

THE USE OF THE INTERNET FOR GAMING

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A. Introduction

Internet gaming or e-gaming refers to a gambling activity that is played on or through a computer connected to the Internet.

As none of the gaming policies currently in effect allow for the conduct and management of Internet gaming in the province, this section offers general background about Internet gaming. It includes a cursory overview of Internet gaming activities in Canada and internationally.

This section also provides highlights of some key views and perspectives of adult Albertans regarding Internet gaming. The perspectives of stakeholders are also provided.

This section concludes with recommendations to address the primary issues regarding Internet gaming.

B. Background

Following are two definitions of Internet:

Internet - A decentralized, global system of interconnected computer networks, used for electronic mail, on-line discussion, information retrieval, and other services (*Canadian Dictionary of the English Language*).

Internet (Net) - The global network that links most of the world's computer networks. It does not offer services to users, but serves primarily to interconnect other networks on which services are located. These include basic services for electronic mail, the transfer of computer files, and remote log-in, and high-level services including the World Wide Web. The Internet is informal, with a minimal level of administration by governing bodies (*Oxford Concise Colour Science Dictionary*).

Internet gaming or e-gaming refers to a gambling activity that is played through a computer connected to the Internet. Essentially Internet gaming involves "...on-line wagering using a personal computer and a modem."¹

Under provisions of the *Criminal Code* (Canada), any lottery scheme operated on or through a computer or electronic device in Canada may only be conducted and managed by a provincial government. None of the provincial governments in Canada is conducting and managing a lottery scheme using the Internet.² A few jurisdictions have used the Internet for gaming-related promotions, as described under "Current Situation Assessment".

Regulating Internet Activities

Typically a gaming web site may be accessed by anyone in the world with a computer equipped to access the Internet. Exceptions are sites that may control or restrict access to certain players, for example, those of its citizens or, in some cases, the residents of foreign countries.

A number of jurisdictions throughout the world have authorized gaming web sites. The level of regulation varies according to the jurisdiction that has authorized or licensed companies to operate e-gaming sites. Moreover, there may be sites that are not licensed or authorized. Given these circumstances, the local or foreign consumer engages in e-gaming at his or her own risk since it is difficult or impossible to vouch for or ensure the integrity of such sites.

¹ From *Report on Gaming Legislation and Regulation in British Columbia*, January 1999 (the "B.C. White Paper on Gaming"). The report notes: "Players can access virtual casinos anywhere in the world, where they may bet on simulated card and dice games, slot games, sports, lottery products, scratch cards and bingo. The Internet has globalized the gaming industry."

² The Province of PEI has licensed a lottery scheme that would use the Internet to sell tickets worldwide. However, the lottery's web site has yet to be activated, pending the outcome of a legal suit by the Interprovincial Lottery Corporation. Further details about this case are provided in this section.

Many jurisdictions around the world have begun issuing Internet gambling licenses to Web site operators. Some, like Australia, view gambling over the Internet as an unstoppable force and therefore wish to regulate it in an effort to protect consumers. Others, like the controversial Caribbean and Pacific Island Nations, utilize Internet gambling Web sites as a form of tax revenues for the government (Bear Stearns, January 2000).

There are other regulatory issues regarding Internet gaming. For example, since the Internet may be accessed in the privacy of one's home the "anonymity inherent in computer gaming makes it virtually impossible to enforce existing minimum age restrictions established to protect minors..." (B.C. White Paper on Gaming, 1999).

Nevertheless, web site operators may require players provide age identification before allowing play, for example, through social insurance numbers, driver's licence numbers, etc. Some jurisdictions have taken similar approaches to ensure access to their gaming sites is restricted to state residents. For example, Nevada has authorized sport book betting over the Internet, but its law restricts the access to sport book betting web sites to Nevada residents.

Another issue with Internet gaming is it may exacerbate the problems faced by those with gambling problems due to its accessibility, convenience and the ability to play in the privacy of one's home. Although there have not been any Internet gambling web sites authorized by gaming jurisdictions in Canada, about two percent of adult problem gamblers in Alberta have accessed the Internet for purposes of gambling (Wynne Resources Ltd. and AADAC, 1998). The sites being accessed most likely were operated by off-shore companies.

Growing Use of the Internet

The Internet is an efficient and effective medium that is used by business, government, public institutions and millions of home users across the world.

Bear Stearns, a financial management corporation based in the U.S., issued a report on e-gaming in 2000. The company indicated various factors have resulted in the growth of the Internet in general. Two of them are the wide penetration of personal computers (PCs) in businesses and homes and technological advances that have increased connection speed encourage Internet use.

The report estimated the amount of Internet traffic doubles every 100 days. Moreover, it expected the Internet economy to be about \$507 billion dollars in 1999. As the Internet has become viable and practical for communications and conducting commercial transactions, or e-commerce, its growth has coincidentally spurred the growth of e-gaming:

E-gaming combines the fast-growing Internet media with the lucrative gambling and wagering market. The global gambling industry began to capitalize on the rising popularity of the Internet commerce in 1997, when legal Internet wagering began in Australia through NetTAB, an Internet wagering system originally owned and operated by the New South Wales state government. There were only 40 gambling Web sites worldwide in 1997. Since then, Internet gaming companies have taken root across the world, in locations such as Dominican Republic, Antigua, and Canada (Bear Stearns, January 2000).

Although Internet gaming software development companies have been established in Canada, none has been authorized by a provincial gaming authority to operate a gaming website within its

jurisdictional borders. As discussed later in this section, companies in Canada have developed Internet gaming software for companies operating outside Canada.

Bear Stearns provided the following estimates on the size and potential growth of e-gaming in 2000.

Currently, our estimates show approximately 250 public and private companies that share in the ownership, development, and operations of more than 650 "e-gaming" Web properties worldwide. While Internet gambling operator revenues are difficult to track, Internet gambling wagers are estimated at approximately \$1.2 billion in 1999, which is nearly an 80% increase from 1998. At the current rate of growth of the on-line gaming industry, we estimate that total wagers could exceed \$3.0 billion by 2002 (ibid.).

According to *The Gaming Industry Weekly Report* (3/19/01), Bear Stearns issued another report on e-gaming in 2001 which indicated:

... the number of [gaming] sites have more than doubled in the last year, growing to 1,200-1,400 from 600-700 a year ago and the sites are getting sophisticated. Bear Stearns said that their research tells them that legislators in the U.S. realize how difficult it would be to ban online gaming from every computer in the U.S. They feel that the government would be more successful at shaping a regulatory landscape.

E-commerce and Use of Credit Cards

The most common form of payment for gambling on the Internet is with the credit card. However, there are drawbacks with credit card payments, in particular their high transaction costs and concerns about security of processing credit card transactions over the Internet.

Credit cards companies have responded by introducing security features. For example, Visa has launched an Internet credit card to customers. It sends a series of numbered cards to a customer, all charged to the same account. The customer uses a new card and number for each transaction to curtail fraudulent use of credit card numbers.

A payment option, rather than the use of credit cards, is e-cash or e-money, in which all transactions are processed through a bank rather than a business. The customer sets up an account and deposits money in a bank to use for Internet business. The bank receives an encrypted message when the customer wants to purchase something using the e-cash.

The bank then debits the customer's account for the amount requested and the customer can use this money at Internet retailers that accept e-cash (ibid.).

Bear Stearns describes the process of paying for bets or wagers as follows:

Internet gambling transactions are conducted much like those of e-commerce, with a few exceptions. Internet bettors set up a credit or cash account with a licensed bank in the jurisdiction in which the Internet casino is located, and funds will be added and subtracted as the wagers are recorded. The Internet casino simply transmits the transaction to the bank at which the player's account is set up, and most provide full transaction reporting for all bettors. For credit card companies, this system can result in a liability (ibid).

Given that gambling by Internet may be illegal in some jurisdictions, credit card companies could face liability for facilitating transactions in illegal activities. They have taken measures in response to possible liability. For example,

In July of 1999, Mastercard International announced it had set new regulations affecting the use of its cards for Internet wagering as part of an out-of-court settlement in the case [in California]. The rules, similar to ones already in place by Visa, will require Internet casinos with merchant accounts to post Web notices stating that Internet gaming is illegal in certain jurisdictions. The on-line forms will also be required to ask potential clients where they live and keep a record of that information. Banks will be advised by encoded transaction data when wagers are being placed on MasterCard (Nova Scotia Alcohol and Gaming Authority, *Annual Report 1998/99*).

C. Internet Gaming Policies

The legal framework for gaming in Canada is the *Criminal Code* (Canada). In Alberta, the *Criminal Code*, the *Gaming and Liquor Act* (Alberta) and *Gaming and Liquor Regulation* (Alberta) form the province's legal framework for gaming. Although the legislation and regulation address gaming, none of them specifically addresses Internet gaming.

Any gaming activity is illegal unless there is a legislative exemption in the *Criminal Code* that would permit a gaming activity to occur. Moreover, the *Criminal Code* requires any lottery scheme operated on or through a computer or electronic device in Canada may only be conducted and managed by a provincial government.

The *Gaming and Liquor Act* (Alberta) permits certain gaming activities in the province subject to authorization or approval by the provincial government or the Commission on behalf of the province. For more details regarding legal requirements, please refer to the appendix "Legislative Requirements and Considerations."

Use of the Internet to Advertise Lottery Schemes

The Commission acknowledges the use of the Internet strictly for advertising or promotions of authorized gaming activities. For example, the Commission's terms and conditions for licensed raffles, a form of charitable gaming in the province, state:

Tickets shall not be sold or advertised outside the Province of Alberta. Internet advertising and other advertising that may inadvertently appear outside of Alberta, shall specify that tickets will be sold within Alberta only (section "F. Advertising" of *Raffle Terms and Conditions: Total Ticket Value \$10,000 and Less*; and of *Raffle Terms and Conditions: Total Ticket Value More Than \$10,000*).

Use of the Internet for Other Purposes

The Commission has authorized the use of the Internet for commercial purposes related to the sale of liquor and charitable raffle tickets. A Calgary on-line liquor service, Bombay Liquor, may take orders 24 hours per day. While orders may be placed at any time during the day the actual delivery of liquor must occur during licensed hours for deliveries.

Other charitable organizations, such as the NAIT Foundation, have used the Internet as a sales and distribution channel for their major raffles or sports pools. In these cases, the consumer can download and print the entry forms through their computer. The completed entry form and payment is then returned by regular mail, e-mail, fax or in person and entered into the lottery scheme.

D. Current Situation Assessment

Developments Affecting E-Gaming in Canada

While an Internet gaming site has not been launched in Alberta or elsewhere in Canada under the conduct and management of a provincial government, there have been a number of e-gaming developments in Canada and elsewhere that deserve mention. Those developments include the following:

1. *Off-shore e-gaming sites, operated by companies outside North America, may be accessed by citizens of Canada and the U.S.* - There are an estimated 1,200 to 1,400 offshore e-gaming web sites that accept bets or wagers on horse racing, dog racing, sports books, casinos and bingo. Many of these sites accept wagers or bets from consumers in their own and other jurisdictions. Some are aligned with celebrities such as singer Kenny Rogers or boxer Larry Holmes. E-gaming web sites may be strictly or loosely regulated, depending upon the jurisdiction in which they are located.
2. *Reputable U.S. casinos plan to activate on-line gaming web sites* - At one time the casinos of Las Vegas (those who operated “brick and mortar” casinos) opposed unregulated on-line casino websites. Today they oppose any ban on Net wagering. Large reputable casino companies such as MGM Mirage and Harrah’s have announced plans to design online casinos. Such online casinos would be activated at an appropriate time. “With their play for fun sites, they are already building a large customer base that they can easily tap if the regulatory environment becomes more accommodating” (*The Gaming Industry Weekly Report*, March 2001). The casino companies recognize that on-line gaming and gaming at their casino facilities are two different experiences, and that, when ready to go, they can through their online gaming eliminate questionable operators and boost the industry’s credibility.
3. *There is a wide array of sports pools available on the Internet* - Many sports pools are available on the Internet and could number in the thousands. A range of products are offered. For example:
 - free promotional pools intended to create web site loyalty, such as those hosted by the NHL and Molson;
 - online pools in which players pay an entry fee and compete for significant cash prizes, such as NAIT-The Edmonton Journal Summer Golf pool’s weekly results and standing which were offered through the Internet; and
 - host web sites that, for a fee, provide software and maintenance of a web site in which individuals can host “office pools”.

The U.S. National Gambling Impact Study Commission noted in its 1999 report:

According to National Football League estimates, the Internet sports-gambling market will reach \$750 million by the end of 1999. Whereas casino-style games can generate concerns over the possibility of tampered results, the outcome of sporting events are public knowledge and are assumed to be beyond the control of the site operator.

4. *The Internet is used by North American gaming jurisdictions to provide information related to gaming, winning numbers, winner information, etc.* - The North American Association of State and Provincial Lotteries (NASPL) web site identifies four Canadian jurisdictions and 38 U.S. states that maintain web sites that provide gaming information. For example:

- The British Columbia Lottery Corporation (BCLC) asked players to share their lottery fantasies over the Internet during the release of the instant ticket “Set for Life” in September 2000. Those who responded over the period of one month were asked to describe how \$1000 per week for 25 years would change their lives, a means to create brand awareness. One respondent was chosen per week and received \$1000.
- The Maryland Lottery signed an agreement with E-Lottery to implement an Internet interface to their lottery subscription system in November 2000. This will allow the state lottery to receive subscription orders over the Internet for the multi-state jackpot Big Game and the state’s weekly Lotto Game.

The Alberta Gaming and Liquor Commission has its own web site that provides information about gaming activities. The Western Canada Lottery Corporation, which conducts and manages ticket lotteries in Alberta, also has a web site that informs users about the products it offers. However, neither one of the web sites provides consumers the opportunity to purchase lottery products or engage in gaming activities, such as casino-style gaming.

5. *Lottery proposals are being put forward by private suppliers to North American lottery jurisdictions* - There are at least two North American suppliers which are proposing Internet sites for lotteries of U.S. and Canadian jurisdictions.

- eLottery is a web-based retailer of government lottery tickets and has developed, installed and operated systems that have processed e-commerce lottery ticket sales and transactions outside North America. eLottery also offers other services and products to government lotteries such as Internet advertising and marketing, Internet subscription services, direct e-mail programs and web site design and maintenance capabilities.
- Uwin, a product offered by GTech, does not appear as clearly defined as eLottery. Nevertheless, they describe themselves as a “full service” Internet provider to government lotteries.

6. *Internet sites offer promotions tied to products such as instant tickets* - These Internet sites are designed to create player loyalty and encourage repeat visits to the web site. This is done through the use of electronic second chance draws, third chance “collectable” promotions, fun facts and trivia about the products, links to related web sites and a variety of other e-commerce opportunities. Two suppliers are leading the way:

- Realtime Media, a pioneer in this area, has used integrated promotions successfully with reputable companies such as AOL, MSN and NFL.com to encourage people to use their web sites. More recently it has begun to focus on the lottery industry.
- MDI Entertainment sells exclusively licensed themes for instant tickets. They have more than 30 brands, including Harley Davidson, Wheel of Fortune and Jeopardy.

7. *A Canadian province has authorized and licensed a group to manage a charitable lottery and sell its tickets through the Internet* - An organization called The Earth Fund, based in P.E.I., is the first in Canada to be authorized and licensed by a provincial government (P.E.I.) to manage a charitable lottery and sell the tickets through the Internet. The intended beneficiaries are Doctors Without Borders, the World Conservation Union, the Earth Council and the International Council of Local Environmental Initiatives. The Interprovincial Lottery

Corporation (ILC), an affiliation of the separate provincial government lottery corporations, has taken legal steps to restrict the organization from selling in Canada beyond PEI borders. Pending the outcome of the court case in the matter, the web site of The Earth Fund is strictly an information site used to present its views about the pending legal case. P.E.I. is currently re-investigating its position on the lottery scheme.

8. *A First Nation in Quebec has launched an Internet gambling web site* - The Kahnawake (Mohawk) First Nation, whose reserve is located near Montreal, has launched an e-gaming web site. There is some question as to whether the site continues to be located in Antigua or is now on the reserve or elsewhere. According to the e-gaming web site, it has hired an English management team, which is claimed to have 50 years of experience in operating casinos. The site indicates this is one reason to trust the web site. Another reason is the web site operators were approved and licensed by the "Kahnawake Gaming Commission of Canada." The legal status of the gaming commission is in question as is the web site. As of 1998-99, there were no special provisions for First Nations gaming in Quebec (Nova Scotia Alcohol and Gaming Authority, *Annual Report 1998/99*).

The Commission continues to track developments elsewhere in Canada as well as in other countries.

The Western Canada Lottery Corporation (WCLC) has formed a committee to keep abreast of developments in Internet gaming, as has the Interprovincial Lottery Corporation (ILC). The ILC comprises representatives from all provincial lottery corporations across Canada. Alberta is represented by the WCLC.

Enforcement

The Commission is limited to enforcing and regulating gaming activities it has licensed or authorized, or those occurring in premises it has authorized or licensed. Police services are responsible for enforcing criminal laws regarding illegal gaming activity in the province. As a result, any unlicensed, and therefore illegal, Internet gaming activity occurring in the province would fall within the mandate of the police services.

The Commission has not authorized or licensed any Internet gaming websites and is unaware of any Internet gaming web sites being operated in the province.

E. Landscape

The previous item “Current Situation Assessment” describes some developments in e-gaming within Canada. They include the licensing of an Internet lottery by the government of PEI and the use of the Internet by the British Columbia Lottery Corporation to promote a lottery.

The proposed PEI lottery scheme, the Earth Fund Lottery, involves the sale of lottery tickets beyond PEI borders and throughout the world by using the Internet. The lottery scheme has been licensed by the province of PEI but has not been formally activated. The Interprovincial Lottery Corporation (ILC) is pursuing a legal case against the PEI-based lottery. At issue in this case is the authorization of a web site that may be accessed by residents of other Canadian provinces, beyond PEI. Under provisions of the *Criminal Code*, only a provincial government may determine which lottery schemes may be conducted within its provincial boundaries.

Despite the fact none of the provincial governments to date have launched a lottery scheme using the Internet, one report notes:

Many on-line gaming companies have situated themselves in Vancouver, Canada, which is now known within the trade as the Internet gaming capital of the world. Companies strategically house servers or make Vancouver the company headquarters largely in order to dodge U.S. authorities (Bear Stearns, 2000).

The report goes on to say:

Because Canadian law regarding on-line gambling is as unclear as U.S. law, groups are beginning to test authorities by setting up on both sides of the U.S.-Canada border. The Kahnawake Mohawk Nation, a Native American tribe in Montreal, plans to own the first fully operational Internet gambling operation on North American soil by the end of October 1999 [it appears that the First Nation has since launched a gaming web site] (ibid.).

One or more other First Nations have announced plans to operate their own on-line casino web sites. For example, the Treaty Four Indian bands in Saskatchewan indicated they would proceed with their plans to operate a cyber-casino “even though the provincial government won’t allow the Saskatchewan Indian Gaming Authority to open any new casinos.” A spokesman said the site “will block Canadian gamblers from logging on,” suggesting it would be open to gamblers in other jurisdictions, although the media article did not indicate which ones.

In 1999, the province of British Columbia issued a white paper on gaming legislation. It addressed gaming matters in the province, including issues around Internet gaming.

The political and social implications of Internet gaming and the rapid growth of Internet access in an unregulated environment together suggest that the federal government, in conjunction with the provinces, should consider developing guidelines governing on-line gaming and encompassing clearly defined enforcement strategies for Canada.

It is recommended that the Attorney General of British Columbia, along with his federal and provincial counterparts, assemble a working group to study:

- the social and economic implications of Internet gaming in Canada; and
- the problems of law enforcement in cyberspace.

(Rhodes, Frank A., 1999).

International

The B.C. White Paper on Gaming noted:

Gaming throughout the world is typically regulated by national, state or provincial legislatures or local municipalities. In many jurisdictions gaming is highly regulated or even prohibited, while in others it is considered acceptable and is subject to no government interference. Similarly, government responses to Internet gaming range from participation to prohibition. A number of countries have no clear policy on the issue (ibid).

There is a wide range of Internet gaming activity occurring throughout the world. Following are a few examples of those or related activities.

Canada

The Interactive Gaming Council is a coalition of 60 companies across the world that are involved in on-line gambling, and has its base in Vancouver. It aims to further the interests of its members. The coalition has developed a code of conduct, addressing issues such as truth in advertising, preventing underage gambling, giving players confidence in gaming integrity (Nova Scotia Alcohol and Gaming Authority: *Annual Report, 1998/99*). The council “allows any interested party to address issues for the advancement of regulation of the Internet gaming community. The council also serves as a means by which the on-line gaming industry can lobby the federal and state governments, and members have a say in the direction of the lobbies.” (Bear Stearns, January 2000).

United States

The Gambling Impact Study Commission of the United States issued a final report in 1999 following two years of study into the impacts of gaming throughout the nation. The Commission reported there were about 90 on-line casinos, 39 lotteries, 8 bingo games and 53 sports books in the U.S. in May 1998. “One year later, there were over 250 on-line casinos, 64 lotteries, 8 bingo games and 139 sport books providing gambling over the Internet.”

The Commission recommended to the President and Congress:

...because Internet gambling is expanding most rapidly throughout offshore operators, the federal government should take steps to encourage or enable foreign governments not to harbor Internet gambling organizations that prey on U.S. citizens.

Given the developments over the past one to two years, large casinos in the U.S. are now also poised to provide e-gaming.

Large bricks-and-mortar casinos in the United States - long opposed to their unregulated online rivals and backers of attempts to outlaw e-gaming at the federal level - have recently done an about-face on the issue and now oppose any ban of Net wagering by U.S. Congress. What's more, they are positioning themselves for official sanctioning of the industry and have begun

aligning themselves with e-gaming firms in deals that could eventually allow them to cash in on a cyberspace wagering bonanza.

Market researcher Frost & Sullivan claims worldwide e-gaming revenue could top US\$6-billion by 2003 and US\$10-billion by 2005, despite the American ban (National Post, Nov. 7, 2000).

Attempts were made to pass federal legislation to ban or prohibit Internet gaming in the United States, but such a law (for example, the Kyl Bill) has not been passed to date. At least two states, Nevada and New Jersey, have issued bills to legalize e-gaming.

Nevada is one state that allows sports book betting. It permits such betting over the Internet, but restricts such betting to state residents.

Australia

Australia was the first country that authorized Internet gaming. The federal government then legislated a temporary moratorium on the establishment of new Internet gaming web sites in the country. During the moratorium, the federal government examined the future of e-gaming in the country and even the feasibility of banning Internet gambling permanently (*Internet Gaming News*, December 6, 2000).

Since then, the Australian government introduced the Interactive Gambling Bill 2001, which received first reading in April 2001. The bill makes it an offence to provide Australian based interactive gambling service to customers in Australia and establishes a complaints scheme which will enable Australians to make complaints about interactive gambling services on the Internet which are available to Australians (*Interactive Gambling Bill 2001*, Explanatory Memorandum).

Europe

Various jurisdictions in Europe have authorized Internet gaming web sites. As of May 1998, the European Union did not have a formal policy for Internet gaming. Rather,

... the Gaming Regulators European Forum recognized that, in light of the individual social, cultural and economic circumstances of the various states in the European Union, the regulation of Internet gaming would be most appropriately implemented at the national or autonomous regional level (Rhodes, Frank A., 1999).

Jurisdictions With Licensed Gaming Web Sites

Based on a report issued in 2000, the following gaming jurisdictions have licensed internet gaming websites: Alderney, Antilles, Antigua & Barbuda, Australia, Austria, Cook Islands, Costa Rica, Curacao, Dominica, Dominican Republic, Finland, Germany, Gibraltar, Great Britain, Grenada, Ireland, Isle of Man, Mauritius, Liechtenstein, St. Kitts, Swaziland, Tasmania, Trinidad, United States, Vanuatu and Venezuela.

Many e-gaming web site companies do not indicate a location or place of origin. In such cases, the companies may be located in countries other than those mentioned above (Bear Stearns, January 2000).

F. Summary of Findings – Public Views and Stakeholder Consultations

Stakeholder Consultations

The Gaming Licensing Policy Review process included obtaining the views and perspectives of the Alberta public, both players and non-players alike, and of stakeholders. This summary of findings presents a snapshot of those views and perspectives focusing on Internet gaming.

The findings are divided as follows:

- *Public* - The views and attitudes of adult Albertans about gaming activities in the province.
- *Stakeholders* - The views and perspectives of stakeholders. Stakeholders are either directly involved in the gaming industry, or indirectly involved through the services they provide or through some related experience or interest. Most stakeholders have knowledge of at least some of the gaming licensing policies currently in effect. Others will be fully aware of those licensing policies, in particular as they may apply to the gaming activity with which they are directly involved.

Public

In May 2000, during the Gaming Licensing Policy Review, the views and perspectives of adult Albertans were sought through public opinion research.

Among gaming activities, Internet gaming was most likely to be considered as a “harder” form of gaming. Most adult Albertans (59%) would like less availability of Internet gaming, 39% the same amount and 2% more. This is the strongest response by Albertans to reduce the availability of a gaming activity (even though none of the Canadian provinces are conducting and managing an Internet gaming website).

A small fraction of adult Albertans, about 0.2%, said they bet or spent money on Internet gaming in the past year. Those who did indicated they spent an average of \$55 on Internet gaming in the previous month (when the survey was taken).

Few Albertans (less than 2%) say they would play Internet gaming in the next year if it became available, the rest of Albertans would not.

Those who participated in Internet gaming suggested the following locations where people should be able to gamble on the Internet if it were available: at a gaming room in a hotel (94.5%), in a resort casino (75.8%), in bars and lounges (71.4%), in a local casino (62.1%), in a location devoted to VLTs (61.7%), in a First Nations casino on reserve land (56.2%), at a racetrack (42.2%) and at a bingo hall (33.9%).

Stakeholders

Stakeholders were consulted in September and October, 2000, during the Gaming Licensing Policy Review. The consultations included interviews with representatives of stakeholder groups. A representative survey of charities in the province and gaming workers was also conducted.

Industry Stakeholders

Most charities and industry workers do not favour Internet gaming. Generally, there were few comments by industry stakeholders about Internet gaming. Their comments during the consultations focused on other issues and matters of greater importance to them.

A representative of one major exhibition indicated the province may want to examine how and when to get involved with Internet gaming. That would enable the province to have some control over it and to keep gaming revenues in the province over the next decade.

A gaming industry association representative felt addressing Internet gaming poses challenges and the Commission cannot ignore it, but authorizing it would also cause problems. A casino operator echoed the view addressing Internet gaming is a challenge. The challenge would be in either prohibiting it or using it for some types of betting such as sports betting.

Advocacy Foundation

A public policy advocacy foundation felt if the province introduced Internet gaming, it would be an exporter of social costs. The foundation understands sports betting holds the greatest potential on the Internet but the social, political and economic factors have to be taken into account.

A problem gambling treatment agency identified Internet gaming as a significant potential problem but admits it would be difficult to control.

G. Primary Issues and Recommendations

Process of Review

The first step in the process of arriving at recommendations was to better understand how Internet gaming is currently being used or authorized in other jurisdictions. In effect, the process involved the gathering of information.

That step was followed by a review of public and stakeholder perspectives regarding Internet gaming and assessing options to address this form of gaming activity in Alberta over the next five years or more.

Primary Issues

The Gaming Licensing Policy Review identified one primary issue regarding Internet gaming, as follows:

A. RESEARCH, POLICY DEVELOPMENT

Few Albertans have engaged in Internet gaming. Most adult Albertans feel Internet gaming should be less available (despite the fact none of the provincial governments in Canada are currently conducting and managing gaming on the Internet). A few stakeholders believe the province should become involved to prevent or control Internet gaming and keep gaming dollars in the province. A problem gambling treatment agency is concerned of the significant problems that may arise from Albertans accessing the Internet to gamble, but also acknowledged the difficulty of controlling such access.

POLICY POSITION:

1. The legislative, regulatory, enforcement and social issues of Internet gaming need to be clearly researched and understood.

The Internet is available in homes, in the workplace and through public institutions such as schools and government offices, throughout the world. Its growth over the past few years has been phenomenal. Among other developments, new technologies are being introduced to expand and improve upon the way commercial transactions are conducted using the Internet. At the same time, it is acknowledged regulating any type of activity on the Internet, including gaming, poses serious challenges and current laws do not specifically address the issue of Internet gaming. It is important those challenges and the related issues be clearly understood and developments in Internet gaming closely followed.

INTERNET RECOMMENDATION - 1

- **The Commission will approach the subject of the use of the Internet for gaming in three key steps, as follows:**

Step One

Research and monitor recent developments in other jurisdictions respecting the legal, regulatory, enforcement, economic and social issues related to the use of the Internet to facilitate gaming activities.

Comment - The fundamental legislation that governs gaming throughout Canada is the *Criminal Code*. One of its provisions is that only provincial governments may conduct and manage gaming activities that are operated on or through a computer or electronic device. For that reason it is critical the Commission encourage and participate in national discussions on Internet gaming with other provincial gaming authorities and enforcement agencies. These discussions should include, but not be limited to, the legislative, regulatory, enforcement, economic and social issues arising from Internet gaming, including access by minors and by those who experience problems with their gambling.

Step Two

Based on the research and findings obtained in step one, develop a longer-term strategy regarding the use of the Internet to facilitate gaming activities.

Comment - Internet gaming has already been licensed and regulated in several other jurisdictions. As the Internet continues to grow, more jurisdictions are likely to consider either banning the activity entirely or providing a regulatory framework within which the activity can be conducted and managed. The Commission should develop a long-term strategy that considers the views of the public and stakeholders, available research and recent developments in other jurisdictions respecting the legal, regulatory, enforcement, economic and social issues related to Internet gaming.

Step Three

Forward the recommended longer-term strategy for the use of the Internet in gaming, as developed in step two, through the business planning process of government.

Comment - In Alberta, government agencies, including the Commission, develop their major policy and program directions through the business planning process. Business plans are subject to government approval. It is through the business planning process the Commission develops longer-term policy and strategic direction for gaming activities in the province. It is recommended the Commission follow this process in the development of longer-term strategy related to the use of the Internet for gaming.