



Offshore online wagering – what do we know?

Online gambling is regulated under the Interactive Gambling Act 2001 which states that it is an offence to offer an interactive gambling service to an Australian customer. Racing and sports betting are exempt from this prohibition, as are online lotteries while online gaming machines, poker and other casino games are prohibited.

Importantly, while it is an offence for a gambling operator to offer these games to Australians, it is not an offence for Australians to participate in these games.

Concerns have been raised about offshore online gambling, which includes both gambling on prohibited products and gambling on wagering and lotteries with providers who are not licenced in Australia.

Opportunities to gamble offshore

It has been argued that offshore online gambling has become increasingly common and that there are many opportunities for Australians to gamble offshore. The Australian Wagering Council recently cited figures suggesting there are an 'estimated 2,233 offshore gambling sites providing services to Australians in contravention of Australian laws'.¹ However, foundation in-house research suggests the number of sites that will accept payment in Australian dollars and in English is relatively small, at 466.²

Most of these sites offer products such as poker and online gaming machines. Although these sites are not regulated in Australia, they are unlikely to be totally unregulated. For example, 83 of these sites are located in the United Kingdom and will be regulated under British law.³

The number of sites offering offshore wagering products is even smaller. There were only 66 websites offering offshore wagering in Australian dollars and in English, of which 24 were providers licenced in Australia.⁴ It is also notable that in a review of a sample of these sites by the foundation, most that were not in Australia did not offer odds on Australian sports such as AFL, or on Australian horse races.

Are Australians gambling with offshore sites?

What we know about spend

In 2010, the Department of Broadband, Communications and the Digital Economy (DBCDE) estimated \$1 billion was being spent on offshore sites.⁵ There is some ambiguity about whether this figure includes online wagering, or is confined to online gaming machines and casino games. The figure has been incorrectly cited as expenditure of \$1 billion on offshore wagering alone when it's likely the figure refers to either all forms of online gambling or, more

¹ Australian Wagering Council (2015) *Submission to Federal Government Tax Discussion Paper*, May 2015

² Online Casino City (2015) "Online Casino City: Your guide to gambling excitement", retrieved from <http://online.casinocity.com/> accessed 9 November 2015.

³ Online Casino City (2015) "Online Casino City: Your guide to gambling excitement", retrieved from <http://online.casinocity.com/> accessed 9 November 2015.

⁴ Online Casino City (2015) "Online sportsbooks and racebooks", retrieved from <http://online.casinocity.com/sportsbooks/> accessed 9 November 2015.

⁵ Department of Broadband, Communications and the Digital Economy (2012) *Review of the Interactive Gambling Act 2001*. Australian Government. Canberra.

likely, online gambling *excluding* wagering.⁶ In any case, this number represents less than 5 per cent of total gambling expenditure in Australia.⁷

The source of the department's estimate appears to be from Global and Betting Gaming Consultants (as cited by researchers Sally Gainsbury and Alex Blaszczynski), which is a company providing consultancy services to the gaming industry, and from information submitted to it by Bet365. The basis for these estimates has not been provided, and there can be no public scrutiny of the methodology used to produce the estimates. The figure of \$1 billion on illegal offshore gambling should therefore be considered with caution, regardless of what type of online offshore activity it claims to capture.

It is important to note that there was *no estimate of spend on offshore wagering* provided by the DBCDE. However, in 2010 the Productivity Commission estimated that Australians spend \$790 million on online casino games and poker alone, this would have been on offshore sites.⁸

All of this suggests that expenditure on offshore wagering is not known but is likely to be small by comparison with other types of offshore gambling. The principle caveat is that no reliable figures for it exist, though a number of unreliable or misinterpreted figures have been promoted in the media, usually as an argument in support of more action against offshore wagering.

What we know about Australians' participation in illegal offshore online gambling

While we do not have reliable figures on how much Australians are spending on offshore betting, there is better information available on participation.

Online betting is now the most common way to access sports betting, with 52 per cent of sports bettors placing bets online in the past year.⁹

However, to date no surveys have measured participation in offshore wagering separate to wagering with licenced Australian providers. Therefore, it is unclear how many of those wagering online were placing bets with overseas wagering providers.

We do have up to date rates of participation by Victorians in offshore gambling of the type that it is illegal to offer in Australia. For example, table games such as roulette or virtual pokies type games. The rates of participation in these prohibited gambling activities in 2014, where one would have to go offshore, were extremely low. The percentage of the total population playing either table games or online pokies was less than 0.4 per cent. If we confine the measure to the percentage of the population that gamble the figures are of course higher, but still negligible at around 0.5 per cent for table games and 0.4 per cent for virtual pokies type games.¹⁰

Is it likely that many Australians are gambling offshore?

The high estimates of expenditure for gambling online are at odds with the low number of people participating. Given that participation figures are based on a robust methodology, which was been subject to peer review, while the approach to estimating the expenditure figures has not been publicly released, it seems likely expenditure on online gambling offshore is far lower than the estimates being circulated.

⁶ The Gainsbury and Blaszczynski submission that is source of the public figures states that the \$1 billion refers to online casino, poker and bingo sites, not wagering.

⁷ Queensland Government (2015) "[Australian gambling statistics](#)".

⁸ Productivity Commission (2010) [Gambling: Inquiry Report](#), page 15.16

⁹ Hare, S. (2015) [Study of gambling and health in Victoria: findings from the Victorian prevalence study 2014](#). Victorian Responsible Gambling Foundation, Department of Justice and Regulation.

¹⁰ Figures calculated by the foundation from data collected in the Victorian prevalence study 2014

While there are no reliable estimates of expenditure on offshore wagering, it seems likely most Australians use licenced Australian providers most, or all, of the time. One reason is because these providers are able to advertise heavily on Australian television, radio and print. A recent study has shown that exposure to racing marketing predicts regular participation in race wagering¹¹.

Moreover, local providers' products, the fields and sports they offer and their channels for betting, in particular their mobile apps, are all built explicitly around Australian sports and other sports Australians are interested in.

Note that since these estimates of spend were published in 2010 the wagering landscape has altered. Local industry spends on advertising have increased. A report citing the Standard Media Index stated the spend on gambling ads in the year to August 2015 was \$149 million, up from \$104 million across the same period in 2014.¹² It is also the case that the entry of major overseas companies since 2011, Ladbrokes, bet365, Paddy Power and William Hill, means that these English language specialised multinationals now have legal local sites that cater to Australians. These operators block Australian users from their international sites.

Industry actors have argued the prohibition on in-play betting, which is not permitted online in Australia, encourages more Australians to wager offshore. However, there is no research evidence for this claim. The foundation's review of offshore wagering sites did not suggest they heavily promote in-play betting on their home pages, suggesting that they do not see this as a major point of differentiation with legal Australian sites.

Risks of online gambling

Offshore sites are associated with some risks to consumers. This is particularly the case for products such as online gaming machines, which are known to be associated with significant risk of problem gambling. Virtual EGMs and table games can exacerbate harm due to the increased accessibility online play offers.

A recent study has found online gamblers are at increased risk of problem gambling.¹³ However, it is also known that gamblers with problems are the group more likely to gamble in a great variety of ways and so the online results may also reflect the much higher levels of participation in all forms of gambling by this group. Therefore, it is not clear that this increased risk is associated with the particular online products of offshore wagering. It should be noted that the continuous and 24/7 access afforded by online gambling generally may be increasing the extent of harm to problem gamblers using these products.

Offshore gambling has been portrayed as a consumer protection risk as sites may be unregulated. In fact, many offshore sites are regulated in an overseas jurisdiction. In addition, high levels of competition mean that reputational risk is important to providers. Many offshore providers, while not necessarily placing a premium on harm minimisation, will have strong incentives to ensure customer satisfaction.

Licensed Australian gambling providers also produce risks. For example, many commentators have criticised the effect of sports betting advertising on young people. A recent study has found exposure to gambling marketing,

¹¹ Sproston, K. Hanley, C. Brook, K. Hing, N. and Gainsbury, S. (2015) Marketing of sports betting and racing. Gambling Research Australia. P 193 retrieved from <http://www.gamblingresearch.org.au/home/research/gra+research+reports/marketing+of+sports+betting+and+racing+report> accessed 11 November 2015.

¹² O'Brien N. and Williams P. (2015) '[Sports betting companies spend big on ads but the regulator is watching](#)' *Sydney Morning Herald* 27 September

¹³ Hing, N, Gainsbury, SM, Blaszczynski, A, Wood, R, Lubman, D & Russell, A (2014), [Interactive gambling](#). Gambling Research Australia, page 93

through both traditional and digital media, was higher for adolescents than adults, and that nearly one third (30 per cent) of adolescents said that sports betting marketing makes them more likely to want to bet on sports.¹⁴

In summary

Accurate figures for spending on offshore online gambling are not available. Estimates which have been presented cannot be analysed for accuracy because the methodology that produced them is unknown and has not been independently reviewed. They cannot therefore be relied on as robust evidence for a number of reasons. They are based on confidential gambling industry commissioned research and they are therefore not independent, nor has the methodology been revealed or independently scrutinised. Also these estimates are dated, they mostly come from 2010, a time when the wagering environment was significantly different to what it is today.

It is highly unlikely, given participation figures, that \$1 billion was spent on offshore gambling in 2010. Moreover, the figures for spending on offshore wagering are likely to have been far lower, just a small proportion of total offshore gambling. In addition, the entry of major foreign companies into the local wagering market, alongside the high reach of local advertising that cannot be matched by offshore competitors, mean it is reasonable to assume the proportion of Australians using offshore wagering sites, as opposed to local ones, has likely gone down rather than up in the last five years.

Both onshore and offshore wagering is associated with some risks for the community but in terms of harm they may be similar. Thus reducing offshore wagering by Australians may not of itself significantly decrease levels of harm from gambling. However, if, or when, the Australian industry introduces more harm minimisation measures and responsible gambling tools there may well be a clearer differentiation in terms of lower risk compared to offshore wagering.

Last updated 4 December 2015

¹⁴ Sproston, K. Hanley, C. Brook, K. Hing, N. and Gainsbury, S. (2015) [Marketing of sports betting and racing](#). Gambling Research Australia, page 143, 176