

Executive Summary

This report covers a reference inquiry and a related bill inquiry. The subject matter of each is intertwined under the broad heading of online gambling. However, the report is divided into parts to clarify the distinctions between the different forms of online gambling and how they are regulated.

Online gambling is a fast growing form of gambling internationally as well as in Australia. Although online gambling is a rapidly growing market, many jurisdictions, including Australia, are still considering whether or to what degree to allow it. The primary legislation covering online gambling in Australia is the *Interactive Gambling Act 2001* (Commonwealth). It mainly covers casino-type games such as online poker with exclusions for sports betting and wagering which are largely regulated by state and territory governments.

Part 1

Part 1 is an introduction to the key issues arising from the inquiry which are addressed from an Australian perspective in later chapters. It sets the scene for Part 2. Part 1 consists of four chapters covering issues and research on: online gambling prevalence, characteristics of online gamblers and online problem gambling rates. Part 1 also introduces the major arguments for and against prohibition of online gambling and it covers forms of regulation and prohibition used in some overseas jurisdictions.

The main focus of the committee's findings in Part 1 centre on the lack of comprehensive data and research in this emerging area at a national level on which to base findings and proposed actions. Lack of research was also raised as an issue in the committee's first inquiry into the design and implementation of a mandatory pre-commitment system for electronic gaming machines.¹ The committee has not yet received a government response to its first report. The committee therefore reiterates its recommendation regarding the need for a national independent research institute on gambling which would also cover national research on online gambling. In the meantime, the committee recommends that the current review of the Interactive Gambling Act (IGA), being undertaken by the Department of Broadband, Communications and the Digital Economy, commission relevant research in the local online gambling environment (see chapter seven).

Part 2

Part 2 consists of four chapters. It covers the regulatory situation in Australia with a focus on the IGA. It looks at the effectiveness of the IGA in relation to online

1 Joint Select Committee on Gambling Reform, First report: The design and implementation of a mandatory pre-commitment system for electronic gaming machines, 6 May 2011.

gambling services and advertising covered by the Act. The committee agreed a position on advertising covered by the IGA which involves retaining and strengthening the ban on advertising to include practices which currently are not clearly covered by the IGA such as practice sites, links to gambling sites, misleading advertising and inducements to gamble.

While the committee agreed to retain the IGA and to take steps to improve its effectiveness in relation to interactive gambling services, the committee did not agree on how to address the area where the IGA was seen to be most deficient: the ability to limit or restrict Australians accessing overseas gambling websites. These views are set out in additional comments at the end of the report.

Part 3

Part 3 consists of five chapters and covers online gambling in relation to sports betting and wagering. Apart from the exceptions of 'in-play' betting online,² regulation of sports betting and its associated advertising is not covered by the IGA but by state and territory governments. Evidence received confirmed the high level of growth in this form of gambling. It also confirmed the concern in the community about the proliferation of sports betting advertising. While the committee welcomes the work underway by government and industry to reduce and control the broadcasting of live odds, it believes there should be a total ban on their promotion, underpinned by legislation.

The committee heard that the level of gambling advertising is contributing to the development of gambling problems, particularly among young men. The high level of betting promotion during sport is making it difficult for some problem gamblers to recover. When they try to return to watching sports they previously enjoyed, the promotions encourage them to gamble again.

The committee was also warned of the effects that this high level of advertising can have on children who are highly influenced by gambling advertising. This is of concern for a number of reasons. Research indicates that one of the risk factors for problem gambling is early onset: the earlier one starts gambling, the more likely they are to continue gambling, and along with that the probability of developing a gambling problem increases. Recent media programs have shown young children associating their love of sport with knowledge of betting odds.³ This normalisation of gambling—the 'gamblification' of sport—is a major concern for the committee. To arrest this trend, the committee has recommended measures that restrict gambling advertising beyond a ban on live odds.

2 Betting online on the outcome of an event after it has started (e.g. an online bet on the outcome of a particular tennis match after the match has started) or betting on a discrete contingency within an event after the event has started (e.g. an online bet during a tennis match as to whether the next serve will be an ace).

3 SBS TV, 'Online gambling', *Insight*, 13 September 2011.

While the committee recognises that regulation of advertising for sports betting currently lies with the states and territories, it believes this issue is sufficiently serious to warrant consideration of Commonwealth involvement should states and territories fail to adequately address this issue.

The committee also received evidence of practices which, in its view, do not conform with responsible gambling practices, such as offering credit to online gamblers and the existence of third party commissions or finders' fees which are not adequately transparent to the consumer. Regulation of offering credit is not consistent between jurisdictions and the regulation of third party commissions appears to be non-existent. These issues highlighted the overarching issue in regulation of sports betting which is the lack of consistency, with some jurisdictions having higher harm minimisation and consumer protection standards than others. The online environment requires regulatory consistency as it is too easy for customers to move sites at the click of a mouse/button. The challenge is for jurisdictions to come together to achieve national consistency in their regulation which does not result in a lowering of current standards but achieves appropriate harm minimisation and customer protection measures.

Part 4

Part 4 consists of two chapters and covers the associated bill referred to the committee. The bill covers issues discussed in Parts 1 and 2 to do with the IGA and Part 3 on sports betting and wagering. The committee's view on the need for amendments to the *Broadcasting Services Act 1992* to restrict gambling advertising is covered in this part of the report.

As with the last inquiry, again the most powerful evidence came from individuals who have experienced problems with online gambling. The committee heard from an individual who experienced serious problems when he used an overseas casino website. He accessed the website via an advertisement on a social networking site. The advertisement mentioned making extra money, not gambling. He lost money through unauthorised transactions and he has gone through serious financial and personal difficulties while attempting to resolve the issue of unauthorised transactions through a less than responsive overseas regulator. In addition, through counselling centres such as the University of Sydney Gambling Treatment Clinic, the committee heard about the recent increase in individuals with sports betting problems using legal Australian websites. As mentioned above, these people have been particularly influenced by the proliferation of sports betting advertising which has then hindered their recovery.

These inquiries have been an opportunity for the committee to learn about relatively new forms of gambling which are entering a period of growth. Now is the time for all levels of government to learn the lessons from other forms of gambling such as the liberalisation of electronic gaming machines and to address issues of concern in the online environment early to minimise the potential for harm.

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Chair