

ACCESS SYSTEMS PTY LTD

Submission

To

The Productivity Commission Inquiry

Into

Australia's Gambling Industries

October 1998

CONTENTS

1. EXECUTIVE SUMMARY	2
2. INTRODUCTION	3
3. ACCESS SYSTEMS PTY LTD	3
4. THE MARKET.....	3
5. THE ISSUES IDENTIFIED BY THE COMMISSION	4
0 5.1. To what extent will the new technologies change the way gambling is offered to people? Will it significantly open up gambling opportunities to new groups of people? 4	
5.1.1 Separation of the player's terminal from the gaming organisation.	4
5.1.2. The current demographics of Internet users are very different	5
0 5.2 How could access be restricted to adults?	5
1 5.3. Security of financial transactions, the integrity of the supplier and of the game.	5
5.3.1 Payment System	5
5.3.2 Security	6
0 5.4. Current regulatory responses	6
1 5.5. How does interactive gambling differ from other home based gambling such as phone betting?	7
2 5.6. How will tax be levied on the industry?	8
3 5.7. Should the States and Territories adopt the same legislation and tax regime?	8
4 5.8. Can regulations stop non-Australian jurisdictions offering gambling products which do not meet Australian standards?	8
6. PLAYER PROTECTION, SELF PROTECTION AND PLAYER CONTROL	9
0 6.1. Internet Gaming System Features	9
6.1.1 Self Control and Self Help	9
1 6.2. Operator and Government Control	10
0 6.3. Probity	11

1. EXECUTIVE SUMMARY

This submission addresses the issue of new technologies such as the Internet. Access Systems is in a strong position to comment on the implications of new technologies by virtue of both having a developed Internet gaming product and an existing customer base. The Internet on-line cash gaming and wagering market is already large and growing fast internationally, mainly based in non-regulated parts of the world. Australia has taken the lead in licensing Internet gaming, giving Australian regulators and Australian companies the opportunity to set high standards for the world to follow in managing and controlling gambling including its social consequences. This leadership decision also provides Australian companies with opportunities to take the international lead in developing a secure, reliable, auditable, high performance on-line cash based gaming and entertainment systems.

The Internet opens up gambling opportunities to new groups of people and will represent the only means available to some. It changes the way gambling is offered because the Internet differs greatly from all other gambling environments in many ways. By collecting data by player for example on what games are played, when, how many times, for how long and with what results, Internet gambling systems are much more able to closely monitor and control an individual player's activity and habits than in traditional gambling venues. For example the minimum betting age can be effectively controlled, by jurisdiction if required.

Most Internet gaming players are a different group to typical gamblers in traditional forms of gambling. We conclude that much traditional gambling will be unaffected by the availability of Internet gambling and that it is unlikely that problem gambling will increase as a result of its growth. Resources should be set aside to collect and analyse the trends as well as to handle the situations identified.

Properly designed, an Internet gaming platform enables secure financial transactions. An Internet gaming system must implement high security of its own. The system should restrict staff access to the system to what is necessary to run the site. Information held about a player must be held securely, and access to it only granted for legitimate purposes. Players must be protected against potential financial loss as a result of a failure of the Internet gaming system or its communications links. Players need to be assured that the games available at a legitimate Internet gaming site are completely fair.

Australian regulators are taking the lead and breaking new ground in regulating the operation of Internet gaming. Thus the process involved in issuing government certification and in elucidating the features considered essential for an Internet gaming system is being progressed carefully. In future it will be important that regulatory processes are sufficiently flexible to allow gaming sites to introduce changes and new games without undue delays. Regulators, as a matter of good practice, will probably need to re-examine ways of protecting problem gamblers. This is an area in which licenced on-line Internet software provides greater and different opportunities on data collection, analysis and control than in traditional gambling venues.

Individual States are striving to co-ordinate their regulatory and tax requirements, including taxation levels. It is not considered practical to change this situation. Federal and State governments should be encouraged to take a common approach to regulation, preferably through co-operation between states - as in the Draft Regulatory Model. Any change in legislative structure would delay the introduction of regulated Australian gaming sites. Australian governments (at whatever level) would lose revenue and control. Investment put into developing licenced Internet sites would be wasted while the rest of the world catches up and passes Australian regulatory standards and technology.

There are no known practical means by which an Internet player can be prevented from gambling on an international site on products which do not meet Australian standards.

2. INTRODUCTION

Access Systems submits the following information for consideration by the Productivity Commission in response to the inquiry into Australia's Gambling Industries.

Our submission addresses the issue of new technologies "(such as the Internet)" referred to in 3. (f) of the Scope of the Inquiry.

Access is in the forefront of the development and use of Internet gaming software for the regulated gaming and wagering markets internationally. Therefore the comments made in this submission on the technology section of the Terms of Reference are made from practical experience.

Access would also welcome the opportunity to demonstrate Internet gaming to the Commissioners involved in this inquiry and to debate the issues

3. ACCESS SYSTEMS PTY LTD

Access was established in 1991 and operates in Australia and Europe with headquarters in Sydney. The company has developed a world lead in licenced on-line Internet gaming systems. The Access gaming platform, called ACES, provides licenced gaming operators with a secure, reliable, auditable, high performance on-line cash based gaming and entertainment system and includes a broad range of innovative games (on screen table games, slot machines etc). The system includes a strong security model, isolation of sensitive data and a strong encryption process. The group has, to date, invested \$7m on product development and employs a highly qualified and a skilled development team of over 35 engineers. The practical experience of the company with live product dates from early 1996.

Access is in a strong position to comment on the implications of new technologies by virtue of both having a developed product and an existing customer base of substantial licenced Internet gaming operators in Australia and internationally. All its customers are government licenced operators and include two clients in Australia and a European national lottery. Access has worked closely with government regulators to ensure the product and the technology adequately fulfill the regulatory requirements. One of Access' existing Australian customers is poised to become the first major licenced gaming organisation to offer worldwide cash based gaming on the Internet. This will result in ACES becoming a "certified" platform.

4. THE MARKET

The Internet is a fast growing borderless means of communication. The number of users is expected to increase from 100 million to 1 billion by the year 2005. The usage is doubling every 100 days. With the rapid development of on-line gaming, it is already possible for customers to gamble on the Internet. Over 150 Internet gaming and wagering sites have been identified worldwide. The majority of these are based in 'tax effective' regimes with little regulatory control. Already there is a leakage of Australian tax revenues from gaming to potentially questionable gaming operators overseas.

Recent studies published on the international turnover include estimates of the 1997 market which range from \$450 million to \$2b. (source Merrill Lynch and Frost and Sullivan). The industry magazine, International Gaming and Wagering Business (IGWB), has estimated that the Internet gaming market would grow to a turnover of US\$25.4 billion by the year 2000 from below US\$5bn currently.

5. THE ISSUES IDENTIFIED BY THE COMMISSION

The Commission 'Issues Paper' September 1998 identifies a number of matters which it considers should be understood and debated. The particular matters raised in the technology section of the paper are outlined as follows together with our comments.

0 5.1. To what extent will the new technologies change the way gambling is offered to people? Will it significantly open up gambling opportunities to new groups of people?

People gamble for a variety of reasons. Some of the reasons, such as the social aspects, are different in the Internet environment. For example the entertainment and mood created in casinos will not be present on a PC at home. Internet gaming makes gambling more accessible to new groups of people and will represent the only means available to some - especially those living in remote locations or housebound provided they have on line facilities. It changes the way gambling is offered because the Internet differs greatly from all other gambling environments in many ways. For example:

5.1.1 Separation of the player's terminal from the gaming organisation.

Two of the many implications of this are:

- After downloading the software to play, a competent programmer may try to tamper with it to gain advantage. Slot machines in a club are trusted to generate their own results whereas a PC in someone's home cannot be so trusted. The player of a machine in a club will not have enough time to defeat its tamper-proofing; a player at home has all the time in the world, and tamper-proofing is impractical. With a well-designed system, the risks accruing from tampering with games software are low, and unlikely to cause major damage to the server site.
- Electronic communication through public networks is sometimes unreliable and it is not possible to tell whether there is intrusion on the line. Systems must be designed with these things in mind, and it is beneficial if critical information is sent via a separate medium (eg. by fax).

These factors and others in the on-line Internet software environment lead to security challenges quite different and more complex than has been faced before. Proper security features are vital. Software technology enables the platform to tackle this because *Internet gambling systems are much more able to closely monitor a player's activity and habits than in traditional gambling activities for example by collecting data by player on what games are played, when, how many times, for how long and with what results*. Thus these systems are able to provide powerful means to monitor and control the amount a

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