

INTERNET AND INTERACTIVE GAMBLING

APPROACHES AND WARNINGS

INTERCHURCH GAMBLING TASKFORCE

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INTRODUCTION

Internet and Interactive¹ Gambling presents one of the greatest social threats the Internet has ever posed to individuals, communities and government. The ability for innumerable gambling opportunities to be broadcast into every home at all times could result in devastating social and economic effects. The area has massive growth potential, with little initial outlay required by a provider, and the ability to draw a global market. The globality of this issue also makes it one which will not respond well to regulation, with providers having much more ability to demand lower regulation and tax rates, and threaten government with the possibility of moving offshore. Not only does new technology have the potential to give the existing gambling population greater access to a greater number of gambling opportunities, but it also creates new markets for gambling products among those already using and involved with the Internet, especially the young.

The Interchurch Gambling Taskforce has subsequently produced this report to discuss and examine the potential of Internet Gambling both in the short and long term, and to set out recommendations in attempting to minimise the negative social consequences of such new forms of gambling in the community.

¹Internet Gambling is restricted to computer based activities on the World Wide Web. Interactive Gambling can involve other mediums, such as television and other real-time communication means.

COSTS AND OPPORTUNITIES OF INTERNET GAMBLING

The overall negative social impacts of gambling on the community have already been outlined by the Interchurch Gambling Taskforce and other bodies². However, the Internet poses particular problems and opportunities regarding gambling that have to be addressed specifically before decisions can be made regarding Internet Gambling policy. Therefore, we shall first examine what the possible costs and opportunities of Internet gambling are:

Costs:

- High degree of accessibility to a large proportion of the population³ - resulting in more widespread and severe abuse of gambling in the home itself.
- Potential exposure to children and others with the cultural shift of children now being able to observe parents gambling behaviour in the home.
- The remoteness of the actual gambling and expenditure itself can lead to a sense of alienation between gambling and its financial consequences, leading to individuals being more unaware of the amount of money that they are actually spending, and the impact that this will have.
- The new audience that may be drawn to gambling who at present are not, primarily being those who are presently drawn to the Internet⁴

²Such impacts can include: household financial and social difficulties, increased reliance on social security, reliance and pressure on charity groups, increased crime, regressive taxation and impact of gambling on lower income communities, cultural shifts in leisure and recreation, and an unsustainable government dependence on gambling revenue.

³At the present time, accessibility to Internet Gambling requires a fairly high level computer with Internet connection, which is an expensive commitment. However, this is becoming rapidly less expensive and much more common in most households, and with the introduction of digital television, the technology required for Interactive Gambling will become much more available and widespread.

⁴At the present time, the profile of Internet users tends to be of higher income, middle aged, and male. However, as access to the Internet expands at a rapid rate in the next few years, this could change. (Jackson, A. 'Gambling, Technology and Society: Social Issues', Gambling, Technology and Society conference, May 1998.)

- The ability for gambling to be slotted into very small time slots - an example being the office worker who at lunch time decides to see if they can double their paycheck... This has consequences not only for the individual and their own financial and social circumstances, but also for business and industry as problem gamblers use company time (and possible resources) in gambling.
- The potential social outcomes of a combination between gambling types (eg. EGMs, casino and Internet gambling) in an individual.
- Gambling will cost more to an individual as not only will there be gambling expenditure, but also the costs of the Internet Service Provider.
- The nature of gambling sites, especially from overseas, is not as clear as with physical gambling venues, and their credibility may be called into question.
- Confidential details, such as credit card or account details, may be vulnerable to others.
- Internet gambling could lead to other invasions of privacy by other operators using the information provided to casino operators.
- A large percentage of the population already considers gambling to be out of control.

Opportunities:

- Internet Gambling in the home is less isolated from normal life than some present forms of gambling - Gambling can be broken up or discouraged by the demands of home life and the reality of the world around them.
- More effective self-exclusion measures can be enforced on the Internet and more readily activated by problem gamblers and those around them.
- Gambling expenditure and behaviours can be more accurately monitored and tracked.

- There is the potential for a time lapse in gambling following severe losses as gamblers are required to re-load their account (This is assuming that accounts are required and credit card finances are not allowed). This can be further enhanced by having time lags between the loading of an account and the time at which that can then be accessed in gambling. The potential to regulate this is not as simple with physical gambling.
- Internet Gambling may not have the attraction to some who seek gambling presently as an escape from isolation or boredom. Venues provide some interaction and a sense of 'being out'. Interactive gambling at home does not provide this and subsequently may be unattractive to some members of society. However, there are probably at least as many who will be attracted to these very same aspects (as we observe with those who are attracted to the social aspects of the Internet at the sacrifice of physical interaction with others).

REGULATORY REQUIREMENTS

To meet the demands of Internet Gambling, whilst doing all that can be achieved to minimise social costs and possible loopholes in the system, a regulatory framework is going to have to involve the following factors:

- strict requirements for adequate proof of identity and age - preferably in hard copy and requiring several steps to be given entrance and an account.
- credit card gambling to be illegal and made unavailable.
- gambling sites to have well advertised and easily accessible links to problem gambling sites and self-exclusion measures - these should be promoted when an individual suffers certain losses or when their account is emptied.
- pre-programmed breaks to be scheduled into play, and after large wins.
- bet limits to be able to be set and strictly adhered to, as well as limits to be set on the amount of time to be gambling and on-screen clocks to be provided which state the amount of time an individual has been gambling and how much they have lost/won overall.
- advertising to be strictly controlled and monitored.
- self-exclusion procedures to be set up which can be easily enacted and which provide widespread exclusion from all gaming sites - This should include not only excluding people from betting on a site, but from even gaining access to gambling sites completely.
- re-loading of an account to require certain steps and a certain amount of time to allow for cooling off. It is clearly inappropriate to simply click on a button to load an account from your personal bank account.
- clear statement of odds to be readily available at each site.

However, due to the global nature of the Internet , there are severe restrictions in what regulations can achieve, especially in the long term. This is what poses the greatest difficulty for governments in attempting to regulate gambling on the Internet .

With existing, physical forms of gambling, we have observed the continued push for the regulation of the industry until it has been regulated in all states in Australia. However, now that it exists as a regulated, taxed, and monitored industry, we are observing a continual request from the gambling industry for less regulation, lower taxation, and greater opportunities for expansion⁵. Therefore, it can be accepted that in the future, the regulation of Internet Gambling will be brought into question as the industry seeks more freedom, lower taxation, and greater deregulation. The difficulty arises in that Internet Gambling providers are not limited by the physical constraints of property, employment and infrastructure. A physical gambling venue or casino can request greater freedom and lower taxes, but in the end if they do not receive these have only the choices of accepting it, or shutting down business in the area. If they move elsewhere, they have to obtain a new market. Internet gambling sites are not constrained by geographical location, and therefore have much more ability to demand concessions from government. If their requests are not met they have the ability to move to another state or offshore, whilst still maintaining their existing markets relatively intact.

This means that a regulatory framework designed to control and limit harm in Internet Gambling, while being accepted initially to achieve proper regulation and authorisation, will have difficulty in surviving long term as providers observe the lower levels of regulation and taxation that other states or countries may offer. And while overseas sites may not have the official seal of approval from the local authority, their ability to offer better odds, games or services due to lower tax rates, will attract sufficient clientele to pressure government into following similar laissez-faire regulatory frameworks.

Consequently, regulation of an industry such as this will be difficult to maintain in the long term as the global market competes for the individual's gambling dollar, regardless of where they live. The industry itself has already admitted that regulation cannot stop non-Australian jurisdictions offering gambling products which do not meet Australian

⁵Refer to executive summary from: ACIL Consulting, Submission to the Productivity Commission, October 1998.

standards.⁶ This therefore brings the concept of regulation and licencing of the Internet Gambling industry into serious question.

⁶Access Systems Pty Ltd., Submission to the Productivity Commission, October 1998, p9.

THE CASE FOR A BAN ON INTERNET GAMBLING

At the outset, it is important to state that as with Internet regulation, as discussed just previously, prohibition of Internet Gambling will never be able to be 100% effective. However, it is in the view of the Interchurch Gambling Taskforce that a ban on Internet Gambling will be more effective in minimising the social consequences and in controlling the loss of revenue to overseas sites than regulations ever can.

The social costs of Internet Gambling have already been well identified and their impact on the Australian population has devastating possibilities. It is now important to list the benefits of a ban on Internet Gambling, both in minimising the social costs, and the benefits of a ban over regulation and licensing.

- Gambling on the Internet becomes illegal and unacceptable both publicly and privately - At the basic level, this means that an individual gambling on the Internet knows that they are breaking the law and risking the possible consequences. Yet there is doubt as to how easy it will be to observe such illegal activity and prosecute offenders. However, by making it illegal, Internet Gambling becomes more socially unacceptable. This provides further disincentive for individuals to gamble, since at situations such as work they may be risking their own job, and in the home they pose the risk of receiving disapproval, setting a bad example for their family, etc. Although this cannot rule out the possibility of Internet Gambling, it provides more disincentive so that gamblers may rather opt for the forms of gambling which are already accessible, 100% legal and acceptable, and better regulated.
- Gambling sites are harder to find and access - Any sites which choose to set up from within the prohibited area would have to disguise their existence, subsequently making access by large numbers of people difficult. Overseas sites would not have to go through such measures, but provide more difficulty to access and gain accounts with, and their credibility and nature cannot always be certified. Therefore, the guarantee of confidentiality, fairness and honesty are brought into question.
- Ability to prevent gambling expenditure going overseas - With the regulation of gambling, gamblers can choose overseas sites if they wish and send their gambling expenditure to other countries. With a ban, this becomes much more difficult. Many different modes of trans-national currency transfers can be tracked and patrolled and

gambling activity on overseas sites identified through this. This keeps more gambling expenditure in the local economy.

- Gambling sites, both overseas and local, are severely restricted in their ability to advertise and attract new and larger markets.

As previously mentioned, none of these benefits will ever be 100% effective. Due to the nature of the Internet and the constraints of Internet regulation, there will always be the potential for individuals who are determined enough to find ways of gambling on the Internet whether it is legal or not. However, it is in the opinion of the Interchurch Gambling Taskforce that even without 100% effectiveness, prohibition will achieve more than regulations can ever hope to in terms of limiting social costs and avoiding problem gambling.

Prohibition sets up the various barriers of difficulty of access, difficulty and complexity of payment arrangements, social unacceptability, risk, doubt of providers credibility, and other factors. This reduces the high degree of easy access that would normally be associated with Internet Gambling and it is this accessibility which poses the greatest potential catalyst to a growth in gambling abuse and problem gambling. Therefore, these barriers, although not 100% foolproof, will significantly minimise or eliminate the potential risks of Internet Gambling to the majority of the population. These barriers also provide disincentive to use the Internet for gambling illegally, especially when there are already an abundance of recently established legal gambling opportunities in the community at present. It also has the potential to provide a greater level of control over a loss of gambling expenditure to overseas providers.

CONCLUSION

In light of the social costs of Internet Gambling, the difficulties and demands of a regulatory framework, and the possibilities and potential of Internet Gambling prohibition, the following recommendations can be made:

1. Short Term - *that a moratorium be placed on Internet Gambling regulation pending the results and findings of the Productivity Commission Inquiry into Australia's Gambling Industries.*

There is significant pressure on government to act quickly in regulating Internet Gambling, especially with the recent regulation of Internet Gambling in Queensland and the Northern Territory. However, this pressure to act quickly could easily result in poor legislation and regulations being passed in an attempt to capitalise on the apparent global market for Internet Gambling. It is a sensible approach to hold off such decisions until the findings of the Productivity Commission are released in the near future (which incorporates the social and economic potential of Internet Gambling) and form decisions in the light of that information.

2. Long Term - *that a ban on Internet Gambling be seriously considered and evaluated in light of the social costs of Internet Gambling, especially as it relates to the inherent paradox in attempting to regulate and control Internet Gambling.*

The evidence and arguments for such a ban have been discussed in detail throughout this report. While bound to be an unpopular approach with both the gambling industry and Internet industries, the social arguments for such a ban cannot be denied. When combined with the inherent difficulty in regulating such a form of gambling, this makes a ban seem the much more feasible and sensible long-term approach, especially when reminded that gambling opportunities are plentiful already for all who wish to engage in them. A ban on Internet Gambling is not about restricting free-will, reducing competition, or denying valid opportunities for market expansion. It is simply about restricting access to gambling opportunities to sensible and responsible levels, which is at its foundation the same argument that was behind the banning of gambling venues in shopping centres.