



National Policy Working Group

Policy Discussion Document

Internet Gambling in Canada Waits in Legal Purgatory

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Abstract

The purpose of CCSA's National Policy Working Group (NPWG) is to provide a forum or focus for agencies, or individuals with an expertise in substance abuse to participate in a broad discussion and analyze policy issues and topics from a national perspective. The NPWG is not an advocacy group, but provides a "best practice" analysis and positions for consideration by the CCSA Board and the broader addictions community. The NPWG contributes to CCSA's goal of policy formulation by monitoring significant research and policy developments and providing informed comment on issues of national significance. Current membership of the NPWG include: John Borody, The Addictions Foundation of Manitoba; Thomas Brown, McGill University; Garth McIver, Canadian Association of Addiction Medicine; Louis Glicksman, Center for Addiction and Mental Health; Perry Kendall, Provincial Health Officer, British Columbia; Christiane Poulin, Dalhousie University; Linda Dabros, Health Canada; Edward Sawka, Alberta Alcohol and Drug Abuse Commission; Brian Wilber, Nova Scotia Department of Health; Patricia Begin, Canadian Centre on Substance Abuse; Sally Greenhill, Alberta Alcohol and Drug Abuse Commission; and Gerald Thomas, Canadian Centre on Substance Abuse. Comments on this paper were also provided by Anne-Elyse Deguire, Canadian Centre on Substance Abuse.

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Definitions

Gambling is any gaming behaviour involving the risking of money or valuables on the outcome of a game, contest or other event. The outcome of the event depends partially or totally on chance.

Problem gambling is any type of gambling that disrupts or damages mental or physical health, school or employment, personal or family relationships, or financial or legal status.

Pathological gambling is persistent and recurrent maladaptive gambling behaviour that disrupts personal, family or vocational pursuits. This diagnosis is not made if the gambling is better accounted for by a manic episode.

Introduction

The debate over Internet gambling has intensified in Canada as government, addictions agencies, and provincially regulated gambling industries expect substantial growth in online gaming. This issue deserves consideration given the rate of Internet expansion, coupled with a growing concern over Canadian gambling in general. Unlike the larger universe of gaming (which is legal and regulated), it is illegal to run online casinos in Canada. This matter has become controversial due to the current Canadian gambling policy (under the control of provincial and territorial governments), the difficulty in regulating Internet gambling, and the concern over the exacerbation of problem gambling.

Current empirical evidence suggests that Canadian participation in online gambling is relatively low. However, it is substantiated that offshore Internet gambling sites take millions of dollars in bets from Canadian citizens (Kelly, Todosichuk, & Azmier, 2001). The loss of government revenues to international companies, compounded by the possibility of land-based casinos forfeiting profit to online gaming, is a concern.

Proponents of prohibition argue that the potential cost to society will outweigh the possible economic benefits reaped by legalization. Alternatively, those in favor of legalized Internet gambling contend that regulation would permit government agencies to monitor the sites for the protection of the customer. Regulation would allow for checks into the provider to guarantee that sites are legitimate and fair, would help ensure that underage gamblers are not permitted to wager money, and would offer various safeguards for problem gamblers. Moreover, they argue that Internet technology renders prohibition futile.

This report reviews current literature on Internet gambling, examines the arguments put forth by both sides of the issue, and reviews the approaches that other countries are taking. It is recommended that additional empirical research be conducted before any final legislative decisions are made.

Gambling with Technological Advancement

Gambling is a major source of revenue for Canada's provincial governments. According to the Canada West Foundation, in 2001 there were over a hundred thousand places to gamble in Canada, including 38,252 video lottery terminals (VLTs), 31,537 slot machines, 32,932 lottery ticket centres, 1,880 bingo halls, 59 casinos, 70 racetracks and 107 teletheaters. The total net profit for provincial governments was \$5.5 billion in the 1999–2000 fiscal year. In Alberta, where 82% of adults gamble, \$1.1 billion was placed into the Alberta Lottery Fund in 2002–2003 (Alberta Gaming, 2003). In that same year, Manitobans spent \$97.3 million on 1,163 charitable gaming events, including bingo, raffle and break-open tickets (*Manitoba Gaming Control Commission*, 2003). The *2003 Nova Scotia Gambling Prevalence Study* reported that in 2001–2002, gambling wagers totaled \$1.2 billion— a 46.5% increase since 1996 (Schrans & Schellinck, 2004).

Given the industry's increasing profits, there seems to be a significant rise in gambling participation across Canada. Although it is not yet clear whether the increase can be attributable to an increasing number of gamblers, or if current gamblers, or problem gamblers are wagering

more frequently, analysts are beginning to have concerns about the potential impact of introducing new forms of gambling.

Interactive Gaming

The first Internet gambling sites opened in 1995: with 18 casino games, Internet Casinos Inc. began what is now a flourishing enterprise. The United States seems to encompass the majority of the world's online gamblers—Americans generate half of all e-gambling revenue (Burnham, 2003). In the past few years the number of websites that offer Internet gambling has substantially increased. An estimated 1,800 sites are presently operating (Jenkins & Keller, 2002)—over double the number (approximately 800) that existed in 2000 (Turner, 2002). Correspondingly, it was estimated that the number of Internet gamblers would grow from 4 million in 1999 to 15 million in 2004 (Christiansen, 2000). In the year 2000, “Internet gambling” as a keyword in the Alta Vista search engine produced 200 hits. Today that number is 3,505,455. The United States General Accounting Office reported to Congress that gaming analysts projected that 2003 revenues from Internet gambling worldwide would be \$5 billion (Jenkins & Keller, 2002).

Most gaming providers are small companies located offshore in places such as Antigua and the Dominican Republic (for a comprehensive list see River City Group, 2000). Sites usually require that the customer fill out an online registration, and may require that the customer open an account, with them or an affiliated banking institution. Payment methods include credit card, smart card, e-money, debit card, cheque or wire transfers (Schopper, 2002).

Four types of companies provide gambling opportunities (Turner, 2002). The most popular form of online gambling is sports betting, where bets are placed on professional and college sports in real time. (Since the outcome is public information, gamblers may feel more comfortable than they would with games where the statistical outcome of wagers is unknown.) The greatest increase in sites has been in online casinos, which offer such games as slots, blackjack, roulette and poker. Some of these online casinos allow correspondence with other players via Internet chat or webcams, which adds social interaction to the experience. Third most common are online lotteries. This experience is essentially the same as buying a lottery ticket from a land-based merchant, except these sites may not base the prize on the number of players contributing to the pool. Turner (2002) classifies electronic stock trading as the fourth type of online gambling. Depending on one's definition, this may or may not be considered gambling.

The challenges of technological advances are not limited to the Internet. In October 2003, the United Kingdom launched the Mobile Lottery, which allows anyone over the age of 16 with wireless application protocol (WAP) or Java to play casino-type games, such as slots and bingo, on their mobile phones. China has developed an interactive telephone roulette game. With a few clicks on the phone pad, you can spin the virtual roulette wheel, place bets, and have credit automatically added to your account. Other games available by cell phone include blackjack, keno and craps (*Casinomeister's News*, 2004).

Other technologies that will render gambling more interactive and accessible include interactive television (i-TV), personal digital assistants, and stand-alone Internet terminals. Frost and Sullivan anticipate that global revenues generated from downloadable, message or web-based

games will expand from an estimated US\$436 million in 2001 to US\$9.3 billion in 2008 (Frost & Sullivan, 2004).

Internet Gambling in Canada

The Criminal Code of Canada makes it illegal to gamble within Canada unless the activity falls under sections 201, 202 and 206 of the Criminal Code. Operation of legalized gambling falls under the jurisdiction of the provinces and territories. Exceptions to illegal gambling include activities such as “lottery schemes,” charity events, gambling on international cruise ships, bets made between individuals not engaged in the business of betting, and pari-mutuel betting. Given that jurisdiction is given separately to each province and territory, a provincial or territorial government wanting to start an online gambling site would have to restrict access solely to the residents of that province or territory. In addition, the most popular form of Internet wagering, online sports betting, would not be permitted, since betting on single sporting events is prohibited in Canada. In 1996 Dennis Mills, a federal member of Parliament, introduced Bill C-353, which would have amended the Criminal Code to permit the regulation of Internet gambling by federal authorities. The bill did not pass, and it has not been reintroduced.

These are noteworthy developments in Canada:

- In 2004, the Atlantic Lottery Corporation launched the first legal online gambling site in Canada. Residents of the Atlantic provinces are now able to purchase lottery tickets online.¹
- In 2001, Starnet Communications International Inc. pleaded guilty to criminal gambling and was required to forfeit approximately US\$4 million (Kelly & al., 2001). The company was found guilty of taking bets from Canadian citizens. The police found that Starnet was taking bets on a server operating out of a Vancouver office. The case made history for illegal Internet gambling in Canada.
- The Earth Future Lottery, based out of Prince Edward Island, was given provincial approval to operate an online lottery. The Earth Fund raises money for environmental and humanitarian causes such as Doctors Without Borders. In 2000, the group wanted to run an online fundraising lottery whose tickets would be sold globally. After PEI granted the organization a license, the decision was challenged and was overturned in the Prince Edward Island Supreme Court (Appeal Division). The court ruled that the lottery violated the Criminal Code because the lottery was not conducted and managed in the province. Because tickets were to be sold worldwide, the lottery was not taking place exclusively within provincial borders.
- In January 2004, Woodbine Entertainment Group launched the first seemingly legal Internet gambling in Canada. The Canadian Pari-Mutuel Agency (CPMA) made regulatory changes that permitted the company to launch HPIBET.com, which allow wagers on horse racing. Bob McCreavy, a CPMA spokesperson, said that he has heard that at least two other tracks in Canada plan to offer online wagering. However, recent reports suggest that the federal Justice Department is investigating its legality.
- The Kahnawake Mohawk Nation, located south of Montreal, has licensed an Internet gambling operation. In 1996 the reserve established the Kahnawake Gaming Commission

¹. https://www.playsphere.alc.ca/games_nli.do?lang=1, accessed December 2004

to regulate gambling on the reserve. The commission then started Mohawk Internet Technologies to operate an online casino. In 2003, the Sûreté du Québec reported that it was investigating the casino. Although Loto-Québec and Canada's Attorney General have deemed the casino illegal, no charges have been laid.

Prevalence studies have indicated that very few Canadians gamble online.² In a 1999 survey, the Canada West Foundation reported that 0.5% of gamblers were online. Out of the 2,202 participants in the survey, only 1 said they had gambled online more than a couple of times. Almost half the respondents (42%) reported lack of Internet access as the main reason for not gambling online (Kelly, Todosichuk, & Azmier). Similar rates were reported by the Alberta Gaming and Liquor Commission (2001), where 0.2% of respondents had gambled online in the past 12 months, with a monthly spending average of \$55. Moreover, Albertans reported little desire for more availability (59% preferred less availability and only 2% wanted more).

In 2001, Ialomiteanu and Adlaf randomly surveyed 1,294 Ontario adults in an annual cross-sectional telephone poll. They found that 5.3% of the sample had gambled on the Internet in the past year. Much lower rates were reported by the Canadian Centre for Substance Abuse (Wiebe, Single, & Falkowski-Ham, 2001) and the Addictions Foundation of Manitoba (Patton, Brown, Dhaliwal, Pankratz, & Broszert, 2002). The former reported Internet gambling at 0.6% and the latter at 0.35%.

More recent studies are reporting similarly low rates. In 2003, the province of British Columbia commissioned Ipsos-Reid and Gemini Research (2003) to conduct telephone interviews on 2,500 individuals. Only 2% of British Columbia residents reported gambling on the Internet. That corresponds with a 2004 Quebec study reporting that 2% of residents had gambled online (Ladouceur, 2004). Nova Scotia has even lower rates: 0.2% of the residents report having gambled on the Internet (Schrans & Schellinck, 2004).

Why Gamble Online?

The link between greater accessibility and increased gambling activity seems a reasonable and obvious assumption. The 24-7 availability, global reach, and convenience are alluring features of this medium. Griffiths (1999, 2003) has maintained that technology has played a major role in the development of new gaming practices. Canada has witnessed the validity of this statement with the explosion of VLTs and their associated revenues. The introduction of online gaming presents yet another marketplace for gamblers, and several factors could draw players into this medium (for a complete summary see Griffiths, 2003; Smeaton & Griffiths, 2004):

- **Accessibility:** Gamblers have access 365 days a year, 24 hours a day. Where accessibility to gambling increases, there is a corresponding increase in the number of gamblers and the number of problem gamblers.
- **Affordability:** For those who pay by the minute, Internet gambling is cheaper than phone betting.

² It is important to note that studies are not directly comparable. A variety of methodological differences could affect the results. For example, some studies report prevalence rates as a percentage of the population, while others report rates as a percentage of gamblers.

- **Anonymity:** Privacy eliminates the stigma and judgment associated with problem gambling.
- **Convenience:** Staying at home gives players easy, comfortable access, particularly for individuals who do not enjoy the atmosphere of casinos or bars.
- **Interactivity:** Although gamblers can have anonymity, some enjoy correspondence with other gamblers. Increased personal involvement has been shown to increase gamblers' illusion of control.
- **Event Frequency:** It has been proven that slot machines on some Internet sites spin faster than the industry standard for land-based slots. Moreover, a gambler may access many sites at once, and play multiple games simultaneously.
- **Perception of Control:** Many individuals (especially adolescents) have played interactive video games, and thus may have a false perception of control when gambling on the Internet. This may be enhanced by their familiarity with the medium.

Griffiths also raises the social issues of Internet gambling:

- **Gambling in the Workplace:** Many companies give their employees unsupervised access to the Internet. Workplace productivity may drop as a result.
- **Money Value:** Just as chips in a casino decrease the apparent value of money, e-cash and other forms of payments to online gaming could increase a player's tendency to spend money.

Potential Costs

Gambling Addiction

Technology has already increased the prevalence of gambling addiction, and the Internet may contribute to this trend. This could include perpetuating existing gambling addictions or establishing a new market (in the way that VLTs and slots introduced a significant number of women to gaming) (Pankratz, 2001).

Of primary concern is the asocial nature of Internet gambling. This shift from a social to a solitary activity is especially detrimental to those susceptible to problem gambling. Research has demonstrated that problem gamblers are more likely to play in isolation (Griffiths, 1995). Problem gamblers confirm that, in retrospect, at the height of their addiction, they did the majority of their gambling alone (e.g., Griffiths, 1995). It has been suggested that problem gamblers may be more susceptible to Internet gambling addiction. Supporting this claim, Ladd and Petry (2002) found that 74% of Internet gamblers were classified as level 2 (problem) or 3 (pathological) gamblers according to the South Oaks Gambling Screen, compared with only 22% of those who did not gamble on the Internet.

Some argue that the lack of sound, lights, people and excitement will deter people from gambling online. While this may be true in some cases, downloadable games are now available that are almost identical to slots and VLTs. Graphic designs are advancing, and Canada is leading the way in Internet gambling software development (Lipton, 2002).

In Scotland, the *Edinburgh Evening News* (Howie, January 2004) reported that attendance at Gamblers Anonymous meetings had doubled in the previous 12 months. Most of the increase seemed to be attributable to online gambling, as well as to relaxed banking rules and readily available credit cards. The report indicated that 70% of the new members were addicted to Internet gambling. Although this information is anecdotal and doesn't permit assessment of the severity of the problems of those attending the meetings, nor if those problems can be attributed solely to online gambling, the possibility that this is accurate is alarming. Negative consequences associated with an increase in problem gambling are family dysfunction, domestic violence, drug and alcohol use, depression, suicidal ideation, suicide attempts, and criminal behaviour (Canadian Public Health Association, 2000).

Underage Gambling

Restricting minors from participating in gambling activities is of crucial importance for protecting them from addiction. It is well documented that early exposure to gambling opportunities increases the risk for developing an addiction. In addition, high school and college students show the highest problem gambling rates (American Psychiatric Association, 2001).

In a meta-analysis by Harvard Medical School (Shaffer, Hall, & VanderBilt, 1997), the authors found rates of adolescent gambling problems to be more than double that of adults. The Alberta Alcohol and Drug Abuse Commission (2002) reported that 41.2% of Alberta youth (3,394 were surveyed) in grades 7 to 12 had gambled in the previous 12 months. Problem gambling behaviour was displayed by 3.8% of the sample, and 5.7% of adolescents' demonstrated hazardous gambling patterns. More recently, Nova Scotia reported that the proportion of individuals who are "at-risk" gamblers declines substantially with age. The percentage of 19- to 24-year-olds who were considered to be at risk for developing problems was 1.5 times higher than among 25- to 30-year-olds and 4 times higher than among adults over the age of 45.

Few studies have reported Internet gambling rates among Canadian adolescents. A Quebec study of 4,800 high school students found that 3.7% had gambled online in the previous 12 months (Chevalier, Deguire, Gupta, & Derevensky, 2003). Males were gambling on the Internet significantly more than were females. In Manitoba, the rate of Internet gambling is lower; only 0.7% of Manitoba youth report having gambled on the Internet (Lemaire, 2004).

In an attempt to assess the risk for youth gambling online, and to scrutinize the ability of sites to block underage access, Smeaton, Poole, Chevis, and Carr (2004) had a 16-year-old volunteer use his debit card to try to register an online account with a gaming site. Of the 37 sites tested, only 7 effectively blocked the registration. The other 30 sites allowed the 16-year-old to open an account that would have allowed him to place bets online. In another recent study by Smeaton and Griffiths (2004), 30 Internet gambling sites owned in the United Kingdom were examined to determine what safeguards had been put in place to prevent underage betting. They found that 15 of the 30 sites did not specify an age restriction, and 11 did no age verification. In addition to these issues, many sites offer a "demo" mode, where anyone can play without wagering money. Adolescents could be especially vulnerable to this enticement because it gives them access to, and allows them to learn to play, casino games far earlier than would legally be permitted. Furthermore, it is suspected that these "demo," or practice, games may give very good odds (since no money is being wagered). Adolescents who experience much success on these games

will be susceptible to losing money when they reach the age of majority and are legally permitted to gamble for money, and the odds are no longer in their favour.

Other Vulnerable Populations

A number of other groups are susceptible to being taken advantage of online. These include individuals who are drug or alcohol dependent, those with a variety of mental health diagnoses, learning-impaired individuals, and the elderly. It is not the provider's concern that the gambler understands the conditions or stakes of play. People unfamiliar with cyberspace may not comprehend the real-world ramifications of online activity.

Criminal Behaviour

One unintended consequence of Internet gambling could be an increase in organized crime. In a 2003 statement to the United States House of Representatives, Deputy Assistant Attorney General John Malcolm (2003) reported that organized crime is moving into Internet gambling. In fact, one of Canada's organized crime families was found to be involved in an illegal Internet gambling ring (Kelly, 2001) Net crime is not new, and with the advent of new online forms of commerce (such as e-money) comes the potential for money laundering schemes. E-money has become more and more popular for Internet gambling, due in part to credit card companies' efforts to prohibit customers from using their credit cards to gamble online. Schopper (2002) states:

The potential use of electronic money as a facilitator for money laundering is enormous. Millions of dollars can be stored on a laptop computer or on a cellular phone with memory and can be transferred anywhere in the world with the simple push of a button.... Consequently, money launderers and other criminals could pass millions of dollars' worth of electronic money around the world.... (p. 20)

In his report to congress, Malcolm (2003) identified a number of ways that money could be laundered through an online casino. For example, someone wanting to transfer illegal funds to an inside source in the casino could simply play the money until the appropriate amount was paid out. Similarly, if a casino insider wanted to transfer money, the game could be rigged until the requisite amount was paid to the gambler. He notes that "the anonymous nature of the Internet and the use of encryption make it difficult to trace the transactions."

In the United States, law enforcement officials believe Internet gambling could be a powerful tool to launder criminal proceeds. The reasons cited relate to some of the characteristics of the Internet, including its speed, high volume and international reach. Coupled with the high level of anonymity and diverse jurisdictional concerns, this makes money laundering a legitimate concern.

Integrity of the Provider

Given the lack of industry regulations, individuals should be cautious about placing a bet online. Many sites may not be legitimate. Online casinos are often based in countries where regulation and enforcement is minimal or non-existent. Anyone in the world with an Internet connection could open a site, gather credit information, take bets, and close the site before distributing

winnings. Security and privacy must also be considered. Personal information is only the tip of the iceberg when it comes to gathering player profiles. Gaming providers can collect information about when an individual prefers to play, how long they tend to stay online, how much they normally wager, and circumstances when individuals are likely to wager more. The information can be compiled into a database and shared with other companies (including other gambling site providers). According to Griffiths (2003), software exists that allows providers to tailor games to a customer's interests. Other concerns include hackers collecting credit card or personal information.

It is not only the user that is susceptible to these kinds of invasions. CryptoLogic Inc., an established gaming software provider, had their games altered by hackers so that users could not lose (Kelly, 2001). Of course, this could work in both directions. A provider could ensure that the user never wins, or make sure the odds are not what the user agreed upon. Another common practice is known as "embedding." When a site opens, the owner identifies a list of keywords that will produce a hit for the site on search engines. Griffiths (2003) asserts that these sites commonly embed keywords such as "Disney" to get extra traffic. Providers have also included phrases such as "compulsive gambling" to lure problem gamblers to their site.

Prohibition versus Legalization

Most proponents for legalized gambling argue in favor of consumer demand, the right of the individual to gamble recreationally, and potential economic benefits. As the argument has evolved over the last few years, those in favor of legalization have started to counter claims put forth by those favoring prohibition. They argue that regulation would protect gamblers from the very concerns prohibitionists fear. The contention from those favoring Internet gambling is that concerns for both discourses are the same: protection of the consumer. Although this is a nice thought, those arguing in favor of Internet gambling fail to address the potential for negative outcomes, for the individuals as well as for society. The following are some of the arguments put forth by both sides of the debate.

Prohibition

- Legalizing Internet gambling may increase the number of problem and pathological gamblers.
- Minors could easily access some sites and use a parent's credit card; this is disconcerting because they are more susceptible to developing gambling addictions.
- Internet gambling "represents a new level of community accessibility to gambling, and...its impacts on the nature of community and family life are currently uncertain" (Pankratz, 2001).
- Prosecution of illegal sites will be difficult or impossible.
- An international agreement will be necessary to control Internet gambling, and, in all likelihood, such an agreement may be difficult to reach.
- Regulation would be costly, and its effectiveness is questionable.

Legalization

- Gambling as a form of social entertainment is a right for consumers in a free-market society.

- Revenues generated by provincial governments from profit and taxation can go back into society to fund addictions programs, education and health care.
- Internet casinos provide a more wholesome environment than do land-based casinos. The move from land-based casinos will deter individuals from other addictive behaviours, such as alcohol and drugs abuse.
- Legalizing Internet gambling will drive competition for development of more advanced software.
- Prohibition of Internet gambling will fail. Canadians wanting to gamble online will do so at offshore sites. Revenue will be lost from land-based casinos, and the customer will not be protected.
- Regulation will allow for licensing and checks of the provider to safeguard gamblers, ensuring fairness, privacy and security.
- Regulation will allow providers to identify problem gamblers by tracking gambling behaviours. As well, operators would provide links to sites such as Gamblers Anonymous.
- Regulation will allow protection of minors. Licensed Internet sites will have an incentive to restrict minors, given that credit card debt incurred by minors cannot be legally collected (Interactive Gaming Council, 2001).

Social Responsibility

Korn (2000) has emphasized the need for gambling to be seen as a public health issue. The dominant concern is the increase in gambling addiction resulting from the increased availability of gambling opportunities. He argues that “the cost to families in terms of dysfunctional relationships, violence and abuse, financial pressure, and disruption of growth and development of children is great.” (p.5) The accessibility and increased potential for frequency of play makes the proliferation of Internet gambling a viable concern. He also suggests that “a public health approach...recognizes that there are health, social and economic costs and benefits for individuals, families and communities, and that intervention strategies must provide a balance between these costs and benefits.” (p.4)

Those arguing in favor of permitting Canadians to gamble online also contend that Internet casinos are safe, fair and socially responsible. There has been no empirical support for this contention. In 2004, Smeaton and Griffiths demonstrated that this is not necessarily the case. In a study of 30 representative gambling sites owned in the United Kingdom, the authors looked into what kinds of safeguards had been put in place to encourage social responsibility. They found that half of the sites did not carry an age warning, and 11 did no age verification. Only four of the 30 sites demonstrated evidence of a credit check. Most of the sites (23) gave no reference to controlled gambling, and 26 provided no reference to a gambling helpline, a help organization, or a self-help group. There was no evidence on 29 of the sites that gamblers could choose to exclude themselves. Instant exit facilities were present on 11 sites, and 10 had a built-in pause/confirmation. Practice modes were available at 17 of the sites. Based on their results, the authors compiled a list of guidelines for socially responsible practices to consider in the regulation of online gaming. The following provisions should be taken into account if regulation is to be considered (for a complete review, see Smeaton & Griffiths, 2004):

- Internet gambling sites should conduct effective checks on age.
- Advertising should not be aimed at minors, and it should state reasonable expectations of wins and losses.
- Limits should be placed on how much an individual can wager on a sessional or daily basis.
- Users should be given a caution to keep their gambling under control.
- The logo of an affiliated partner advocating social responsibility should appear on the site.
- Sites should provide references regarding where the gambler (or someone a site visitor is concerned about) can get help.
- Gamblers should not be enticed to reinvest winnings or chase losses.
- A built-in pause should be incorporated to allow the gambler time to reflect on a decision.
- Self-exclusion should be an option.
- A practice mode should be offered to allow the player to fully understand the game. This should be available only to players over 18, so underage gamblers do not learn the games.
- Staff should be trained in the potential social costs of Internet gambling.
- The company should support organizations that provide treatment to at-risk groups.

International Approaches

Before the Canadian government makes decisions about online gambling, it is prudent to examine what other countries are doing to address this issue. Some countries are leaning toward prohibition, others toward legalization.

United States

(Information acquired from the *United States General Accounting Office Report to Congressional Requesters*, December 2002)

In the United States, the *Wire Act* is the predominant federal statute to prosecute Internet gambling activity, though other acts may be applicable. The *Wire Act* “prohibits gambling businesses from using interstate or international wires to knowingly receive or send certain types of bets or information that could be used to place bets”. (Jenkins & Keller, 2002). The *Wire Act* has been used to successfully prosecute offshore casinos taking bets from American citizens, but courts often disagree about the types of gambling covered by the Act. The *Wire Act* currently refers to wire communication. Depending on the direction of technological advancement, this Act may not apply where information is transmitted via another medium. Federal statutes allow offshore casinos that accept telephone bets from Americans to be prosecuted.

In general, gambling is regulated at the state level, but it is backed by federal law. Each state is given jurisdiction to determine whether gambling is legal within its borders. For states that have not yet passed legislation, current state laws may apply. For example, Internet gambling would be considered illegal in states that prohibit gambling in general. In other states, legislative authority is less clear. Currently, Illinois, Louisiana, Nevada, Oregon and South Dakota prohibit many types of Internet gambling.

Numerous bills have been introduced into Congress to prohibit Internet gambling. All have been defeated. (For example, the Kyl Bill passed the Senate vote, but did not pass in the House of Representatives.) Bills introduced to the Senate have attempted various angles to ban virtual gambling. The *Internet Gambling Enforcement Act* would “prohibit any person engaged in the business of gambling from knowingly accepting bank instruments such as credit cards, electronic fund transfers, or checks for illegal Internet gambling.”(p. 12). The *Comprehensive Internet Gambling Prohibition Act* of 2002 would “amend certain sections of the *Wire Act* to include the use of all interstate or international communication facilities transmitting to or from the United States, and expand the prohibited gambling activities covered by the Act.” (p.12). A bill put forth in November 2002 recommended the establishment of a commission to study the current state of Internet gambling.

In an attempt to obviate illegal transactions and potential lawsuits, major credit card companies, such as Discover and American Express, have prohibited cardholders from using the cards to make online bets. The largest banks, including Citibank, Bank of America and Wells Fargo, do not allow their credit cards be used for online gaming. Capital One and Provident Financial, which combined represent one of the largest distributors of credit cards, with 18 million cardholders, refuse online gaming transactions. Other major associations, such as Visa and MasterCard, have developed transaction codes that banks can use to block suspect payments.

United Kingdom

(Information acquired from the Department for Culture, Media and Sport, 2003)

In the United Kingdom, no precise laws govern Internet gambling. In 2001 the *Gambling Review Report* recommended that Internet gambling be a legal activity. In 2002 the government followed up with a paper titled *A Safe Bet for Success*, which endorsed the recommendations. The government is in the process of drafting a gambling bill. “The Government’s intention is that the draft Bill should be the subject of a full pre-legislative consultation process. This will include both a public consultation exercise and a scrutiny of the Bill by a Parliamentary Committee. However, the Bill will only provide a regulatory Framework....”(p.3).

The government has taken the position that prohibiting Internet gambling is “neither desirable nor practical,” based in part on the seemingly futile efforts of the American government to stop online gaming. “Rather than this the Government favors a much more free market approach. This is the preferred option as it is the one that most closely matches the Government’s vision of a global market where a well regulated British based industry is able to establish itself as a world leader.”(p. 24). The government will not restrict international access to its sites, and it hopes to establish reciprocal Internet gambling agreements with other countries. The following summarizes the Department for Culture, Media and Sport’s recommendations (2003) for the new Gambling Commission:

- The Commission will issue codes of practice to licensed operators. These will be used to decide whether operators are abiding by the conditions on their licences.
- Licensed operators will have to go through a thorough process to check their probity, their financial resources, and their expertise.

- A principle of the planned gambling reforms is informed adult choice. In online gambling, that means that information must be made available to the player, and that the information must be as accurate as possible. This includes rules of play, game representation, and rates of return.
- Safeguards will be put in place regarding privacy, security, customer service, information in other languages, underage gambling and problem gambling.
- The Commission will liaise with other organizations such as GamCare and Childnet International that specialize in the treatment of problem gambling and the problem of child access to unsuitable sites, respectively.
- It will provide a Kitemark (signifying approval by the British Standards Association) that, wherever possible, licensed operators must display on their sites.

Other recommendations included screening of players, built-in reality checks, restrictions for rapidity of play, and social responsibility initiatives.

Australia

(Information acquired from the Department of Communications, Information Technology and the Arts, 2004)

Federal legislation in Australia makes it illegal for anyone to provide Internet gambling services to individuals physically located in Australia. It is also illegal to advertise Internet gambling services in Australia. This decision came after a year-long moratorium on the issuing of licences to operate Internet gambling sites. In June 2001, the *Interactive Gambling Act* was passed to ensure that new interactive gambling activities would not increase the level of problem gambling in Australia. The Act prohibited online casinos from taking bets from Australian residents. “The prohibitions of the *Interactive Gambling Act* apply to all Internet gambling service providers—Australian and offshore, whether owned by Australians or foreigners—and carries a maximum penalty of A\$220,000 per day for individuals and A\$1.1 million per day for corporate bodies.” (p. 4). Some activities, such as interactive sports wagering, are not considered an offense under the Act. Sports betting and lotteries are under the regulation of each state and territory. Companies wanting to provide an Internet service must develop a code of practice. The *Interactive Gambling Act* contains provisions that it be reviewed and revised when necessary.

In 2003, the *Interactive Gambling Act* was reviewed by the Allen Consulting Group. They concluded that the Act had met its objective of ceasing the proliferation of interactive gambling. They also concluded that the majority of Australian residents were satisfied with the available interactive gambling services and supported the current legislative framework.

Conclusions

In Canada, the role of the government is to both promote gambling and protect the public from its negative consequences. Therefore, any government decision regarding Internet gambling must include a thorough cost-benefit analysis. More research is needed to determine public opinion on the matter. The Alberta Gaming Research Institute has funded a research project called “Using Online Survey Techniques To Profile the Internet Gambler: A Pilot Study” (Wood & Williams, 2004). The results will be available in summer 2004.

Solutions will have to consider the obstacles that Internet gambling presents. As Clark, Dempsey, Nee, and Connor (1998) point out, “a sufficient grasp of Internet infrastructure and processes is a pre-condition to any sensible discussion of strategic and policy issues arising in relation to it” (reported in Pankratz, 2001). Given the tremendous complexity of the Internet, it is difficult to obtain accurate information about many aspects of Internet gambling. Therefore, current understanding of the implications of the phenomenon is still limited.

Any legal decisions will require further monitoring of the situation. It would be beneficial to better understand the scope of Internet gambling among Canadians. We need to know more about the gambling sites, including how they are promoted and regulated (if at all), and about the effect of these factors on gamblers’ behaviour. What are the characteristics of those who gamble online, and what motivates the behaviour patterns in which this occurs, including co-occurrence with other forms of gambling and substance use?

In the meantime, it is a fact that some Canadians are gambling online. Steps should be taken to ensure that these individuals are both informed and protected. Consumers should be made aware of the risks of online gambling, including fraudulent sites, privacy concerns and, most importantly, the possibility of gambling addiction. The first line of defense should include a coordinated effort to follow the legal issues, increase consumer awareness, and respond to problem gambling in the context of online gaming. In the years to come, it will be necessary to determine how widespread Canadian Internet gambling is becoming, and to identify its social implications.

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