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SENATE

SELECT COMMITTEE ON INFORMATION TECHNOLOGIES

Reference: Online gambling in Australia

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SENATE

SELECT COMMITTEE ON INFORMATION TECHNOLOGIES

Wednesday, 10 November 1999

Members: Senator Ferris *(Chair)*, Senator Mark Bishop *(Deputy Chair)*, Senators Calvert, Harradine, Lundy, McGauran, Stott Despoja and Tierney

Senators in attendance: Senators Mark Bishop and Tierney

Terms of reference for the inquiry:

To inquire into:

a. the nature, extent and impact of online gambling in Australia;

b. the feasibility of controlling access to online gambling, especially by minors;

c. the adequacy of State and Territory regulations in relation to online gambling; and

d. the need for federal legislation.

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Committee met at 9.03 a.m.

ACTING CHAIR (Senator Mark Bishop)—I declare open this public hearing of the Senate Select Committee on Information Technologies and I welcome all witnesses appearing before us today. I apologise for the absence of the chair of the committee, Senator Ferris. Senator Ferris is overseas on parliamentary business and was due to be here today but her flight from the United States has been delayed due to the weather. She hopes to make the public hearing in Melbourne tomorrow. Today's hearing in Alice Springs is the third public hearing of the committee's inquiry into the nature, extent and impact of online gambling in Australia. The committee is particularly interested at this early stage in the industry's development to ensure that, if there is a need for regulatory intervention in the operations of the industry, these measures are put in place at the earliest opportunity.

[9.04 a.m.]

CLARK, Mr Tony, Acting Director, Legislative Services, Northern Territory Department of Industries and Business

CHAIR—I welcome our first witness, Mr Tony Clark. The committee prefers all evidence to be given in public. However, you may at any time request that your evidence or part of your evidence be given in private and the committee will consider any such request. I point out, however, that evidence taken in camera may subsequently be made public by order of the Senate. I also remind witnesses that the giving of false or misleading evidence may constitute a contempt of the parliament. The committee has before it submission No. 63, which has been published. Are there any alterations or additions that you wish to make to the submission at this stage?

Mr Clark—No.

ACTING CHAIR—I invite you to make an opening statement. At the conclusion of your remarks, we shall proceed to questions.

Mr Clark—On behalf of the Department of Industries and Business, I would like to thank you for the opportunity to present to you today. In broad terms, the submission that you have before you addresses the points. I will just make some points with regard to the following heads of inquiry. The first is in relation to the extent of online gambling. It is often suggested that online gambling seems to reside entirely in the Caribbean. I would suggest that this is, perhaps, a false premise and that it is wise to proceed on the basis that online gambling exists in one form or another in most countries in Europe. A number of industrialised countries have also signalled their intention to move into the area.

In relation to the second head of inquiry, which is the feasibility of controlling access by children, problem gamblers and others, I would probably rely in large part on the Productivity Commission's findings in its draft report on Australia's gambling industries. I shall also leave the details of that to later witnesses from Lasseters Online, Centrebet and others. In respect of the adequacy of state and territory legislation, the Department of Industries and Business licences perhaps three of the pre-eminent online gambling organisations, certainly in Australia—that is, Lasseters Online, Centrebet and International All Sports. We have developed a degree of expertise and experience in this area. We are certainly not claiming to be the world's experts—in many ways this experience points us more to the pitfalls to be avoided than necessarily throwing up solutions. I offer whatever assistance we can in the ongoing work of the committee; please do not hesitate to ask.

The final point, and perhaps the most important one, is the need for federal regulation. One of the difficulties in framing the submission was the absence of a case to meet in that it is unclear precisely for what reasons federal regulation would be required. So, I would be happy to explore any of those issues with the committee as we go. Thank you.

ACTING CHAIR—Thank you, Mr Clark. I have a number of issues I wish to raise with you, and I might start where you finished your comments. We have now had something in the order of 70 or 80 major submissions. Submissions have come from nearly all of the

industry participants, for want of a better description, and while they did not have a unanimous view, certainly the view coming out of Tasmania, Canberra, the hearing in Sydney and the strong suggestions from the Productivity Commission in terms of their published report and their evidence to us is that there is a cogent argument, if you like, for federal regulation. Basically, some of the arguments came down to this: that online gambling is a new, growing and developing industry. As you have said, there are a number of pitfalls for consumers, governments and players alike. They made the strong point to us that there is a need for uniformity of regulation, not particularly saying that it should be legislation, around Australia. That need derives from the desire of government, consumers and players alike that there should be probity and accountability in the operations of casinos in the online world.

They saw the developments in a number of states and territories in Australia, which had been licensed or regulated by the various states and territories, as giving a degree of certainty to consumers. Deriving from that they argued that if there was effective regulation, industry players in this country could build upon that and develop a brand name that consumers all around the world had confidence in. That could be used to grow the industry and attract new players and new investment because there would be that government oversight, that government regulation, that would give consumers and players alike safety—if you like, they were not going to be ripped off. So they said, in summary: government regulation is needed, it protects all of those who play, it gives guarantees to those who wish to be involved and from that government authorised brand name, if you like, the industry could grow and develop. The submission from the Northern Territory government is one of the few that has really argued quite strongly for a limited federal role. Would you care to comment on those arguments that I have put to you, which have been put to us by other players?

Mr Clark—Certainly. Firstly, I would suggest that a lot of the objectives that you have just cited are already achieved by state and territory laws. Obviously, the probity and integrity of the operators are of paramount concern. In relation to online gambling, the integrity and technical capacity of the system is another issue that is obviously of major importance. What the states and territories have done, particularly in the development of the draft national model, is actually seize the opportunity to use the technology to promote responsible gambling practices. The Internet gives us opportunities that are simply not available with physical world gaming gambling products.

In respect of regulation giving some confidence and security to players, we utterly endorse that; we take it very seriously. It also inspires government regulators because, perhaps, our reputation is just as much on the line as the operator in the event of any default. The point, I would suggest, that we may be making in our submission is just to explore what additional benefits would come from federal regulation, because a lot of the propositions that you have put, we would suggest, are already there by virtue of state and territory laws.

I am well aware of calls for federal regulation, particularly by operators and gambling commentators, but I am uncertain as to the reasons or the outcome for which they are argued. For online operators, it may will be that they are perhaps seeking access to a national market which they are currently unable to obtain, and they feel that federal regulation may give them this access. They may feel that they will have greater global

credibility if they are able to say they comply with the code of conduct of the Commonwealth of Australia rather than that of, say, the New South Wales or the Northern Territory, or whichever state or territory it is. Personally, I am unpersuaded that that is a necessary reason for federal regulation. I think those objectives are largely to be achieved.

In terms of access to a national market—and this has been one of the prompts for calls, particularly by gambling commentators, for federal regulation—it is difficult to see in what regard the federal government could actually resolve these matters. One of the calls for uniform or national regulation would assume that we would override, for example, a state like Western Australia, which has declared its intention not to allow Internet gambling. You would also, I presume, be overriding existing exclusive rights held by existing casino operators, which in turn could engender compensation claims. In short, I think that a lot of what the committee have argued is the objective of regulation is already there. I am uncertain they would necessarily be cured by federal regulation.

ACTING CHAIR—I am not so sure, Mr Clark, that the committee have argued for Commonwealth or state regulation, or for any form of regulation. We do not have a view, as such. All we are doing at this stage is taking evidence. I was putting to you the propositions that have been put to us by witnesses in other forums.

Mr Clark—Indeed; I appreciate that.

ACTING CHAIR—Indeed, I am sure we do not yet have a determined view on the need or otherwise for federal intervention. It has also been put to us that not only should there be a form of federal regulation but also there should be, essentially, a uniformity of regulation right around Australia. The uniformity of regulation argument derives from possible harm to the taxation base of the various states and territories and that in a commodity based industry, essentially where earning is derived from volume, if the states or territories are engaged in a competition to the bottom in terms of the take they are going to receive from institutions that are established in their sphere of authority, that is a harmful and unnecessary development. If there is one set of regulations, whether it be legislation, a code of conduct or a Commonwealth-state model, that would stop that development of a race to the bottom, thereby harming the tax base. Do the Northern Territory government have a view on that?

Mr Clark—It would probably be inappropriate for me to comment for the government. In terms of the actual dynamics of tax policy, it is probably more a question for Treasury officials. But, I could certainly indicate that the suggestion that there should be a uniform taxation level does cause some difficulty, particularly for the smaller states. I think it is probably appropriate that I mention some factors that would certainly be at play in relation to determining an appropriate tax rate. The first is to recognise that you are actually in a global market and, to the extent that tax is another cost on business, you will need to be globally competitive.

The second is to note, and I think this is also demonstrated by the Productivity Commission report, that the current market for online gambling is fairly small. As you will probably hear from other operators, the cost of establishment is quite significant; therefore, it can be very difficult to impose a very high rate of tax from the outset. The third factor that I

would probably point to is specific to the smaller states and territories. The cost of doing business in the Territory, regrettably, is higher than anywhere else. Therefore, the Territory has considered a tax differential to produce a level playing field, to more or less equalise the costs of doing business in the various states. This does cause difficulties, obviously, as to how a uniform tax base would necessarily support the national development of online gambling industries. I might add that this issue will arise in just about all forms of e-commerce—for example, Net auctions and Internet sales of liquor. You will be aware, I am sure, of online banking and a major national company doing business in one state that will do its banking in another state to avoid its FID duty. So these sorts of tax differentials between the states are common, I think, between most forms of business. Yes, gambling is certainly one example, but it would go across the board of e-commerce.

However, having said that, it is important to note that the Northern Territory does support the development of a national model, including the return of tax to state of origin. However, it would be difficult for us to agree to a uniform tax rate, which would effectively remove the Territory from the industry. Perhaps one of the ironies of the Productivity Commission's report is that the very sites that it praised in its report—that is, Lasseters and Centrebet—probably would not exist if we had to survive under a national, uniform tax rate.

ACTING CHAIR—So do you see the ability of the Northern Territory government to implement a differential tax rate, presumably a lower tax rate, as giving you a critical comparative advantage?

Mr Clark—As I just said, I am not so sure that it is a question of a critical comparative advantage; I think it has been developed more on the basis of providing a level playing field. The reason I think it has gotten some attention in recent times is because other states have announced a 50 per cent tax rate for online gambling.

ACTING CHAIR—Is that 50 per cent of turnover?

Mr Clark—It is 50 per cent of gross profit. I think it is important to note, as you will hear from the witnesses from Lasseters Online later today, that the development of this site was in train for several years. Therefore, costings and developments had to be determined very early. Eight per cent was a figure and, as I say, we need to be internationally competitive. About 10 per cent is the international tax benchmark, so that eight per cent was built in as we went along. The announcement of the 50 per cent tax rate only came in October last year. Obviously, it is a matter of judgment as to whether that is a sustainable tax rate, and it is obviously a matter of judgment as to how much online gambling will occur to actually recoup the significant investments these operators have made.

ACTING CHAIR—There are two other issues that have been raised with us which go to the security of information and access and privacy considerations. Increasingly, privacy considerations are a major concern right across the country. Can you tell us what measures the Northern Territory government has implemented to ensure there are absolute guarantees of security for consumers who use the service and what measures, if any, you have taken to protect the privacy of those consumers?

Mr Clark—In terms of the measures, it is difficult to be specific because a lot of the controls are contained in the actual approved control document that governs the operation of the various sites. It would obviously difficult for me to put that on the record.

ACTING CHAIR—Is that a public document?

Mr Clark—No, it is not. That is very much an internal document that governs the operation of the actual operator.

ACTING CHAIR—Who developed that document?

Mr Clark—The operator will develop the document, but it will be approved by the government regulators.

ACTING CHAIR—Are they developed by the operator itself, or are they developed consistent with public government guidelines?

Mr Clark—They have been developed consistent with what is called a security policy, developed by the department. I will speak particularly to the development of the Lasseters site; importantly, privacy has been an absolutely fundamental consideration in the development of this site. Another feature is that the government have worked in the beginning with Lasseters in formulating the controls, the objectives and the mechanisms to actually achieve these objectives. Lasseters will speak, I am sure, regarding encryption and various other methods that have been adopted to protect players' privacy. But, from a regulators point of view, privacy has created some interesting questions. It is actually one of the reasons we went towards requiring payment by cheque. One of the difficulties, particularly with the Privacy Act, in relation to banking is that you are not permitted to know that this bank account No. 1234 is actually in the name of Andrew Griffiths. Banks are not able to release that information. For that reason, we were reluctant to enable payment to be made to a nominated bank account, in terms of creating an environment conducive to money laundering and that sort of thing. We needed to know clearly that the person who was paid, who was receiving the money, was the person identified on our records or, more particularly, on Lasseters' records. That is one of the reasons that lay behind the insistence on payments by cheque.

Having said that, I suppose the next thing is to turn to wagering—that is, Centrebet and International All Sports and that sort of thing. One of the things about online gambling, as I am sure the committee have found, is that it is an area of rapid development. What we are doing is that, as we learn from one sphere, we are taking that over to the other side. I am able to indicate, I think, that we will be revisiting the regulation of our wagering operators later next year in the light of the experience we have learned with the development of the Lasseters site. So, hopefully, each time we can ratchet up the level of controls, probity and assessment as we learn as we go.

ACTING CHAIR—Going back to some of your earlier comments, Mr Clark, did I hear you say that the security and privacy guidelines were developed by Lasseters consistent with a model developed by the Northern Territory government but that they are not in the public domain, so to speak?

Mr Clark—They are not in the public domain. A number of the controls quite deliberately are not in the public domain.

ACTING CHAIR—Can you tell me what those controls are and why the Northern Territory government do not consider it appropriate that they be in the public domain? That intrigues me.

Mr Clark—To be fair, I think they are almost site specific requirements. One of the approaches we have taken is to look at the objectives we want the operators to achieve and to give them some flexibility in how they can actually get there. This is, perhaps, different from other states where they are quite prescriptive in the steps that must be followed in a technical sense to achieve these objectives. The reason we have done that is that we were acting on IT advice that this is an area of rapid change and that new innovations and solutions arise; therefore, we did not want to close ourselves off to those sorts of new innovations and be prescriptive in the technical requirements. Instead, we have set out a set of objectives that we expect the operator to meet. Our systems experts developed a security risk assessment model against which the Lasseters site was audited; in other words, our IT people presented a set of standards that Lasseters' auditors must show they can meet.

They are not in the public domain, perhaps for two reasons. The first is that we have found that whatever goes up on the Net is rapidly stolen, copied or whatever by other jurisdictions. We have put a lot of work into this, and I think it is probably a case that we are not necessarily going to just give it away. The second is obviously security itself. We have been very careful. For example, in the audit of the Lasseters site, no one audit team knew the whole system. Each auditor was tasked with assessing a different component of the network, and that may have been network security or it may have been game development. So we have been very conscious of the need to maintain absolute security. So that was another reason why we have not necessarily made public.

ACTING CHAIR—So you developed a set of objectives in conjunction with your IT people and Lasseters developed the necessary framework to implement those objectives. Those objectives are audited by Lasseters' auditors and there are different sets of auditors that look at different aspects of the framework. Is that a fair summary?

Mr Clark—It is a fair summary to the extent that one of the features we had was a fair degree of cooperation. One of the benefits of the Northern Territory operators is that they have the commitment to actually achieve these objectives. So it is not a case of a regulator trying to push them to get there. Lasseters was 100 per cent behind getting the best possible site it could, as we were. So there was a bit of an exchange of information. The end result, from the department's perspective, was that we developed a set of objectives they must meet, and we had our own IT auditors assess whether the site met that. At the same time, Lasseters had their own IT auditors and advisers advising them as to what steps they might take or what improvements they could make. It is also important to note that Lasseters is, as I said, 100 per cent behind this and they have quite freely, readily and with full encouragement developed new and improved ways of actually getting to these things.

ACTING CHAIR—Do the Northern Territory government have any agreements with Lasseters that state that Lasseters do not have to provide any information at all that is requested in the context of those guidelines?

Mr Clark—I am unaware of a specific requirement, but it certainly would be implicit in the regulatory regime that things such as the approved control of guidelines and manuals are not made public. It would absolutely breach the integrity of the site.

ACTING CHAIR—Not being made public is qualitatively different from not being made available to the regulator. Is everything that you might request required to be provided by Lasseters?

Mr Clark—Yes. There is no question about that. Part of the operators' agreement with Lasseters empowers the Director of Gaming to request any information from Lasseters on any aspect of the business. Failure to do so would see action taken against their licence. Another one of the attractions of the technology is that we can use the technology to audit itself. We can get independent data trails, independent audit trails and so on. We have an independent means of finding out if anything has been done to the site in an unauthorised manner.

ACTING CHAIR—Would the Northern Territory government be willing to provide the committee with a copy of its objectives, the protocols and the relevant audit reports? Could you take that on notice?

Mr Clark—Yes, I will take it on notice. Obviously, we will be happy to provide what we can, but I will take it on notice and liaise with your staff further on what is available.

ACTING CHAIR—That will be fine. Please advise us in writing of your willingness or otherwise to comply with the request. Turning now to the privacy aspect, what requirements has the Northern Territory government demanded of Lasseters to ensure that consumers' rights, particularly privacy rights, are protected?

Mr Clark—In short, we have insisted on IT best practice and in fact world's best practice. They were the standards against which Lasseters were assessed. They are also the standards to which they are expected to perform.

As I mentioned before, the Internet changes very quickly.One of the regulatory requirements we have imposed on Lasseters is an obligation to keep pace with technological development. That is not an option; it is a requirement. Fortunately our operators are 100 per cent behind this sort of objective, so there is no question that they will not be doing this. They will be required to adopt such things as digital certificates and other things, when and if they become available, and to apply them to the site. In terms of privacy, as I have mentioned before—and Lasseters will be able to give you much more detail on this—the actual control documents are built into the approval mechanism. Things such as full encryption, how the data is stored, where it is stored, who may have access to it, when Lasseters' staff may make manual adjustments between accounts, what audits must be done and the obligation for government inspectors to be present or not, depending on the

operation, are very detailed. These sorts of things are absolutely fundamental to the operational controls.

ACTING CHAIR—Does the Northern Territory government receive copies of those audit reports that go to privacy aspects?

Mr Clark—I am unaware of any audit reports that we have not received. To be honest, it is not an area that I have had to look at in the last six months. Again, I can make some inquiries and come back to you on that, but I would be surprised if there were reports that were not made available to us.

ACTING CHAIR—Can I conclude that there is no mandatory obligation to provide those reports to the Northern Territory government?

Mr Clark—It is important to be clear on what we are talking about here. The audit reports in respect of the development and the operation of the site are required to be given to the government. With such matters that go to the commercial operations of the online site, and to the extent that they do not go to the integrity, we would not insist on them as a matter of right, although we have the capacity as required.

ACTING CHAIR—What sorts of revenues does the Northern Territory government receive on an annual basis from online gambling sourced out of the Northern Territory?

Mr Clark—It is very small at this stage. Again, I will take it on notice and give you some precise data. It will be available from the Australian gambling statistics.

ACTING CHAIR—You would also have it from your Treasury department.

Mr Clark—Correct, but those are the same figures.

ACTING CHAIR—We would be interested in that information and your forecast for the next four or five years. Do you have a ballpark figure of how small that revenue is to government?

Mr Clark—I understand that it would be less than $1 million.

ACTING CHAIR—Do you have any idea of what the forecasts are?

Mr Clark—In respect of online gambling, there is a significant lack of hard data. There are a lot of forecasts as to what the possible extent could be; however, this in many ways turns upon the activities and the successes of the individual operator. We are fortunate in that with Lasseters, Centrebet and International All Sports we have three strong performers but, even so, I would not expect the revenue projections to climb exponentially over that period.

ACTING CHAIR—I will raise one final aspect before I hand over to Senator Tierney. It has been repeatedly put to us that a lot of consumers right around the world like to online gamble with government authorised, government approved and government regulated sites.

You have indicated that the position of the Northern Territory government is to encourage that development so business can grow in this part of the country. Unregulated sites are developing in the Caribbean, out of North America and in other parts of the world. Does the government of Northern Territory have any view on those? Are they a threat or of concern, or are they of no interest at all?

Mr Clark—No, they are not regarded as a threat. Obviously they exist in the global market, and they are there. We are concerned, I suppose, in respect of Northern Territory punters betting with those sites; however, we recognise that there are limited actions we can take to protect their interests. It probably goes to the more fundamental question of what we do with offshore sites generally. This is a difficult area.

There has been some suggestion that perhaps we should declare everything offshore illegal and develop some form of technical blocking or control. I do not think it is sustainable. Firstly, the three major UK bookmakers are all online. I understand that Ladbrokes are divesting themselves of physical properties and in December will launch a major online effort. The point I am trying to make is that there are certainly blue-ribbon sites out there that are well regulated, have a brand name and global recognition, and they will enter the market. We are probably of the view that to declare all sites illegal would simply invite retaliatory action from other countries.

ACTING CHAIR—I think the argument is that unregulated sites would be declared illegal and taken down, not so much the sites that are regulated, authorised or approved by the governments of their respective countries.

Mr Clark—That raises the question: what is a regulated site and what is an unregulated site? For example, we may take the view that a site in New Zealand will be a well-regulated site, and we may take the view that a site in a South Pacific island is a less regulated site, although it is probably adopting the same controls, restrictions and so on as is found in other countries. It becomes a slippery slope as to what an acceptable level of foreign regulation is—that therefore they are legal and can enter the country—and what would be illegal because of their lack of regulation.

ACTING CHAIR—Thank you, Mr Clark.

Senator TIERNEY—Originally you had three witnesses appearing from your department, including the Director of Gaming. We have explained our absences over here, and I wonder why there is one witness instead of three.

Mr Clark—Senator, I am completely unaware of those names having been put forward. In respect of the Director of Gaming, I think he returned from overseas only last week. To be honest, it would simply be speculation on my part as to why they are not here because I simply did not know they had been nominated to attend.

Senator TIERNEY—I will start from the same point that Senator Bishop started from regarding your belief that this is a matter best left to the states and territories, with the federal government staying out of it. Certainly gambling matters have been predominantly a state-territory concern, but I would like you to comment on the communication aspect of

what we are talking about, which does involve the Internet. Certainly the regulatory power, if any, rests with the federal government and not the state or territory government.

Mr Clark—Absolutely.

Senator TIERNEY—I am curious as to why you would claim that the federal government should not have a role, given our legislative powers over communications.

Mr Clark—Firstly, let me make it clear that there is no question about the federal government's power to enter the area. Apart from telecommunications power, there are the external affairs power and the corporations power—there are any number of heads of power that could be used. I think my comments were more directed as to what added benefit would come with federal regulation. In that sense, it is a little difficult because we are not quite sure that areas where states or territories are falling down would be able to be picked up by the federal government. I think my comments were more going to what added benefit the federal government could give in this area.

Senator TIERNEY—If you could come up with a system whereby states and territories operate totally in harmony without any federal overseeing you would be creating a first for this federation—obviously the whole transport system has been bedevilled by inconsistencies, and I could go through a whole range of other industries. One of the things that does bring them together is federal councils of ministers—where state, territory and federal ministers sit down and try to iron these out. We are at the start of a new industry so, instead of coming from a position where we have eight sets of regulations and trying to get them all to even up, it would seem a good opportunity at the start to get a uniform approach across the country, particularly as we are dealing with an international market as well. I wonder why you would not be convinced by such arguments.

Mr Clark—I have been in the fortunate position of being on the national working party on interactive gaming and the national working party looking at interactive wagering, which were set up by the Racing Ministers Conference. In large measure, there is uniformity across the states and territories. There is absolute insistence on probity, on certain control measures, integrity of systems and these sorts of things. Where we differ is in the usual area of tax. There are certainly some differences on the margins between, say, the legislation of Victoria, of Queensland and of the Northern Territory in respect of the implementation of the draft national model for interactive gaming, but they are very much on the margins. The core principles have been adopted by all states and territories.

Senator TIERNEY—Mr Clark, I put it to you that you are dealing with a technology that is evolving incredibly rapidly. Although you might have some sort of uniformity at this point, as we move through time and the technology starts changing dramatically—and the views of governments of different political persuasions also change—couldn't that spin out of control? Under your system, we could end up in 15 years time with very disparate systems across the country.

Mr Clark—Firstly, I fully endorse the proposition that technology is developing very rapidly and that this is opening up new opportunities. As a gambling regulator, I am quite concerned about the opportunities for free-to-air TV and data casting being used for

gambling, and that is entirely a matter within the sphere of the federal government. I am uncertain that the argument is sustainable that there is a risk in 10 or 15 years of a race to the bottom. I think what you are seeing is a race to the top. Each state and territory is trying to outdo itself in developing the best and strongest regulatory model.

Senator TIERNEY—Wouldn't it be better if we as a nation were trying to create an Australia brand name quality by having a totally consistent regulation system across all states and territories now and throughout time? Wouldn't that provide people who wanted to gamble from the international sphere with the opportunity to go to an Australian site provided it had some seal of approval, which I assume would be on the front page?

Mr Clark—You are probably quite correct there. I think what you would see on the front page would be the Coat of Arms of the Commonwealth of Australia.

Senator TIERNEY—And not a kangaroo, like on some Caribbean sites.

Mr Clark—Indeed, I am well aware of that site. If I could go back one step, I certainly endorse the view that there are benefits to be gained with so-called branding that 'this is an Australian regulated site'; however, I do think that that can be overstated. There is probably a fairly short time span in which it would have the impact that it has now. Again, I think any state or territory that wished to significantly walk away from the common set of standards and principles would damage its own credibility, its business and its reputation.

Senator TIERNEY—Like the Tasmanians have done, I assume.

Mr Clark—Yes.

Senator TIERNEY—I will turn to the example of Tasmania because I think it illustrates the point I am trying to make. The committee has heard that the Tasmanians already want to stray from the draft regulatory control model. They offer online gambling to the rest of Australia, but you cannot do it in Tasmania from a Tasmanian site. You are saying that Western Australia does not want it at all, and maybe South Australia wants to follow the Tasmanians. Doesn't it all start to fall apart then?

Mr Clark—Sure.

Senator TIERNEY—That is only one thing that has already surfaced. Other things will probably surface as time goes on.

Mr Clark—In respect of Tasmania, firstly the draft national model looks to the basic controls principles, and it looks to the integrity of the site. That is what the officials have developed and has been endorsed by governments. I think all states and territories are running with that model. The question of access of your own residence to the site is an interesting one. Strangely enough, Queensland, which is one of the states that is a major proponent of the model, has advised us that, even if we were all participants in the model, it could not allow an Internet casino to access the Queensland market by virtue of the current legal arrangements.

ACTING CHAIR—Would not or could not?

Mr Clark—Maybe it would not but my advice is that it could not.

ACTING CHAIR—Because of existing laws?

Mr Clark—Because of existing legal relationships in Queensland, exclusivity in particular. So your point is well made about Tasmanians not being able to access their site, in that it looks peculiar. Take Lasseters, for example. We have probably got one of the best regulated Internet casinos in the world. Most Australians cannot access it, yet they are quite free to access unregulated sites anywhere else on the globe. Tasmania is going to end up in the same position. We will have, arguably, a well-regulated site. Tasmanians are not able to access it, but they are able to access every other casino on the Net. It is a fairly nonsense position to end up with but, in respect of Tasmania, I understand that there were concerns expressed about the availability or extent of gambling already in Tasmania. I cannot really comment on that; that is a matter of judgment for those particular states.

Senator TIERNEY—There are a few of those concerns about New South Wales as well.

Mr Clark—Indeed. That largely is a political decision of government and not something that comes out of the model per se in terms of controls and integrity.

Senator TIERNEY—Moving to the international dimension, you mentioned Ladbrokes as a site with integrity setting up to compete. At the moment, the Northern Territory seems to have the jump on everyone as far as starting earlier and getting set up earlier. If other states of the United States come into this—Nevada, for example—and you have got Ladbrokes, can you see any way in which the Northern Territory could keep comparative advantage in some way in the international market? Or will you be swamped by the big guys from overseas? This might be just a bright spark for a few years.

Mr Clark—That is a very strong risk. We are certainly not afraid of competition. We welcome it in some respects. This is the commercial reality; it will occur with all forms of business in Australia, particularly commerce, as we go into the global market. We are small and we have very limited recognition. That is the way it is. In response to the question of whether we can we make any changes to improve our competitive advantage, to be honest none come to mind.

Senator TIERNEY—In the Australian market? If someone has a choice between doing this in the Northern Territory and with Ladbrokes, I assume there is a communication cost advantage.

Mr Clark—No, sir.

Senator TIERNEY—Not at all? On the Internet you can get it from overseas at the same price?

Mr Clark—At the same price. That is right.

Senator TIERNEY—Looking at the issue of barriers to entry for new players, we have seen the set-up here at Lasseters, which of course has cost millions of dollars to fulfil all the requirements of your regulations to have the thing operating properly. Seeing you are further down the track than anyone else, have there been other expressions of interest to set up here because you are the legal site at this stage?

Mr Clark—We receive them, if not on a daily basis, certainly several a week.

Senator TIERNEY—I assume people think they can run these things from home on a web site, do they?

Mr Clark—Correct. This is another important point to make. As I said before, we have imposed a positive obligation on Lasseters to keep pace with technical developments. In terms of your comment about barriers to entry to new entrants, one of the concerns that has been expressed is that it is just a plug and play operation: 'I just get a garage, plug my computer in and I'm away.' That is certainly not what the Northern Territory is interested in. You will have to have the resources to keep pace with developments and to grow as required. That can mean very deep pockets on the part of the operator. That being said, you will see that, at this stage, the Northern Territory has no intention of licensing another Internet casino in the very near future. I am unaware of any intention to license any additional sports bookmakers in the very near future.

Senator TIERNEY—If this system is established across Australia and a site could develop out of the Northern Territory, which is further ahead in its regulatory systems and procedures, you would not be knocking that back, would you?

Mr Clark—Obviously it would depend on the facts and circumstances.

Senator TIERNEY—And provided it was a legitimate operation.

Mr Clark—Absolutely so. If, say, a pre-eminent media mogul were to approach us, we may well consider it.

Senator TIERNEY—I was thinking along those lines.

Mr Clark—But at the same time, we have no intention of becoming a virtual Las Vegas.

Senator TIERNEY—Isn't there some danger of that if you set up a regime that has, perhaps, a better tax rate than what other states eventually set up? Wouldn't site owners then gravitate? You might actually become a Las Vegas; you are out in the desert.

Mr Clark—Quite candid, Senator.

Senator TIERNEY—It is very similar.

Mr Clark—Not really. I go back to the need to preserve your regulatory reputation. If we were to license any Tom, Dick or Harry who could flop over the probity line—

Senator TIERNEY—The Kerrys or the Ruperts, perhaps?

Mr Clark—It was not exactly who I had in mind but it could be any operator at all who could pass probity and demonstrate the thing. Say we had 200 operators. If they started falling over at two or three a week because they simply did not have the financial resources to go on, that would impact on our reputation.

Senator TIERNEY—Without putting too fine a point on it, there would be no barrier to the big players and the rest of the commercial sector of the country setting up? Provided they jump through all the hoops, of course.

Mr Clark—That is entirely a matter for government.

Senator TIERNEY—Your government, so indeed. I will turn now to the area of consumer protection and problem gamblers. When they moved card machines to hotels in New South Wales, they set up a particular fund to assist with problem gambling—counselling and other sorts of services. Do you have any similar set up in terms of taking off a certain segment of revenue for that particular purpose?

Mr Clark—Senator, we have a dedicated fund—the Community Benefit Fund. If I could perhaps interpret your question: do we have a percentage of the revenue from online gambling that is specifically dedicated to that fund? The answer at this stage is no. I might add that the future direction of the Community Benefit Fund is before the government at the moment, so it is very difficult for me to comment in detail.

Senator TIERNEY—So currently that is being paid out by horse racing and groups like that, is it?

Mr Clark—At the moment it is coming from a levy on poker machine operations—community gaming machine operations. But as a matter of principle I think there is some concern with hypothecation of revenue generally—that it is probably better that these funds be done by way of a transparent process through the orthodox budget process.

Senator TIERNEY—The danger of that is that it is then competing with roads, education and every other measure that governments take. Given that it would be very difficult to argue that you will not get a greater problem with problem gamblers with Internet gambling—it would be a brave person who would argue that, I think—surely there is a case to do what the New South Wales government did: admit that and then create a fund to assist.

Mr Clark—We have that fund.

Senator TIERNEY—Added from the revenue stream.

Mr Clark—Indeed. We have that fund in existence. The option of how that fund should be maintained is before government at the moment. Importantly, the Northern Territory government funds problem gambling organisations directly out of the budget stream. For example, Amity House, which is one that is linked to the Lasseters Online site, receives

some funding directly from the Northern Territory government rather than through the Community Benefit Fund.

Senator TIERNEY—If you do establish something like this, I would suggest you have a hard look at what they did in New South Wales. The way they set it up seemed to allow money to be syphoned out of that fund for all sorts of strange things that might have some community benefit but certainly did not have anything to do with problem gambling. They thought that there was a fund to do that job. As it turned out, it was a much smaller fund, so that is something your government might want to have a look at.

Also in the area of consumer protection, one of the things that disturbs a lot of people about this technology is that previously gambling has been kept to specific sites—in clubs, hotels and TABs and on racecourses—where there were obviously physical and visual barriers to minors getting access. What is disturbing about this technology is that it comes directly into the home. I would like you to comment on the protections for minors in your legislation and whether you consider them adequate.

Mr Clark—There are probably two facets to this answer. The first is whether the legislative requirement is strong enough. I think the answer is yes in the sense that they are directed not to do it, with a possible sanction against their licence if they do. The real question is whether the controls that are implemented are good enough. This again was one of our major problems and a major priority in developing the system. What we had to do was recognise the limitations that the Internet poses—the famous phrase, 'No-one knows you're a dog'—and that no-one knows you are a child at the end of the computer. We tried to develop a series of strategies to minimise the risk that a minor could gain access.

At the end of the day, given the nature of the Internet, I do not think you can ever be satisfied with what you have. Even when we get digital signatures as to the identity, location and age of the player, which will give us some comfort, there will still be the risk that that certificate has been either inappropriately obtained or inappropriately used.

Senator TIERNEY—Where somebody could take the elder brother's document and fax it back.

Mr Clark—Exactly. That was one of the main reasons we also went for payment by cheque. Because it is a personal not negotiable cheque, it can be cashed only in the bank account of the person who is registered.

Senator TIERNEY—It is the cheque for the establishment of the account, is it?

Mr Clark—No, this is the cheque out of the account. When, say, Lasseters wish to pay you your winnings or close the account, you gain that money through a personal not negotiable cheque.

Senator TIERNEY—Assuming you have won.

Mr Clark—Quite so. Senator, the short answer to your question is no, we are not satisfied and we never will be.

Senator TIERNEY—The sort of thing that could happen is someone who is a legitimate gambler in terms of age sets it all up, plays and then leaves it open, or it is an irresponsible 19-year-old who says to his 16-year-old brother, 'Hey, come and have a go at this,' and then he plays.

Mr Clark—Exactly, Senator, that is right. One of the things we required—and you will note that we are perhaps unique—is that we have insisted on filtering software being available from Lasseters' site. We have done all we can at this end, but at the end of the day, as with most Internet usage, it is probably going to lead to some changes to the way society works, community works and particularly families work in respect of access or exposure to these kinds of things—what you can get on the Internet.

Senator TIERNEY—When we set these sorts of things up in other areas in the past—and I remember clearly, even though it was 30-odd years ago, when they set up TABs—there were certain requirements. TABs had to be in a separate building, could not be near a hotel, had to have a lino floor so that they were not attractive venues, and with all these sorts of rules and conditions TABs went ahead. The idea was to stop SP bookmaking, I believe, which it had mixed success with. Now you find with these sorts of things, from set-up, the regulatory regime breaks down. I know you cannot guarantee what the regulatory regime will be in 20 years time but perhaps you can take on notice our concern that no matter how well you set it up now, in 10 years time it could be very different.

Mr Clark—If in 10 years time we do achieve that, I think we would probably welcome federal regulation.

ACTING CHAIR—Has the Northern Territory government received any complaints from consumers as to unsatisfactory service with respect to the online gambling deriving from the Northern Territory?

Mr Clark—Obviously we receive betting disputes, particularly in relation to the wagering operators, which basically say, 'I bet X on race Y and it didn't happen. I haven't been paid. What's going on?' These kinds of disputes arise quite regularly and they will also arise in respect of telephone betting. That is part of the reason why the regulator is there, to resolve these sorts of disputes. In terms of complaints in relation to access by children to these sites, I am aware that the Racing and Gaming Authority, as it used to be—it is now the Department of Industries and Business—has never received a complaint about access by children to the online site. At this stage, they are purely betting disputes, the usual run of the mill kind of thing.

ACTING CHAIR—So the only complaints the department has received go to betting disputes?

Mr Clark—That is correct.

ACTING CHAIR—Thank you very much, Mr Clark, for the evidence from the Northern Territory government. It has been much appreciated.

[10.07 a.m.]

BRIDGE, Mr Peter Edward, Chief Executive Officer, Lasseters Casino Pty Ltd

OHLSON, Mr David Andrew, Executive Manager Special Projects, Lasseters Online

PAFUMI, Mrs Joanne Marie, Group Manager, Corporate and Finance, The Rowland Company, for Lasseters Casino Pty Ltd

ACTING CHAIR—Welcome. The committee prefers all evidence to be given in public. However, you may at any time request that your evidence or part of your evidence be given in private and the committee will consider such a request. I point out, however, that evidence taken in camera may subsequently be made public by order of the Senate. I also remind witnesses that the giving of false or misleading evidence may constitute a contempt of the parliament. The committee has before it submission No. 29, which has been published. Are there any alterations or additions you wish to make to the submission at this stage?

Mr Bridge—No.

ACTING CHAIR—I invite you to make an opening statement and at the conclusion of your remarks we shall proceed to questions.

Mr Bridge—Thank you and good morning. Firstly, I would like to introduce my colleagues. As the Chief Executive of Lasseters, I will be pleased to answer any questions regarding the development of Lasseters Online as a corporate initiative and the recommendations in our submission. David Ohlson is the executive manager of special projects for Lasseters Online and will answer any questions on technology and operation of the site. Joanne Pafumi has consulted with Lasseters for almost two years. As the author of our submission, Joanne is available for any specific questions regarding that document.

During our evidence today, we ask the committee to appreciate that some of the information we will refer to is commercially sensitive. Therefore, in the interests of providing information for the public record, numerical information may be rounded out or ranges have been given. Essentially, our submission was lodged at the end of July. Lasseters Online has trebled since then. David and I would like to open by providing some up-to-date information regarding the site.

In summary, we have been very pleased with Lasseters Online following its launch seven months ago. It has proved to be an excellent new business venture for our company and a highly sought after competitive export service. As of 1 November 1999, Lasseters Online has attracted almost 16,000 players. Over 14 million games have been played and over $A18 million reported in turnover. These statistics are continuing to grow by more than 75 per cent per month.

Within the current financial year we expect Lasseters Online will contribute up to 37 per cent of the Lasseters group total revenue. Of our players, 86 per cent are international and the remainder are based in Australia, although you would be aware that no Australians residing outside our Northern Territory licence area can wager for cash. Overall, our players

come from 161 different countries—our map over there displays the global extent of the demand for online gambling. We have cash players from over 70 per cent of the countries shown there. Some of the names on this map represent one player. Others represent hundreds or even thousands of players. Although more than three-quarters of our players come from five countries, we believe that the broad reach we have across the world will be significant in the long-term growth of our company.

For a small casino in the centre of Australia, there is no way we would have attracted the range of clientele within a seven-month period without access to the Internet. For example, the number of players registered on our site is now greater than the number of adults on the Alice Springs electoral roll. We also believe the credibility we have gained by being fully regulated by the Northern Territory government has been a factor in our success. Quite simply, the Internet has opened an enormous new potential market for us. It is a market serviced by a highly competitive global industry. We have attended various international forums where this topic has been the focus. These included the Global Interactive Gaming Summit in Vancouver this year, which attracted 320 delegates from 26 countries including gaming operators, regulators, suppliers and developers. However, we are concerned that the level of responsibility accepted by operators of online gaming sites varies enormously throughout the world.

Proof of the ability of this industry to grow without regulation is illustrated by reports which estimate that between 1997 and 1998 the number of people gaming online more than doubled from 16.9 million to 14.5 million. At the same time—1997 to 1998—the revenues were estimated to rise from $300 million to $651 million. We believe that regulation of the industry is essential in order for the rights and interests of consumers to be protected. For this reason, we have supported the need for the federal involvement to establish benchmarks for Australian regulators of online gaming.

We have the opportunity to establish best practice in a growing industry and give players around the world a safe and trusted alternative in the Australian online gaming industry. In yesterday's edition of the *Herald Sun* newspaper—Tuesday, 9 November—there is an article concerning Tim Costello and the submission to this inquiry by the Interchurch Gambling Taskforce. I understand Mr Costello will be appearing before this committee later in the week in Melbourne. I have invited Mr Costello to Alice Springs and shown him through our site. The article states:

The submission recommends Internet:

GAMBLERS should be limited to betting $500 a month.

WINNERS should have cooling-off periods of 24 hours before resuming gambling.

CREDIT-card gambling be illegal.

GAME speeds be slowed to minimise rapid losses.

FEDERAL laws should control Internet gambling.

GAMBLERS must prove their age and identity with constant correspondence being sent to gamblers to reduce children using parents' details to register as gamblers.

I would like to point out that those recommendations are things that Lasseters Online comply with. We feel that our site currently complies with all those recommendations put by Mr Costello. I will now pass you over to David Ohlson.

ACTING CHAIR—Before you do, Mr Bridge: did Mr Costello say something there about credit card access?

Mr Bridge—Yes. He said that credit card gambling should be illegal.

ACTING CHAIR—But you do allow credit card gambling.

Mr Bridge—We allow funds to be transferred from credit cards onto our account.

Senator TIERNEY—That is right. You were just saying that you complied with all those things; but, of his recommendations, you actually do not comply with the crucial one.

Mr Bridge—We believe that people should be able to transfer funds into an account and use those funds—not where they use a credit card and continually draw down from it. We feel that transferring funds into an account—and that is a way of depositing funds into Lasseters' account—can be done by credit card as a form of e-commerce.

ACTING CHAIR—Thank you, Mr Bridge. Mr Ohlson, do you have an opening statement to make?

Mr Ohlson—Yes. While operating an online casino may appear mechanical and remote, it is a business like any other which is oriented around customer service. We have had a lot of interaction with our players. We have now logged more than 24,000 email contacts with them for support service or an online chat. This, combined with the statistics from our operation, gives us a fairly good profile of a Lasseters Online player.

Our players are more likely to be male, aged in their late thirties, play less than 15 times per month, and wager on average less than $4 on each game that they play. Our players prove that the Internet is not just the domain of the young. Young adults aged between 18 and 24 years account for only 11.2 per cent of all players. Interestingly, we have 221 players over the age of 70, with the oldest being John from Bouvet Island, who is 96 years of age.

The reasons why people play are many and varied but all relate to seeking a source of home based entertainment. They range from the British expat engineer living on mining sites in Thailand to the woman who is allergic to cigarette smoke, which prevents her from visiting traditional gaming outlets. We have even had a disabled American gentleman who has not been able to physically access casinos.

We acknowledge that problem gambling and the potential for online access by children are concerns within the community and this committee, and we share these concerns. For this reason, we have taken a responsible approach to establishing extensive registration procedures. Financial and operational controls within our system, which are designed to prevent access by minors, secure the privacy of information and limit the amount that players can deposit and therefore lose.

Privacy of information has been achieved by the use of 128-bit key encryption of information and comprehensive audit trails for privacy protection. All staff who can access information are required to satisfy probity checks by the Northern Territory government. To prevent access by minors, we encourage the use of child screening software, which is available from our site. Further to this, we request proof of identity and age.

To assist in reducing the risk of problem gambling, players may self-exclude themselves from our site. There is a monthly deposit limit of $500, and players may select personal weekly bet limits. In addition, there is a link provided to Amity House for those who may need further help, counselling or guidance. Our concern is that unregulated or illegal online gaming operators do not take the same precautions to protect the interests of players.

If online gaming were banned, legal operations would cease; however, illegal offshore operations that have little regard for the interests of players will continue to sell bets to Australians, with little regard for minors and problem gamblers. The government would have no control over these sites. By offering a legal, government approved online gaming operation, players' rights will be protected, community groups will have a say, and the government will be able to manage the direction of the industry through regulation.

ACTING CHAIR—Thank you, Mr Ohlson. Mrs Pafumi, do you have anything to add?

Mrs Pafumi—No, thank you.

ACTING CHAIR—Okay. I have a number of points I wish to raise with you, Mr Bridge. It is clear that you take considerable comfort from the degree of involvement, approval and regulation by the Northern Territory government, and you do not seek that to be diminished in any way. Is that correct?

Mr Bridge—Yes.

ACTING CHAIR—What role, if any, do you see for the Commonwealth in this developing area?

Mr Bridge—We believe the Commonwealth should be concerned with the outcomes of Internet gaming, and we would like to see a Commonwealth code of conduct put forward which would set a benchmark for all Australian casinos or gaming outlets to comply with. We would like this code of conduct to ensure that only gaming operators are licensed to a certain level of probity under state or territory legislation, that privacy of players and security of financial transactions were at a level to ensure that the gambling products offered were fair and that the odds were verified and tested. We would suggest that the code of conduct ensure that access was not allowed to children under the age of 18, that support services were available to people who were developing a gambling problem, that the staff employed by gaming operators had satisfied probity checks of the highest standard, and that some sort of dispute resolution is established which would be passed on to the states to monitor.

I would like to see the state and territory governments continue to regulate the licensees of online gaming in their jurisdictions. Some further roles we see for the federal government

would be to maintain a federal register of links or counselling services and to ensure that the various operations did hot link to those approved education sites.

I feel it is most important that steps be taken to ensure that sites registered for gambling operations under an ISP with a domain name ending with 'au' actually are Australian sites and that international operators do not trade off on Australian reputations by creating casino sites with the names like 'Casino Australia', 'Casino Star Online' or other examples of casinos we have seen operating which have names that infer they operate out of an Australian jurisdiction. We would see a federal role in that line.

A national register for problem gambling could be administered through this, and a person who had decided to exclude himself from one site could be excluded from a number of sites. Our submission goes on to identify that and other areas.

ACTING CHAIR—So the Commonwealth, presumably in consultation with the states, would develop this code of conduct, not dissimilar to the existing model, and the implementation of that code of conduct would be the prerogative of the various states or territories. Is that your basic argument?

Mr Bridge—That is the basic aim. I take Senator Tierney's earlier point that we have difficulty getting our transport system right, with all the different rail gauges around the country at the moment. If we could have a national code of conduct, it would enhance our reputation. Australia already has a very good reputation internationally for gaming services. A number of people come to our country specifically for gaming, and we should ensure that reputation is maintained.

ACTING CHAIR—A number of submissions have been put to us that there should be power in the Commonwealth providing for takedown of unregulated offshore sites. They say that if we are going to have some sort of regime in this country to license and regulate online gambling out of Australia, there should be a provision in the act authorising takedown of sites that are neither regulated nor controlled offshore and might have a dubious degree of propriety about them. Do you have a view on that?

Mr Bridge—I think the federal government has a role in education, to let people know what sites are available in Australia and whether sites which supposedly pertain to Australia are actually in Australia. I expressed concern about some of the sites currently operating that give the impression that they are operating out of Australia when they have no connection with us whatsoever. So I see an educational role. Any site which uses the words, say, 'Casino Australia' or has in their domain name the initials 'au', indicating that they are in Australia when in fact they are not, should be a matter for the federal authorities.

ACTING CHAIR—When you say a matter for the federal authorities, do you mean going past an education role?

Mr Bridge—Yes, a policing role for sites that trade off on our reputation.

ACTING CHAIR—And that would extend to takedown provisions?

Mr Bridge—Yes.

ACTING CHAIR—Where it is made illegal to access them?

Mr Bridge—Not for Australian citizens. I am sorry; I misunderstood the question. Are you saying that we should not be allowing citizens to access unauthorised sites?

ACTING CHAIR—Yes.

Mr Bridge—I believe that we should educate them as to the sites that are available to us and ensure that sites that pertain to be Australian are Australian sites—so a site that called itself Alice Springs Casino is actually located in Alice Springs Casino.

ACTING CHAIR—Let us just take for example a mythical site: the kangaroo site operating out of the Caribbean, licensed for $2 out of Venezuela—and there is nothing more known about that operation than what I have outlined to you. In that case, do you favour any action by the Commonwealth, apart from education and policing?

Mr Bridge—There should be some interference by ISPs to ensure that that site is not accessed by Australians or a banner that comes up saying that that is not an Australian site. I do not think we would have any jurisdiction over a site that is operating out of the Caribbean that says 'Caribbean casino'.

ACTING CHAIR—But for those who misrepresent their position, you would favour ISP takedown?

Mr Bridge—I would.

ACTING CHAIR—Has your company received any complaints from consumers or users of the online services, apart from issues of the quantum of the payout?

Mr Bridge—We have received complaints, but I will refer that to David if I can.

Mr Ohlson—The complaints are generally about misunderstanding how the Internet operates and delays outside of our control. For example, once a signal leaves Lasseters Online and goes over to Finland, there are hundreds of different computers in the way and there are different telecommunication networks. So a player may place a bet but it may be interfered with by the communications. So it is really a perception. As Mr Clark advised, with any gambling—and we have been in the industry for a long time—there are always different perceptions on bets placed. But in those situations where a problem is not resolved, it is referred to the Northern Territory government which independently make a decision and advise Lasseters of the appropriate action to take.

ACTING CHAIR—Last evening in our tour of your site you were discussing exclusions from your site by third parties. To what degree is that used by consumers?

Mr Ohlson—We are able to run a customer exclusions report. That is a report that is available on our system. We ran one last night. There are 32 people who have permanently

excluded themselves from Lasseters Online, and there is a total of 161 individual exclusions. When we say 161, that could include someone who has just excluded themselves for seven days. One thing which I think is very important to stress is that we are in the early days of online. A lot of people are very interested in our operation, particularly competitors in overseas countries, and they test the self-exclusion button. More data and more time are required so that those statistics become more solid.

ACTING CHAIR—Can you comment on measures you have taken to ensure privacy of customer information and security of e-commerce transactions? Could you just broadly outline the system to us?

Mr Ohlson—We use 128-byte encryption; that is, we encrypt every piece of information from our site that is customer sensitive—that involves details about the player. Briefly, how that works is: the first time you download the Lasseters' games anywhere in the world the encryption component comes down with the games. From then on, when you enter any details about yourself—your name, your credit cards, your address, where you want your cheques sent—it is fully encrypted. People can intercept messages on the Internet. So, yes, people can intercept these messages, but they are fully encrypted and would be absolutely meaningless to anyone who did.

Another measure we have in place is that you send your credit card only once and it is fully encrypted on our gaming server in the MIS room. The MIS room is a 24-hour, seven-day-a-week operation. We have monitoring sensors in the ceiling, the floor and the walls. We have security keypad access and total restriction to only a few members of Lasseters Online. Further to that, the credit cards are encrypted on the server and are not able to be viewed by any member or the management of Lasseters Online or the casino.

To access the computer room further and to get details of players, you need to have a licence and to have gone through probity by the Northern Territory government. So every person who can access general information about a player is required to undergo probity. Further to that, to access that information you need a password and an ID, and in all cases it is two passwords and two IDs—a password and an ID to access the computer and a password and an ID to access the information. The information is further restricted again depending on the level of management that you are within the organisation—the higher the level of management, the more access to information you have. Basically, the site has been set up on a need to know basis. Our first level operators can access only enough information for them to perform their task, and so on as we go through the levels of management.

ACTING CHAIR—A subject that gets raised from time to time is children having improper access to online gambling facilities—essentially, misrepresenting their parent's drivers licence or credit card details to get access to online gambling. Have you had any complaints from parents or adults of that sort of situation developing?

Mr Ohlson—We have had only one incident, and that was on 2 May 1999. A lady advised that her cousin had used her credit card details, had supplied other information about her and had used her Internet connection to deposit $50 at Lasseters Online. At Lasseters Online, it is very difficult, as Senator Tierney pointed out, for somebody to send somebody else's false ID through. It is the same as opening a bank account in Australia—if I

fraudulently had my passports, documents and everything else, I could open up a bank account. At Lasseters, we have put a number of measures in place—not just one measure. We do not just suddenly accept the age or the facsimile; we have other measures in place. For example, we auto email the owner of the account. In this case, that was able to advise the real owner that something was happening with their account.

The auto email advises all the transactions. The credit card account also comes up with Lasseters Online. Further, any cheques that are sent out are sent out in the name of the ID. If somebody handed somebody else's ID in as identification of age, it would automatically correspond—and we do definite checks on every single one—that the cheque is in that name as well; so there is no financial reward. In that case, the cousin found out the same day because of our email correspondence that is automatically sent out by the computer system. She advised the situation and we blocked the account. We returned the $50 to the owner of that account and permanently excluded the cousin from playing at our site.

ACTING CHAIR—I have one final question. Is online gambling in direct competition with land based casinos and gambling, or is it a new and different industry?

Mr Bridge—I believe that it will not replace the land based casinos. I think that people will always be looking for the glitz, glamour and social interaction that comes from an evening out and a social experience by attending an entertainment centre such as Lasseters.

ACTING CHAIR—So you see it as a new industry?

Mr Bridge—I see it as a new industry and a great export industry.

ACTING CHAIR—If this is not commercial-in-confidence, can you tell us what your revenue has been since you made the online service available?

Mr Bridge—That is commercially sensitive at this point. We have a turnover of about $18 million.

ACTING CHAIR—In what sort of period?

Mr Bridge—Seven months.

ACTING CHAIR—That is significant.

Senator TIERNEY—Mr Bridge, just a point of clarification. You mentioned earlier a code of conduct. In many of the communications industries there are codes of practice. Are we talking about the same thing, or is your code of conduct different from a code of practice?

Mr Bridge—I was talking about a code of conduct.

Senator TIERNEY—How does that differ from a code of practice?

Mr Bridge—The code of conduct, I would suggest, is a benchmark or level that people would need to establish and the practice is the carrying out of that.

Senator TIERNEY—Benchmarks are in codes of practice. I think we are probably talking about the same thing. Is this a Lasseters developed code or a Northern Territory government code?

Mr Bridge—I am suggesting that it should be a federal code. I am recommending a federal code of conduct or practice.

Senator TIERNEY—A number of the issues I am going to raise we covered informally when we did the demonstration last night, but I would now like to discuss them on the record. So you have had some practice at what I am likely to ask. I will just start with the differences in your position to that of Mr Clark, who felt—representing the Northern Territory government—that this should be totally a state-territory operation with no federal involvement. You have touched on this in part in your answers to Senator Bishop, but I would like you to clarify the essential reason why you differ from the government—being the main provider in this territory—on the role of the federal government in this matter.

Mr Bridge—There are a number of reasons. A commercial reason that comes to mind is that Australia has a great reputation, and we would like to build on the reputation of Australia as a well-regulated and professionally run gaming country. The credibility that comes from the word of Australia is important to us.

Senator TIERNEY—I would like turn to the issue of credit cards and limits. You have a $500 per month limit on this type of gambling. In our discussions last night you had not identified the socioeconomic demographics of the people who are online. If we can take what evidence we know of gamblers, particularly ones who go to clubs and pubs and use machines—the similar things that you are putting online—it tends to be the lower socioeconomic groups. One of the huge social problems developing in the country is how gambling exacerbates the problems of poverty. I put to you that $500 per month can, even as a limit, ruin quite a number of families. To have $500 a month you probably have to earn $700 a month after tax. That comes to about $8,500. That amount is actually a third of what the average person in this country earns. Would you agree that, even if people stay within your limits—given the socioeconomic demographics—this could quite easily ruin families if they keep gambling on these particular limits that you have established, modest though they are?

Mr Bridge—If you wish to, you can lower those limits before you enter the site. If we look at the Productivity Commission, we see that 98 per cent of the 82 per cent of the Australian population gambled last year and enjoyed that entertainment. Gaming in this country is a form of relaxation and entertainment. Whilst I appreciate that there is a small percentage of problem gamblers out there, I put to you that we do not ban motor vehicles because of the number of people who speed and drive irresponsibly on our roads.

Senator TIERNEY—I will just take up that point about there being a small percentage of problem gamblers. In earlier evidence in Sydney it was estimated that somewhere around one to two per cent of the population are problem gamblers. That is almost the population of

Tasmania. It is the population of a city the size of Newcastle—330,000 people. That is the problem gambler. That does not include the family. If you multiply that by four, you are up to over 1¼ million people, and now you are up to the size of Adelaide. Don't you think that it is a problem for the country if, on an equivalent basis, all the people of Adelaide are problem gamblers?

Mr Bridge—I see that as a problem for the entire gaming industry in this country, not necessarily just for the online industry. We have the opportunity with online gambling to put in some safeguards to protect those people. An example of that is shown on Lasseters sites.

Senator TIERNEY—Let us look at your industry as an add-on to the already extensive gambling industry in the country. You have a limit of $500 per month, but gamblers—and most certainly problem gamblers—who decide to gamble online are probably not just doing that; they are probably out in clubs and gambling on horse racing and that sort of thing. By allowing widespread online gambling, are we not exacerbating a huge gambling problem that we already have in this country?

Mr Bridge—Online gaming is already here. To our knowledge, there are around 400 online gaming casinos operating that Australians can access. We are advocating the regulation of online gaming and putting in some safeguards and consumer protection. Online gaming is not going to go away nor is the Internet. What we are suggesting here is a way to control and regulate it and ensure that the safeguards and consumer protection are available.

Senator TIERNEY—As I recall, they were the exact arguments for why we brought in TABs as opposed to the Wild West of SP bookies. They have spread right through the pubs and clubs, which has exacerbated our problem of gambling. My central proposition is still the same: if we add another form, we extend the usage, as was the case in New South Wales where the gambling turnover went from $7 billion to $11 billion in four years from 1995 to 1999, driven largely by extending access to gaming machines in clubs into pubs. Why that went up is probably that, instead of going to your local club, you could go to your local corner pub; so it was more accessible. Our huge concern with your industry is that, by allowing gambling in the home, there is a quantum leap in access, particularly for problem gamblers.

Mr Bridge—You have brought the parallel of TABs into it and the eradication, I suppose, of SP bookmakers. There were SP bookmakers all those years ago when TABs were brought in. A similar circumstance applies here today. Let me take that a step further by saying that I believe that the illegal casinos that operated in Kings Cross 25 years ago are not there now because we introduced legal and regulated opportunities at Star City, for arguments sake.

Senator TIERNEY—Mr Ohlson, you put forward that online gambling can have a social benefit in the sense of people who have restricted access and cannot get to clubs and pubs. Maybe they are disabled or have agoraphobia—there may be all sorts of reasons why they do not want to go out. I would concede that, but would you concede that there is a danger—particularly for people who have a lot of time on their hands—that some exciting things like online gambling could encourage, particularly for poor sections of the community, a delightful form of entertainment but one that may impoverish them a lot further?

Mr Ohlson—From my experience in the gaming industry people either have a propensity to have a gambling problem or they do not—much like alcoholics. People either have a propensity to be an alcoholic or they do not. We believe that the Internet is here and we believe that online gaming is here—regulated or not. Unregulated online gaming is out there. We admit that there are opportunities there for problem gambling. We admit that there are minors out there whom we must protect ourselves from. The new technology, if used correctly under government regulation, will reduce that problem occurring and keep it to an absolute minimum. By banning it or not having appropriate legislation in place, that problem will continue but without any guidance from government or from experienced gaming operators. We feel that that is far more dangerous than allowing fully regulated and controlled environments.

Senator TIERNEY—Turning to the problem of access for under-18-year-olds, earlier you mentioned various checks you have put on this, including electoral roll checks. That establishes a reasonable level of certainty, with the systems you have in place, that the person is over 18. Could I put a situation to you which could become quite common. A 19-year-old would have the ability to legally establish an account and run it. He might say to his 16-year-old brother: 'Come and have a game of this with me.' They both sit down at the machine and they both play. Or maybe the 19-year-old does not want to do that, but once the account is open and operating he goes off and does something else and the 16-year-old brother comes in and operates it. There is absolutely no way, when it is in the home, of preventing any of that, is there? So we do have a problem with underage access.

Mr Ohlson—I think we need to look at two issues here. If we just say that we must ban it because this thing may occur, it is going to happen anyway. We do not believe, given our experience—and we have spent millions of dollars in development—that you will be able to effectively stop illegal online gaming. That situation can occur with or without a regulated online casino.

Senator TIERNEY—Not in the home, though. You have to go down to a pub, club, racecourse or whatever.

Mr Ohlson—Yes. But if you just say that we should ban online gaming in Australia, there are 250 sites I can dial into now and play online gaming from within Australia. I do not think you can prevent access to those sites, from a technical perspective. What we are trying to offer is a regulated environment. Coming back to the scenario that you put forward, we believe education is the key. In a situation like that, there are still parents in the home. There needs to be an education process.

Senator TIERNEY—You hope. They are probably down at the club.

Mr Ohlson—I think it comes back to the responsibility of the parents and the family unit as a whole. There must be education—and that does not apply just to online gambling. There are sex sites and other more inappropriate sites on the Internet. It comes back to education, and the Australian federal government has a role to educate people—particularly new people coming on the Internet. At present, people who use the Internet tend to be more affluent, because of the cost of Internet connection and computers. Over time this will

change and it will be more accessible to blue-collar workers and the lower end. But an education process will reduce the number of problems occurring.

Senator TIERNEY—Do you reckon?

Mr Ohlson—Absolutely.

Senator TIERNEY—I have seen this in a number of areas relating to the Internet; not just this. That is always put up, and it sounds terrific. But the reality is: how do you educate young curious people away from an interesting site like gambling? All the education in the world will not have any effect on that at all.

Mr Ohlson—Probably the best thing I could do is to use my personal example. I have three children at home, and I am in that awful position where I have to dial up and check all the games out on-site. I work in a gambling environment, and my children see me playing—it looks like—on slot machines and blackjack. I use that opportunity to educate them. I cannot say it is wrong, because I have been working in the gambling industry since I was 18. I tell them that gambling should be used responsibly as a form of entertainment, not as an opportunity to make money, and I believe they will grow up being responsible. And that is the sort of education that needs to take place.

Senator TIERNEY—As I indicated before, we have at least 300,000 problem gamblers in the country. When New South Wales moved from clubs to pubs, they set up a special fund for people with an addiction to gambling, to assist them with that problem. Earlier, Mr Clark indicated that that is not the case in the Northern Territory. He was arguing that if you did set up something like that, you should do it from general revenue. If you do that, of course, it competes with roads, schools and everything else. Could you provide Lasseters' attitude to this? Given that you make so much money from this, what possible argument is there against dedicating some of that income stream to assisting the increasing numbers of problem gamblers that will obviously be generated from Internet betting?

Mr Bridge—I will just touch on something Mr Clark raised. The community benefit allowance was introduced into the Northern Territory on, I think, 1 January 1996, when community machines were first allowed in pubs and clubs. That takes a percentage of poker machine revenue, as we heard, and it goes towards a community fund which assists a number of organisations including Amity House and, I believe, Anglicare. To my knowledge, that fund is approaching $3 million in the Northern Territory authority's hands, and that is set up to assist those people.

Additionally, there has been a report into gaming in the Northern Territory, conducted by Otto Alder, which I believe is currently before parliament. Lasseters had some input into that report, and we suggested in our submission that we would be prepared to put a percentage of our gaming revenue towards assisting online and problem gamblers that the government would nominate. That is currently before cabinet. I am not sure of the status of those recommendations, but Lasseters have suggested that we would prepared to assist as part of the community—along with the lottos, horse racing, casinos, poker machines and scratchies.

Furthermore, Lasseters have contributed to a number of initiatives of Amity House, which is the counselling service in the Northern Territory. We paid for their web site, which is linked to our web site, and we have given a number of donations to them—whenever they have requested it. Similarly, we have gone out of our way to assist Anglicare in the Northern Territory to assist problem gamblers.

In summary, we believe that if you are part of the problem you should be part of the solution, and Lasseters is prepared to go down that track.

Senator TIERNEY—Absolutely. Could you clarify whether any of the revenue stream for Internet gambling on the Lasseters site goes to any funds currently, or is this all still awaiting cabinet approval?

Mr Bridge—Of its own initiative—not through any government program?

Senator TIERNEY—I assume there is not currently a government one that would tap into your online gambling site.

Mr Bridge—My understanding is that it is currently before cabinet. While we are awaiting that, we are continuing to provide assistance on a private basis, upon request.

Senator TIERNEY—What percentage of revenue would that represent?

Mr Bridge—Currently or proposed?

Senator TIERNEY—Currently.

Mr Bridge—I would not know, but—

Senator TIERNEY—Could you take that on notice?

Mr Bridge—I will take it on notice, yes.

Senator TIERNEY—Thank you. I have one final question, and it is one in which we may have a common interest: the stopping or restriction of, as far as possible, the operation of illegal sites. Have you got any suggestions, through state, territory or federal legislation, where or in what way the impact of illegal sites could be lessened?

Mr Ohlson—I think the best way to look at it is to view what has happened with traditional casinos. Before they arrived in Australia, there was backyard illegal gambling. It was happening, it was underground, and there was no taxation. There were problems occurring. What happens, though, when a regulated casino opens up, is that people move away from those sites to the regulated sites. The best method of stopping the proliferation of online gambling outside of Australia that cannot be controlled, and you are not sure if the decks are correct, is to have regulated gaming. If you have a regulated gaming alternative that the people know they can trust, such as Star City, Crown or any other casino in Australia—that is checked by an independent state or territory body—people will gravitate to them.

What will happen in that case is that the current 250 or 300 illegal casinos will start to move away and become less appealing. I do not believe that someone in Australia would intentionally play at a site other than a fully regulated site in Australia, if they were aware of it.

Senator TIERNEY—But they could more easily fool people, couldn't they? They could put up something that looks like a coat of arms of Australia, or they could call themselves 'Lisseters' or some other slight variation on your name and people think they are gambling with you but they are not.

Mr Ohlson—They could. But it comes back to having a federal point that can endorse each site in Australia. I believe it comes back to education again, where we say, 'These are the sites that have been approved in Australia and they are run under full regulation.' It is an education process. It may be the case that it can come from a federal perspective.

ACTING CHAIR—Thank you, Mr Bridge, Mr Ohlson and Ms Pafumi, for your evidence this morning. It has been most useful.

Proceedings suspended from 10.55 a.m. to 11.15 a.m.

RAINBIRD, Mr Mark David, General Manager, Sportsbet Australia

ACTING CHAIR—Welcome. Would you please tell the committee the capacity in which you appear today.

Mr Rainbird—I am the General Manager of Sportsbet Australia and also the General Manager of the parent company, Consolidated Gaming Corporation, which is a publicly listed company.

ACTING CHAIR—The committee prefers all evidence to be given in public. However, you may at any time request that your evidence or part of your evidence be given in private and the committee will consider any such request. I point out, however, that evidence taken in camera may subsequently be made public by order of the Senate. I also remind you that the giving of false or misleading evidence may constitute a contempt of the parliament. The committee does not have a submission before it, and I now invite you to make an opening statement. At the conclusion of your remarks, we shall proceed to questions.

Mr Rainbird—By way of background, Consolidated Gaming Corporation entered into an option to acquire the business of Sportsbet Australia in April this year. After the appropriate regulatory requirements of the Northern Territory government were satisfied, we took over the business in late August and have effectively been running it for some small period of time. We acquired the smallest by far of the three licensees in the Northern Territory, and the business at this stage is telephone betting only. It is much smaller in the scale of operations than either Centrebet or International All Sports. The company is in the midst of a very considerable investment program, part of which will include going online early in the new year.

Firstly, I would like to apologise that the company did not make a submission to the committee prior to this, but we thought it inappropriate in a circumstance where we were undergoing probity investigations by the Northern Territory government to make public comment on the sorts of matters that the committee is investigating. That has now been rectified and we are licensed. I suppose that we can offer the committee two perspectives. The first is as an effective new entrant in the industry and the efforts we are making to face and deal with the sorts of issues that have come before the committee with regard to problem gambling and related matters. One of the key issues in committing shareholders' funds to this business was actually the regulatory environment in which those funds were going to be expended. I think that is a second perspective that we can offer to the committee.

The management and board of Consolidated Gaming have had considerable experience in the gaming and wagering industry over many years. I think that, collectively, we are certainly of the opinion that in the Northern Territory we have met the highest quality of administration of gaming and wagering regulations that we have ever encountered. I think it would be fair to say that, in our collective business experience, it is rare that we have found a situation where the regulation is actually assisting the proper commercial development of our business. That, then, leads to our observations on the need for federal regulation. We see that there is certainly merit in the arguments that have been put forward for federal

regulation, particularly in terms of uniformity. But, taking a purely commercial, selfish perspective—and I will not apologise for that—our concern is that the introduction of any federal regulation may lead to almost a lowest common denominator effect and compromise what we perceive as a very narrow window of opportunity to establish our operations and capitalise on what we see as a significant commercial opportunity. Thank you. I am happy to take any questions.

ACTING CHAIR—Thank you, Mr Rainbird. Can you comment on how you intend to develop the online gambling aspect of your business?

Mr Rainbird—We are taking a multiphase approach. The business we inherited was, effectively, a traditional bookmaker business. We have had to install, and are in the process of doing so, the appropriate accounting systems and the appropriate betting risk management systems and that, effectively, is reinventing the telephone betting business. That is virtually complete. The second phase of the investment is taking that business online, and we are just entering that phase of the development of the business. We have engaged commercial web development companies to assist us in that process, and we are obviously heavily involved in discussions with the Northern Territory government as approval of those systems is required before we can go online.

ACTING CHAIR—When that system is up and running, will you be going down the path of wagering purely online?

Mr Rainbird—Yes, we will.

ACTING CHAIR—In what sporting areas?

Mr Rainbird—The traditional focus of the business has been Australian sports, and that is the position we have inherited. Certainly, for the first half of next year, that will continue to be our focus. But we see the long-term future of the business as definitely in international markets, particularly in East Asia.

ACTING CHAIR—International markets in East Asia in respect of which sports?

Mr Rainbird—I think it is probably fair to say that one of the more popular sports for gambling in East Asia is European soccer.

ACTING CHAIR—That is just a straight-out wager at odds?

Mr Rainbird—That is correct.

ACTING CHAIR—When digital TV finally comes to pass in this country it will bring together two great Australian passions: sports and gambling. Do you see digital TV having any impact on online gambling in Australia?

Mr Rainbird—Certainly. I think that, inevitably, the distinction between the two will blur, but how far into the future that is I am really not in a position to form any view on at this point in time.

ACTING CHAIR—Would it necessarily lead down the path of interactive gambling?

Mr Rainbird—I am not sure about necessarily, but I think that would be the commercially desirable outcome.

ACTING CHAIR—Do you see any untoward social consequences deriving from the penetration, essentially, into every Australian home of interactive gambling?

Mr Rainbird—There are certainly risks and potential harm associated with that, yes.

ACTING CHAIR—What are those risks and harms that you have identified?

Mr Rainbird—I think they are the sorts of things that have already come to the committee's attention—the problems associated with potentially uncontrolled access by minors and an ability for people to engage in wagering on a more impulsive basis than is perhaps currently the case.

ACTING CHAIR—Do you think there is a need or justification for a form of government regulation in the industry of interactive digital TV betting as it develops?

Mr Rainbird—Absolutely.

ACTING CHAIR—You do not have a problem with that?

Mr Rainbird—None whatsoever.

ACTING CHAIR—What are the demographics of the market that will be attracted to that form of wagering? Is it across the board or from particular subsets?

Mr Rainbird—To be honest, Senator, that is a question we are struggling with even in the context of our own potential Internet operations, and even in our traditional sports betting operations. Identifying the demographics of someone who engages in sports betting is very difficult; it crosses a whole lot of boundaries. I suppose it depends on what sport we are talking about and what context and what time. One observation I can make is that, in pursuing the records of the business we have acquired and its customer base since 1983—Sportsbet was in fact the first legalised sports betting operation in Australia—we have had two female customers since 1983.

ACTING CHAIR—Only two?

Mr Rainbird—That is correct, which we found quite an interesting statistic. It may be a reflection on the former operator of the business—I do not know. But certainly there is a very strong male predominance of wagering customers, at least in the business we have acquired. Whether that will continue to be the case, I suspect not.

ACTING CHAIR—Even now in your phone betting service, is your customer base still so strongly male?

Mr Rainbird—Yes, it is.

ACTING CHAIR—Do you regard the regulation of online gambling in the Northern Territory as adequate? Can it be improved in any way?

Mr Rainbird—As we are engaged in the process at the moment, it is a little difficult to form definitive conclusions. We found that the guidance we received from the Northern Territory government was very clear—and I use the word guidance advisedly, rather than direction. It was made very clear to us at the first meeting we attended with the government before we acquired the business that we should look at the Lasseters site—I do not mean the physical site; I mean the Internet site—and that if we were not prepared to commit the funds to emulate the sorts of safeguards that were put in place there we might as well not bother continuing with discussions. That has been the general approach that the government have adopted, and it is one that we have been very happy to try to comply with.

ACTING CHAIR—So, as your telephone betting develops further and you shift over to online wagering and the like, is your market going to be predominantly overseas based?

Mr Rainbird—We would hope so in the medium term.

ACTING CHAIR—In the medium term, and basically in East Asia. Are you planning to go into the United States or Europe?

Mr Rainbird—That will largely be driven by the product offering that we make. We have no desire to refuse bets from any of those jurisdictions. Certainly in the short to medium term our product offering would not be such that it is likely to attract customers from the United States. It may attract customers from Europe.

ACTING CHAIR—A number of witnesses have said to us that the imprimatur of the regulator, whether it be the Northern Territory government, the Tasmanian government or other state governments, has been an important aspect of them being able to market their site in terms of security, privacy, safety and probity, all of those sorts of things. Does your organisation share that view?

Mr Rainbird—Very firmly, Senator. That was one of the reasons why we decided to invest in the Northern Territory.

ACTING CHAIR—So you do not seek that the government role in terms of regulator, licenser and auditor be diminished in any way?

Mr Rainbird—No, none whatsoever. As a general matter of policy, we would see a firm regulation as a commercial benefit to our company and we are more than happy to comply with and adhere to that regulation.

ACTING CHAIR—Do you have any feedback from your customers on that angle?

Mr Rainbird—None that I can directly point to. We have a relatively small proportion of international customers whom we have inherited from the prior business. Indirect evidence

would suggest that they do see merit in placing the wagers in the jurisdiction where they know they are going to be paid.

ACTING CHAIR—Do you see online gambling—online wagering may be more appropriate—as an extension of traditional phone betting and phone accounts and the like?

Mr Rainbird—It is a new business operation but it is not divorced from the phone betting operation. It is partially driven by customer preference. Some customers simply are more comfortable with phone betting as a function of habit. So there will be a customer crossover, but we also see the opportunity in Internet betting to attract a whole new class of customer, particularly international, where a phone betting operation simply could not get that form of penetration.

Senator TIERNEY—We have had some conflicting evidence this morning on who should be regulating all of this. The previous two witnesses took different views and the Northern Territory government thought it should do it with no federal intervention at all. Lasseters was very much of the view that there should be federal regulation so that the Australian brand on probity could be established over the whole system. You seem to be taking a different view from them as an operator in the market. Would you explain why perhaps Lasseters takes the view that there should be federal regulation and you take the view that there should not be?

Mr Rainbird—Perhaps we are coming at it from different stages of the evolution of our businesses. I am just taking a very short-term pragmatic view that the regulatory environment in which we find ourselves in the Northern Territory, from our collective management experience, is an excellent one. There may be a policy position that is perfectly justifiable for federal regulation. Our concern is that if that were to occur in the short term it may inhibit our ability to take advantage of the commercial opportunity we have. I suppose I am taking a selfish short-term view of the issue.

Senator TIERNEY—Wouldn't a selfish long-term view be that, if you are competing in the Asian market with various Asian businesses that may or may not be honest and that have government regulations that may or may not work, Australia might stand out like a beacon? Surely, if you are betting you want to be paid? If we are a safe site, that gives us a high comparative advantage, does it not, in the long term?

Mr Rainbird—Yes, there is certainly merit in that argument. I think, though, that there is a reasonably high degree of visibility of the Territory as that safe environment as it now stands.

Senator TIERNEY—One of the concerns that has been expressed with us going on the Internet is that there is a quantum leap in accessibility over normal betting at the TAB or down the club or the pub as it comes right into the home. It was refreshing to hear you candidly admit all that, unlike the TAB in New South Wales. You said that there will be more problem gambling, but do you think that your industry has any responsibility to perhaps try to ameliorate some of the problems that are created for society by the expansion of your industry via the Internet?

Mr Rainbird—Absolutely.

Senator TIERNEY—What form do you think that should take?

Mr Rainbird—I think we have an obligation at several levels. At the practical level of the delivery of the service, we need to ensure that we have safeguards in place to minimise the possibility of those abuses occurring—and I think minimise is as strong as you can put it. At a secondary and perhaps more policy level, we have an obligation—and I think our company would accept it—to fund social bodies that can address those problems in a manner that we directly cannot do.

Senator TIERNEY—How do you think that funding should occur? What should the involvement of your company be in that funding?

Mr Rainbird—I have heard the evidence this morning. We would, out of our turnover, support the establishment of any fund by the Northern Territory government or support existing funds of the Northern Territory government. We have no particular problem with that. Obviously, we have to strike an appropriate funding rate—and, to be honest, we have not given that a great deal of thought to this point in time. We have been more concerned, I suppose, with the first level of harm minimisation. I believe it is a matter that is better regulated at an immediate community level rather than something that is necessarily regulated at a national level.

Senator TIERNEY—Pre-Internet, you would obviously have problem gamblers involved with your business. Do you contribute to any fund to assist with those?

Mr Rainbird—In the 10 weeks that we have had the business, no, we have not.

Senator TIERNEY—I am sorry. I thought you were coming out of a—

Mr Rainbird—No.

Senator TIERNEY—So you are a new player?

Mr Rainbird—Absolutely. In the inquiries that I have been able to make about the former operations of the business that we acquired, which has been running since 1983—

Senator TIERNEY—That is what I am talking about—that business.

Mr Rainbird—There was one instance of under-age gambling and a handful, is the best I can say, of—

Senator TIERNEY—One instance they know of.

Mr Rainbird—One instance that has been brought to their attention. Since 1983, somewhere between five and 10 instances of problem gambling came to their attention.

ACTING CHAIR—Mr Rainbird, thank you for your evidence. It has been useful.

[11.34 a.m.]

MILLER, Mr Michael John, Business Development Manager, Centrebet

MORGAN, Mr Piers Bradley, General Manager, Gaming and Wagering Development, Jupiters Ltd

ACTING CHAIR—For the *Hansard* record, would you please state the capacity in which you appear today.

Mr Morgan—I am the General Manager, Gaming and Wagering Development, for Jupiters Ltd, Queensland. Jupiters Ltd owns Centrebet Pty Ltd.

Mr Miller—I am the Business Development Manager at Centrebet and have been for the last 2½ years.

ACTING CHAIR—The committee prefers all evidence to be given in public. However, you may at any time request that your evidence or part of your evidence be given in private and the committee will consider any such request. I point out, however, that evidence taken in camera may subsequently be made public by order of the Senate. I also remind witnesses that the giving of false or misleading evidence may constitute a contempt of the parliament. The committee does not have a submission before it. I now invite you to make an opening statement, and at the conclusion of your remarks we shall proceed to questions.

Mr Morgan—Centrebet was founded in 1992 by an Alice Springs bookmaker, Terry Lillis, who sold the business to Jupiters Ltd in November 1998. The business is based in Alice Springs. Jupiters Ltd is one of the major listed gaming stocks in Australia, with a market capitalisation in excess of $700 million. The acquisition of Centrebet was in line with its strategy to diversify away from its traditional business of casino gaming, where it has interests in three of the four licensed casinos in Queensland. Jupiters also operates keno through approximately 820 clubs, hotels and TAB outlets in Queensland, and is one of the six active licensed monitoring operators in the Queensland market. Jupiters currently has an on-market bid in progress for AWA Ltd.

Turning to Centrebet, Centrebet has one of the three sports betting licences in the Northern Territory. It has developed into one of the leading sports betting organisations in Australia, if not the world. The turnover in the last financial year exceeded $100 million. Centrebet's core business is sports betting. Prior to July 1996 all bets were taken by either telephone or fax. From that time, Centrebet launched its web site and began to access a wider market through the Internet. Our web site, www.centrebet.com, has been the catalyst for rapid growth since then. A racing section was started in September 1997. It takes bets on major metropolitan and some provincial meetings in New South Wales, Victoria, Queensland and South Australia.

Centrebet's major markets a year ago were Australia, USA and northern Europe. In late 1997 Centrebet launched a Danish web site and during 1998 launched web sites in Norwegian, Swedish and Finnish. Following Jupiter's acquisition of Centrebet, the USA clientele were informed that Centrebet would no longer accept bets from them due to our

concerns regarding the uncertainty of USA legislation regulating Internet gaming and its applicability to offshore operators and their major shareholders. Notwithstanding the loss of a major growth market, Centrebet continues to experience significant growth in the number of new clients and volume of business. Today Centrebet has in excess of 30,000 clients from over 80 countries. Bets are taken on all major Australian and international sports, on some country-specific sports and on non-sporting events, such as certain Australian elections.

ACTING CHAIR—Did you bet on the republic?

Mr Morgan—No.

Mr Miller—We did. We lost money on it unfortunately.

Mr Morgan—The web site operates in four foreign languages, and bank account facilities exist in six foreign currencies. Since acquiring the business, Jupiters has strengthened Centrebet's management and operational staff. There are now about 35 permanent and 25 casual employees, supporting a 24-hour, seven-day-a-week betting operation. Jupiters has also invested heavily in new technology. In the current financial year, a new generation betting system will be implemented to cope with the growth rate which is expected to be well in excess of conventional businesses. In addition, we are soon to launch a new web site which will update our existing web site, which is about three years old.

The difficulties of recruiting skilled staff in Alice Springs and accessing all the services required for a rapidly growing international business should not be underestimated. The advantages of operating in the Northern Territory, which include a competitive wagering tax rate for sports betting and business orientated regulators—and I endorse Mark Rainbird's comments earlier about the regulators in the Northern Territory—are required to offset the disadvantages of remaining in Alice Springs.

Centrebet's future growth will largely come from offshore markets as the potential for growth is significantly greater than the highly restricted and uncompetitive domestic market. Opportunities for international growth are very exciting. The expansion of televised sport, coupled with the penetration of the Internet, is creating new markets around the globe and, to a much lesser extent, in Australia. Centrebet is seeking to capitalise on those opportunities through the rapid growth of Centrebet's client base without compromising the integrity of the company and by ensuring that clients are able to gamble safely and responsibly.

In light of the Productivity Commission's recent draft report, Centrebet is re-evaluating the adequacy of its safeguards to protect problem gamblers. The incidence of problems are presumed to be much lower in sports betting than in other types of Internet gambling due to the irregular frequency of sporting events and the need for skill and knowledge of specific sports in order to pick winners. Notwithstanding this, Centrebet's next generation of software will incorporate additional measures to afford potential problem gamblers with more safeguards if required. Centrebet recognises the advantages offered by operating in well-regulated jurisdictions such as the Northern Territory.

Australia has a window of opportunity to gain an early mover advantage in international markets and to do so responsibly. The Australian model of engagement and regulation of

online gaming is being increasingly recognised internationally as the preferable way to deal with this newly emerging but rapidly growing area of e-commerce. Placing excessive restrictions, or indeed prohibitions, on consumers and operators of online gaming in Australia will not in our view be effective. At worst, it would only drive both groups offshore, potentially depriving consumers of an ability to access safe and well-regulated domestic operators and governments of a growing source of tax revenue.

Centrebet supports the establishment of bodies such as OLGA, the Online Gambling Association of Australia, to provide industry accredited recognition of licensed and responsible online operators from Australia and to work with governments to retain Australia's leading position in this area of e-commerce, recognising the need for a balance between social obligations and the need to remain viable in a highly competitive international marketplace.

Mr Miller—I do not have anything to add to that.

ACTING CHAIR—Can I take it from your comments, Mr Morgan, that you anticipate a significant proportion of future growth coming from online gambling and online wagering?

Mr Morgan—That is correct.

ACTING CHAIR—Can you give us some sort of idea of the figures that you anticipate—in a ballpark sense—in terms of growth?

Mr Miller—Yes. In terms of geography we expect to recruit somewhere between three per cent and five per cent of our future new clients from within Australia and the remaining 95 per cent to 97 per cent from offshore. In terms of growth rate, our business is restricted at the moment only by the capacity of our hardware and software, but we would expect to grow at a rate well in excess of 150 per cent to 200 per cent per annum over the next two to five years. It is a bit hard to look beyond that.

ACTING CHAIR—Are those figures per year or in the aggregate of the years?

Mr Miller—Per year.

ACTING CHAIR—Every operator—and there must be now a dozen or 15—that has come before us in the three or four days of public hearings has said that 80 per cent plus of their growth is going to come from offshore as they develop markets in the rest of the world. Why is it that your company, operating out of Queensland or Alice Springs, and others operating out of Tasmania and other parts of this country, can access such huge growth in Asia, western Europe and North America apparently without significant domestic competition in those countries? Is that a fair conclusion?

Mr Miller—Yes, that is a fair question. There are a number of reasons for that. I should stress that Centrebet is only looking at Europe; we do not have any plans for North America or Asia. We do not see those as potential good markets for us in the short to medium term. In most European countries there is a culture of gambling that is well-established over many decades. We are able to tap into that because there is a growing number of people who are

now online who were not five years ago, and also because the service we offer and the product we offer at the price we offer it is extremely competitive in those markets.

ACTING CHAIR—So you are essentially undercutting on price; is that accurate?

Mr Miller—We are competitive on price. Occasionally we are undercutting because in some countries we are only competing with a single government owned monopoly betting organisation. I should add, too, that our level of customer service is perceived in the marketplace as among the best, and the significance of that probably should not be underestimated.

ACTING CHAIR—Does that mean you have a good name as a safe gambling operator?

Mr Miller—Absolutely. There are a lot of what are called chat groups on the Internet these days, where people can dial in and record their comments. We do not seem to attract much negative comment in those groups compared with the large amount of positive comment that we get. I am sure that will diminish over time as competitors become more professional and more powerful, but in the meantime we have a strong first mover advantage that we really need to capitalise on.

ACTING CHAIR—What are the demographics of your customers in northern Europe? Are they male or female, young or old, across the board, or can't you analyse?

Mr Miller—Around 97 per cent to 98 per cent are male. The typical age demographic is in the 20s and going into the 30s, but older ages are represented as well. But, because all of our clients there are Internet clients, there is a natural skewing of the age demographic down to the lower end.

ACTING CHAIR—I presume they are more towards the middle to high income earners than towards the low income earners?

Mr Miller—No, it appears not. The average bet there is 20, 30 or 40 krona, which is $5, $6 or $10, and quite often those people are placing only one bet a week. Just looking at their occupations and so on, it does not appear as though they come from a high socioeconomic group as a rule. I should add that it is the same in Australia.

ACTING CHAIR—Is the Internet wagering any different in principle to traditional telephone betting?

Mr Miller—No. It is telephone betting, really. It is data coming down a telephone line instead of a voice, I guess, so we regard them as the same.

ACTING CHAIR—The markets that you are developing in these northern European countries are obviously new markets for you, but are they additional wagering markets per se, or are they just another subsector of those traditionally attracted to wagering?

Mr Miller—It is hard to say. They are a new market for us, but I think the majority of them have accounts with one or more other online sports bookmakers, typically a European

one and sometimes an Australian one. A lot of them seem to be taking their allegiance away from their national betting company towards companies like ours. They are in small numbers, but we are chipping away slowly.

ACTING CHAIR—Do you receive complaints from users of your product?

Mr Miller—Yes; every day.

ACTING CHAIR—What do those complaints go to?

Mr Miller—Sorry, what was the question?

ACTING CHAIR—What is the nature of those complaints that you receive from consumers?

Mr Miller—Just about everything you can imagine: the web site is too slow to download; they put some money in our account using telephone banking 20 minutes ago and why was it not registered in their betting account yet; why did they ring our free phone number in Finland and not get an instant response from someone there—just the usual course of business complaints, I guess. We get plenty of positive comment as well, I should add.

ACTING CHAIR—Have you had any complaints from parents as to minors improperly using your facility or accessing their parents' credit card details and the like?

Mr Miller—Yes. That is quite funny, actually, because we sat everyone around yesterday and tried to remember the cases that we had had. We came up with two in seven years of business, which I think explains why we were surprised to see gambling by minors as such an issue for this inquiry. It is not something that we have really experienced.

The first case was a 16-year-old boy who accessed his father's telephone account with Centrebet and basically impersonated him and conducted a credit card transaction using his father's credit card. It was a successful transaction; he won some money off us. His father got the credit card bill. He rang us and said, 'What the hell is this?' We said, 'You placed a bet with us a couple of weeks ago.' He said, 'I bloody well didn't,' and then the attention turned to his son. He made his son refund the winnings to us, which I think the kid was pretty upset about.

The other instance was also reasonably innocent. We got a call a few months ago from a guy who had just turned 18, and he said that as a 17-year-old, he had opened his account deliberately against our rules but without our knowledge. He wanted to own up and set the record straight because now that he was 18 he wanted to continue to operate as a Centrebet betting account. Those are honestly the only two instances of gambling by minors that we have experienced in just on seven years in business. If gambling by minors is an issue for this inquiry, I would have to suggest that, based on experience, it is less of an issue in relation to sports betting as it might be to some other forms of online gambling.

ACTING CHAIR—When digital television comes into being in Australia, do you anticipate that that will have any impact on online gambling?

Mr Miller—It will certainly have some. We offer live betting during games now, and we have done so for a couple of years. Our experience is that people would prefer to enjoy the game rather than, say, to split their screen and have our prices up there and place a bet on who might score the next try or the next goal. We tend to experience more online betting through, say, a five-day test match, where someone might perceive the game's turning and that the other team might have a chance. They will have a bet during the game.

But when it is a 90-minute soccer game or a footy game, we offer a pretty good facility now where they can phone us or log onto the Internet and have a bet while still watching the game—and they do not do that in significant numbers. So I think digital TV would make it easier to conduct live or interactive betting, but we do not see it providing a great surge in business, because people prefer to watch the game.

Senator TIERNEY—Back to Senator Bishop's first point. What odds did you offer on the republic going down in all states as well as right across the country?

Mr Miller—I am just trying to recall. They were pretty generous odds. It was about $3.40 I think.

ACTING CHAIR—For $1?

Mr Miller—Yes.

Senator TIERNEY—That would be a good bet to take, wouldn't it?

Mr Miller—In fact, we had a woman on the phone complaining that the Victorian result should bloody well be known by now so that we could pay her out.

Senator TIERNEY—Well, it was touch and go there, wasn't it! I want to ask about Jupiter's expansion. You did indicate that they were diversifying. I am just wondering about their interest up here, given that online gambling regulations are pretty much in place in Queensland, I understand. Why wouldn't they run an operation like yours out of Queensland? The question is: what is the attraction of doing it out of here?

Mr Morgan—When the decision was taken to look at sports betting, we looked at all potential operators, and indeed all the jurisdictions in Australia and New Zealand. We made a decision that this area of business was growing quite quickly and it would be preferable to acquire a business rather than to try to start it and grow organically. The attraction of the Northern Territory was twofold really. Firstly, the Territory was well-regulated and had a long history of sports betting. Secondly, Centrebet was the largest operator in Australia and, following discussions, it was for sale and it was a good opportunity to acquire the business. At the time that we entered into these negotiations—which is now 2½ years ago—the regulations in Queensland were not in place. There were no operators there that we would have wanted to acquire anyway.

Senator TIERNEY—Mr Miller, you gave some indication of the demographics, I assume of the European group you were talking about. Earlier witnesses have not been able to give us any indication of demographics, so could you just explain a little further what

your figures have shown, particularly in relation to the socioeconomic group of people who are betting?

Mr Miller—Do you mean in terms of the spread across different socioeconomic groups, or the ages?

Senator TIERNEY—Socioeconomic groups.

Mr Miller—There is some element of guesswork on our part there, but when we look at the occupations of people who sign up, they are just as likely to be a service station attendant, a clerk, or an assistant in a bookstore as they are to be in a position that you might regard as higher up the scale. Countering that is the fact that in the Scandinavian markets, which are our predominant offshore markets, there is a very constricted scale of pay, where a 17-year-old starting work at McDonald's is on a pay rate of about $56,000. A person in middle management in the company next door might be on $85,000. They are both subject to very high direct and indirect tax rates as well. So there is this incredible compressing. As soon as you get to the executive level, the $80,000, $90,000 or $100,000 becomes $200,000, $300,000 or $500,000. It is a pretty bizarre set-up, but it seems to work. So even though the jobs may be regarded as lower scale and at the lower socioeconomic end, they are still on reasonable incomes by Australian standards—

Senator TIERNEY—Maybe not on reasonable net incomes, after tax.

Mr Miller—Yes; net incomes stink for 80 per cent of the population.

Senator TIERNEY—If you just go by occupation, is it showing that it is predominantly lower status jobs and relatively lower incomes?

Mr Miller—Lower and middle, yes.

Senator TIERNEY—Why do people bet with you from Europe? What is the attraction of betting on the other side of the world, out in the middle of the desert, compared with doing it somewhere in Europe?

Mr Miller—I think there are probably at least three issues there. One is if they are betting on the Internet, which they all are with us, it is as quick and as easy as betting with their national sports betting company in their own country or with one of our competitors, which might be based in Austria or Belgium. Because of the speed of the Internet, they can download our pages in, say, 14 seconds. They can download pages from the next country or the next building in 12 seconds, so we are as quickly accessible as anybody.

Secondly, we offer betting on all of the sports that they are interested in, including their domestic soccer and ice hockey competitions and sports like handball, which Australians are not very familiar with. In fact, we held a quarter of a million dollars Australian on the women's world handball final last year, and we are looking forward to it coming up again next month. It is funny: the first bet we took this year on the AFL championship for 2000 was a 20 Norwegian krona bet on the West Coast Eagles. We had a good laugh about that.

The other thing is that we have Scandinavianised that side of our business to a fairly significant degree. We provide support in those languages, by telephone and by email. We have an online banking service in those countries, so there is no cost to them to transfer funds to our business. We have online pamphlets which explain how the business goes, and the entire web site is duplicated in all of those languages as well. So the experience for them is close to being as smooth as it would be when dealing with a domestic operator, totally run by people in their country.

Senator TIERNEY—What was the attraction in doing that, given that you have got some slightly different cultural problems, different sports, and certainly a language barrier problem, as opposed to, say, going to English speaking countries?

Mr Miller—The driving factor was the level and speed of Internet take-up in those countries. In the three countries that we have targeted, the level of access to the Internet is in excess of 40 per cent in each, compared with barely 20 per cent in Australia and less than 0.01 per cent in most countries in Asia or South America.

There are a number of other issues that we feed into our thinking, such as their familiarity with and ability to access electronic banking facilities, so that fund transfers are easy. The things that we bet on, like sport, need to be fairly widely available on TV and cable. There also needs to be some sort of betting culture existent within that country. There are a lot of First World countries where there is no betting culture at all. So a lot of factors feed into that decision making process and the ranking of those countries in order of their attractiveness.

Senator TIERNEY—I hear what you say on the high take-up rate of the Internet, but the populations of those countries are relatively small. They are all smaller than Australia, for example. Wouldn't a country like Great Britain be more attractive to you, or are there other competitive factors that create problems for you there?

Mr Miller—Mainly other competitive factors. There is a high street betting shop culture in Britain. Also, the level of Internet take-up in Britain was incredibly slow until late last year. It is also difficult to differentiate ourselves in Britain, being an Australian company. It is much easier to differentiate ourselves within other Northern European countries.

Senator TIERNEY—Just back on the demographics, you did mention—and I think you were referring to just the Internet gambling—that the male-female demographic was 98 per cent male. Is that out of whack with the demographic for betting generally? Is there something peculiar about Internet betting that creates that demographic?

Mr Miller—Internet betting has dramatically increased the number of females who are doing business with us. Prior to the introduction of the Internet, I think Centrebet had something like 12,000 or 15,000 clients, and there would not have been half a dozen of those who were female. I originally come from New Zealand, so I am not sure what cultural factors in Australia are fed into that. Plenty of females bet in New Zealand. Maybe sports betting has been a male thing and it is just starting to change now.

Senator TIERNEY—So it is low traditionally, but the Internet is making it a little more balanced even though it is still a fair bit out?

Mr Miller—There is a long way to go, but we are attracting more female clients, say, from the Scandinavian countries than we ever would have attracted as a proportion of new clients amongst Australians.

Senator TIERNEY—You mentioned in terms of consumer issues that you had a 17 year old who enrolled. What was it in your procedures that did not pick up that he was under 18?

Mr Miller—We did not require proof of his date of birth; we just required him to sign a form attesting to the fact that he had attained the age of 18 years.

Senator TIERNEY—So you do not have checks in place like Lasseters has where they do a roll check?

Mr Miller—We do not for Australian clients. We have been considering it for about a year, but it is an enormous barrier to signing up new clients. The other issue is that we have been driven by how much people have tried to defraud us in the past; we have not been driven by trying to protect ourselves or trying to protect minors from betting with us. Where we have experienced people who have given us false identities or tried to conduct credit card transactions with stolen cards or with their own card and then subsequently tried to repudiate it, those have all come from offshore. We have never really had any trouble with Australian clients. For our offshore clients, we require two forms of ID when they sign up. We require a copy—a photocopy or a faxed copy—of both sides of any credit cards that they plan to use and we require a copy of some photographic form of ID such as a driver's licence or a passport. As I say, we have not been driven by trying to keep minors out; we have been driven by trying to keep scammers out.

Senator TIERNEY—But, surely, if you did develop a social obligation to try to keep minors out, photographic IDs are not very safe, in the sense that they could just borrow their elder brother's? We would not expect you to check the roll of the Dominican Republic, for example, but it is relatively easy to check the roll in Australia—it is all on disk.

Mr Miller—Actually, I was not aware of that. I was going to try to ask somebody today if there was some form of government record.

Senator TIERNEY—I think the technical problem that you might still have is that the disk is not available commercially. It is available to us.

Mr Miller—Put it this way: if a database like that were accessible to us we would love to use it, and we would not have any problems with using it, because it would help our business as well. At the moment when we are trying to establish ID, people have to go through this procedure of faxing or mailing things to us, and when we get them we are still not 100 per cent sure that they have not been tampered with or faked. We would love to have an efficient way of establishing ID, within Australia and elsewhere.

Senator TIERNEY—There might be some blind system that could be set up where it would come back to you that the ID was okay, not giving you the actual disk but going through a third party. That is something that we should perhaps have a look at to make that task easier. But, despite that problem, Lasseters do actually check the roll.

Mr Miller—We have never had a problem with that so we have not really even needed to think about addressing it. I am sure that, if there were a large number of minors conducting betting with us, sooner or later the fact would become obvious to their parents. It just has not happened.

Senator TIERNEY—When Senator Bishop was discussing merging technologies, you did not think the split screen effect and being able to access the Internet site with your television while you are watching a game would be particularly attractive. I found that a bit curious. I would have thought that watching the game going on and having the chance of pulling up on the screen a little side screen and then betting—and you were even indicating that you can bet as the game goes on—would be a very attractive thing to do.

Mr Miller—One of the things that digital TV will do is put the person in the armchair in the role of the director of the program as well. So, say, at a footy game there will be nine cameras. You will be able to decide which camera view you are viewing on the TV at the time. You will also be able to push another button which will, say, replay the last 30 seconds of play in the match. I think that all those other exciting options for the sports viewing fan would make having a bet pretty boring and distracting. That is my personal view. One of the things that might promote more betting is the fact that a person will not need a computer to access the Internet when digital TV is available. But, for the next few years, the cost of digital TV is going to be a hell of a lot more than buying a computer, so I do not think it is going to be a huge issue in the next few years.

Senator TIERNEY—But it will compete eventually.

Mr Morgan—I note that at the moment, because we bet live through games, it is possible for people to simply sit in their armchair and use a telephone to contact us and place their bets. So, in terms of the mechanism and the availability, it is not really that much different from what will happen when digital TV is there. They do not tend to do it, for the reasons that Mike was mentioning earlier.

Mr Miller—As a further point, from next year web-enabled mobile phones will be widely available in Australia and in colour, so people will be able to sit there with their mobile phone and see the prices on our Internet site and place a bet, with or without digital TV. Some people around the world can do that already. So we do not see it as having a huge impact on betting.

ACTING CHAIR—Thank you, Mr Morgan and Mr Miller, for coming along and giving your evidence today. The committee now stands adjourned.

Committee adjourned at 12.09 p.m.