

Chapter 1

Introduction and conduct of the inquiry

Background to reference

1.1 This inquiry was initially referred to the Senate Standing Committee on Community Affairs on 24 June 2010 by Senator Nick Xenophon. On 26 August 2010, the committee reported:

On 19 July 2010, the Governor-General prorogued the 42nd Parliament and dissolved the House of Representatives. After due consideration, the committee has determined that it is unable to provide a comprehensive report at this time. The committee will reconsider the issues of this inquiry in the event that it is re-referred to the committee in the new parliament.¹

1.2 On 30 September 2010, the reference was revised and re-referred to the Senate Community Affairs References Committee.² On 28 October 2010, Senator Xenophon by leave moved that:

- (a) the inquiry into the prevalence of interactive and online gambling in Australia be withdrawn from the Community Affairs References Committee and be referred to the Joint Select Committee on Gambling Reform in line with the terms of reference of the committee; and
- (b) in conducting its inquiry, the Joint Select Committee on Gambling Reform have the power to consider and use the records of the Community Affairs References Committees appointed in this Parliament and in the previous Parliament relating to the inquiry.³

Terms of Reference

1.3 The terms of reference directed the committee to inquire and report into:

The prevalence of interactive and online gambling in Australia and the adequacy of the *Interactive Gambling Act 2001* to effectively deal with its social and economic impacts, with particular reference to:

- (a) the recent growth in interactive sports betting and the changes in online wagering due to new technologies;

1 Senate Community Affairs References Committee, *The prevalence of interactive and online gambling in Australia*, 26 August 2010.

2 *Journals of the Senate*, 30 September 2010, p. 111.

3 *Journals of the Senate*, 28 October 2010, p. 252. Note: The resolution of appointment for the Joint Select Committee on Gambling Reform directs the committee to inquire into and report on 'such other matters relating to gambling referred from either House', *Journals of the Senate*, 30 September 2010, pp 141–142.

- (b) the development of new technologies, including mobile phones, smart phones and interactive television, that increase the risk and incidence of problem gambling;
- (c) the relative regulatory frameworks of online and non-online gambling;
- (d) inducements to bet on sporting events online;
- (e) the risk of match-fixing in sports as a result of the types of bets available online, and whether certain types of bets should be prohibited, such as spot-betting in sports which may expose sports to corruption;
- (f) the impact of betting exchanges, including the ability to bet on losing outcomes;
- (g) the implications of betting on political events, particularly election outcomes;
- (h) appropriate regulation, including codes of disclosure, for persons betting on events over which they have some participation or special knowledge, including match-fixing of sporting events; and
- (i) any other related matters.⁴

1.4 Under (i) the committee also agreed to inquire into gambling advertising.

Conduct of the inquiry

1.5 Information about the inquiry was advertised in *The Australian* newspaper and on the committee's website. The committee wrote to relevant people and organisations to notify them of the inquiry and invite submissions by 30 June 2011. The committee received 62 submissions. A list of the submissions authorised for publication by the committee is provided at Appendix 1.

Referral of a related bill

1.6 On 20 June 2011, pursuant to the resolution of appointment of the Joint Select Committee on Gambling Reform, the Interactive Gambling and Broadcasting Amendment (Online Transactions and Other Measures) Bill 2011 was introduced in the Senate and referred to the committee for inquiry and report.⁵

1.7 Information about this inquiry was also advertised in *The Australian* and on the committee's website. The committee wrote to relevant people and organisations to notify them of the inquiry and to invite submissions by 15 July 2011. The committee

4 *Journals of the Senate*, 30 September 2010, p. 111.

5 *Journals of the Senate*, 20 June 2011, p. 1037. Note: the resolution of appointment for the Joint Select Committee on Gambling Reform directs the committee to inquire into and report on 'any gambling-related legislation that has been tabled in either House, either as a first reading or exposure draft'. *Journals of the Senate*, 30 September 2010, pp 141–142.

received 16 submissions. A list of the submissions authorised for publication by the committee is provided at Appendix 2.

1.8 As the bill is related to the reference, the committee decided to consider the reference and bill together at hearings and cover both inquiries in the final report.

1.9 The committee held public hearings in Melbourne on 11 August, Canberra on 19 August and Canberra on 16 September 2011. A list of witnesses who appeared at the public hearings is at Appendix 3. Hansards from the hearings are available at: <http://www.aph.gov.au/hansard/>.

1.10 A further hearing was held on 11 October 2011 to hear from Dr Samantha Thomas and Associate Professor Colin McLeod. The hearing was conducted in-camera as the research findings had not yet been made public. The committee will release the transcript once this has occurred.

1.11 The committee also conducted a site visit to Sportsbet in order to inform committee members about the operations of online sports bookmakers.

Acknowledgements

1.12 The committee thanks those organisations and individuals who made submissions and gave evidence at hearings. The committee also thanks Sportsbet for hosting the committee site visit on 11 August 2011.

Terminology

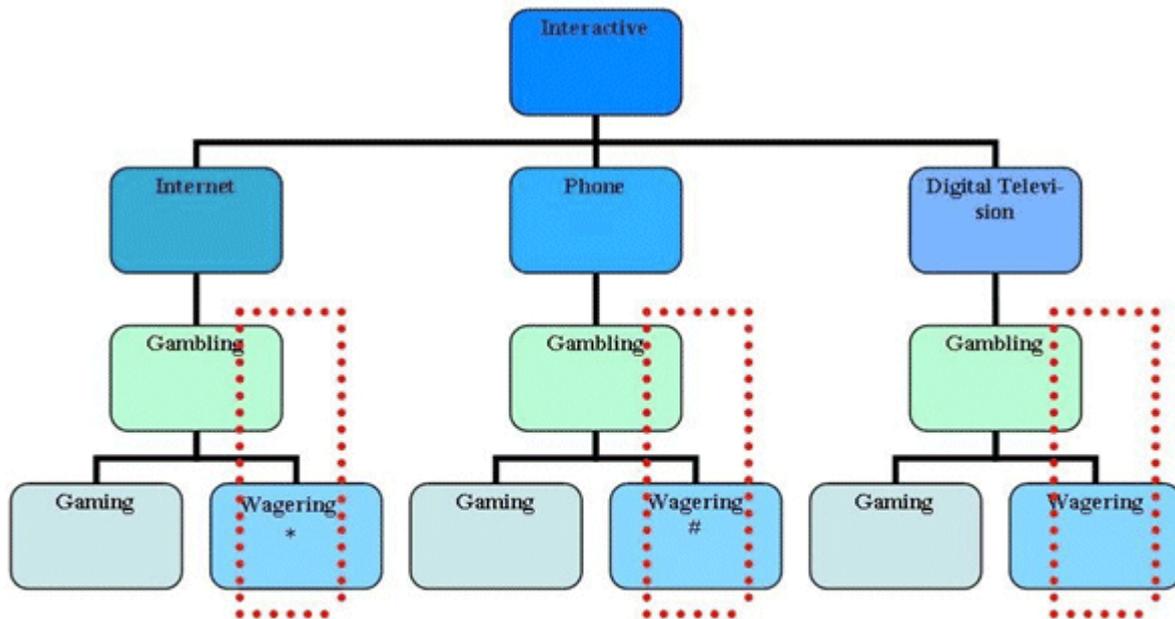
Interactive gambling

1.13 The terms online and interactive gambling are used by many interchangeably. Interactive gambling is an overarching term which can be used to refer to the collective group of communications mediums—the internet, phone and digital television—through which gambling may occur. The terminology can be confusing as the term interactive gambling can be used in this broad sense or as defined in the *Interactive Gambling Act 2001* (IGA) which covers some forms of interactive gambling but excludes others.

1.14 Under the IGA, Australian-based interactive gambling services are prohibited from being offered to individuals located in Australia. However, the IGA also provides exclusions where certain services are legally allowed to be provided in Australia. These services which are excluded, or allowed, are not defined as interactive gambling services under the IGA. They are internet wagering, phone wagering and digital television wagering. These excluded services could be considered interactive in the broader sense of the term. The figure⁶ below attempts to

6 Report to the Department of Families, Housing, Community Services and Indigenous Affairs by The Allen Consulting Group, *Review of current and future trends in Interactive gambling activity and regulation, Literature Review*, June 2009, p. vi.

represent the framework for defining interactive gambling (and the exemptions) under the IGA:



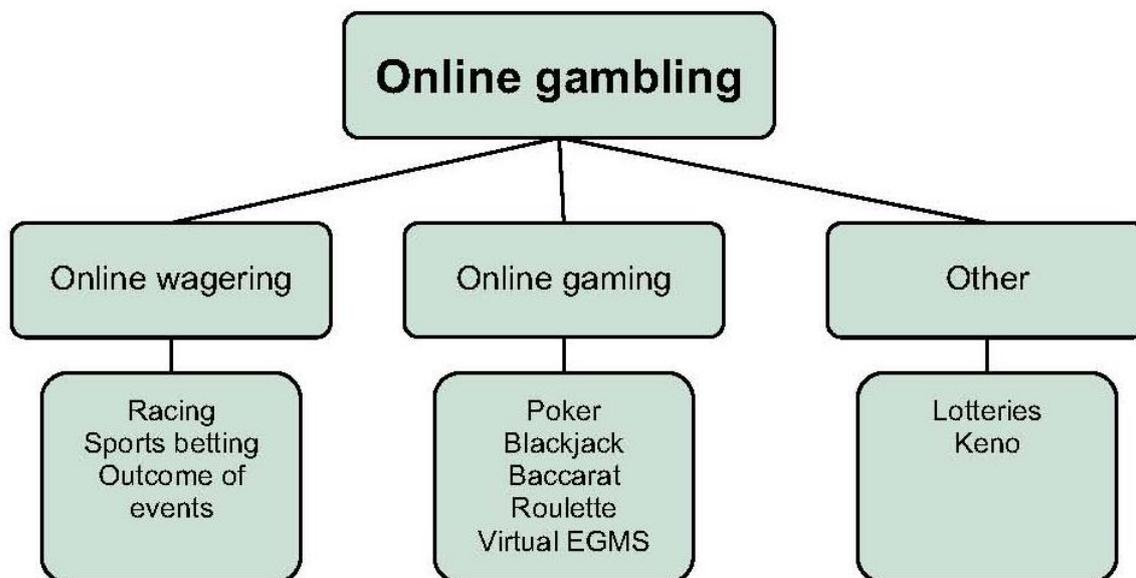
Shows services exempt under the IGA.

* Only legal when bet has been placed before event/game has commenced.

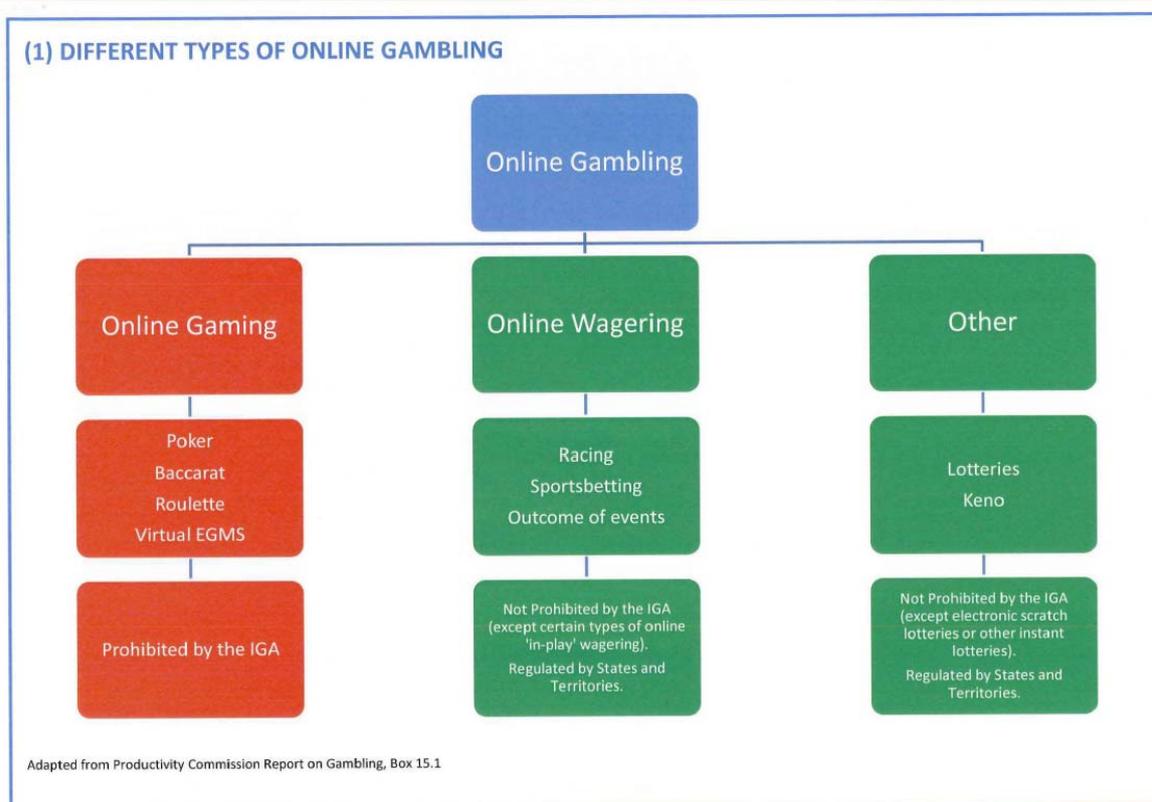
Only legal where dealings with customers are wholly by way of voice calls made using a standard telephone service.

1.15 The Productivity Commission used online gambling as the overarching term in its 2010 report and used the following figure⁷ to illustrate the types of online gambling:

7 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 15.3.



1.16 The Department of Broadband, Communications and the Digital Economy adapted the Productivity Commission diagram above to clarify what is and what is not prohibited under the IGA.⁸



8 Department of Broadband, Communications and the Digital Economy, *Review of the Interactive Gambling Act 2001*, Discussion paper, August 2011, p. 3.

Online gambling

1.17 Online gambling refers to gambling that uses online or internet-based services. Two forms of online gambling are usually discussed, although there are others.

Online wagering

1.18 The first, online wagering, is where gamblers place a bet on an anticipated outcome via the internet. Typically bets are placed on events that include horse racing, sports matches, and election outcomes. Gamblers can bet on a variety of outcomes, for example, from picking the match winner, to picking who will kick the opening goal, to what the winning margin in an election will be. The increased availability of online wagering has also led to the emergence of new forms of wagering, such as betting exchanges.⁹

Online gaming

1.19 The second major form of online gambling is online gaming. This involves staking money on casino-type games that are played online, such as poker, roulette or blackjack. These types of games are interactive in nature and typically involve game play, hence the moniker online gaming, which also differentiates it from online wagering.

Other

1.20 Other forms of online gambling include keno and lotteries.¹⁰ While becoming more popular, this type of online gambling has not attracted the same attention and concern as online wagering and online gaming.

New technologies

1.21 It should also be noted that while online gambling generally refers to gambling conducted over the internet via a computer, new platforms are emerging which can facilitate online gambling, such as smartphones, interactive television and even video gaming platforms. The development of these online gambling platforms is also occurring at a time when non-credit card based forms of online payment (electronic funds transfer services such as PayPal and pre-paid debit cards) are also becoming more available. The emergence of new technologies that can be used for gambling is discussed in the following chapters.

9 A betting exchange is similar to a stock exchange except wagers/bets are traded for different prices and quantities. A betting exchange matches those who are seeking to bet that a particular outcome will occur (i.e horse X will win) with others who are seeking to place opposing wagers (i.e horse X will not win). Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 16.6.

10 Online bingo is prohibited under the IGA.

Use of terminology in the report

1.22 Interactive and online gambling are used interchangeably within this report as overarching terms. More specific terminology, for example, to make a distinction between gaming (casino-type games) and wagering (sports betting and racing), is used where necessary for clarification.

Note on references

1.23 References in this report are to individual submissions as received by the committee, not to a bound volume.

Structure of the report

1.24 The chapters of this report are organised around the key themes which emerged during this inquiry and therefore do not directly mirror the terms of reference. Following this chapter the committee has organised its report into four parts, which contain 16 chapters.

Part 1

1.25 Part 1 (chapters two to five) is an introduction and background to the issues covered in later chapters which focus on the Australian environment. Chapter two sets the context for online gambling, the growth experienced in the industry, the attractions, the risks, and the available research on the prevalence and problem gambling rates and the need for further research. Chapter three introduces the main arguments for regulation and prohibition and chapters four and five describe the various regulatory models used in overseas jurisdictions.

Part 2

1.26 Part 2 (chapters six to nine) focuses on the current regulatory environment for online gambling in Australia under the Interactive Gambling Act (IGA). Chapter six outlines the current regulatory environment. Chapter seven considers the effectiveness of the current regulatory arrangements. Chapter eight looks at other issues raised in relation to the IGA and chapter nine considers advertising of online gambling under the IGA.

Part 3

1.27 Part 3 (chapters 10 to 14) sets out issues related to sports betting. Chapter 10 provides an overview of sports betting and wagering. Chapter 11 covers key issues in relation to sports betting and wagering online, including regulatory approaches, betting on losing outcomes, 'in-play' betting and the practice of credit betting. Chapter 12 addresses gambling advertising in relation to sports betting, including its influence on problem gambling, its growth and its regulation. Chapters 13 and 14 focus on the risk of match-fixing and corruption in Australian sport, outline the government policy response and also cover exotic betting.

Part 4

1.28 Part 4 (chapters 15 and 16) deals with the Interactive Gambling and Broadcasting Amendment (Online Transactions and Other Measures) Bill 2011. Chapter 15 covers the provisions related to the IGA and chapter 16 considers the provisions in relation to sports betting.

Part 1

Introduction and background

Part 1 is an introduction and background to the issues covered in later chapters which focus on the Australian environment. It sets the context for online gambling, the growth experienced in the industry, the attractions, the risks, and the available research on the prevalence and problem gambling rates. It introduces the key advantages and disadvantages of prohibition and it details various regulatory models used in overseas jurisdictions.

