

## Chapter 2

### Online gambling and problem gambling research

2.1 This chapter sets the context for online gambling, the size and growth of the industry, the attractions, the risks, and the available research on the prevalence and problem gambling rates as well as player profiles and play patterns. A common theme in submissions was the lack of research and data in this area and the need for more targeted research.

#### Global interactive gambling market

2.2 Online gambling represents one of the fastest growing segments of the gambling industry. H2 Gambling Capital has reported that the market for global interactive gaming will grow around 42 per cent to US\$30 billion in 2012 from US\$21.2 billion in 2008: 'This is significantly faster than the 15 per cent growth that H2 forecasts for the gambling industry as a whole over the same period'.<sup>1</sup> Dr Sally Gainsbury and Professor Alex Blaszczynski noted that underlying growth is strong at around 12 per cent<sup>2</sup> and that this growth is driven by a number of factors including:

- the increased availability of cheaper and faster broadband internet access;
- increasing liberalisation of internet gambling regulations;
- marketing and promotions by providers, notably sports betting; and
- innovative product offerings and player enticements including bonuses, live betting and mobile applications.<sup>3</sup>

2.3 In June 2011, there were approximately 2,443 online casino and gambling sites and around 92 per cent of these were available to Australians.<sup>4</sup> In September 2011, 75 jurisdictions offered online gambling and 50 of those had sites that support English and accepted play from Australia.<sup>5</sup> The top ten providers are: Malta (506 sites); Netherlands Antillies (332); Gibraltar (261); Costa Rica (190); Kahnawake (Quebec) (146); UK (107); Alderney (96); Antigua and Barbuda (67); Cyprus (58); and the Isle of Man (41). The US is ranked at number 11 with 22 sites and Australia at number 15 with eight sites. Australian jurisdictions are listed separately: the Northern

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1 KPMG International, *Online Gaming: A Gamble or a Sure Bet?*, 2010, p. 2.

2 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 2.

3 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 2.

4 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 2.

5 Information available from:

<http://online.casinocity.com/jurisdictions/index.cfm?searchdata=2&sorttab=n/a&sortlist=sites&filterlist=&numperpage=25&searchall=0> (accessed 12 September 2011).

Territory is ranked at 14 with 11 sites; Victoria has six sites; New South Wales has three sites and Western Australia, the Australian Capital Territory and Tasmania each have two sites.<sup>6</sup>

### *Australian expenditure on gambling*

2.4 In 2008-09, electronic gaming machines (EGMs) in clubs and hotels accounted for \$10.5 billion or 55 per cent of gambling expenditure. Casino gaming accounted for \$3.5 billion or 18 per cent,<sup>7</sup> lotteries, pools and keno were \$2.3 billion or 12 per cent and wagering was \$2.8 billion or 15 per cent. Of the \$2.8 billion spent on wagering, \$2.6 billion or 14 per cent was spent on racing and \$0.2 billion or one per cent was spent on sports betting.<sup>8</sup> In the 'unofficial' sector, the Productivity Commission (PC) reported that expenditure could constitute around four per cent of gambling expenditure with \$790 million spent consisting of \$541 million on online casinos and \$249 million on online poker. The PC noted the difficulty of capturing online data for the 'unofficial' sector 'since these activities are illegal and therefore not captured by the tax system'.<sup>9</sup>

### **Online gambling prevalence rates**

2.5 Dr Gainsbury and Professor Blaszczynski noted that 'the empirical data supports claims that a growing minority of Australians gamble online'.<sup>10</sup> However, the exact numbers for internet gambling participation are difficult to determine as there is no national measure. Looking at rates overseas from a presentation by Dr Gainsbury in 2010, she noted prevalence rates vary from 0 to 11 per cent depending on the jurisdiction:<sup>11</sup>

- UK – 10.5 per cent;
- Norway – 6.5 per cent;
- US – 4 per cent;
- Canada – 1.6–3.6 per cent;
- Australia – 1–4 per cent;
- New Zealand – 1.3 per cent; and

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6 Information available from: <http://online.casinocity.com/jurisdictions/index.cfm?searchdata=2&sorttab=n/a&sortlist=sites&filterlist=&numperpage=25&searchall=0> (accessed 28 July 2011).

7 This figure can be broken down into 7 per cent or \$1.4 billion from poker machines, \$1.4 billion or 8 per cent from tables and \$0.6 billion or 3 per cent from VIPs.

8 The growth in the sports betting market is covered in chapter 10.

9 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.5.

10 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 3.

11 Note: some results outdated and not from national surveys.

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- Singapore – 1 per cent.<sup>12</sup>

2.6 However, Dr Gainsbury cautioned that:

Prevalence rates gathered internationally have limited validity in Australia due to the differences in Internet gambling policy and culture. Research from jurisdictions similar to Australia, such as Canada and New Zealand are useful, but direct replication in Australia would facilitate an accurate comparison and jurisdiction-specific details. Furthermore, industry estimates may be biased as these are generally based on a limited source of data given the large number of and diversity of available sites, which limits the reliability of this information.<sup>13</sup>

2.7 In 2010, the PC estimated that between one and four per cent of Australians participate in interactive gambling<sup>14</sup> suggesting that internet gambling is relatively limited in the general population. However, a Roy Morgan poll conducted in 2010 found 30 per cent of individuals aged 16 and over were gambling online.<sup>15</sup> Internet gambling rates appear to be higher in samples of gamblers such as those who bet on sport:

...for example, 8% of individuals who bet on sports or races usually use the Internet for this purpose compared to 1.8% of the general population.<sup>16</sup>

2.8 Dr Gainsbury and Professor Blaszczynski pointed out that the variance in figures reflects the difficulty of obtaining precise estimates on the prevalence of online gambling, as offshore companies operate the majority of online gambling sites:

In contrast to authorised sports betting and wagering online services and Australian terrestrial (land-based) operators, internationally based operators do not provide accurate data or report on levels of interactive participation.<sup>17</sup>

2.9 As a comparison, the recent British Gambling Prevalence Survey 2010, the third such national survey, found that:

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12 Information available from: [http://www.responsiblegambling.org/articles/Sally\\_Gainsbury.pdf](http://www.responsiblegambling.org/articles/Sally_Gainsbury.pdf) (accessed 28 July 2011).

13 Dr Sally Gainsbury, Response to the Productivity Commission Inquiry Report into Gambling: Online gaming and the Interactive Gambling Act, *Gambling Research* Volume 22, No 2, November 2010, p. 4.

14 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, pp 15.15–15.16.

15 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 3.

16 Dr Sally Gainsbury, Response to the Productivity Commission Inquiry Report into Gambling: Online gaming and the Interactive Gambling Act, *Gambling Research* Volume 22, No 2, November 2010, p. 5.

17 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 3.

- 14 per cent of adults used the internet to gamble in the past year. This included purchasing lottery tickets online, betting online, playing casino games, bingo or other slot machines style games and playing the football pools online;
- in 2010, seven per cent of adults participated in online gambling, an increase from six per cent in 2007. The increase was greater for women;
- 17 per cent of gamblers had gambled both online and in person and only two per cent of gamblers in the past year had gambled online only; and
- the two activities which stood out as having a high proportion of online activity were casino games and betting on other sporting events. Among those who had played casino games in the past year, 39 per cent had done so online and 27 per cent of those who bet on sport reported that they had placed their bet online.<sup>18</sup>

2.10 Dr Gainsbury pointed out that some high quality research has been conducted within some states, which is informative, but 'the extent to which these can be generalised to the entire population of Australia is limited given regional differences':

Nationally representative research conducted by Roy Morgan (2010) found that 2.6% of Australians who purchase lottery tickets usually purchase these online. Subsequent analysis reveals that a higher proportion of Tasmanians (4.1%) and Victorians (5.1%) usually purchase lottery tickets online compared to individuals in New South Wales (1.5%) and Western Australia (0.5%).<sup>19</sup>

### ***Committee view***

2.11 While exact prevalence rates for online gambling in Australia and elsewhere may be difficult to determine with precision, evidence to the committee indicated that the rates are going through a period of growth. Despite online gambling currently being less popular than other modes of gambling, these high rates of growth combined with increased advertising, particularly for sports betting, are likely to mean that online gambling will have an increasing effect in society. The committee agrees that nationally representative research is required to accurately present the prevalence rates and risks of online gambling in Australia. The need for research is further discussed below. While acknowledging the difficulties of measuring online problem gambling and the lack of definitive research in the area, major findings to date are informative and indicative and are outlined below.

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18 *British Gambling Prevalence Survey, 2010*, prepared by the National Centre for Social Research for The Gambling Commission, p. 10. See also Gambling Commission (United Kingdom) *Submission 33*, pp 8–9.

19 Dr Sally Gainsbury, Response to the Productivity Commission Inquiry Report into Gambling: Online gaming and the Interactive Gambling Act, *Gambling Research* Volume 22, No 2, November 2010, p. 4.

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## Online gambling research findings

2.12 A report prepared for the Ontario Problem Gambling Research Centre in 2009 acknowledged the ambiguities and gaps in the knowledge about online gambling, including the characteristics of gamblers, the dynamics of internet gambling behaviour and the potential link between internet gambling and problem gambling. In an attempt to address these deficiencies, the report presented the results from two surveys. The first was a random digit dial telephone survey of 8,498 Canadian adults conducted from January 2006 to June 2007. The second was an online self-administered survey of 12,521 adults from 105 countries conducted from June to December 2007. The key findings are summarised below.<sup>20</sup>

### *Demographic profile*

2.13 The major findings regarding the demographic profile of international internet gamblers were:

- they are predominantly male (78 per cent);
- the prevalence of internet gambling appears to vary significantly between countries/regions with higher rates in European countries and the Caribbean and lower rates in North America, Asia, Australia and New Zealand;
- marital and employment status tends to reflect the distributions found in the general adult population;
- most are of European ancestry (80 per cent);
- all age groups are represented and there is no age group that is overrepresented. The average age is 45.7. Nonetheless younger age was still a significant predictor of internet gambling;
- they have high past month rates of substance use (44.3 per cent for tobacco and 11.7 per cent for illicit drugs);
- the average household income is US\$60,100 and average household debt is US\$76,728;
- on average they are slightly better educated than most people with 41.2 per cent having completed college or university; and

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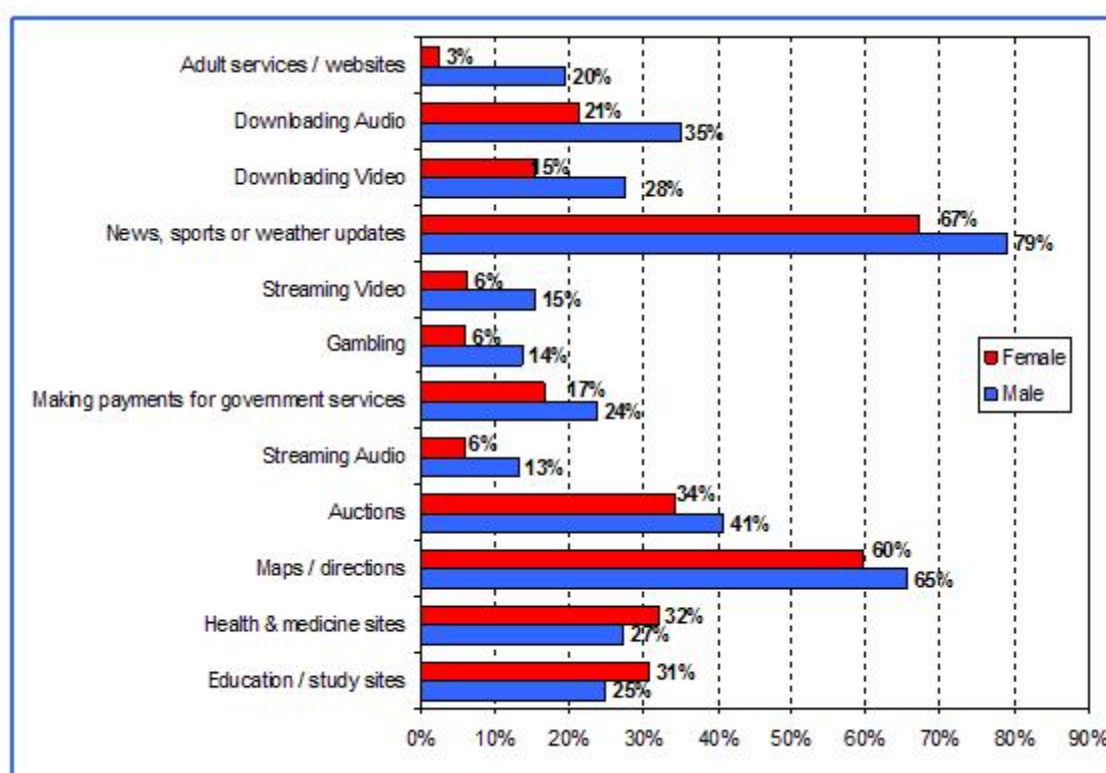
20 Wood, R.T. & Williams, R.J. (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options*, Final Report prepared for the Ontario Problem Gambling Research Centre, Guelph, Ontario, Canada, 5 January 2009, p. 6.

- their reporting of physical disabilities and/or chronic health problems (14.9 per cent) and mental health problems (10.3 per cent) was not significantly different from non-internet gamblers.<sup>21</sup>

### *Australian research*

2.14 An Australian Communications and Media Authority (ACMA) research report noted that using the internet for gambling is more popular among men as the figure below shows.<sup>22</sup>

**Figure 2.1: Differences between internet applications by gender, February 2008**



This information was sourced from Nielsen Online's The Australian Internet and Technology Report 2007-2008, a telephone and online survey of a random sample of Australian internet users aged over 16 years. sample=1,356, Multiple responses. Note: Excludes 'Anything else' and 'None of the above'. Chart displays activities with points of difference more than 5 per cent of use between male and female users.

2.15 Internet gambling was also found to be one of the top ten activities conducted online by all age groups as shown in the table below:

21 Wood, R.T. & Williams, R.J. (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options*, Final Report prepared for the Ontario Problem Gambling Research Centre, Guelph, Ontario, Canada, 5 January 2009, pp 8–9.

22 ACMA, Telecommunications Today: research report series, Report 6 – Internet activity and content, September 2008, p. 18. Available from: [http://www.acma.gov.au/WEB/STANDARD/pc=PC\\_9058](http://www.acma.gov.au/WEB/STANDARD/pc=PC_9058) (accessed 18 August 2011).

**Table 2.1: The top ten activities performed online by age group, February 2008**

	16-24	25-34	35-44	45-54	55-64	65+
1	Email	Email	Email	Email	Email	Email
2	Accommodation bookings	Streaming video	Streaming video	Banking	Banking	Streaming video
3	Streaming video	Banking	Banking	Streaming video	Streaming video	Banking
4	Banking	Auctions	<b>Gambling</b>	<b>Gambling</b>	Auctions	<b>Gambling</b>
5	Streaming audio	<b>Gambling</b>	Auctions	Auctions	<b>Gambling</b>	Auctions
6	<b>Gambling</b>	Chat groups	Chat groups	Chat groups	Chat groups	Chat groups
7	Auctions	Accommodation bookings	Accommodation bookings	News, sports or weather updates	Online forums	Submitting forms or information to government websites
8	Downloading podcasts	Online forums	Online forums	Online forums	News, sports or weather updates	News, sports or weather updates
9	Buying airline tickets	Streaming audio	Buying airline tickets	Buying airline tickets	Submitting forms or information to government websites	Online forums
10	Downloading [p]odcasts	Voice over IP/internet telephony	News, sports or weather updates	Submitting forms or information to government websites	Online social networking. ..	Online social networking...

Source: Nielsen Online (2008) The Australian Internet and Technology Report, February, 16+ years old, sample=1,356, Multiple responses. Note: Excludes 'Anything else' and 'None of the above'.

2.16 Anglicare Tasmania noted that Tasmania's first Social and Economic Impact Study looked at internet gambling in 2008. While the sample size was small, it found that internet gamblers were more likely to be male, younger than 29 years old and on a higher income (above \$70,000). It also found that young people earning between \$20,000 and \$50,000 were most likely to place sports bets.<sup>23</sup>

2.17 Dr Gainsbury and Professor Blaszczynski advised that research is currently underway to examine the characteristics of internet gamblers in Australia. Launched in December 2010, an online survey was available until August 2011. Over 4,000 responses have been received to date. Preliminary research on the first 1,697 responses indicates the most popular forms of internet gambling are horse/dog race wagering, sports betting and poker. The majority of internet gambling is conducted by computer (76 per cent) with mobile phones accounting for only four per cent. However, mobile gambling accounted for seven per cent of internet sports betting. The researchers found that internet gamblers are more likely to be male and involved in multiple forms of gambling. Overall monthly expenditure was significantly higher for online gamblers than non-internet gamblers. Importantly, the research indicates that internet gamblers 'did not appear to be more involved in electronic gaming machines (EGMs), indicating that EGM play may appeal to a different type of gambler'.<sup>24</sup>

2.18 Mr Andrew Twaits, Chief Executive Officer, Betfair, told the committee that his agency had seen a shift in the younger customer demographic from betting on racing to betting on sports.<sup>25</sup>

2.19 Mr Cormac Barry, Chief Executive Officer, Sportsbet described his company's average customer as 'male, 25 to 40, middle class and holding a credit card'. He also noted that online and electronic gaming machine gamblers are a 'different social demographic'.<sup>26</sup>

### ***Committee majority view***

2.20 The committee majority notes that evidence suggests a different demographic between poker machine players and those who gamble online. This has important implications for the argument often used by the industry that the introduction of mandatory pre-commitment will force EGM players to gamble online.

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23 Anglicare Tasmania, *Submission 6*, p. 3.

24 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 10; See also Mr Christopher Hunt, *Committee Hansard*, 16 September 2011, p. 18.

25 Mr Andrew Twaits, *Committee Hansard*, 11 August 2011, p. 21.

26 Mr Cormac Barry, *Committee Hansard*, 11 August 2011, p. 11.



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### ***Motivations and concerns***

2.21 The report prepared for the Ontario Problem Gambling Research Centre in 2009 found that international internet gamblers overwhelmingly identified the 24 hour availability and convenience of internet gambling to be its main advantage. Other motivations included: a better game experience; being more physically comfortable; lack of crowds; anonymity; better payout rates; less smoke; being able to smoke; and that certain forms of gambling, e.g. betting against other people rather than the house, are more conducive to an online format.<sup>27</sup>

2.22 Research conducted by Jessica McBride and Dr Jeffrey Derevensky found that the most popular reasons provided for gambling online were: convenience (93.3%), not having to leave the house to play (86.1%) and 24 hour accessibility (89.1%). Other reasons included bonuses (65.1%), high-speed play (62.6%) and privacy (61.8%).<sup>28</sup>

2.23 The Responsible Gambling Advocacy Centre offered a number of factors that attract people to gamble online including: the ease of access, websites and the convergence of technology and higher speeds of web access. Others like that it is anonymous and private.<sup>29</sup>

2.24 Preliminary research conducted by Dr Gainsbury and Professor Blaszczynski on the characteristics of internet gamblers in Australia found that internet gambling was used for:

...convenience, comfort, to gamble in private without other unpleasant people and because online site[s] offered better payout rates and interesting games.<sup>30</sup>

2.25 The report prepared for the Ontario Problem Gambling Research Centre also asked about the disadvantages of online gambling. The international internet gamblers identified: difficulty verifying fairness of games; worry about monetary deposits being safe; lack of face-to-face contact; tendency to spend more money; too convenient; illegality; poorer social atmosphere; too isolating; and poor game experience.<sup>31</sup>

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27 Wood, R.T. & Williams, R.J. (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options*, Final Report prepared for the Ontario Problem Gambling Research Centre, Guelph, Ontario, Canada, 5 January 2009, p. 9.

28 Jessica McBride and Dr Jeffrey Derevensky, Internet Gambling Behaviour in a Sample of Online Gamblers, *International Journal of Mental Health Addiction*, 2009, 7:149–167, p. 156.

29 Responsible Gambling Advocacy Centre, *Submission 29*, p. 10.

30 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 10.

31 Wood, R.T. & Williams, R.J. (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options*, Final Report prepared for the Ontario Problem Gambling Research Centre, Guelph, Ontario, Canada, 5 January 2009, p. 9.

### ***Play patterns***

2.26 The report prepared for the Ontario Problem Gambling Research Centre found that virtually all internet gamblers also gamble on several land-based gambling formats with 4.1 being the average number of total gaming formats for the international sample. It also found that:

- engage in all types of gambling more frequently than their land-based counterparts as well as having higher average gambling expenditures (\$195.09) relative to non-internet gamblers (\$19.26). It therefore appears that internet gambling is primarily used as an additional form of gambling for people already heavily involved in gambling;
- poker is the most popular online form of gambling. 64.0 per cent play skills games (mostly poker); 26.4 per cent gamble at online casinos; 23.2 per cent bet on sports; 12.7 per cent bet on horse or dog racing; 11.1 per cent play lotteries; and 7.4 per cent play online bingo;
- certain types of online gambling are preferred by one gender over another. Sports betting, horse/dog race betting and games of skill are overwhelmingly preferred by males, whereas online bingo is preferred by females;
- the internet is preferred for sports betting, poker and horse and dog race betting;
- 93–94 per cent use their home computers;
- the large majority reported that the fact they are using a credit card or electronic bank transfer rather than cash has no effect on their spending;
- 4–11 per cent report that internet gambling has disrupted either their sleeping or eating habits;
- 14 per cent report using alcohol often or always while gambling and 3.6 per cent report using illicit drugs often or always while gambling.<sup>32</sup>

### **Harms associated with online gambling**

2.27 The Royal Australian and New Zealand College of Psychiatrists (RANZCP) noted that problem/pathological gambling is highly comorbid with other diagnoses such as depression, hazardous alcohol use and smoking as well as personality disorders. It added that there is a clear link between problem/pathological gambling and mental health problems, such as depression or anxiety, particularly among vulnerable populations.<sup>33</sup>

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32 Wood, R.T. & Williams, R.J. (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options*, Final Report prepared for the Ontario Problem Gambling Research Centre, Guelph, Ontario, Canada, 5 January 2009, pp 9–10.

33 The Royal Australian and New Zealand College of Psychiatrists, *Submission 10*, covering letter, p. 2.

2.28 A study of internet gambling behaviour conducted by Jessica McBride and Dr Jeffrey Derevensky raised concern about the lack of protection for vulnerable players online such as those under the influence of alcohol or drugs. They found:

Forty-five percent of respondents reported consuming alcohol while gambling online, 33.2% reported using tobacco, 8.8% reported using marijuana or hashish, and 3.8% reported using other illicit drugs (eg. cocaine). Problem gamblers were significantly more likely than social gamblers to use alcohol.<sup>34</sup>

2.29 Relationships Australia told the committee that the negative consequences of problem gambling are the same as for other forms of gambling but have the potential to be greater:

Relationships Australia's experience in working with online gamblers indicates that the negative outcomes of excessive gambling are the same for online gamblers as for gamblers who attend a venue: there can be major financial losses, negative impacts on intimate and family relationships, friendships, employment and health, including mental health. The ease of access to online gambling and its 24-hour-a-day, at work, in a café and at home availability could even exacerbate these negative outcomes as gamblers are in a position to lose more money faster with the use of credit cards. The wide availability of gambling opportunities can add to the fantasy element of gambling, the belief that the person will win. Regular gambling may lead to problem gambling for a significant proportion of people, and the wide accessibility of gambling opportunities contributes to the development of problem gambling.

Additionally, access to gambling via mobile devices has the potential to keep gambling habits more secretive, thus not giving partners and friends the opportunity to help in resisting opportunities.<sup>35</sup>

### **Online problem gambling rates**

2.30 The report for the Ontario Problem Gambling Research Centre found that the prevalence of problem gambling is three to four times higher for internet gamblers compared to non-internet gamblers. Among the international sample, 16.6 per cent were either moderate or severe problem gamblers, whereas the rate for land-based gamblers was 5.7 per cent. It also found:

- several variables that statistically predict whether someone is an internet problem gambler in order of importance are: gambling on a greater number of gambling formats; a higher gambling expenditure (internet problem gamblers accounted for 27 per cent of all reported losses for the international data set); having mental health problems; having a family history of problem gambling; being of Asian ancestry; being single; a

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34 Jessica McBride and Dr Jeffrey Derevensky, Internet Gambling Behaviour in a Sample of Online Gamblers, *International Journal of Mental Health Addiction*, 2009, 7:149–167, p. 159.

35 Relationships Australia, *Submission 14*, p. 2.

lower household income; having a greater number of gambling fallacies; country/region; having more negative attitudes toward gambling; and having a history of other addictions;

- only around half of internet problem gamblers report there is a specific type of gambling that contributed to their problems more than others. For the international sample these were slot machines (23.8 per cent); poker (21.7 per cent); and internet gambling (11.3 per cent). So it would seem that while internet gambling is an important contributing factor to gambling problems for a portion of gamblers it does not appear to be the main cause of problem gambling for most of them. This is consistent with the finding that internet gamblers are heavy gamblers to start with who have simply added internet gambling to their repertoire.<sup>36</sup>

2.31 The study conducted by Jessica McBride and Dr Jeffrey Derevensky found rates of problem gambling consistent with Wood and Williams' research and the findings 'imply the rate of problem gambling among Internet gamblers may be higher than the rate among the general population'. The study found that, compared with social gamblers, problem gamblers:

spend more time gambling per session, are more likely to gamble alone, from school, or with a cell phone, gamble with more money, and lose more money gambling online. Problem gamblers are significantly more likely than social gamblers to choose to gamble on the Internet because it is easier to hide their gambling from others. This result makes it particularly important that online sites have measures in place to help those with gambling problems. Problem gamblers are also more likely to wager online while consuming alcohol or illicit drugs.<sup>37</sup>

2.32 In the UK, in 2005, the *Gambling Act 2005* (the Act) came into effect which covers all forms of gambling in the UK including online gambling. Comparing the findings from the 2007 and 2010 *British Gambling Prevalence Survey*, problem gambling prevalence rates were as follows:

- DSM-IV<sup>38</sup> problem gambling prevalence in 2010 was 0.9 per cent or 451,000 adults, up from 0.6 per cent in 2007. However, the report cautions that this increase is at the margins of statistical significance;<sup>39</sup>

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36 Wood, R.T. & Williams, R.J. (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options*, Final Report prepared for the Ontario Problem Gambling Research Centre, Guelph, Ontario, Canada, 5 January 2009, pp 10–11.

37 Jessica McBride and Dr Jeffrey Derevensky, Internet Gambling Behaviour in a Sample of Online Gamblers, *International Journal of Mental Health Addiction*, 2009, 7:149–167, p. 162.

38 Diagnostic and Statistical Manual of Mental Disorders, Fourth Edition.

39 *British Gambling Prevalence Survey*, 2010, prepared by the National Centre for Social Research for The Gambling Commission, p. 11. See also Gambling Commission (Great Britain) *Submission 33*, p. 9.

- problem gambling prevalence rates as measured by the Problem Gambling Severity Index did not increase significantly between 2007 and 2010;<sup>40</sup>
- problem gambling prevalence was highest among those who played poker at a pub/club (12.8%), followed by those who had played online slot machines style games (9.1%) and fixed odds betting terminals (8.8%). Online gaming activities were broken down as follows: any online betting<sup>41</sup> (3.0%), any other online gambling<sup>42</sup> (3.0%) and any online gambling (excluding the National Lottery (5.3%). The survey found that on average problem gamblers participated in over six forms of gambling;<sup>43</sup> and
- these problem gambling prevalence rates were similar to other European countries such as Germany, Norway and Switzerland but lower than rates in Australia, the US and South Africa.<sup>44</sup>

2.33 Dr Gainsbury and Professor Blaszczynski noted that there does appear to be some association between problem gambling and internet gambling.<sup>45</sup> However, they noted that it is unclear whether 'problem gamblers gamble online and exacerbate existing problems, or whether particular factors of Internet gambling, including availability, convenience, use of credit, and speed of play, lead to gambling problems'. They concluded it is highly likely that 'both are contributing factors and that the association between interactive gambling and problem gambling is multifaceted'.<sup>46</sup>

2.34 This view was echoed by Dr Jeffrey Derevensky:

What we do know, if one looks at the studies that have been done on internet wagering, is that there seems to be a disproportionately high number of problem gamblers who are gambling on the internet or gambling via the internet. But the real question is—and we do not know the answer to

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40 *British Gambling Prevalence Survey, 2010*, prepared by the National Centre for Social Research for The Gambling Commission, p. 12. See also Gambling Commission (Great Britain) *Submission 33*, p. 9.

41 Including online bets on horse races, dog races, other sports or non-sports events made with a bookmaker or betting exchange.

42 Included using the internet to play the National Lottery, other lotteries, bingo, football pools, casino games, online slot machine style games.

43 Gambling Commission (Great Britain) *Submission 33*, pp 9–10.

44 *British Gambling Prevalence Survey, 2010*, prepared by the National Centre for Social Research for The Gambling Commission, p. 10. See also Gambling Commission (United Kingdom) *Submission 33*, p. 12.

45 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 6. See also Dr Sally Gainsbury, *Committee Hansard*, 16 September 2011, p. 33.

46 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 6. See also Dr Sally Gainsbury, *Committee Hansard*, 16 September 2011, p. 33.

this question yet— does internet gambling result in more problem gamblers or do problem gamblers just use the internet as one more vehicle with easy accessibility in order to gamble?<sup>47</sup>

### ***Australian research***

2.35 As with prevalence rates, reliable national data on online problem gambling rates are not available. To illustrate this difficulty, a report prepared for the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) in 2009 by the Allen Consulting Group reviewed jurisdictional information available; however, the majority of the surveys the findings were based on were not recent and most did not provide an estimate of problem gambling.<sup>48</sup>

2.36 The 2010 study, *An Exploratory Investigation of Online Gambling Amongst University Students in Tasmania*, found 10.8 per cent had a gambling problem and 15.5 per cent were at moderate risk of developing a gambling problem.<sup>49</sup> However, the extent to which such findings can be generalised nationally is questionable.

2.37 Recent preliminary research conducted by Dr Gainsbury and Professor Blaszczynski on the characteristics of internet gamblers in Australia found significant differences in rates of problem gambling<sup>50</sup> between internet and non-internet gamblers:

...with non-Internet gamblers being more likely to report no problems (41% vs. 26%). However, differences in problem gambling were not as significant as found in previous national and international research and this will be investigated further in the final results. Over one-fifth (21%) of Internet gamblers reported having gambling problems, and of these, approximately one-third attributed these primarily to Internet gambling. The remaining two-thirds of Internet gamblers reported other forms of gambling as their primary problem and stated that they had existing problems before they gambled online. This indicates that Internet gambling may cause problems for some individuals, while also exacerbating and maintaining existing problems for problem gamblers. Finally, 18% of Internet gamblers reported that using electronic payment caused them to increase their gambling expenditure.<sup>51</sup>

2.38 The Tasmanian Government reported that advice from the Tasmanian Gamblers Help support services indicates only a small presentation of clients whose

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47 Dr Jeffrey Derevensky, *Committee Hansard*, 16 September 2011, p. 7.

48 *Review of current and future trends in interactive gambling activity and regulation*, Literature Review, Report to the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs, by the Allen Consulting Group, June 2009, p. 19.

49 Anglicare Tasmania, *Submission 6*, p. 4.

50 As measured by the Problem Gambling Severity Index.

51 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 11.

problem gambling originated from online gambling. However, clients are increasingly citing online gambling as part of their gambling activities. Gambling counsellors are concerned that:

- people at risk are 'hidden' because of the nature of the product with in-home/discreet access; and
- compared to venue-based gambling, it is much more difficult to provide help, information or identify and intervene with support options for online gamblers.<sup>52</sup>

2.39 The Tasmanian Government noted that online gambling could become the next growth area for problem gambling:

While the available research into online gambling prevalence rates is limited and the data is weak, it nevertheless suggests that gamblers who play online have relatively higher rates of problem gambling than other forms of gambling with the possible exception of EGMs. Further, those engaged in online gambling may often do so in addition to frequent and regular use of land-based venues; utilising online services when other gambling services are unavailable, thus circumventing regulatory approaches already in place.<sup>53</sup>

2.40 This view was supported by evidence in the community that numbers of men in their late teens to early 20s with online gambling problems is increasing.<sup>54</sup>

2.41 Major Brad Halse from the Victorian InterChurch Gambling Taskforce reported that the numbers of people seeking help for gambling addictions due to online gambling are small, but the Taskforce is concerned about the impact of online gambling over the next 10 years if it continues to grow.<sup>55</sup>

2.42 However, some organisations claimed 'there is no evidence to suggest that individuals who participate in online gambling have a higher prevalence of problem gambling than other forms of gambling'.<sup>56</sup> In doing this, Sportsbet was citing part of a literature review under taken by the Allen Consulting Group for FaHCSIA in 2009. On closer inspection the report admits that this conclusion is partly due to the 'difficulties in measuring problem gambling prevalence across a small proportion of gambling participants'. The report then goes on to outline evidence which was omitted from the Sportsbet submission: 'Some researchers have asserted that the nature of Internet gambling (particularly Internet gaming) has higher risks for problem

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52 Tasmanian Government, *Submission 26*, p. 5.

53 Tasmanian Government, *Submission 26*, p. 7.

54 Emma Schmidt, 'Monash man's online gambling disaster', *Waverley Leader*, 16 August 2011; Angus Livingston, 'Gambling soars in Maroondah', *Maroondah Leader*, 13 September 2011; 'Online gambling strife on the rise', *Knox Leader*, 29 September 2011.

55 Major Brad Halse, *Committee Hansard*, 11 August 2011, p. 41.

56 Sportsbet, *Submission 44*, p. 18.

gambling because it can be repetitive and continuous, thereby making it more difficult for players to be aware of how much they have gambled.' The report concluded it is an area warranting further research.<sup>57</sup>

2.43 After reviewing the available international and Australian evidence,<sup>58</sup> which it cautioned should be carefully interpreted, in 2010 the PC advised that:

In general, the evidence suggests that people who have gambled online at some stage in the past tend, on average, to have a considerably higher rate of problem gambling than people who have never gambled online.<sup>59</sup>

2.44 The PC noted:

While the risks associated with online gambling are likely to be overstated, the relatively high prevalence of problem gamblers is still a cause for concern. At the very least, it indicates that the internet is very attractive to this group and, though the evidence is weak, gambling online may exacerbate already hazardous behaviour...<sup>60</sup>

2.45 The PC reported on their review of the evidence of problem gambling rates in the online environment and concluded:

...while none of the studies so far are adequate, they tend to point towards higher rates of problem gambling from people who operate in the online environment. Why that is, is not so clear. There may be a selection bias that people who have problems tend more likely to go into the online as first adopters, but we just do not know. The evidence at the moment is that there appear[s] to be some high risks in the online environment.<sup>61</sup>

### ***Concern over growth of sports betting***

2.46 Submissions indicated that the increase in online sports betting is a growing area of concern as it has led to changes in the presentation of individuals with problem gambling. The University of Sydney Gambling Treatment Clinic (the Clinic) reported that:

In the past five years, as regulation around sports betting has been loosened, there has been an increase in the number of clients presenting to the clinic with problematic sports betting. Indeed, from representing less than 5% of

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

58 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, Table 15.1, p. 15.13.

59 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 15.11.

60 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 15.15.

61 Dr Ralph Lattimore, *Committee Hansard*, 16 September 2011, p. 52.



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our clients in the 2006-2007 financial year, problem gamblers with sports betting problems now represent 15-20% of new clients in the current financial year. Thus, whilst still representing a minority, reported problems with sports betting are rising, and rising rapidly.<sup>62</sup>

2.47 Interestingly, the Clinic emphasised that the majority of clients presenting with gambling problems are using Australian-based, legal sites:

Contrary to some of the myths surrounding online gambling, very few of our clients who utilise online forms of gambling report that they do so via illegal or off-shore gaming sites. The vast majority of our sports betting clients are primarily gambling on Australian-based, legal sports betting operators. Whilst we would not want to dismiss the existence nor seriousness of illegal activity in either local or overseas sports betting markets, this issue does not appear to be a major contributing factor in the stories of the majority of our clients.<sup>63</sup>

2.48 The committee notes that sports betting is discussed in more detail in chapters 10 and 11.

### ***Committee view***

2.49 Although the research is not conclusive on the prevalence of online problem gambling, the available data and findings are a cause for concern and caution. Even if the committee accepts as a premise that online gambling will be no more harmful than land-based forms of gambling, such levels of harm would be alarming. The growth rates of online gambling are evident and, given the link between accessibility and frequency of play which may result in people developing a problem, a cautious approach is warranted.

### **Risks of online gambling**

2.50 The section below further details the risks of online gambling brought to the attention of the committee. The Australian Christian Lobby (ACL) summarised the risks of online gambling which include:

- ease of access;
- potentially a more socially isolating environment;
- use of credit cards;
- decreased ability of providers to monitor gambling behaviour; and
- greater risk to young people.<sup>64</sup>

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62 University of Sydney Gambling Treatment Clinic, *Submission 9*, p. 2.

63 University of Sydney Gambling Treatment Clinic, *Submission 9*, p. 2.

64 Australian Christian Lobby, *Submission 21*, pp 1–2.

### ***Increased access and availability***

2.51 Online gambling and the associated advances in technology bring increased convenience and accessibility for gamblers who can potentially access any form of gambling anytime and anywhere. This increased accessibility enhances the risk of greater frequency of play. The ACL noted there is greater access in two ways: no geographical barriers beyond access to the internet and no time restraints:

This means that just about anyone in the entire country, from anywhere in the country, has access at any time of the day, every day. Even those who live close to casinos, for example, are still physically required to enter, and leave, the casino. This physical requirement does not exist in the online gambling context. This can allow for a much wider reach and greater frequency of gambling and may increase the rates of problem gambling.<sup>65</sup>

2.52 J.G. Phillips and Professor Blaszczynski advised:

The converging capabilities of computers, mobile phones, interactive television, set top boxes and games platforms potentially allows online gambling to be available on any of these devices and to be accessed by consumers any time of the day from anywhere in the world. This increased availability could lead to increases in gambling-related problems; however research on the relationship between availability and problem gambling suggest that potential increases in problem gambling could be mitigated if appropriate controls are put in place.<sup>66</sup>

2.53 Preliminary research conducted by Dr Gainsbury and Professor Blaszczynski on the characteristics of internet gamblers in Australia found that 28 per cent of the preliminary sample of internet gamblers reported that internet gambling was too convenient, 25 per cent reported that it was easier to spend more money and 13 per cent reported that it was more addictive.<sup>67</sup> They concluded that:

...it is possible that increased use of interactive gambling may result in an increase in gambling-related problems with associated social and financial burdens on society including psychological, health, legal, and welfare services.<sup>68</sup>

2.54 The PC acknowledged the risk posed by the accessibility of online gambling:

Greater access could increase the prevalence of problem gambling and its associated harms. Some Australians, for reasons of geographical isolation or disability, have no access to venues offering casino games at all. Therefore, the provision of online gaming exposes a new population group to the risks of problem gambling. Even for those who live in cities that have

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65 Australian Christian Lobby, *Submission 21*, p. 2.

66 J.G. Phillips and Prof. Alex Blaszczynski, *Gambling and the Impact of New and Emerging Technologies and Associated Products*, Final Report, August 2010, p. 9.

67 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 10.

68 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, pp 6–7.

casinos, the internet significantly reduces the time and transportation costs associated with gaming. As this allows a greater frequency of play, it may result in more people developing a gambling problem. Moreover, online gambling can be slotted into very small periods, increasing convenience, but also the opportunity for impulsive gambling ('morning tea' gambling).<sup>69</sup>

### ***Committee view***

2.55 The committee notes with concern the view put forward by the Productivity Commission that 'greater access could increase the prevalence of problem gambling and its associated harms'.<sup>70</sup> The experience of electronic gaming machines (EGMs), where liberalisation and increased access has resulted in increased harms despite a number of harm minimisation measures, should serve as a cautionary experience and the lessons must be learned before considering increasing access to other modes of gambling.

### ***Online gambling provides greater anonymity***

2.56 A study of internet gambling behaviour conducted by Jessica McBride and Dr Jeffrey Derevensky found that:

Significantly more problem gamblers (29.0%) than social gamblers (4.7%) selected 'easier to hide gambling from others' as a reason to gamble online.<sup>71</sup>

2.57 The Social Issues Executive (SIE), Anglican Church, Diocese of Sydney, believed that the anonymity of online betting is a particular concern as it takes wagering and betting 'out of a social context and places it in an anonymous, individual context, opening the way for problem gambling at levels unforeseen to date'.<sup>72</sup> It explained:

Interactive gaming technologies that can be accessed in the privacy of one's home establish a cultural context that normalises regular, interactive gambling without the social or relationship accountability of traditional gaming contexts. The SIE is concerned that this normalisation of and increased access to interactive gaming in private, familial and everyday contexts will make it very difficult for existing problem gamblers to break

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69 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 15.7.

70 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 15.7.

71 Jessica McBride and Dr Jeffrey Derevensky, Internet Gambling Behaviour in a Sample of Online Gamblers, *International Journal of Mental Health Addiction*, 2009, 7:149–167, p. 156.

72 Social Issues Executive, Anglican Church, Diocese of Sydney, *Submission 17*, pp 1–2.

behaviours and distance themselves from contexts that feed a desire to gamble.<sup>73</sup>

2.58 The Tasmanian Government also noted similar concerns:

Online gambling is available at any time from the privacy of a user's home, workplace, via a mobile telephone, Smartphone or portable computer. Players not wishing to associate with other clientele or who are excluded from land-based venues can gamble online, anytime and the range of harm minimisation measures specific to land-based venues such as restriction on the service of alcohol, lighting standards and staff intervention, are not present.<sup>74</sup>

2.59 Dr Gainsbury and Professor Blaszczyński noted that the anonymity offered by the internet continues to provide a challenge to detect underage gambling:

...given the anonymity and absence of interpersonal interaction characteristic of Internet gambling, it remains a challenge to limit underage gambling...<sup>75</sup>

2.60 They recommended that 'efforts be taken to implement effective public education programs to inform people of the potential risks associated with Internet gambling, including the lack of consumer protection measures on offshore sites'.<sup>76</sup>

2.61 The PC acknowledged the argument that online gambling may be more socially isolating:

Some particular gambling products — such as casino games or simulated EGMs — may be more socially isolating in an online environment than in venues. This may increase the likelihood of players of these games losing track of time and their spending. However, other forms of online gambling can have a strong social element (such as with poker and bingo).<sup>77</sup>

### *Use of credit cards*

2.62 There were conflicting views over the use of credit cards for online gambling. The PC found that for non-problem gamblers 'the distinction between using a savings account or credit account is no different for gambling online than it is for shopping online or purchasing any other good or service from a physical location'. However, it acknowledged that for problem gamblers 'the reliance on credit cards in an online setting may magnify the financial harms from excessive gambling'. It concluded that

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73 Social Issues Executive, Anglican Church, Diocese of Sydney, *Submission 17*, p. 2.

74 Tasmanian Government, *Submission 26*, pp 7–8.

75 Dr Sally Gainsbury and Professor Alex Blaszczyński, *Submission 7*, p. 7. Note: Chapter 11 contains a discussion of the risks of underage gambling on sports betting websites.

76 Dr Sally Gainsbury and Professor Alex Blaszczyński, *Submission 7*, p. 7.

77 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 15.8.

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the 'potential for increased harm to problem gamblers is a legitimate policy concern'.<sup>78</sup> Nevertheless, it emphasised that there are some features of account based betting that may assist gamblers. For example, the monthly credit card statement means that gamblers are confronted with their losses.<sup>79</sup> However, it could be argued that this is well after the event and well after any excessive losses have already occurred.

2.63 While the Australian Christian Lobby agreed that the use of credit cards may help gamblers to confront their losses, it argued that this could also magnify the financial harms from excessive gambling:

Rather than merely putting the money they have through a slot machine, for example, problem gamblers may accumulate large debts on credit which they have no means of repaying. Not only can problem gamblers lose what they do have, online there is the potential to end up deeply in debt.<sup>80</sup>

2.64 Clubs Australia pointed out that credit card betting is not allowed for poker machines and expressed the concern that betting using credit cards represents a risk to online customers:

...internet gamblers can legally use credit cards to fund gambling sprees on online wagering sites. Some sites aggressively promote the use of credit card gambling by offering the promise of lucrative free bets in exchange for sign-up accounts and credit card details.<sup>81</sup>

2.65 Clubs Australia argued that it is opposed to people gambling on credit, either online or at a venue as:

Credit card gamblers are funding their habit through what is effectively a short term loan. If the initial amount is not paid off within a specified time period, interest accrues, increasing the likelihood of the gambler encountering financial difficulty or mismanaging funds.

2.66 Clubs Australia also disagreed with the PC that credit cards enable gamblers to accurately track their play:

By the time it takes for a credit card statement to arrive, the gambler has usually "done the damage"...<sup>82</sup>

2.67 However, the Australian Internet Bookmakers Association (AIBA) argued that:

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78 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 15.8.

79 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 15.9.

80 Australian Christian Lobby, *Submission 21*, p. 2.

81 Clubs Australia, *Submission 24*, p. 7.

82 Clubs Australia, *Submission 24*, p. 7.

Any ban on credit card usage would impact disproportionately on the benefits to recreational gamblers who constitute by far the vast bulk of online gamblers. It is also too late for such a proposition to have any effect. Technology has overtaken the capacity to restrict the use of credit cards even if that was desirable.

It must also be remembered that while credit cards pose an acknowledged risk for problem gamblers, they also provide important fraud, anti-money-laundering and other controls.<sup>83</sup>

### *Credit betting*

2.68 The AIBA did, however, acknowledge that 'credit betting' is a more problematic practice and concluded:

This Association considers it sensible to maintain the benefits to clients of credit betting, but look to the development of appropriate controls to mitigate the risks. It is proposed the Committee recommend the immediate issue of a reference to a national research body to consider appropriate parameters governing the issue of credit.<sup>84</sup>

2.69 The issue of providing credit in relation to sports betting is further discussed in chapter 11.

### *Committee view*

2.70 While the committee accepts that a monthly credit card statement may assist some people to confront the amount of money they spend gambling online, the ability to repay only a minimum amount, increase limits and obtain multiple cards does not make this a feature to be relied upon to assist problem gamblers. In addition, by the time the statement has arrived, significant losses may already have occurred. The committee notes the case of a 21 year old man in Victoria who lost \$10,000 in one month on his credit card from playing online poker.<sup>85</sup>

### *Online gambling creates new gambling markets*

2.71 There are community concerns that online gambling is attractive to and will be accessed by younger and underage groups. Technology in this area is evolving with new types of games<sup>86</sup> and wagering methods being offered by providers to gain a competitive advantage. Gambling applications on iPhones appeal to the tech-savvy youth market and make it easy to lose money.<sup>87</sup> The Responsible Gambling Advocacy

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83 Australian Internet Bookmakers Association, *Submission 53*, p. 4, 25–26.

84 Australian Internet Bookmakers Association, *Submission 53*, p. 5.

85 Emma Schmidt, 'Monash man's online gambling disaster' *Waverley Leader*, 16 August 2011.

86 Covered in chapter eight.

87 Anne Wright, 'Explosion in smartphone gambling, Apps luring youth punt', *Herald Sun*, 6 June 2011, p. 13.

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Centre noted that the increased use of mobile phones means greater accessibility and therefore use of interactive online gambling.<sup>88</sup>

### *Youth market*

2.72 The Royal Australian and New Zealand College of Psychiatrists highlighted that within the Australian population having gambling problems, the younger age group (18-24) has the highest figures and requires a particular focus.<sup>89</sup>

2.73 The ACL noted its concern that online gambling may pose a greater risk to young people:

Particularly with a growing trend of pervasive online gambling advertising, both online and offline gambling is an increasingly visible part of the culture, which will naturally heighten the curiosity of children.<sup>90</sup>

2.74 It emphasised that 'the protection of children online is of paramount importance, so it is essential that age verification is effective, stringent, and enforced.'<sup>91</sup>

2.75 Relationships Australia expressed serious concerns about the growth of online gambling and gambling advertising on young people:

Young people are highly technologically savvy and the group most likely to adopt new ways of doing things. Mobile devices make gambling instantly available wherever a person is, at any time of the day or night. As Sally Gainsbury points out, both Australian and International studies show that internet gamblers are more likely to be young.

Young people have witnessed the normalisation of sports betting, and, for some, the innocent stakeless wager with a parent over which team will win, will have turned into a regular online bet, albeit starting with small stakes.<sup>92</sup>

2.76 Dr Gainsbury and Professor Blaszczynski also noted the participation of youth and young adults as an area of concern:

Youth are familiar and comfortable with interactive and anonymous electronic media and use the Internet for a multitude of social, entertainment, educational, and business interactions. Australian studies have found that a substantial proportion of school students gamble online (Delfabbro et al., 2005; Jackson et al., 2008). Furthermore, international studies indicate that Internet gamblers are more likely to be younger adults

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88 Responsible Gambling Advocacy Centre, *Submission 29*, p. 3.

89 The Royal Australian and New Zealand College of Psychiatrists, *Submission 10*, covering letter, p. 2.

90 Australian Christian Lobby, *Submission 21*, pp 2–3.

91 Australian Christian Lobby, *Submission 21*, p. 3.

92 Relationships Australia, *Submission 14*, pp 2–3.

(Wood & Williams, 2009). As young adults have been identified as being at greatest risk for gambling-related problems compared to any other age cohort (Delfabbro, 2008), this highlights the [particular vulnerability] of youth to potential harmful consequences. This concern is supported by several research studies that have found relatively high rates of Internet and associated problem gambling amongst young adult populations (Griffiths & Barnes, 2008; McBride & Derevensky, 2009; Olason et al., 2011)...<sup>93</sup>

2.77 They emphasised that these findings highlight the need for further research on this population to understand the effect of interactive gambling on youth and young adults. In addition, they noted that youth are highly influenced by gambling advertising.<sup>94</sup>

2.78 J.G Phillips and Professor Blaszczynski found:

There are relationships between age and technology use, but it is primarily interest in technology rather than age that predicts the use of online interactive services. Indeed, whilst younger age may predict the use of internet for sports betting, older age may predict the use of premium SMS services.<sup>95</sup>

2.79 They noted that four factors could explain the use of interactive gambling services: a tendency to respond impulsively; an interest in gambling; a preoccupation with technology to entertain; and an interest in competitions: 'These factors were to some extent correlated'.<sup>96</sup>

2.80 Dr Gainsbury noted that Australian research has found adolescents may gamble online at higher rates than the general population and international research has also found that internet gamblers are more likely to be young adults.<sup>97</sup>

2.81 The Tasmanian Government recognised the risks created by the growth of interactive and online gambling and particularly its access by young and vulnerable people. It added that a strong regulatory framework is required to address these risks.<sup>98</sup>

Existing research clearly identifies adolescents as at increased risk of developing gambling problems. The online gaming environment uses

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93 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 6.

94 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 6.

95 J.G. Phillips and Prof. Alex Blaszczynski, *Gambling and the Impact of New and Emerging Technologies and Associated Products*, Final Report, August 2010, p. 14.

96 J.G. Phillips and Prof. Alex Blaszczynski, *Gambling and the Impact of New and Emerging Technologies and Associated Products*, Final Report, August 2010, p. 14.

97 Dr Sally Gainsbury, Response to the Productivity Commission Inquiry Report into Gambling: Online gaming and the Interactive Gambling Act, *Gambling Research* Volume 22, No 2, November 2010, p. 5.

98 Tasmanian Government, *Submission 26*, p. 4.



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communication technologies and systems with which this group is familiar and provided in a similar manner as social networking and other interactive forms of entertainment. The instance of a young or underage person engaging with these sites thus poses additional risk of harm.

Due to their familiarity and general perception of 'try it and see' around accessing online networks generally, online gambling may attract and entrap young people who are not experienced or aware of the risk and potential harms from these products.<sup>99</sup>

2.82 The committee notes that FaHCSIA has recognised the potential for children and youth to become exposed to gambling products through the promotion of live odds. It added that:

The proliferation of interactive gambling through the internet and mobile phones may also be an issue for children and youth and other vulnerable people who may experience increased exposure to online gambling in their home environments. Younger people may also arguably be more likely to adopt and be more susceptible to the harm from new and emerging gambling technologies.

The Department acknowledges the need for further work in these areas.<sup>100</sup>

2.83 The Responsible Gambling Advocacy Centre stated that the access to online gambling by children and adolescents is of growing concern, citing work undertaken by Dr Jeffrey Derevensky. Dr Derevensky's research, prevention and clinical work has focused on youth gambling and problem gambling issues over two decades. He told the committee 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 the more they continue gambling, the probability increases that they may have gambling problems'.<sup>101</sup> He advised that 80 per cent of adolescents (depending on accessibility and availability of types of gambling) gamble or have gambled during the past 12 months but only around four per cent have a serious gambling problem.<sup>102</sup> He noted there is a growing body of research indicating that many young people are gambling on dot net or practice sites which may lead to gambling on sites for money. In addition, a number of gambling providers are using social media as a way of attracting young people without strict adherence to age restrictions.<sup>103</sup>

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99 Tasmanian Government, *Submission 26*, p. 8.

100 FaHCSIA, *Submission 25*, p. 3.

101 Responsible Gambling Advocacy Centre, *Submission 29*, p. 4.

102 Dr Jeffrey Derevensky, *Committee Hansard*, 16 September 2011, p. 4. See also Sally Monaghan, Jeffrey Derevensky & Alyssa Sklar, Impact of gambling advertisements and marketing on children and adolescents: Policy recommendations to minimise harm, *Journal of Gambling Issues*: Issue 22, December 2008, p. 253.

103 Dr Jeffrey Derevensky, *Submission 3*, p. 1.

2.84 Dr Derevensky mentioned that many of the Centre's<sup>104</sup> prevention programs are designed as school based programs. He explained that adolescents do see the risks associated with gambling as well as the benefits but that they do not attribute the risks to themselves and they view them as occurring later in life. Dr Derevensky advised that most parents are concerned with issues other than gambling for their children so they have included public service announcements in an effort to educate parents and raise awareness that some adolescents will become problem gamblers.<sup>105</sup>

2.85 Professor Blaszczynski made the following suggestion in relation to ensuring young people are aware of the risks of online gambling:

**Mr NEUMANN:** Finally, are you aware of any steps being taken by school authorities or departments of education around the country to address these problems of online gambling amongst students?

**Prof. Blaszczynski:** I am not aware of any formal programs. I have certainly not researched that particular area of school based education. My view is that it should be integrated within the health and personal development courses within school alongside alcohol, smoking, unprotected sex et cetera. Gambling should form part and parcel of that health and personal development approach.<sup>106</sup>

### *Committee view*

2.86 The committee notes with concern research indicating that the development of attitudes and behaviour toward internet gambling among adolescents has implications for longer-term involvement in gambling into adulthood and increasing the severity of problems. The committee sees the value of further research in this area.

### *Normalisation of gambling*

2.87 Submissions raised concern that the spread of gambling into new areas has the effect of normalising it which:

...has the strong possibility of creating gambling patterns in young people, especially males, who follow a sport. Males are three times more likely to gamble than females, so the link with sports betting cannot be ignored. It has already had the impact of removing the fun and exuberance of following a team on some people whose concern has shifted to betting and winning on multiple occasions during a game.<sup>107</sup>

2.88 This normalisation of gambling is a particular concern in the area of sport which is further discussed in chapter 12 on advertising.

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104 The International Centre for Youth Gambling Problems. See [www.youthgambling.com](http://www.youthgambling.com).

105 Dr Jeffrey Derevensky, *Committee Hansard*, 16 September 2011, p. 4.

106 Mr Shayne Neumann MP and Professor Alex Blaszczynski, *Committee Hansard*, 16 September 2011, p. 41.

107 Relationships Australia, *Submission 14*, p. 2.

## Support and education

### *Treatment options*

2.89 The issue of seeking appropriate treatment was canvassed by the report prepared for the Ontario Problem Gambling Research Centre which found that of the international gamblers:

- 9 per cent had sought help from the following sources: Gamblers Anonymous (21%); counselling service (18%); friends (11%); psychologists (11%); family doctor (7%); family (7%); pastor/minister/priest (7%); telephone help/hot line (7%); and
- the majority would be more comfortable seeking help from a face-to-face counselling service rather than an internet counselling service. These results suggest that while online services serve as a useful adjunct to land-based treatment, it is not likely to be a solution for this population.<sup>108</sup>

2.90 The need for more support and education for gamblers in the online environment was emphasised to the committee. For example, Relationships Australia stated:

Education about the dangers of online gambling comes with the danger that it might draw attention to its attractions, but support is essential for those whose gambling leads them into financial and personal trouble. There is evidence that online therapy for gambling can be helpful to some, and there is agreement amongst Relationships Australia gambling support practitioners that they are only seeing a small number of those who need help. It is important to promote services to on-line gamblers and that more resources are directed into support programs. It needs to be remembered that those close to the problem gambler - partners, parents and children - need to be supported as well. These people may have been hurt by the problem gambler and suffered financial loss, but are the same people who will be vital to the person's recovery.<sup>109</sup>

2.91 The committee notes and commends the first Australian advertising campaign focusing on the risks and consequences of online gambling launched by the Victorian Government in September 2011. The campaign was timed to coincide with the AFL football finals and upcoming racing carnivals. It includes television, press, online, radio, train and tram advertising to convey the message 'Online gambling: It's easy to bet, too easy to lose'.<sup>110</sup>

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108 Wood, R.T. & Williams, R.J. (2009). *Internet Gambling: Prevalence, Patterns, Problems, and Policy Options*, Final Report prepared for the Ontario Problem Gambling Research Centre, Guelph, Ontario, Canada, 5 January 2009, pp 10–11.

109 Relationships Australia, *Submission 14*, pp 2–3.

110 The Hon Michael O'Brien MP, Minister for Gaming, 'Vic Coalition Govt launches Australia's first campaign on online gambling dangers', *Media release*, 15 September 2011.

2.92 The committee addresses the need for further public education in chapter seven.

### **The need for more research**

2.93 The need for more research into online gambling was a common theme in submissions. The Productivity Commission noted that to properly analyse the effect of the IGA on online gambling, reliable data on demand is necessary. It found that 'the existing data are far from reliable, which limits statistical analysis'.<sup>111</sup>

2.94 Dr Gainsbury and Professor Blaszczynski further detailed the difficulties of conducting research in this area:

The interactive gambling literature is characterised by few, small-scale studies that often have methodological issues such as the use of non-representative, self-selected samples, which limit the validity of results. Furthermore, the findings of these become rapidly outdated as result of constant changes in technology and the market. In addition, very little research has directly examined interactive gambling in Australia. Consequently, there is little information about the demographics of users, extent of use and/or impact of online gambling in Australia making it difficult to develop appropriate policy responses or predict market trends.<sup>112</sup>

2.95 J.G. Phillips and Professor Blaszczynski noted the differences between population samples online and offline:

Issues when recruiting an online sample include who has access to the technology (sample demographics of interest) and how widespread is its use[d] (what proportion of the population use the technology). In addition, characteristics of online samples are important given that early research into technological use has suggested psychological differences, with people who were more withdrawn likely to have higher rates of technology use.<sup>113</sup>

2.96 They noted that differences in data collection online and offline are important in terms of identifying problem gamblers.<sup>114</sup> To address the lack of empirical data they recommended that the government ensure that research funding is provided to independent researchers to investigate the effect of online gambling at the individual, family and community level. They also recommended that collaborative research funded by the government be encouraged between academic researchers, industry

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111 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 15.18.

112 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 5.

113 J.G. Phillips and Prof. Alex Blaszczynski, *Gambling and the Impact of New and Emerging Technologies and Associated Products*, Final Report, August 2010, p. 10.

114 J.G. Phillips and Prof. Alex Blaszczynski, *Gambling and the Impact of New and Emerging Technologies and Associated Products*, Final Report, August 2010, p. 11.

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operators, state and federal governments and regulatory bodies in order to gain a greater understanding.<sup>115</sup>

2.97 The Royal Australian and New Zealand College of Psychiatrists emphasised that Australia 'must increase its research in the area of problem gambling in order to improve the response to the growing online betting market'.<sup>116</sup>

2.98 Relationships Australia also called attention to the need for 'significantly more research and data collection about online gambling and gambling advertising'. It added:

Relationships Australia supports research in this area, including research as to how best to regulate the gambling industry and ongoing research into how to best support those with a gambling problem. Other research could consider the co-morbidities that can exist with gambling – use of alcohol and prevalence of domestic violence for example. It is known that use of online gambling is increasing, but more needs to be known about the habits and demographics of its users, including whether online gambling is in addition to other forms of gambling, or is becoming a dominant form of gambling for some. Relationships Australia sees it as a responsibility of the gambling and sporting industries to fund research and to adopt the recommendations arising from such research.<sup>117</sup>

2.99 The Victorian InterChurch Gambling Taskforce highlighted that there is a 'severe lack of knowledge about this population [of Australians who access online gaming sites] and the proportion of people gambling [with] gambling problems related to their use of this form of gambling'.<sup>118</sup>

2.100 The Social Issues Executive, Anglican Church, Diocese of Sydney suggested more research on:

...the extent to which online gaming and other forms of wagering and betting are related to problem gambling and the development of behaviours that may lead to problem gambling.<sup>119</sup>

2.101 Telstra indicated that further research is required to:

...acquire the evidence needed to test recently expressed concerns and to identify any specific harms that may be created as a result of various forms of online advertising of internet wagering services.<sup>120</sup>

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115 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Submission 7*, p. 5.

116 The Royal Australian and New Zealand College of Psychiatrists, *Submission 10*, p. 3.

117 Relationships Australia, *Submission 14*, p. 3.

118 Victorian InterChurch Gambling Taskforce, *Submission 31*, p. 2.

119 Social Issues Executive, Anglican Church, Diocese of Sydney, *Submission 17*, p. 5.

120 Telstra, *Submission 23*, p. 3.

2.102 Dr Derevensky supported the call for additional research. He told the committee that research on online gambling is probably at the point where alcohol research was 15 to 20 years ago. However, he noted that there are a number of researchers in Australia who are actively involved in this area. He particularly supported the Productivity Commission taking the leadership role that it has in this area.<sup>121</sup>

2.103 Dr Gainsbury and Professor Blaszczyński concluded:

Given the dearth of empirical evidence informing and guiding policies and decision-makers, it is strongly recommended that a systematic approach be directed toward funding research into the demographics, characteristics and social and economic impacts of Internet gambling in Australia. To this end, the concept of a research institute to provide a systematic program of research should be given serious consideration.<sup>122</sup>

2.104 Professor Blaszczyński emphasised:

My view is that there ought to be some funding allocated to appropriate bodies—possibly to gambling research institutes that will independently evaluate many of these aspects about responsible gambling to be able, with the cooperation of the government and the industry, to carry out appropriate research that provides valid and reliable outcomes rather than people relying on first year university subjects using laptop computer simulated games with non-problem-gamblers and non-gambling-type tasks. I think that what we really need to do is to start looking at an appropriate, sensible approach to trialling certain initiatives which are costly and may not provide the benefit that is intended.<sup>123</sup>

2.105 As an example of an area requiring research, the committee asked about research covering adolescents:

**Mr NEUMANN:** I want to take an entirely different tack and talk about the effects of gambling on young people and also your reference to research relating to a substantial portion of Australian students gambling online. The studies you refer to are a little old, from 2005 and 2008. I was wondering if you had any research that showed whether the problem with Australian students gambling online is worse now than it was a few years ago.

**Dr Gainsbury:** As far as I am aware, there have not been any subsequent studies done in schools. There was some work done recently in Victoria, but they did not specifically look at problem gambling or internet gambling. We are currently doing a study at university student level and a national prevalence study, but there is not a lot of research looking at youth and schoolchildren right now that I am aware of.

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121 Dr Jeffrey Derevensky, *Committee Hansard*, 16 September 2011, p. 7.

122 Dr Sally Gainsbury and Professor Alex Blaszczyński, *Submission 7*, p. 12.

123 Professor Alex Blaszczyński, *Committee Hansard*, 16 September 2011, p. 39.

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**Prof. Blaszczynski:** I think it highlights the lack of research evidence pertinent to the Australian context.<sup>124</sup>

2.106 The Productivity Commission also supported the call for more research as highlighted in its 2010 report:<sup>125</sup>

We found in both those inquiries that we really struggled—and I am sure you have, too—to find out what evidence we can believe, what statistics we can believe, what methodologies we can believe and what people you can believe...

...In our report, some of the recommendations that have not had a lot of profile are our recommendations in relation to research: to create a far better national basis for research to be done and to be done well, and to be addressing policy questions that are important—questions that we have been talking about today.

...We had a recommendation towards the end about that. We have experimented with a kind of federalist approach to research, with a loose kind of oversight arrangement and so on. Our experience after two years was that it had not really delivered. It had not really provided the strong evidence base we were looking for, in a whole lot of ways. At some point this committee might turn its mind to thinking about the evidence base and perhaps looking at that recommendation, or others, about how we could do better in Australia to have a robust basis of information, addressing the important policy questions on a more or less ongoing basis. I think that would help all of us. I am not just being selfish, hoping that in 10 years time or whenever we do our next review we will have more evidence to use!<sup>126</sup>

### *Committee view*

2.107 One of the very clear messages to the committee is the need for greater research into online gambling to formulate appropriate policy and other responses such as harm minimisation. Despite the lack of conclusive research, the committee notes there appears to be a growing body of literature about the link between internet gambling and problem gambling. The committee commends the recent foundation announced by the Victorian Government to be created under legislation which will commission research into problem gambling.<sup>127</sup> However, the committee believes national research is required to provide a better understanding of the online environment, to better understand the risks and benefits for society and to ensure that responses are timely, targeted and effective. Drawing together the suggestions provided to the committee, more research is required on areas such as:

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124 Dr Sally Gainsbury and Professor Alex Blaszczynski, *Committee Hansard*, 16 September 2011, p. 40.

125 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 15.30.

126 Mr Gary Banks, *Committee Hansard*, 16 September 2011, p. 54.

127 Jason Dowling, 'Baillieu targets gambling harm', *The Age*, 12 October 2011.

- prevalence rates and rates of online problem gambling;
- the potential for growth in the online market;
- demographics of online gamblers and whether they differ significantly from poker machine players;
- the potential risks and harms, particularly for youth;
- the behaviour of online gamblers, including those who start to develop problems;
- the risks that could increase online problem gambling and measures to mitigate them;
- effectiveness of harm minimisation measures;
- the characteristics and vulnerabilities of those people attracted to online gambling in a less regulated environment;
- the risks associated with the development of new technologies that could be used for gambling;
- appropriate regulatory models to mitigate against increases of problem gambling; and
- the effects of online gambling advertising.

2.108 The committee will be particularly interested to see the outcomes of the research currently underway by Dr Gainsbury and Professor Blaszczynski and supports such research being funded by governments. In its previous report on the design and implementation of a mandatory pre-commitment system for electronic gaming machines, the committee noted the gaps in research around problem gambling and recommended the establishment of a national, independent research institute on gambling.<sup>128</sup> The committee reiterates its call for a national independent research institute on gambling which would be the appropriate body to conduct research into online gambling.

### **Recommendation 1**

**2.109 The committee supports the need for national research on online gambling to acquire data on which to base appropriate policy responses. As recommended in its previous report, the committee reiterates its call for a national independent research institute on gambling.**

2.110 In the meantime, the committee also considers that the current DBCDE review of the IGA must be able to commission research in areas such as those outlined above to better understand the risks and benefits of the local online environment.

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128 Joint Select Committee on Gambling Reform, *First Report, The design and implementation of a mandatory pre-commitment system for electronic gaming machines*, May 2011, p. 92.



**Recommendation 2**

**2.111 The committee recommends that the review of the *Interactive Gambling Act 2001* being conducted by the Department of Broadband, Communications and the Digital Economy commission relevant research on the local online gambling environment.**

