

20 April 2001

Ms Andrea Griffiths
The Secretary
Senate ECITA Legislation Committee
S1.57
Parliament House
Canberra ACT 2600



Dear Ms Griffiths,

RE: INTERACTIVE GAMBLING BILL 2001

In response to your invitation, we are pleased to make this submission to the Senate ECITA Legislative Committee in relation to the Interactive Gambling Bill 2001.

In summary, our reaction to the Bill and the Explanatory Memorandum accompanying it is as follows:

1. We appreciate that the Government acknowledges the importance of international markets to Australian Interactive Gambling Service Providers such as Lasseters. Global markets are indeed vital to the feasibility of e-commerce operations including Lasseters' online division.
2. The Explanatory Memorandum quotes heavily from the analyses within the Productivity Commission report on Gambling Industries and yet selectively avoids the recommendation of the Commission in respect to Internet Gambling that advised regulation rather than prohibition. The Commission's key findings included:

" Internet Gambling offers the potential for consumer benefits as well as new risks for problem gambling. Managed liberalisation - with licensing of sites for probity, consumer protection and taxation - could meet most concerns although its effectiveness would require the assistance of the Commonwealth Government."
3. We contend that several of the key assumptions made in the Explanatory Memorandum in regard to the impact of the options considered are inaccurate or unfounded based upon the experience of Lasseters Online. This site, which has now been operating for two years, remains one of the best references for online playing behaviour in Australia.
4. The deadline for reviewing the Bill by 1 July 2004 represents an eternity in 'Internet time' during which technology changes, Internet usage and global online gaming markets are expected to escalate dramatically. We propose the impact of any Bill passed in relation to internet content must be reviewed more frequently.

Lasseters remains committed to the need for regulation and education as the best method of protecting player interests and minimising the risk of problem gambling, as also preferred by the Productivity Commission, the Senate Select Committee on Information Technology, the State and Territory Governments, and the Australian casino industry.

This submission primarily addresses the assumptions made in the Explanatory Memorandum.

Assumption - Australian Players will not wager/gamble with offshore online gaming sites

The reality is that Australians are already wagering or gaming with offshore online gaming providers. At this stage, we simply do not know how many are participating.

In a 1998-1999 study, the Productivity Commission estimated there were 90,000 Australians participating in online gaming. Of these, 65% indicated they had participated in online casino gaming in the past 12 months. Significantly, these numbers were recorded before the launch of Australia's regulated online casinos, including Lasseters, and during the early years of Australia's online wagering sites.

Accordingly, it can be assumed that while some of the 90,000 players were wagering with Australian sports betting or horse racing sites, the majority were wagering or gaming with offshore online gaming providers.

To try to estimate how many Australians may today be participating in online gaming, we have drawn on both international and Australian growth rates.

Growth in Online Gaming Player Numbers: Source of base figures: Christiansen Capital Advisors Inc, "Wagering on the Internet"; September 1999

Players	1998/99	2000	% increase	2002	% increase
Global	14,000,000	34,000,000	142.85	52,000,000	52.9
Australian	90,000	218,565		334,186	

Growth in Australian Internet Users: Source Australian Bureau of Statistics and Nielsen NetRatings

	1999	2000	% increase
Australian Internet Users	5.6 million	8.42 million	50.4
Internet Gamblers	90,000	135,360	

Based upon these growth rates, there are between 135,000 and 218,565 Australians currently participating in online gaming. Based on global estimates, this number may rise to 334,000 by 2002. There are only 16 Australians currently registered for cash gaming on Lasseters Online, Australia's only operating, regulated online casino.

Importantly, Lasseters' player research has indicated that 70% of players will register with four or more other online casinos. Therefore, it follows that the majority of Australians who participate in online gaming, are already registered with a number of offshore providers and will continue to do so irrespective of this Bill.

Globally, the online gaming industry is anticipated to generate revenue of US\$2.5 billion in 2001. This industry has developed within an environment of limited regulation and largely based on gaming providers that are not subjected to any probity, player protection or security controls.

It is only in the past year that jurisdictions around the world have become active in online gaming regulation. There are now more than 50 jurisdictions which have legislated to permit and regulate online gaming. In the US, legislation to permit online gaming is currently being considered by the state congresses of Nevada and New Jersey, both states' renown for their strong casino industries.

We believe it will not be long before Australian Internet users are viewing online advertising and search listings for online casinos operated by major gaming corporations in the USA and regulated by US state law. The availability of sites operated by these well known brands is expected to be highly attractive to those Australians who enjoy online gaming.

It is not just convenience that motivates players towards online gaming. Lasseters' player research found there were a variety of reasons why people participate online:

Why Lasseters Online Players Participate in Online Gaming

<i>Reasons for Playing</i>	<i>% of Respondents</i>
Convenience	38
Value for money	29
Better games	12
No smoke and no drunks	9
Learn to play games	7
Other	5

For all of the above reasons, up to 218,000 Australians will continue to be attracted by offshore online gaming providers this year.

By preventing Australian online gaming providers from offering services domestically, Australian players will simply continue participating in offshore gaming, many using existing playing accounts.

Assumption - That Australian players are not important because they make up `only about 5% of Lasseters Online players' and only a small proportion play for cash.

It is important to put this in context. Lasseters agreed with the Northern Territory government to not launch cash gaming for Australian players until a national approach to online gaming regulation was established. Accordingly, only players within the southern region of the Northern Territory, the licence area of the land based casino, may play for cash. This area has a population of only approximately 35,000 people. As previously mentioned, we have 16 cash players in Australia and the remainder play for points.

There is no incentive for the vast majority of Australians participating in cash online gaming to register with Lasseters. It is therefore misleading to draw assumptions on the `small' Australian market when the demand is largely untested.

In any event, we would argue that even 5% of our player base is a significant. In an industry where critical mass in player numbers is essential to operating efficiencies and where margins are low, any incremental increase in player numbers is valued by our business.

Assumption - Young people are particularly attracted to online gaming

While it is true that young people are heavy users of the Internet, there is little evidence they are attracted to online gaming.

Lasseters Online's registered players represent the following age groups. These are compared against statistics on Internet usage by age group within NOTE, 'Current State of Play', November 2000.

Lasseters Online - Total Registered Players		Australian Internet Users - Age Group Penetration	
18 - 24 ears	7.3%	18 - 24 ears	77%
25 - 39 ears	37.97%	25 - 39 ears	60%
40 - 54 ears	40.39%	40 - 54 ears	45%
55 + ears	14.32%	55 + ears	16%

Since Lasseters Online began offering cash gaming services two years ago, the mean age of players has consistently been around 38 years of age.

Assumption - Restricting Australians' access to online gaming will increase patronage at physical gaming venues.

We have two issues with this assumption.

The first is that we have no evidence that online gaming is a substitution for gaming in physical venues. Player research conducted by Lasseters has found that an overwhelming 78% do not also visit land-based casinos. Of the 22% minority who do, 74% visit a casino less than five times per year. Significantly, the casinos they are visiting are generally not in Australia given that most online gaming players are located internationally.

The second issue is that poker machines in pubs and clubs are recognised by the Productivity Commission, all social commentators and the community as being the greatest source of problem gambling. If the Government accepts the assumption that by blocking access to online gaming, Australians will return in greater numbers to pubs, clubs and other gaming venues, then the Government must also accept that this may increase the incidence of problem gambling created by poker machines.

Assumption - The ban would reduce consumer choice and provide protection against services likely to exacerbate problem gambling.

The only comprehensive research into problem gambling in Australia was reported by the Productivity Commission and revealed there is a strong correlation between accessibility, particularly to gaming machines, and problem gambling. The Productivity Commission reported the source of problems for gamblers in counselling as shown in the following table.

Source of problems for gamblers in counselling

Gaming Machines	68.9%
Racing	15.6%
Casino Table Games	5.0%
Lottery Games	3.7%
Bingo	2.7%
Other kinds or not known	4.1%

This research did not indicate online gaming as a specific source of problem gambling. Indeed, there is no research available on the specific correlation between gaming on the Internet and problem gambling.

The targeted ban proposed would only stop Australian players from accessing less than 10% of the up to 1,400 online gaming sites available worldwide. This does not represent a significant decrease in consumer choice or accessibility. All it does is remove the options which represent the highest standards of consumer protection in the world.

The sites, which are most likely to exacerbate problem gambling, are not the Australian sites. They are the unregulated offshore sites to which Australians will still have access. The targeted ban therefore offers Australian consumers no protection.

Online casino operators regulated by Australian States and Territories have sought to implement a range of controls to reduce the risk of problem gambling via the Internet. The controls implemented by Lasseters Online include:

- Players must be aged over 18 years and personal identification is required to authorise registration. Strict registration procedures are thereafter followed each time a player logs into the site.
- Credit gambling is prohibited. Players are unable to operate their account to a negative balance. Only approved funds and accumulated winnings can be used for wagers.
- Players are given the option to pre-set betting limits. Having set a limit, the players are unable to raise it themselves without providing Lasseters Online with seven days notice of their intention.
- Lasseters imposes an initial deposit limit of \$500 per month. The amount players can potentially lose is therefore controlled by this deposit limit.
- There is a minimum bet of one cent on many of the games.
- There is a full audit trail provided of all transactions through online account information.
- Players' winnings are issued by non-negotiable cheque and are posted to the registered gambling account holder's address. Credit card accounts are not used to receive automatic payment from winnings.
- Credit cards with unlimited lines of credit are not accepted such as American Express and Diners Club.
- A hotlink is provided to community counsellors, Amity House, who provides advice about gambling problems, information and assistance. Their site also includes a self-test questionnaire to assist players to identify if they are developing a problem. Amity House has also established Internet links to similar services in Canada, USA, Germany and Britain for the use of our international players.
- Through a self-exclusion button, players have the option to exclude themselves from playing for a 'cooling off period'. If they use this button three times they are considered to have a problem and are permanently excluded from registering again.
- Lasseters Online pioneered the use of real time credit card checks ensuring cards are not being used fraudulently for gaming purposes.

As a result of these controls, players generally log in for short periods of time (often only around 10 minutes) and wager relatively low amounts per game compared to visitors to physical venues where players will gamble for a number of hours at a time. The low bet limits also underscore the fact that online gaming is for entertainment purposes only. The average online bet is 82.5 cents for poker machine style games and approximately \$2.80 per bet across all games.

The often touted myth of 'losing your house at a click of a mouse' is therefore impossible with the strict procedures and bet limits used in regulated online gaming.

These controls are far stronger than are feasible with physical venues and particularly, gaming machines.

These controls are also far stronger than operating procedures used by Australian and international online wagering sites.

Importantly, these controls are non-existent with the multitude of unregulated online gaming sites or sites.

In addition to these procedural regulations, Lasseters has, in conjunction with the Australian Casino Association, offered to contribute 1 % of gross gaming win online to a community benefit fund available to provide problem gambling support.

Australian regulated online casinos are the only online gaming providers who can succeed in delivering the Government's objective of preventing problem gambling.

Conclusion

The world is looking for leadership on the issue of online gaming regulation. The Australian States and Territories took this lead in 1997 when they first developed a draft national code for online gaming regulation and subsequently began legislating to control this growing industry. Our regulation has formed the basis for action by jurisdictions worldwide. We are exporting e-commerce solutions to the world.

Australia's first regulated online casino, Lasseters Online, has now attracted more than 125,000 players from around the world. We are proud to have been rated by independent analysts as one of the leading sites in the global industry and the most responsible service provider.

Our online business has generated total turnover of more than \$300 million since its launch. In the financial year to date, the business has generated revenue of \$10.9 million, approximately 100% greater than the 2000 result of \$5.4 million. It is an important operating division of our Group.

Lasseters Online has established a benchmark for responsible online gaming and proven that it can also be a successful business and export service for Australia.

The Australian States and Territories have set the benchmark for online gaming regulation to protect consumer interests. But with the proposed Bill, it appears we are afraid to live by the global standard we have set.

We sympathise with the Government's interest to reduce accessibility to gaming in this country and appreciate the community's concern for problem gambling. Australia's regulated online gaming service providers have addressed these concerns by cooperating with State and Territory regulators to ensure players' interests are protected. As a result, the regulation for online gaming is far stronger and better able to minimise the risk of problem gambling, than is possible within physical gaming venues.

Regulation and education is the optimal approach to the online delivery of a service that is legal in the physical world. Through regulation we can:

- protect players' interests
- minimise the risk of problem gambling
- limit player spending and therefore also potential losses
- prevent access by minors
- ensure players have direct access to online support and counselling
- monitor and learn from actual player behaviour
- take world leading e-commerce solutions to the global information technology industry 6

None of these benefits are available to Australia with the proposed Bill.

We would be pleased to present our views and answer any questions of the Committee if a public hearing is to be held. Thank you for the opportunity to present these comments on the Interactive Gambling Bill 2001.

Yours sincerely,

A handwritten signature in blue ink, reading "Peter Bridge", is centered on a light-colored rectangular background.

PETER BRIDGE
Managing Director