



THE GOVERNMENT OF NORFOLK ISLAND

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MEMORANDUM REGARDING THE PRODUCTIVITY COMMISSION INQUIRY INTO AUSTRALIA'S GAMBLING INDUSTRIES.

IN RESPONSE TO A RECENT REQUEST FROM SENATOR THE HON. IAN MACDONALD, MINISTER
FOR REGIONAL SERVICES, TERRITORIES AND LOCAL GOVERNMENT,
TO PUT A SUBMISSION TO THE COMMISSION.

7 June, 1999

The Commissioners
Gambling Inquiry
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Sirs,

In order to assist your inquiry and following representations from the Minister for Regional Services, Territories and Local Government, I submit details and comments concerning our recent initiatives to develop interactive gaming and bookmaking operations from Norfolk Island.

You will be aware that under the Norfolk Island Act 1979, gaming is listed in Schedule 2 to that Act as being a matter in respect of which the executive members have executive authority. The executive members (forming the Executive Council) are appointed by the Administrator on the advice of the Legislative Assembly and are drawn from the ranks of the members of the Legislative Assembly. In the exercise of a power or function in relation to a Schedule 2 matter, the Administrator acts in accordance with advice given to him by the Executive Council. I hold executive office and, as the Minister for Health, gaming falls under my purview.

The Island requires a steady revenue stream to assist the proper administration of the Island and to develop needed facilities on the Island. It is the view of Legislative Assembly members that a supplement to tourist activity needs to be provided and, in this regard, gaming has been long considered.

Consequently, last year, three Acts were passed being:

- The Gaming Supervision Act 1998,
- The Gaming Act 1998, and
- The Bookmakers Act 1998.

A copy of these is attached along with a recent amendment to the Gaming Supervision Act.

The Gaming Supervision Act effectively establishes a Norfolk Island Gaming Authority, authorises the appointment of a Director of Gaming and other authorised officers, establishes the powers and functions of the Authority, the Director and staff and generally sets out other matters that are necessary for the good administration of gaming. The Gaming Act allows the issue of licences to conduct interactive gaming under certain circumstances, sets out the application processes, covers the conduct of such gaming, indicates default provisions and lists miscellaneous matters that assist the good administration of this particular form of gaming. The Bookmakers Act is similar in style but addresses bookmaking (racing and sports betting) activity. These Acts are clear and precise. They have been drafted following thoughtful consideration of legislation from other jurisdictions that provide for well-controlled and well-regulated gaming.

Earlier this year three members of the Norfolk Island Gaming Authority and a Director of Gaming were duly appointed. The Authority is chaired by the Hon. Trevor Morling QC, a man of acknowledged stature who resides in Sydney but who has been an advocate for the Island for years and a learned friend and counsel of many of its inhabitants, including Legislative Assembly members. The other Authority members are Dr John Walsh of Brannagh who has a legal and educational background and who is an Island resident and Mr. R. M (Jock) Irvine, a partner in the law firm of Simpson Grierson of Auckland New Zealand, who was the first chairman of the New Zealand Casino Control Authority. The Director is Mr K. R. Leyshon who comes to the position with a wealth of gaming knowledge, having been in similar positions with Queensland Government Casino and Lottery organisations.

The first meeting of the Authority was held on the Island on 10th April 1999. Following that meeting a number of tasks have been achieved not the least of which is the development of a package of documents for any applicant for a licence. The package consists of:

- A Brief to Applicants document
- Copies of legislation
- Application forms
- An Internal Control System Outline document
- A Technical Functionality Requirements Standards document.

All but the last document are in a form that can be passed on to you and they are attached. The Technical Functionality document is presently being written. It should be available for presentation to the Authority at its next meeting, which is to be held in Sydney on 25th June. Once this package of documents is completed, the next step will be to advise prospective applicants of the opportunities being offered. Meanwhile, a number of unsolicited inquiries are being handled.

It will be evident from a study of these documents that the clear intention of the Norfolk Administration is to insist on very high levels of integrity, security and good conduct of any gaming operations that emanate from the Island. The intent is to at least match the standard of regulatory control that is required by Australian jurisdictions such as Queensland and the ACT. We are bound to the concept that well regulated gaming, which presents and maintains integrity throughout, is a very marketable commodity and one that is best able to engender public confidence (and hence revenue) and promote the good reputation of the Island.

It will be noticed that Internet bets from players with an Australian or a Norfolk Island registered address will not be accepted. We want to maintain a good relationship with our counterparts in Australia and, being a Commonwealth Territory, we consider it would not be acceptable to diminish in any way a revenue stream available to States and Territories of Australia. As for the rest of the world, we are aware of the ongoing deliberations in the USA about making Internet gaming illegal and note that certain States of that country have already banned Internet betting. We do not know what other countries have banned Internet gaming.

We do not necessarily see it as our role to establish which countries have a ban on Internet gaming or to determine what an operator might do in these circumstances. We have the view that operators should carefully consider matters of this kind and make their own commercial decisions. It nevertheless crosses our minds that a USA approach to ban Internet gaming might stem from an entrenched casino industry and one that, for years, has heavily marketed itself to the rest of the world with obvious benefits to the USA.

There is, of course, a vast reservoir of Internet business - both gaming and commerce - that is available in this changing world. We appear to be uniquely placed to take advantage of that market and we intend to put Norfolk in the best possible position to capitalise on the opportunity. It is really a case of if we don't take this step someone else outside the Australian sphere will. Why should that be allowed to happen?

The duty or tax rates that will be applied have been deliberately set to attract Internet gaming on the world stage. It also takes into account the heavy establishment costs associated with providing a quality communications and banking infrastructure on the Island. We are mightily disadvantaged at present with regard to our communication facilities and have little prospect of obtaining an upgrade of these facilities without something of the kind we are now proposing. The cost of investigations, the financial institution levy, the administrative levy, the bond requirements, the cost of obtaining system compliance approvals and the need to be competitive in a world market have all been taken into account when setting the rates.

We are conscious of concerns in regard to betting by minors, setting bet limits, establishing a trigger mechanism for large deviations in bet amounts, dealing with potential problem gamblers and other matters of this kind. We do not intend to be lacking in our requirements or responses in these respects.

A reading of the Internal Control System Outline document will indicate our intent to protect the operations and make certain that integrity of gaming is achieved and maintained. The Technical Functionality Requirements Standards document, when it is produced, will further reinforce that intent. It is being broadly based on the Queensland, the ACT and other State documents but will take into account the experiences of developing and delivering the Lassiters Internet system. It is being written by Global Gaming Services Pty Ltd, which is the only testing house that has, to this date, completed a compliance audit of a regulatory system. This document will be ours. We will not be dependant on say Queensland or another jurisdiction in this regard and we will have a document that matches the best available and then some. Any system will have to be checked against these minimum technical standards by an independent, qualified testing group and we will then do our own final checks.

We have been in contact at a high officer level with the Australian Federal Police concerning the completion of background checks on applicants. The application forms are designed to provide the base detail for these checks and for verification that an applicant is suitable in all respects e.g. on grounds of probity, good character, management ability, financial stability, source of funding, operational expertise etc. The Director will be meeting with officers of the AFP in Canberra on 24th June to finalise these arrangements.

Part of the initiative is to ensure that the tourist attractions of the Island are married with the marketing of gaming products. The economic impact for the Island is, therefore, multi strand in nature. Increased revenue, quality communications and other facilities, a greater exposure regarding tourism, more local employment are all part of the impact. However, any adverse economic and social impacts that are often mentioned as being associated with gaming are avoided in so far as the Island is concerned. As mentioned previously, adverse impact on others will be carefully watched and guarded against even though no resident of Norfolk or Australia should be affected because of the ban on players with a registered address in either place who might want to place Internet bets on Norfolk Island operations.

In our deliberations we have not studied what benefits or advantage a quality communications facility on Norfolk might have for the Australian government in either defence or other terms but we think there can be no negatives. We do not see any adverse impact on Commonwealth revenues through the taxation system.

In short, we do not see any serious adverse impacts - quite the reverse. We are anxious to operate responsibly and with sound, practical and proven control procedures in place. We are conscious that as a Commonwealth Territory we not only need to have well ordered and well structured controls and regulations in place but we must be seen to be so organised and managed.

I am aware that your considerations as a Commission are nearing completion in so far as submissions are concerned. I have hurried this detail to you as a consequence. If you require further information or elucidation from us, I mention that the Director will be in Canberra on 24th June and he could make himself available for discussion if you see the need. Also, I will be in Australia at that time and I would be prepared to attend before you if that is required.

Yours Sincerely

Hon G. Gardner
Minister for Health