



Productivity Commission Enquiry Into Gambling 2009

Monitoring & Controlling Unlicensed Online Gambling

Technology Application Scenario & Viability Considerations

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Monitoring & Controlling Unlicensed Online Gambling in Australia

Technology Application Scenario & Viability Considerations

Introduction:

This submission wishes to address the feasibility of applying technology based controls to the access of Online Gambling via the Internet, otherwise known as “Internet Gambling”.

As Australia has a licensing regime for gambling operations, with laws specifying the types of gambling which are legalised, and which operators may offer and deliver online gambling products and services in Australia, there is a clear demarcation point between the legal and the illegal online gambling sites.

Netsweeper proposes that existing technologies can be implemented to monitor, control and where required block access to illegal and/or unlicensed Internet Gambling sites in Australia, which would deliver the following benefits:

- Enforce Australian laws relating to Internet Gambling access nationally
- Reduce problem gambling levels
- Reduce Australian gamblers exposure to unlicensed and insecure gambling sites
- Reduce identity theft, credit card misuse and similar Internet crime exposure
- Increase state and national taxation revenues (GST etc)
- Increase Australian based & licensed operators revenues
- Generate valuable statistics on Internet Gambling access
- Validate regulation efforts and measures
- Enable “safe gambling” messaging
- Encourage and/or force Internet Gambling operators to pursue licensing and accept regulation

As denying online access to unlicensed Internet Gambling sites is the only effective method of hindering the vast majority of Australian based internet users from using these illegal gambling operations, which in turn allows duly licensed and regulated operators to offer and deliver their services unhindered by aggressive overseas operators working with untaxed revenues and no regulation or governance costs, we advocate that the government consider this initiative.

As a simple example, it is estimated that more than \$300 million is bet by Australians annually on online poker alone— and it’s a figure that is rapidly growing. All revenues flow directly offshore without any tax being paid in Australia.

This is not the sole Internet Gambling revenue source.

GST application here would immediately generate an additional \$30million annually in taxation revenues, which would be sufficient to implement and maintain this system over a 3 year period.

Submission Proposal & technical solution:

1. The benefits
2. The technology solution
3. The implementation & requirements for success
4. Summary & conclusion

1. The benefits.

As stated in the Introduction, the following benefits would be achieved when unlicensed, unregulated Internet Gambling sites were not accessible within Australia:

- Enforce Australian laws relating to Internet Gambling access nationally

Irrespective of what the applicable Australian laws are in relation to Internet Gambling, there is little or no possibility to enforce these laws with the vast majority of overseas based Internet Gambling sites, as we cannot apply jurisdiction and no effective, reciprocal legal or policing agreements are in place with these respective governments. If however we have the ability to identify and block such operations online, these operators would have the choice to undergo compliance procedures relating to Australian law or be blocked from access nationally.

- Reduce problem gambling levels

As stated in many studies of gambling behaviours, including several existing studies and excerpts in submissions to this review, there are manifold problem gambling aspects that are more prevalent with Online Gambling as opposed to Offline Gambling. These factors are amplified when associated with unlicensed Internet Gambling:

- Reduced thresh-holds to intensive gambling patterns
- 24x7 access
- No dress codes, no alcohol or drugs controls, no fatigue controls, no behaviour controls
- Lack of harm minimisation methods
- Anti-social, solitary nature, no effective age checks
- Lack of consumer protections with off-shore sites

As the vast majority of Internet Gambling sites are indeed unlicensed in Australia, controls would remove access to probably well over 90% of these operators. This access reduction alone would be an initial major positive factor in reducing problem gambling levels and incidents in Australia, both reported and unreported.

- Reduce Australian gamblers exposure to unlicensed and insecure gambling sites

Many Australian gamblers are fully unaware that they are accessing unlicensed and thus illegal gambling sites when they do, most are probably very unaware or ignore the higher risk levels associated with accessing unregulated and thus insecure online gambling sites. With identification and access controls in place, gamblers or inadvertent online visitors can be redirected to information web pages, explaining the nature of the website they had attempted to visit and the manifold associated risks, the current status of Australian laws relating to the access to and usage of such sites, as well as offer access to related gambling or personal counselling services, positive information sources and a listing of Australian gambling associations for those wishing to legally gamble.

- Reduce identity theft, credit card misuse and similar Internet crime exposure

Many Internet Gambling sites and sites purported to be legitimate gambling sites are associated with high levels of security and ethics risks. Data privacy, identity theft, credit card usage risk and exposure to groups not regulated or subject to probity criteria, all these factors are reduced significantly when access to unlicensed Internet Gambling sites is controlled and/or blocked within Australia. The disputes levels are high and the resolution levels for disputes low.

- Increase state and national taxation revenues (GST etc)

Unlicensed Internet Gambling revenues currently go directly overseas and remain untaxed in Australia, clearly in contravention of myriad Australian taxation laws. Although the control and blocking of unregulated Internet Gambling sites would have the benefit of reducing the overall levels of Internet Gambling, it would also redirect the majority of the revenues generated back into Australian online and offline, regulated and thus taxed gambling and other entertainment operators, supporting the various associated services providers and generating further Australian state and federal tax revenues.

- Increase Australian based & licensed operators revenues

Currently in Australia, hundreds of millions of Australian dollars are spent annually on unlicensed online (Internet) gambling operations. These monies flow directly overseas and remain untaxed in Australia. These commercial circumstances deliver the unlicensed, unregulated gambling operators with considerable financial advantages over licensed online and offline gambling operators within the Australian market, thus creating considerable market inequities and significant revenue losses for domestic operators.

These commercial inequities and the resulting domestic market revenue losses also represent significant flow-on effects. These include taxation revenue losses, domestic employment and services opportunities losses, increased crime prevention costs and associated problem gambling prevention/management costs.

The monitoring, control and blocking of unlicensed Internet gambling operations in Australia would automatically result in increased revenues for both “bricks & mortar” offline gambling operations as well as the licensed online gambling operators, again resulting in the flow-on revenues to associated services providers, GST & taxation, and Australian employment.

Netsweeper proposes that the national / state based taxation gains alone would finance the required Internet Gambling Control System.

- Generate valuable statistics on Internet Gambling access

The ability to gather anonymised data from successful and unsuccessful Internet gambling access activities will deliver the appropriate authorities with valuable and useable information on the actual state of Internet gambling trends, access rates, demographics and the relativity of licensed and unlicensed operators prevalence.

- Validate regulation efforts and measures

The generation of Internet gambling access and activity levels, together with the success rates of migrating activity from the unregulated markets to the regulated Australian markets, correlated with problem gambling level trends, related credit card and online transaction risk and incident levels as well as documented online crime activities in this segment, will allow authorities to cross-reference and validate regulation efforts and to develop more effective metrics on the measures implemented.

- Enable “safe gambling” messaging

Due to the current high levels of unlicensed Internet gambling activity, any measures to control and redirect/block such activities will present many Internet gambling site users with redirection or information pages explaining why they cannot access the desired gambling site.

This again presents the opportunity to inject and present “messaging” on safer gambling, Internet related risk factors, the current Australian laws, problem gambling or associated hotlines, directories of licensed Australian gaming and gambling operators etc.

- Encourage and/or force Internet Gambling operators to pursue licensing and accept regulation

Faced with market exclusion, some gambling operators may qualify and pursue licensing and adhere to applicable regulation. This development would address market inequities, reduce risk factors, create greater industry transparency and support valid domestic operators.

2. The Technology Solution:

The key to the identification and control of unlicensed Internet Gambling sites is the ability to accomplish the following:

- With the co-operation of related state and federal regulators, together with the co-operation of the related gaming and gambling industry operators, build and maintain a listing of Internet addresses (web pages) being used by licensed Australian Internet Gambling operators,
- Have a comprehensive listing of currently available Internet Gambling sites globally, whilst remaining conscious of the reality that 100% coverage is near impossible,
- Rapidly, dynamically, in “Near Real Time”, in the background and without impeding or detrimentally affecting Internet user’s online activities, access and evaluate Internet sites unknown to the Internet Gambling Control System. Site addresses identified and then confirmed as Internet Gambling sites would be categorized, indexed and stored on the system database,
- Implement the ability to intercept Internet address requests nationally and compare these, in the background and without impeding the Internet user’s online activities, with a list of illegal Internet Gambling site Internet addresses,
- Implement the ability to redirect attempts to access an identified , unlicensed Internet Gambling site address to a government information site or page with appropriate redirection explanations, links, positive messaging, etc, as specified by the appropriate authorities,
- Optionally monitor and analyse anonymised Internet Gambling site access & traffic flow data for national statistical purposes, trends analysis, industry improvements and regulation.

The technology solution would require the ability to intercept and identify Internet site address (URL) requests at Australian Internet Services Providers, and to relay copies of these URLs to the Internet Gambling Control System either locally or remotely, where they would be checked against the list of identified Internet gambling sites categorised as unlicensed and unregulated.

The system would then redirect Internet site address requests, that match the list of unlicensed Internet gambling sites, to the nominated Internet Gambling Information Pages.

As the URL interception and “look-up” process is facilitated in the background and parallel to the normal and non-interrupted Internet activities of the general Internet user population, there will also be no adverse effects to general population Internet usage service and performance levels.

The effectiveness of such a system will depend on the Internet Gambling Control System having access to a continually updated Internet address database with in excess of 99.xx% of Internet gambling sites categorized at any time and able to evaluate newly accessed sites within seconds.

A further requirement will be the ability to implement measures that identify circumvention methods and can address these. At the very least these should be addressed with government generated Information and, if required, Warning Web Pages.

3. The implementation & requirements for success

An effective implementation would require the ability to “read” every Internet address (URL) request made by Australian Internet users nationally, and to cross-check this URL against a listing of unlicensed Internet gambling site addresses. These addresses will apply to the individual web pages of unlicensed Internet gambling activity, and not whole sites or related activity communities online.

This “read” of the addresses would need to be facilitated at the individual Internet Services access points, these being predominantly at the Internet Service Providers (ISPs), which also includes the major telecommunications companies and carriers, where Internet users of any format or from any market segment connect to.

The system must then have the ability to redirect URL requests to an information or “Access Denied” web page, or to simply interrupt the attempted Internet address request.

Netsweeper recommends redirection of the identified requests to information pages that assist the Internet user to understand the reason for the request denial and to assist them to locate duly licensed gambling operators etc.

This whole process can be facilitated without any user identification measures being used at all.

Due to the nature of the proposed controls and the content that would have been accessed, it will be possible to locate the listing of the unlicensed Internet gambling web pages locally or centrally, and to implement central and secure (encrypted) list management nationally.

A successful Internet Gambling Control System will depend on a comprehensive and accurate listing of licensed and unlicensed Internet gambling web pages, as well as the ability to review, in “near real time” (within seconds) whether a newly encountered web address needs to be added to the list.

Internet users who encounter a related redirection or information web page will require the possibility to request a review of web pages potentially classified in error.

Any interested party should be able to report or submit a web page address for automated review and possible addition to the list.

The Internet Gambling Control System would need to be fully compatible with and integrate with any future implemented Internet Filtering initiatives of the Australian Government.

4. Summary & conclusion:

Netsweeper, based on current technology standards and existing implementations of similar and related Internet access control solutions, proposes that the Australian gambling market and the general community is not best served through a relaxation of existing regulations that would quasi validate and legalise the access to unregulated Internet gambling from unlicensed operators.

Netsweeper proposes that technology solutions exist and can be implemented in the Australian Internet industry that would allow and enable, with appropriate legislation support, Australian authorities to monitor, identify and control Internet gambling site access within Australia, and thus to channel currently unregulated Internet gambling operators into Australian regulation or preclude them from Australian market access.

This would result in an immediate and strong reduction in off-shore gambling spending and taxation monies being shipped off-shore. This would also reduce the risk factors associated with accessing and using unlicensed Internet gambling sites, and would strongly support harm minimisation efforts nationally.

Netsweeper proposes to validate that such a system would be “cash flow positive” for the Australian nation, and specifically would support and protect the interests of valid, licensed and regulated Australian businesses, their employees and their associated services providers across the economy.

All of the proposed actions and tabled considerations in this document have been formulated to be fully compatible with currently proposed Australian government initiatives to introduce ISP based Internet filtering and controls.

The methodologies proposed in this document are demonstrable and have been applied for various forms of Internet web page identification and access controls.