poker as a skills-based game, or at least, a game of

mixed skill and chance. Further, online poker was seen as offering a range of benefits to consumers including that it can be played for long periods of time without significant player expenditure, and players are able to better control their spending than when engaged in other forms of online gambling or venue-based poker. Other benefits include the development of mathematical and social skills, and important social networks. Submitters also argued that the number of people experiencing gambling-related harms as a result of online poker is small.

4.6 Evidence was also received that online poker provides an important social function for those affected by disability, geographic isolation or caring duties. It was highlighted that many of these players are unable to participate in venue-based poker, and in the absence of online poker services are likely to lose important social networks, and an enjoyable entertainment past-time.

4.7 However, it was also indicated that very little research has been conducted on the potential benefits of online poker. The committee is of the view that any claims of benefits derived from engaging in online poker should be approached with caution.

4.8 The committee acknowledges that many submitters indicated that they were able to participate in online poker without experiencing gambling-related harm. However, the committee also received evidence that there are a percentage of online poker players who are at risk of suffering, or who have suffered gambling-related harms as a result of playing online poker. It was also highlighted that online poker may be just one of many gambling activities undertaken by those who suffer-gambling related harms, and may not be the sole source of such harms.

4.9 Submitters highlighted that very little research has examined the impact of online poker on consumers, particularly in relation to gambling-related harms and treatment options. The committee is of the view that such research is critical to understanding the potentially harmful impacts of online poker on those vulnerable to gambling-related harms.

Regulatory approaches

4.10 Australia prohibits the provision of online poker services to Australians—this prohibition includes both onshore and offshore services, though efforts to combat offshore operations are of course limited by jurisdictional and technological challenges.

4.11 This regulatory approach is informed by the Australian Government's harm minimisation strategy. The Minister for Communications, Senator the Hon Mitch Fifield, has indicated that the Australian Government has no intention of liberalising the online gambling market to allow for the provision of online poker. This is despite recommendations by the Productivity Commission to liberalise online poker to prevent the expansion of the illegal offshore market.

4.12 It was argued in evidence that prohibition simply does not work and that consumers simply turn to illegal offshore operators and the black-market expands to fill the void created by the absence of regulated and licensed services.

Consumer protections

4.13 Utilising illegal offshore operations carries a range of risks for consumers including a lack of harm minimisation mechanisms and unscrupulous operators mismanaging or absconding with players' funds. However, despite these risks, a number of witnesses indicated that they would continue to access offshore operators and would utilise Virtual Private Networks (VPNs) to circumvent attempts to block access to such sites.

4.14 Supporters of the liberalisation of online poker to allow for regulated and licensed services in Australia argued that this would provide important consumer protections, and a revenue stream for the Australian Government. Evidence of the success of other jurisdictions such as the United Kingdom highlighted that since the UK Gambling Commission introduced licensing requirements, access to black market offshore services has been significantly reduced.

4.15 The Australian Government has acknowledged the need for a strong national consumer protection framework and has undertaken significant work to implement such a scheme to protect users of online gambling services. The Department of Social Services noted that the implementation of such a scheme is absolutely vital before any kind of liberalisation of the online gambling market.

Impact of legalisation

4.16 Though supporters of legalisation of online poker highlighted the important consumer protections and revenue opportunities offered by regulation and licensing, evidence was also received that the number of online poker players may increase as a result of the liberalisation of the market. There may also be a subsequent increase in the number of people experiencing gambling-related harms as a result of online poker.

4.17 The experience of legalising online sports wagering was provided as an example of the consequences of such a decision. However, it was acknowledged that again, little research has been conducted specifically on the impact of regulated and licensed poker on the prevalence of gambling-related harms, and if there has been an increase in the number of consumers.

4.18 The committee is of the view that any attempt to liberalise the market through the legalisation of online poker should be approached with caution. In particular, an increase in the number of problem gamblers, or an exacerbation of existing problems should not eventuate from any regulatory reform.

Recommendation 1

4.19 The committee commends the Australian Government's efforts to implement strong consumer protection measures, and harm minimisation strategies. The committee recommends that any future consideration of the legalisation of online poker should only occur following the complete implementation of the National Consumer Protection Framework.

Recommendation 2

4.20 The committee recommends that the Department of Social Services support research into the impact of regulatory approaches on online poker, including the relative benefits and harms associated with prohibition and legalisation.

Senator Janet Rice
Chair