CHAIRMAN JAMES: Again, thank you, Mr. Farrell. We really do appreciate your rearranging your travel schedule in order to be here with us.

MR. FARRELL: Thank you. I start first with an apology and a thank you. Apology first, because I have been told on each of my visits to the U.S. that I have a very strong Australian accent and it becomes very hard to understand. So I'll do my best.

CHAIRMAN JAMES: I'll try to refrain from saying g'day.

MR. FARRELL: The thank you is for the opportunity, to the Commission and also the North American Gaming Regulators Association for inviting me to speak. It offers an opportunity to allow to be heard myself and not through others who tend to put their own slant on what we're doing in Australia.

I'd like to say first and foremost that I'm a regulator and I've no interest in promoting any form of gambling, whether it be on the Internet or otherwise. I speak on behalf of the working party and like Joseph said beforehand, the views are my own.

I've used the written testimony to answer the specific topics that were contained in the Commission's invitation and I'll try not to repeat myself too much. I would like to say first off, that in understanding what we have recommended in Australia, we had to start with a very mature gambling industry. We have an industry for 18 million people which is an expenditure of over $18 billion and we have in most
states every conceivable or thought of successful form of gaming, legalized. So on that basis, we have no unmet demand. We are not suppressing the availability of any particular product in most states. So that, for a start, is a point of difference.

I understand and appreciate particularly the states in the U.S. who are trying, as gaming regulators and policy makers, to enforce what they see as community standards in their own jurisdictions.

I'll reiterate something that was said by the first speaker and that is, once policy makers have determined to legalize any form of gaming, the regulators' primary interest must be on protecting the rights of players. That is not possible in the unregulated environment. Unregulated gaming means that those who access the service might be dealing with criminals or the criminal influence, might be playing rigged games. Even if they win, they might never be paid and they're probably dealing with a person without interest in their welfare as a player or whether or not they have a gambling problem.

Providing regulation is the only way to protect the players. I say that with one proviso in respect to Internet gambling. That proviso is that the regulation must be there and it must enforce strict player registration procedures. With strict player registration procedures you can control, effectively control minors' gambling, credit gambling, the setting of bet limits, the provision of exclusions which can be enforced and enforcing cooling off periods.

However, without strong player registration, you have no hope of doing any of those things. So we as a working party saw the real threat as not regulating. If the unregulated are
allowed to continue servicing a market of unmet demand on their own, they will eventually set the standards for this product. In Australia, because of their mature industry and not because we think we're good fellows, we have in the technical areas we feel the foremost gambling regulation in the world. We see, in allowing anyone else in terms of Internet gambling setting standards, particularly by default as a serious threat.

Enforcing strong regulation, particularly strong player registration upon Internet gambling providers is a big ask. If the unregulated are allowed to gain market share through being able to offer credit, to be able to do credit transaction, to be able to bet anonymously, our chances of enforcing a strong player registration on our own providers becomes less and less, as they compete in the market with others not having to undergo the same hurdles.

So the Australian proposal is to get out there before the market has swallowed up the unregulated and provide the world related and respected product in competition. In Australia, and this is not necessarily the case everywhere else, and I can detail examples of this for you if you'd like, whenever we have moved to legalize a particular form of gambling, it has driven the illegal form into a level of insignificance, has never eradicated it, but it has driven it to a level of insignificance.

I'd also like to make a remark about the potential market size of this industry. I know this was covered in the written testimony but it is worth reinforcing. In Australia we have had interactive gambling via the telephone, on horses for over 30 years. This is not in competition through the same provider, with a network of shop fronts which sell the same
wagering products. In Australia we have totalizators sold through dedicated retail outlets in shopping centers, the same as you sell lottery tickets over here, expect their single product outlets, not multiple product outlets. Now, they're pretty dingy places, most of these TAV outlets as we call them. If you go in there on a Saturday afternoon, it's full of smoke and fellows in blue singlets watching videos of races and marking up betting tickets as quick as you can, very uninviting, very, very uninviting for ladies. Also very, very uninviting for someone wearing a suit.

Now, we have telephone gambling on exactly the same races, some of it televised into the home. All you have to do is visit one of these outlets once, open up a telephone account with, I might add, strong player registration procedures, and you can sit at home on a Saturday afternoon, where the fridge is handy and you can ring up on the telephone and place a bet on whatever race you like throughout Australia. Wow! That would be popular. That's easy, that's smart. Out of all the totalizators in Australia, most still have less than ten percent of their betting done this most convenient and by far preferential way to the outside view.

The point here is that just because something is technically possible, just because it might be pretty, does not mean it will appeal to the public. The only other remark I'd like to make is again thank you.

CHAIRMAN JAMES: You're more than welcome. Thank you.