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Internet gambling - not just a fad

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EDITORIAL

Internet Gambling – Not just a fad

Internet gambling is emerging as a key component in the dynamic gambling field, generating varied responses and actions across the globe from governments, existing and new industry players, and consumers. The past ten years has seen an explosive market expansion in terms of the number of sites, games offered and diversification of ownership and player base. The concerns over the size and potential of Internet gambling for continued expansion and progression are demonstrated by predictions of international revenues reaching US\$24.5 billion by 2010 and reports of 2,132 Internet gambling sites owned by 477 companies in 49 different jurisdictions active in January 2008 (Christiansen Capitol Advisors, 2007).

Despite increasing reports of the impacts of Internet gambling, most governments have been generally slow to react and implement adequate regulations and harm-minimisation strategies. The diversity of responses internationally, ranging from prohibition to 'laissez-faire' policies allowing unregulated access and licensing, reflects the confusion and dearth of knowledge associated with Internet gambling. It is essential that the impact of Internet gambling be evaluated to guide key stakeholders on the best possible actions in response to current and predicted trends related to the negative effects of Internet gambling. Given the increasing prevalence of Internet gambling and the seriousness of potential associated problems, current regulations must be revised and a moratorium on further expansion recommended allowing effective harm-minimisation strategies to be introduced.

One important area for consideration is the debate over whether governments should limit their regulation of Internet gambling to their jurisdictional borders, and if so, how? There has been a recent shift towards regulation, particularly in the U.K. and Europe, with multiple models utilised including government ownership, licensing and regulation of foreign and/or nationally owned sites. In addition regulation regarding sites that citizens are permitted to access and the level of corporate and social responsibility required to uphold licenses remains varied. The argument for legalisation and regulation may in part be based on the strong public demand for regulated Internet gambling opportunities and the likelihood that gamblers will access non-regulated, non-licensed sites in the context of absent lack alternatives. It is evident from unsuccessful attempts in the U.S. and China to ban citizens from gambling online, that prohibition may be futile; rather, regulations should endeavour to provide a safer environment for online gambling to protect individuals from unscrupulous operators.

There are also strong economic incentives for governments to regulate Internet gambling including increased revenue through taxation and revenue from foreign markets (where alien play is permitted) as well as local residents. Importantly, regulated Internet gambling may facilitate a safer gambling environment as regulations can stipulate the responsible gambling strategies must be implemented as part of licensing conditions. This

would enable regulators to make efforts to minimise potential harms and protect vulnerable groups, particularly youth.

Given the lack of historical insights into the impacts of legalised and regulated Internet gambling, it is crucial that potential problems be considered and actions taken to minimise concomitant social costs. Firstly, tacit approval for this activity is given when governments legalise and regulate Internet gambling; this may encourage citizens to play. Similar problems have arisen following the legalisation of electronic gaming machines (EGMs) which were introduced in some jurisdictions in an attempt to discourage play on illegal machines but now are seen to be associated with problem gambling more than any other form.

Increased availability of gambling online may result in a simultaneous increase in gambling behaviour and problem gambling. One argument in support of prohibition is that it may not be possible to regulate Internet gambling to the same extent as land-based venues. It is uncertain how regulators will police sites to ensure that licensing obligations are upheld or prosecute offshore operators. The potential new revenue generated by regulated Internet gambling is also uncertain due to the highly competitive market and tendency for companies to be based in jurisdictions that offer the lowest competitive tax rates. Online gambling may also result in reduced revenue for existing land-based venues and associated industries including travel, entertainment, and hospitalities. Finally, although empirical evidence is scarce, there is growing evidence to suggest that Internet gambling may result in higher costs to society in terms of criminal behaviour, bankruptcy and increased numbers of individuals with problem gambling disorders (Focal Research Consultants, 2008; Griffiths & Barnes, 2008; Volberg et al., 2006).

A direct causal connection has not yet been established to determine whether Internet gambling leads to increased problem gambling, or whether problem gamblers seek out online gambling opportunities; however there are sufficient indicators that online gambling is used by individuals who would not otherwise gamble, for example those who dislike or who cannot physically patronise land-based venues (Wood & Griffiths, 2005; Wood, Griffiths, & Parke, 2007). Although governments can take actions to mitigate and minimise the social costs associated with legalised Internet gambling, it is important to note that this form of gambling is not without its risks.

Advocates of Internet gambling have claimed this medium offers the potential for much safer gambling environments due to the ability to track individual customers play, set limits and safeguards and communicate directly with each gamblers. Despite these possibilities, online gambling sites are largely unregulated and the majority appear to make few significant attempts to provide effective responsible gambling features. However, given highly competitive markets, some Internet gambling corporations are making solid attempts to regulate themselves, with independent associations such as eCOGRA and G4 certifying sites that meet strict standards to provide a safe and fair playing environment. This self-regulation demonstrates the consumer demand for regulated sites and ability of Internet gambling sites to act in a socially and corporately responsible manner.

A significant barrier to the provision of effective responsible gambling features is the lack of empirical evidence and research verifying the impact of these. There is some empirical and theoretical support for the use of pop-up messages, time and money limits, player tracking, and self-exclusion (Broda et al., 2008; Ladouceur, Sylvain, & Gosselin,

2007; Monaghan, 2009; Nelson et al., 2008; Whyte, 2005). However, it is essential that further empirical investigations, including longitudinal research be conducted to establish the most effective tools to facilitate responsible online gambling.

Given the reality of Internet gambling as a newly established, resilient industry, capable of adapting to international trends and modifying to suit consumer demand, it is critical that key stakeholders react and take relevant action. Many jurisdictions have made attempts to address Internet gambling, but these are exposed to the complexities of monitoring online sites and problems involved with supervising individuals or financial institutions. Consequentially, current legislation may be inadequately enforced and thus ineffective in addressing the increasing prevalence of online play. This raises concerns for vulnerable groups including youth and problem gamblers who may be particularly at-risk for problems caused by Internet gambling. Prevalence rates are largely based on various self-report surveys from sample populations, with little data released from the industry or independent audits completed including rates of problem gambling. As with all new phenomenon, empirical research is required to investigate and understand the impact of Internet gambling at an individual and societal level and establish what needs to be done to protect consumers. Similarly to all gambling research, cooperation between key stakeholders is crucial. Steps are being taken internationally; conferences and discussions are being held, partnerships between industry and research groups have been formed, governments are conducting research, and industry groups are regulating themselves. Such efforts should be encouraged and expanded enabling continued collaboration and the production of significant research to guide government, industry and consumer responses and actions. It is essential that all stakeholders think critically about Internet gambling and take a flexible and dynamic approach to respond in the most appropriate manner to maximise benefits and minimise societal harm.

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