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The Hon. Mr O'Farrell
Gambling Section
Department of Social Services

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RE: *Illegal Offshore Wagering Review*

Dear Mr O'Farrell,

Thank you for the invitation to make a submission to the Illegal Offshore Wagering Review. I have made submissions and testified for previous reviews of the Interactive Gambling Act and these should be considered as they are relevant to the terms of reference of the current review. As such, I will only include new information in my submission. I am happy to discuss the review in more detail should this be of assistance.

Research on Australian gambler's use of illegal offshore gambling sites

We surveyed 4,688 Australian adult gamblers in 2011-2012 using an online survey with individuals recruited through advertisements placed on a variety of websites. Full details of the survey have been published in a report commissioned by Gambling Research Australia (Hing, Gainsbury, Blaszczynski, Wood, Lubman, & Russell, 2014¹).

Analyses found that of the 3,198 Internet gamblers, 61.3% used only domestic websites, 6.5% used only offshore websites and 31.1% used a combination of offshore and domestic websites for gambling. For the purposes of this submission these groups are referred to as domestic, offshore and mixed Internet gamblers. Consideration of the three groups is important given that one-third of the gamblers used both onshore and offshore sites (mixed) and this group presents a balanced view of the potential impacts of both types of sites on gamblers. These findings indicate that the majority of Australian Internet gamblers use domestic website, either exclusively, or in combination with offshore sites.

Demographic profiles revealed that mixed Internet gamblers were more likely to be male and as born in Australia than domestic and offshore gamblers. Offshore and mixed gamblers were also more likely to speak a language other than English than domestic gamblers, and potentially use non-English language offshore sites. Domestic gamblers were older and had higher household incomes than offshore and mixed gamblers, suggesting that they have a longer and perhaps established relationship with an onshore bookmaker.

In terms of the *frequency* of their overall gambling participation, which included online and land-based forms, offshore and mixed Internet gamblers participated in bingo, keno, poker, casino

¹ Hing, N., Gainsbury, S., Blaszczynski, A., Wood, R., Lubman, D., Russell, A. (2014). *Interactive Gambling*. Report commissioned by Gambling Research Australia. Centre for Gambling Education & Research, Southern Cross University. Available at: <http://www.gamblingresearch.org.au/home/interactive+gambling+pdf>

table games and electronic gaming machines (EGMs, including slots and pokies) more frequently than domestic Internet gamblers. Offshore gamblers engaged in sports and race wagering at a significantly lower frequency than mixed and domestic gamblers (mixed gamblers had highest frequency) and domestic gamblers participated in lottery products more often than the other groups. This suggests different gambling preferences for these groups, with the appeal of different online products potentially impacting their use of websites. As non-wagering and lottery gambling is only available online through offshore sites, this likely explains the greater participation in these activities amongst those who use these sites. The findings also suggest that sports and race wagers may prefer the domestic sites which offer these, although mixed gamblers may also wager with offshore sites.

Offshore and mixed gamblers had significantly greater *expenditure* on instant scratch tickets, lottery products and casino table games, again including land-based and Internet forms of gambling. Offshore gamblers had fewer losses on horse racing than mixed and domestic gamblers (who had equivalent levels of expenditure) and domestic gamblers lost more on EGMs than the other groups. No significant differences were found between the groups for expenditure on sports betting, poker, bingo, or keno.

In terms of the *proportion of online gambling*, domestic and mixed gamblers reported spending approximately 80% of their total gambling expenditure and time spent gambling online, as compared to 30% for offshore gamblers. As such, the impacts of gambling experienced by each group are not able to be entirely attributed to online forms of gambling.

In terms of *use of and preference for online gambling sites*, mixed Internet gamblers were unsurprisingly more likely to report having a greater number of different online gambling accounts than domestic and offshore gamblers, who did not differ in the number of active accounts held. Domestic Internet gamblers were also more likely to report a preference for domestic sites (71.7%), although mixed and offshore gamblers also preferred domestic sites (more than 56% for each group), but they were more likely to state that they had no preference for jurisdiction of regulation.

In terms of *influences to start gambling online*, mixed Internet gamblers were more attracted to price including bonuses and a greater number of betting options (including in-play betting) than domestic and offshore gamblers. Offshore and mixed gamblers were more influenced by the comfort of gambling at home and the use of free-play sites than domestic gamblers. Domestic gamblers were more likely to be influenced by the convenience of gambling online than both groups.

Consideration of the *factors that motivated Internet gamblers to choose one site over another* found that offshore and mixed gamblers were more likely to be influenced by a sites' reputation, the availability of customer protection, fewer personal details required and better interface and software used as compared to domestic gamblers. Domestic gamblers were more likely to be influenced by a site's advertising, the jurisdiction where it was regulated and whether the site was legally operating and licensed. There was no difference between domestic and offshore gamblers in their preference for a greater number of betting options (including availability of in-play betting), but this was a more

significant factor for mixed Internet gamblers. Similarly, mixed gamblers were more likely to be attracted to a site's price, including bonuses and fast payout rates.

Mixed gamblers were most likely to report a better price, number of betting options and more enjoyable game experience as *advantages of Internet gambling*, while domestic gamblers were more likely to prefer the convenience of this mode of access. These findings suggest that offshore and mixed gamblers are attracted to the gambling experience provided by online sites, including betting options and better prices, but also prefer consumer protection measures. Domestic gamblers are influenced by advertising and the convenience of accessing online sites.

Offshore and mixed gamblers were more likely to report unreliable technology, the illegality of Internet gambling, difficulty verifying fairness and greater addictive potential of Internet gambling as *disadvantages* as compared to domestic Internet gamblers. This suggests that offshore sites are less reliable and have the potential for causing a range of problems and difficulties as compared to domestic sites.

In terms of *methods of payment used for online gambling*, domestic Internet gamblers were more likely to use bank transfers than offshore and mixed gamblers as well as BPay. Mixed and offshore gamblers were more likely than domestic gamblers to use debit cards (but not credit cards or pre-paid credit cards) as well as Poli and 'other' payment methods.

Offshore and mixed Internet gamblers had higher levels of problem gambling than domestic Internet gamblers, with no difference between the offshore and mixed groups. Mixed and offshore Internet gamblers were also significantly more likely to report that Internet gambling disrupted their sleeping and eating patterns than domestic gamblers. These findings indicate that gamblers who use offshore Internet sites are more likely to have gambling problems than gamblers who only use domestic sites. However, no causality can be implied as the problems may be related to land-based forms of gambling.

These findings give preliminary indications that gamblers who use offshore gambling sites differ from domestic Internet gamblers in terms of their demographic profiles as well as engagement with gambling. Further research is needed to evaluate the impact of using offshore gambling sites on the development and maintenance of gambling problems.

Estimated size of the illegal offshore wagering market

Information regarding expenditure, revenue, player participation and behaviour is very difficult to estimate. This difficulty largely stems from the lack of regulation and corresponding corporate responsibility of Internet gambling operators, the difficulty in determining the physical location of players, and the use of electronic fund transfers (Gainsbury & Wood, 2011). Furthermore, this market is so fluid and dynamic that any figures collected are limited to the particular context in which they were gathered, and such figures rapidly become obsolete. Therefore, caution is required in interpreting any information on Internet gambling with considerations given to the potential limitations of the data.

According to the independently verified Online Casino City there are 260 online casino sites, 12 poker sites, 30 bingo sites, 25 lottery sites, and 68 sportsbooks and racebooks (including betting exchanges) that use English language and accept play from Australia with Australian dollars as of November 2015. These figures are based on constant monitoring of online gambling sites, which are classified based on the primary mode of gambling offered, as many sites offer more than one type of gambling. It is important to note that the number of sites is not representative of market share (Gainsbury & Wood, 2011). These 395 sites represent a significant decline from the estimated 2,174 online gambling sites that were estimated to accept play from Australia in 2011 (Gainsbury & Wood, 2011), indicating that the offshore gambling market has substantially reduced. It is possible that the measurements used by Online Casino City have changed. However, this may be related to the greater regulation that has occurred for online gambling and requirement from governments and consumers that sites be regulated and respect international laws. It may also represent a greater consolidation of sites, with major operators taking over smaller sites, and consumer preference for larger and more established and reputable sites.

The potential impacts of illegal offshore wagering

It should not be assumed that illegal offshore wagering sites are unregulated. Most online gambling sites are regulated by at least one jurisdiction, although there is wide range of requirements for regulation. Many offshore wagering sites have high standards for consumer protection, in some cases more rigorous standards than Australian domestic online wagering sites.

However, it is difficult for consumers to identify where a gambling site is regulated (including for domestic sites). If consumers do use an offshore wagering site and have a complaint, there is little that can be done to assist the consumer who may be at risk of experiencing deception, fraud and unscrupulous practices.

Education and awareness initiatives that could be implemented to alert Australians to the risks associated with offshore gambling operators

An online survey completed by 10,838 online casino and poker players from 96 countries found that almost half of online gamblers did not know how well the industry was regulated (Gainsbury, Parke & Suhonen, 2013²). Similarly, less than one-tenth of Australian Internet gamblers reported that legality or a country a site is based in were important factors when choosing an Internet gambling site

² Gainsbury, S., Parke, J., & Suhonen, N. (2013). Attitudes towards Internet gambling: Perceptions of responsible gambling, consumer protection, and regulation of gambling sites. *Computers in Human Behavior*, 29, 235-245. DOI: 10.1016/j.chb.2012.08.010

(Gainsbury, Wood, Russell, Hing & Blaszczynski, 2012³). These findings suggest that further work is needed to assist Australians in understanding where online gambling sites are regulated.

Education and awareness initiatives could include establishing a 'regulated in Australia' brand that recognises Australian jurisdictions and legal domestic sites. The benefits of gambling on domestic sites must be communicated to consumers. Increasing the requirements for consumer protection and responsible gambling policies would increase the benefits offered to consumers for gambling on domestic sites.

Efficacy of approaches to protect the consumer

The provision of a responsible gambling environment refers to promoting and fostering gambling within an individual's affordable means for both time and money in a manner that does not produce any harm. The overarching aims of a responsible gambling framework for an online gambling provider is to promote informed attitudes and behaviours towards gambling, prevent the development of gambling problems, protect vulnerable and at-risk populations, and direct those affected by problem gambling to appropriate help and support services. Consequently, measures aim to impact players who need assistance, without unnecessarily disrupting or restricting play for all gamblers.

Responsible gambling strategies are necessary given the spectrum of gambling behaviours in the population, which range from recreational (healthy, no harms) to pathological (unhealthy, severe gambling-related harms). It is ultimately the individual customer's decision whether they will engage in gambling, and if so, how they will do this. Nonetheless, there is an increasing recognition amongst individual consumers, communities, and regulators that the gambling industry has a responsibility to provide appropriate harm minimisation strategies to reduce the risks associated with the consumption of its products, and to take active steps at all levels to minimise consequent harm (consumer protection) (Gainsbury, Blankers, Wilkinson, Schelleman-Offermans, & Cousijns, 2014⁴; Monaghan & Blaszczynski, 2010⁵).

There is little historic precedent on which regulators can base responsible gambling policies, and there is certainly no "gold standard" or proven effective policy which has been implemented internationally (Gainsbury & Wood, 2011⁶). Despite the association with gambling problems

³ Gainsbury, S., Wood, R., Russell, A., Hing, N., & Blaszczynski, A. (2012). A digital revolution: Comparison of demographic profiles, attitudes and gambling behaviour of Internet and non-Internet gamblers. *Computers in Human Behavior*, 28(4), 1388-1398. DOI: 10.1016/j.chb.2012.02.024

⁴ Gainsbury, S., Blankers, M., Wilkinson, C., Schelleman-Offermans, K., & Cousijns, J. (2014). Recommendations for international gambling harm-minimisation guidelines: Comparison with effective public health policy. *Journal of Gambling Studies*, 30, 771-788. DOI 10.1007/s10899-013-9389-2

⁵ Monaghan, S., & Blaszczynski, A. (2010). Impact of mode of display and message content of responsible gambling signs for electronic gaming machines on regular gamblers. *Journal of Gambling Studies*, 26(1), 67-88. DOI 10.1007/s10899-009-9150-z

⁶ Gainsbury, S., & Wood, R. (2011). Internet gambling policy in critical comparative perspective: The effectiveness of existing regulatory frameworks. *International Gambling Studies*, 11, 309-323. DOI:10.1080/14459795.2011.619553

(Gainsbury, 2015)⁷, *Internet gambling sites have the potential to provide a responsible environment.*

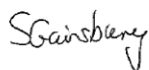
There is increasing consumer demand for greater responsible gambling measures to be implemented for online gambling sites. A survey of 10,865 Internet gamblers from 96 countries found that 63% of respondents reported there is 'some' or 'a lot of' need for improvements to responsible gambling features on Internet gambling sites (Gainsbury, Parke, & Suhonen, 2013).

However, the majority of responsible gambling measures currently used online are not based on empirical data demonstrating their effectiveness, but created on the face value of the presumed effect or extrapolated from strategies used for other forms of gambling, which also may lack empirical validity (Monaghan, 2009⁸). To effectively protect players from harm and comply with the intentions of responsible gambling policies, it is essential that the design of harm-minimisation strategies be based on theoretically sound principles and empirical support.

Examples of approaches that should be considered to protect consumers include:

- Increasing the visibility and prominence of responsible gambling tools, for example requiring customers to interact with limit setting features at registration and making these clearly available from user account pages.
- Messages and communications to alert customers to the responsible gambling tools. Messages can also be customised based on customer account activity.
- Online operators should be required to provide reports on the usage of mandated responsible gambling tools, such as expenditure limits and self-exclusion as a measure of how well these are promoted to customers.
- Customers should be able to set limits on their accounts, including time and money spent.
- Customers should be able to set temporary breaks in play for short periods (e.g., 24-48 hours) and at specific times (e.g., after 8pm on Friday evenings).
- A national self-exclusion program should be established to allow gamblers to exclude from all domestic online gambling sites easily.
- All customer-facing staff should be trained in identification, by phone or chat-line, of at-risk characteristics; and in the correct modes of response and of problem escalation.
- Customer accounts should be tracked with systems that require specific, logged, active intervention from the operator when player activity is identifiably abnormal.

Kind Regards,



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⁷ Gainsbury, S. (2015). Online Gambling Addiction: The relationship between Internet gambling and disordered gambling. *Current Addiction Reports*, 2(2), 185-193. DOI: 10.1007/s40429-015-0057-8

⁸ Monaghan, S. (2009) Responsible gambling strategies for Internet gambling: The theoretical and empirical base of using pop-up messages to encourage self-awareness. *Computers in Human Behavior*, 25(1), 202-207. DOI 10.1016/j.chb.2008.08.008