

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

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*SELECT COMMITTEE ON INTERACTIVE TELEVISION GAMING*

**REPORT ON THE IMPACT**

**OF**

**BROADBAND COMMUNICATION SERVICES**

**ON THE**

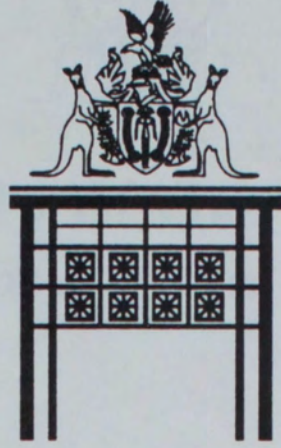
**NORTHERN TERRITORY'S  
RACING AND GAMING INDUSTRY**

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APRIL 1996

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on 22 February 1996



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APRIL 1996



Legislative Assembly of the Northern Territory  
*Select Committee on Interactive Television Gaming*

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8 April 1996

The Honourable T R McCarthy, MLA  
Speaker  
Legislative Assembly of the Northern Territory  
GPO Box 3721  
DARWIN NT 0801

Dear Mr Speaker,

Pursuant to the Resolution of the Assembly which was passed on Thursday 22 February 1996, I present to you the Report of the Select Committee on Interactive Television Gaming.

With your authorisation it is intended that the Report be printed tomorrow, Tuesday 9 April 1996.

Yours sincerely,

TIM BALDWIN, MLA  
Chairman

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## Table of Contents

	<i>Page</i>
<b>Preface</b>	v
<b>Chapter 1: INTRODUCTION</b>	
1.1. Membership	1
1.2. Terms of Reference	2
1.3. Abbreviations	3
1.4. Selected Glossary	5
1.5. Summary and Recommendations	8
<b>Chapter 2: BACKGROUND AND INDUSTRY SITUATION</b>	
2.1. Scope of Committee Activity	11
2.1.1. Advertisements	11
2.1.2. Visits	11
2.1.3. Submissions	11
2.1.4. Reports Considered	11
2.2. Introduction of Broadband Capacity	12
2.2.1. Communications Policy	12
2.2.2. Reports	12
2.2.3. Legislation	15
2.2.4. Major Pay TV Providers	22
2.2.5. Pay TV Value Addition	25
2.2.6. Technology Development	27
2.2.7. Australian trials in broadband services	28
2.2.8. Connections to NT Homes and Businesses	29
2.3. The Racing and Gaming Industry	
2.3.1. International Racing and Gaming Product	32
2.3.2. Australian Racing and Gaming Industry	34
1. Gambling Availability	34
2. Gambling Propensity	42
3. Industry Funding and Taxation	43
4. Pay TV and the Racing Industry	45
2.4. Emerging Interactive TV Gaming Opportunities	
2.4.1. Gambling	48
2.4.2. Non-gambling	52

**Chapter 3: IMPACT OF BROADBAND SERVICES ON THE NORTHERN  
TERRITORY RACING AND GAMING INDUSTRY**

<b>3.1. Inter-jurisdictional Issues</b>	<b>53</b>
<b>3.2. Northern TAB and Racing Impact</b>	<b>56</b>
<b>3.3. Lotteries and Lotto Impact</b>	<b>57</b>
<b>3.4. Casino Gaming Impact</b>	<b>58</b>
<b>3.5. Community-based Poker Machines Impact</b>	<b>59</b>
<b>3.6. Sports Betting Impact</b>	<b>60</b>
<b>3.7. Net Effect on Northern Territory Revenue</b>	<b>61</b>
<b>3.8. Consumer Choice</b>	<b>63</b>
<b>3.9. Lifestyle and Social Impacts</b>	<b>64</b>

**Chapter 4: RISK MANAGEMENT AND OPPORTUNITY  
ENHANCEMENT**

<b>4.1. Efficiency and Access</b>	<b>69</b>
<b>4.2. Commonwealth Government Regulation</b>	<b>70</b>
<b>4.3. State Level Cooperation</b>	<b>72</b>
<b>4.4. Social Impact Baseline Study</b>	<b>73</b>
<b>4.5. Risk to TABs</b>	<b>74</b>
<b>4.6. Future of Racing</b>	<b>76</b>
<b>4.7. Ongoing Monitoring</b>	<b>78</b>

**APPENDICES**

<b>Appendix A: Newspaper advertisement</b>	<b>81</b>
<b>Appendix B: List of Witnesses and Submissions</b>	<b>82</b>
<b>Appendix C: Reference material</b>	<b>86</b>
<b>Appendix D: Relevant INTERNET addresses</b>	<b>95</b>

## Preface

Your Committee was charged by the Legislative Assembly of the Northern Territory to inquire into and report on the impact of broadband communications services on the Northern Territory's racing and gaming industry.

The objective of this part of the reference is quite clear and would have provided ample scope for the work of the Committee. During its deliberations the Committee found that the remaining parts of the Terms of Reference would have restricted the scope of the Committee's work to identifying the impact of interactive television gaming even though developments of other forms of electronic home wagering and gaming could become popular and produce a greater and more immediate impact on the Northern Territory's racing and gaming industry.

Accordingly, the Committee has adopted broader lines of inquiry during its deliberations.

The report traces two lines of inquiry. The first follows current technological development to identify the gambling scenario where interactive television may make its impact. This discussion contains an analysis of the opportunities and risks for existing service providers in the racing and gaming industry in the Territory.

The second strand proceeds in the general sequence contained in the Terms of Reference. Predictions along these two separate strands are brought together in the final chapter in which the Committee discharges its primary responsibility in reporting on the impact of broadband communication services on the racing and gaming industry in the Northern Territory and makes recommendations relating to risk management and opportunity enhancement for the industry.

Due to the nature of technological change and advancement in administrative and commercial usage of broadband services, the information and research contained in this report could be outdated, in part, at the time of its publication.

The report seeks not to provide new information. Rather, it seeks to set forth the basic facts and then chart the way events may unfold from a Northern Territory perspective. From there it suggests ways of reacting and adapting so that the Northern Territory may be prepared for events in this area.

It is disappointing that the Committee found so little relevant Northern Territory research upon which to draw. Even though the implementation of broadband interactive capacity will not be available in the Northern Territory for some time, some impacts, the nature of risks and the scope of opportunities are apparent. The impacts, socially and financially, may be severe.

The available opportunities will have to be grasped as early as possible, for the nature of technology based industries is that there is a very small second prize.

Although prompted by its Terms of Reference to provide advice on necessary legislative change, the Committee chose not to make specific recommendations at this stage. It expects that adoption of the recommendations it has made will lead events to unfold in an orderly manner and provide much firmer ground for decisions relating to legislative change and other public policy issues.

I wish to formally record my appreciation for the assistance that the Committee has received in preparing this report.

I am indebted to the other two Members of the Committee, Mr Peter Adamson, MLA and Mr Syd Stirling, MLA. Both Members have willingly given their time and brought with them a level of expertise to the Committee which enabled it to work in a spirit of cooperation.

The efforts of the support staff of the Committee's Secretariat were most valuable, in particular our thanks go to the Research Officer, Ms Annie Bonney, the Executive Assistant, Ms Dianna Harris, the Assistant Secretary, Mr Terry Hanley and Mrs Roseline Vogeli for their willingness to meet the many requests of the Committee.

We also thank the Chairman of Racing and Gaming Authority, Mrs Maria Onn, and her officers for the wealth of information and material supplied to the Committee. The Committee is also indebted to the officers of NCOM, NT Treasury and NT Attorney-General's Department and other Government agencies and CETV, Darwin.

Mr Otto Alder gave the Committee the benefit of his extensive experience in the area of government finance and the funding of the NT Racing Industry.

Finally, the Committee wishes to express its appreciation for the assistance received from various organisations in the States it visited and to the many individuals too numerous to be mentioned specifically (See Appendix "B") who appeared as witnesses and provided the Committee with submissions and information. This report owes much to their contributions.

**TIM BALDWIN, MLA**  
Chairman

**Note:** At the time of publication data relating to 1994/95 AUSTRALIAN GAMBLING STATISTICS published by the Tasmanian Gaming Commission were not available. Relevant data will be included in subsequent editions of the report.

## Chapter 1

# INTRODUCTION

### 1.1. Membership

<b>Members:</b>	Mr Tim Baldwin, MLA (Chairman) Mr Peter Adamson, MLA Mr Syd Stirling, MLA
<b>Secretary:</b>	Mr Ian McNeill
<b>Assistant Secretary:</b>	Mr Terry Hanley
<b>Research Officer:</b>	Ms Annie Bonney
<b>Executive Officer:</b>	Ms Dianna Harris

## **1.2. Terms of Reference**

On 17 August 1995, the Legislative Assembly of the Northern Territory established a Select Committee on Interactive Television Gaming to inquire into and report on the impact of broadband communication services on the Northern Territory's racing and gaming industry. In particular, the Committee was directed to inquire into:

1. The future delivery of broadband service to the Northern Territory and the timing of connections to homes and businesses.
2. The likely developments through interactive pay television for direct consumer gaming opportunities.
3. The likely impact of those opportunities on existing racing and gaming operations in the Northern Territory, especially the operations of the Northern Territory TAB.
4. The likely impact on Northern Territory revenue.
5. The potential benefits which might accrue to the racing and gaming industry and to the consumer.
6. The possible impact of interactive gaming opportunities on the lifestyle and social structure of Territorians.
7. Any changes considered necessary to update Northern Territory legislation in the face of broadband communications technology developments.

### **1.3. Abbreviations**

<b>ABA</b>	Australian Broadcasting Authority
<b>ABC</b>	Australian Broadcasting Corporation
<b>ABT</b>	Australian Broadcasting Tribunal
<b>ACCC</b>	Australian Competition and Consumer Commission
<b>ACT</b>	Australian Capital Territory
<b>ADSL</b>	Asymmetrical Digital Subscriber Line
<b>ARL</b>	Australian Rugby League
<b>ASTC</b>	Alice Springs Turf Club
<b>ASTEC</b>	Australian Science and Technology Council
<b>ATV</b>	Australia Television
<b>AUSTEL</b>	Australian Telecommunications Authority
<b>BSA</b>	Broadcast Services Act
<b>BSEG</b>	Broadband Services Expert Group
<b>BSkyB</b>	British Sky Broadcasting
<b>BTCE</b>	Bureau of Transport and Communications Economics
<b>CD</b>	Compact Disc
<b>CDROM</b>	Compact Disc Read Only Memory
<b>CETV</b>	Communications Entertainment Television
<b>DBS</b>	Direct Broadcast Satellite
<b>DTC</b>	Darwin Turf Club
<b>ECA</b>	Electronic Commerce Australia
<b>EDI</b>	Electronic Data Interchange
<b>EDICA</b>	Electronic Data Interchange Council of Australia
<b>EFT</b>	Electronic Funds Transfer
<b>DTC</b>	Darwin Turf Club
<b>DEET</b>	Department of Education, Employment and Training
<b>HFC</b>	Hybrid Fibre Coaxial Cable
<b>IBS</b>	INTERNET Betting Service
<b>ISDN</b>	Integrated Services Digital Network
<b>Kbps</b>	Kilobits per second
<b>LAN</b>	Local Area Network
<b>MDS</b>	Multiple Distribution Services
<b>Mbps</b>	Megabits per second
<b>MSN</b>	Microsoft Network
<b>NSW</b>	New South Wales
<b>NT</b>	Northern Territory
<b>NZ</b>	New Zealand
<b>OTC</b>	Overseas Telecommunications
<b>PBL</b>	Publishing and Broadcasting Limited
<b>PC</b>	Personal Computer
<b>PSN</b>	Premier Sports Network
<b>QRIS</b>	Queensland Racing Incentive Scheme
<b>SBS</b>	Special Broadcasting Service
<b>SCITVG</b>	Select Committee on Interactive Television Gaming
<b>SERC</b>	Senate Economics Reference Committee
<b>SMA</b>	Spectrum Management Agency

*Report on the Impact of Broadband Communication Services  
on the Northern Territory's Racing and Gaming Industry*

<b>TAB</b>	Totalisator Agency/Administration Board
<b>UIH</b>	United International Holidays
<b>VOBIS</b>	Victorian Owners and Breeders Incentive Scheme
<b>VRML</b>	Virtual Reality Modelling Language
<b>VSat's</b>	Very Small Aperture Terminals
<b>WAIS</b>	Wide Area Information Servers

## **1.4. Selected Glossary**

**Analog:** Continuously varying value of voltage or signal representing a range of frequencies similar to voice or radio waves. An analog signal commonly forms a wave pattern with each wave forming a cycle which is measured in amplitude (strength), frequency or by its wavelength. It is limited in that it can only transmit voice through radio or telephone and is variant upon environmental factors such as wind or temperature.

**Asymmetrical Digital Subscriber Line (ADSL):** ADSL provides a means by which the copper wire telephone network can deliver video signals which allows a two-way voice communication. Technology developed by Bellcorp enables the delivery of 1.5 megabits per second (Mbps) into the home and 64 kilobits per second (Kbps) out.

**Bandwidth:** The capacity of a communications connection to transmit data. Bandwidth can be dedicated to one user or shared among many users.

**Broadband:** A wide frequency bandwidth, sometimes referred to as wideband, greater than a voice-grade channel (4 kHz) capable of higher speed data transmission through splitting into narrower bands to allow data to be simultaneously transmitted along different channels such as voice, video and data, singly or in combination.

**Broadband services:** Are a range of communications services that use still or moving video, image, sound, text and data singly or in combination. The bringing together of these services is known as convergence. Broadband is a general term that reflects the capability to communicate information at a high rate through the range of frequencies available in broadband bandwidth. Interactive services allow for a user to reply to, and sometimes control, the information source. The forms of interactivity range from simple telephone communications through to complex fully interactive television.

**Cable modem:** A device that enables a user to connect a computer to existing cable TV networks at Ethernet speeds and access the INTERNET and/or other on-line services.

**Digital:** Data is represented in the form of digits based on the binary system of either one or zero. Information is encoded by using on and off pulses (compared to analog which uses a continuous wave form). Digital data is far more technologically capable than analog, with increased channel capacity.

**Digital compression:** Information processing technology which reduces the storage requirements of digitalised information that is reconstructed by a second processor at the other end of the link.

**Direct Broadcast Satellites (DBS):** The use of satellite to broadcast signal direct to the subscriber.

**Encryption:** Encoding data so that it cannot be interpreted by anyone who does not have the code.

**Ethernet:** Ethernet is a 10Mbps network which allows modem access to the INTERNET through an adaptor card within a personal computer.

**Gaming:** Forms of games that can be used for gambling purposes including lotto/lotteries, poker machines, traditional casino table games and electronic casino games including the INTERNET virtual casinos (see also wagering).

**Integrated Services Digital Network (ISDN):** A scheme for sending digitised voice and data over existing telephone lines.

**Interactive:** Exchanges among multiple users via one or more communications channels (e.g. voice, writing or vision) through a communications device such as a computer terminal, television, telephone, hand held device or touch-screen that allows input to be processed and returned to the original device. It is, simply, a two way system between a system and its operators.

**Interactive cable television:** A television system with facilities for the user to send signals upstream for services such as banking, gambling or shopping; commonly known as on-line. Broadband coaxial cable of 300 megahertz bandwidth is divided into multiple channels through frequency division multiplexing. Each channel can transmit a different signal at different data rates allowing diverse applications to share the cable by dedicated channels. Channel bandwidth can vary, single cables can carry either digital or analog simultaneously. Access is provided by modems assigned to a particular channel. Broadband cables allow the user to lay the cable once and then continually upgrade and expand the services it provides.

**INTERNET:** The world's largest inter-connected computer environment consisting of millions of computers and users. Developed by the United States of America (US) defence departments, the INTERNET became popular in 1994 with the introduction of graphic user interface suitable for the general public.

**On-line:** Ability for users to have communication devices and equipment that allows direct interactive connection with services such as INTERNET, on-line databases and e-mail through a terminal device such as computer, television or handset.

**On-line services:** Refers to services that enables a user with a computer and a modem to access content and services over telephone lines and, cable networks.

**Pay television:** Subscription to receive television channels through either cable, multiple distribution services (MDS) or satellite transmission.

**Racing:** The running of races or competition involving either thoroughbred or harness horses and greyhounds.

**Racing industry:** Inclusive of all elements of the greyhound, harness and thoroughbred industries, such as owners, trainers, jockeys, bookmakers, breeders, stable employees and administrators.

**Set-top box:** Set-top unit (placed on top of television) accepts digital, as well as analog video, and some enable interactivity.

**Video-on-demand:** A video service that enables a consumer to select video and play it using video recorder like controls (play, rewind etc.).

**Virtual Reality:** Creation of images that are totally rendered by computers in which users can immerse themselves and take 360 degree perspectives.

**Wagering:** Gambling by placing a stake or bet on a race or game that does not have a predetermined outcome. See also Gaming.

**World Wide Web (WWW):** Users on the INTERNET have a simple interface for navigating and hyperlinking to other information around the INTERNET world.

## **1.5. Summary and Recommendations**

Gambling from the home via interactive television will become a major recreational activity. Its introduction will progress through several major phases before full interactivity in a rich multimedia environment is enabled through broadband capacity on cable systems.

Darwin will be late in receiving the ultimate product and the rest of the Northern Territory may take some time to progress from the rudimentary applications stage. Nevertheless, gaming product originating in the Northern Territory has the same market potential as that hosted elsewhere.

It is likely that expenditure incurred through gambling at home will be largely in substitution for other gambling expenditure. For this reason all competing gambling product will be faced with great pressure to hold market share and not all shares are of equal value to the Northern Territory Government. This competition will put the Northern Territory racing industry, already facing new competition from alternative gambling forms, under increasing pressure. Other competition will arise from interactive gambling service providers located outside the Northern Territory, potentially a risk to the Northern Territory economy, not just its gambling industry.

The racing industry, including the TAB, will have to be the subject of a complete commercial metamorphosis if it is to be assured of long term survival.

In order that the newly emerging environment can be managed in an orderly and equitable manner and involve fair competition, it will be necessary for the Commonwealth Government to take certain actions under its plenary powers over communications. It will also be necessary for the States and Territories to reach common understandings about the gambling product itself.

The Northern Territory Government will have to consolidate a powerfully researched and continually updated knowledge base if interactive television gambling impacts are to be soundly managed and opportunities are to be realised.

The Committee has therefore made the following recommendations:

<p><b>Recommendation 1</b> That the Northern Territory Government take an active lead in developing, presenting and negotiating the case for cable installation and provision of capacity for interactive programming involving all significant population centres in the Territory.</p>
--

**Recommendation 2** That the Northern Territory Government make representation to the Commonwealth Government to ensure that smooth interactive capacity be available to Territorians through an adequate broadband service into and across the Territory, particularly in respect of the:

- (a) rights to seamless interconnectivity between the Telstra cable network and CETV terrestrial broadband system in Darwin;
- (b) system-wide uniformity of protocols for interactive TV product, development of codes of practice, and open access to cables and transponders; and
- (c) extension of the concept of Universal Service Obligations into the cable carrier legislation.

**Recommendation 3** That the Northern Territory Government make representation to the Commonwealth Government to:

- (a) render betting by Australian residents on interactive electronic gaming product originating in other countries illegal unless an exemption applies; and
- (b) prevent telecommunications carriers from including gambling product charges on customer accounts.

**Recommendation 4** That State and Territory Governments adopt a common set of immutable principles, based on sound prudential control and open competition, to support the expansion of competitive gaming product.

**Recommendation 5** That a specific reference encompassing the topic of interactive home based gambling be added to the baseline study being undertaken by the Australian Institute for Gambling Research in the Northern Territory, as well as subsequent longitudinal studies.

**Recommendation 6** That the powers of the Northern Territory TAB to offer gambling product other than racing-based product be expanded and that the organisation be privatised.

**Recommendation 7** That a complete review of the Northern Territory racing industry, involving Government, racing club and industry representatives, under the guidance of commercial strategists of high repute, be undertaken immediately. The objective of the review should be the preparation of an action plan under which the prospects for racing industry growth in the Territory are maximised.

**Recommendation 8** That a standing Task Force be established to advise the Northern Territory Government on legislative issues, revenue implications, opportunities and impacts relating to ongoing developments in electronic wagering and gaming. Membership should include representatives of the private gambling sector, all Northern Territory Government agencies likely to be affected by those developments and independent experts in this field. The Task Force should be required to meet and report regularly and then report substantively within 12 months to the executive arm of the Northern Territory Government. It should then maintain a regular reporting and advisory role.

## **Chapter 2**

# **BACKGROUND AND INDUSTRY SITUATION**

## **2.1. Scope of Committee Activity**

### **2.1.1. Advertisements**

Advertisements were placed in the *Northern Territory News*, the *Sunday Territorian* and the *Centralian Advocate* advertising the appointment of the Committee, and inviting written submissions in accordance with its Terms of Reference. A copy of the advertisement is at Appendix "A".

As well as calls for written submissions, the Committee, through a number of private meetings, sought out relevant organisations and individuals who could assist it in the information gathering process.

### **2.1.2. Visits**

To ensure exposure to the widest possible cross-section of information, the Committee travelled to Sydney and Melbourne. While visiting those centres, the Committee was able to observe, through live presentation, technological advancements and, in doing so, became aware of the potential development for interactivity within the communication fields. The Secretary travelled to Alice Springs on behalf of the Committee and held discussions with appropriate organisations and individuals.

In conjunction with other Parliamentary business, the Chairman travelled to Las Vegas where he met with senior executives of MGM Grand. He also visited Kuala Lumpur where he spoke to representatives of Tanjong, the Malaysian licensee of totalisator pools.

### **2.1.3. Submissions**

Appendix "B" lists the organisations and individuals who appeared before the Committee as witnesses, or made submissions to the Committee. There were 34 occasions during the period of its inquiry where the Committee met for the purpose of taking evidence as well as holding deliberative meetings.

### **2.1.4. Reports Considered**

While the report does not make extensive use of footnotes, Appendix "C" details a range of the reading and research resources considered by the Committee.

## **2.2. Introduction of Broadband Capacity**

### **2.2.1. Communications Policy**

The Commonwealth Parliament has the legislative power over public communications in Australia, pursuant to section 51(v) of the Constitution.

**2.2.2. Reports:** Investigations into the consequences of the introduction of pay television (Pay TV) into Australia began in the early 1980s. The Australian Broadcasting Tribunal (ABT) reported on cable and subscription television services for Australia in 1982. In 1989, the Department of Transport and Communications released a report on the *Future Directions for Pay TV in Australia*.

In an attempt to determine some direction for policy, the Communications Futures Project was established in August 1993 in the Bureau of Transport and Communications Economics (BTCE). The Terms of Reference for the project included the examination of economic, technical, commercial, regulatory and policy implications of emerging technologies associated with information and communications services. The first and second reports of this group included an examination of consumer interface through various 'gateways' such as telephones and modems.

Further reports of the project included:

- *New Forms and New Media: Commercial and Cultural Policy Implications* (1994) which reviewed content and programming.
- *Networked Communications Services to the Home: Future Demand Scenarios* (1994) and *Costing New Residential Communications Networks* (1994) examined broadband services in the home.
- *Towards the Networked Home: The Future Evolution of Residential Communications Networks in Australia* (1994) explored residential communications up to and beyond the year 2005.
- *Communications Futures Final Report* (1994) summarised the previous work by the project team and provided a perspective on developments expected over the next decade (1995-2005) in the communications network evolution of digitalisation and convergence.

In December 1993, the Commonwealth Government established the Broadband Services Expert Group (BSEG) with the task of examining the technical, economic and commercial preconditions for widespread delivery of broadband services to homes, businesses and schools in Australia. An interim report, published in July 1994, raised many questions relevant to broadband services in Australia. These questions were addressed in December 1994 when *Networking Australia's Future* (1994) and *Demand for Broadband Services* (1994) were published.

The reports forecast that certain key services would enjoy reasonably high "take-up rates" during the next decade, including Pay TV, interactive television and free-to-air

television delivered over broadband networks, video-on-demand, home shopping, electronic gambling, video conferences, high speed and large data file transfers.

Possible barriers to the introduction of broadband services include: legal issues, copyright, regulatory issues of censorship, privacy and cross ownership, cultural issues, access and equity and economic factors. It was predicted by the Broadband Services Expert Group in *Demand for Broadband Services* (1994) that:

*... the potential size of the home shopping and home gambling market are such that service providers will compete aggressively to develop broadband applications in these areas.<sup>1</sup>*

In December 1993, the Commonwealth Government requested the Australian Science and Technology Council (ASTEC) to examine Australia's requirements for national data research networks. The resulting study, *The Networked Nation* (1994), investigated the means through which all States and Territories could be networked internationally to promote Australian services and products.

In January 1994, the Copyright Convergence Group was established to examine copyright policy to specifically deal with convergence and digitalisation. The Group released its report on 26 August 1994.

*Creative Nation* (1994) was the result of ongoing work by the Commonwealth Government's panel of eminent Australians who were chosen to formulate a Commonwealth cultural policy. One section, titled *Multimedia: Cultural Production in the Information Age*, contains reference to the 'information superhighway' and its connection with cultural policy by way of investment in Australian interactive multimedia products.

The Hilmer Committee Report, *National Competition Policy* (1993), was published in August 1993 and draft legislation was released on 5 September 1994 for public comment. The Commonwealth Government's position on the recommendations of the Hilmer Committee will be a fundamental consideration for future communications policies. By June 1996, all Australian jurisdictions will be required by the Commonwealth Government to submit timetables to review competition legislation by the year 2000.

By its very nature, gambling legislation is often anti-competitive as characterised by exclusivity agreements, local monopoly operators and various barriers to market entry. Whilst gambling regulation has always been considered by State and Territory regulators to be in the public interest, this could now be the subject of an independent assessment.

In respect of regulating interactive gambling, any cooperative arrangements between the States, Territories and the Commonwealth would need to be structured in such a way that the objectives of the National Competition Policy were not contravened.

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<sup>1</sup> BSEG. Demand For Broadband Services: Consultancy reported prepared for the BSEG. Canberra: BSEG, December 1994. p.20.

Alternatively, the policy could recognise that such cooperative arrangements are in the public benefit.

In March 1995, an issues paper tabled by the Senate Economics Reference Committee (SERC), *Telecommunications Developments to the Year 2000 and Beyond* (1995), focussed on:

- telecommunications technology developments and affordability;
- the impact on industry, the work place and the wider community; and
- regulatory and policy framework supporting new technologies and associated privacy implications.

In November 1995, SERC tabled *Connecting You Now ... Telecommunications Towards the Year 2000* (1995). The Report addressed the impact of telecommunications developments up to and beyond the year 2000 on industry, employment and the community. Recommendations included that-

- BTCE undertake a major study of the long term policy and social implications of telecommunications technology developments;
- the *Privacy Act 1988* be expanded to address new telecommunications privacy risks incorporating the private and the public sector; and
- a single, autonomous national system be established to address telecommunications security risks, together with a third party body to manage public key authentication.

*The Online Economy: Maximising Australia's Opportunities from Networked Commerce* (1995), by Cutler and Company, was published in October 1995 and contained 34 recommendations. The report stated that Australian Governments need to understand the necessity to address regulatory frameworks, reforms and roles for industry in respect of the on-line economy. Technologies such as electronic funds transfer (EFT) and the INTERNET should be included in education processes. Collaboration between government and business is of the utmost importance if Australia is to take an active part in future on-line services.

The report investigates and makes recommendations in the following areas:

- (a) copyright and intellectual property, issues and legislation;
- (b) reform of regulation of on-line content, including objectionable material;
- (c) a set of classification codes;

- (d) the urgent need for a global information infrastructure that includes a highly secure encryption system, implementation of a national privacy code and consumer protection initiatives; and
- (e) a reduction of transaction costs.

The *Communications Futures Final Report* (1995) identified some of the issues related to legislative reforms required to meet future developments in telecommunications. Those issues which are related to Pay TV include:

- the four technological platforms considered were direct broadcast satellite (DBS), MDS, hybrid fibre coaxial cable (HFC) and asymmetrical digital subscriber line (ADSL);
- costs were estimated at \$25billion for the initial distribution network; \$5billion for an upgrade of the network to deliver centralised interactive services and around \$1billion for further network upgrades;
- DBS and MDS are likely to provide profitable Pay TV services in urban and some rural areas. ADSL would not be economical, but could be used until the cables were rolled out; and
- HFC would be covered through pay television for 80% of costs and telephony would be able to make the structure economically positive.

There are many government and non-government organisations involved in the examination of the rapidly changing broadband services environment. It is anticipated that many further reports will be produced on technological advancements.

**2.2.3. Legislation:** The Commonwealth legislative framework has been amended in response to changing technology.

The previous Labor Government responded to issues arising from convergence of communication mediums by appointing a number of groups to inquire into legislative changes to address changes in the telecommunication environment.

The Commonwealth Government undertook a review of telecommunications policy during 1987 and 1988 into the roles of Telecom, Overseas Telecommunications Corporation (OTC) and AUSSAT.

An independent industry regulator, the Australian Telecommunications Authority (AUSTEL) was created by the *Telecommunications Act 1989*. In November 1990, Telecom and OTC were merged into Telstra. AUSSAT was sold to Optus Communications to establish a private competitor and a second specified general carrier. Three mobile licences were issued, pursuant to the Act, and are now held by Telstra, Optus Communications and Vodaphone.

The *Broadcasting Services Act 1992*, which came into effect on 5 October 1992, regulates broadcasting services in Australia, irrespective of the technical means of delivery. The Australian Broadcasting Tribunal and the Station Planning Branch of the then Department of Transport and Communications were combined to create the Australian Broadcasting Authority (ABA).

The Act also:

- provides for a broadcasting planning process which is public and which brings social, economic and technical factors into consideration;
- establishes a streamlined licence allocation and renewal process;
- provides for limitations on ownership and control in relation to commercial broadcasting services;
- provides for price-based competitive allocation of "satellite subscription television broadcasting licences";
- provides for the ABA to determine programme standards to apply to commercial and community broadcasting services;
- sets up a comprehensive complaints mechanism; and
- provides for the ABA to hear complaints about the ABC and SBS if these organisations have failed to resolve a complaint.

The Minister for Communications and the Arts and the ABA share the administration of the Act, with some overlap between the role and powers of the Minister and the responsibilities of the ABA. The Minister may give directions to the ABA under various provisions of the Act, for example those relating to categories of broadcasting services bands, commercial television and radio broadcasting licences and community broadcasting licences.

Other relevant Commonwealth legislation includes:

- The *Telecommunications Act 1991*
  - creates the basis for network competition through a statutory scheme for licensing general carriers as primary suppliers of telecommunications network and services;
  - creates the basis for public mobile telecommunications services competition through a statutory scheme for carrier licensing;
  - provides the legislative framework within which carriers can provide services using the network of any other carrier in a manner which promotes the long term interests of consumers;

- allows full resale of telecommunications facilities and services obtained from carriers;
- allows the supply of public access cordless telephone services on a fully competitive basis;
- safeguards against abuse of market power by dominant carriers of particular services;
- provides the framework for delivery of universal service obligations;
- provides residential consumers with continued access to untimed local calls;
- provides the framework (based on class licences) for regulating the supply of services supplied by persons other than carriers; and
- re-enacts the previous powers of AUSTEL in terms of technical regulation and investigation powers.

AUSTEL is the independent industry regulator. Its broad role is to promote competition, protect consumer interests and advise and assist the Australian telecommunications industry.

- *The Radiocommunications Act 1992*
  - reforms management of the radiofrequency spectrum, improves the administrative system and introduces a market management system of spectrum bands;
  - establishes the Spectrum Management Agency to manage the radiofrequency spectrum;
  - defines spectrum licences in terms of frequency and geographic boundaries;
  - enables flexible management by spectrum licence holders to change how the spectrum is used, to vary equipment and power levels, to trade spectrum licences and allow third parties to use part or all of the licence; and
  - provides for special arrangements for non-commercial users.
- *The Australian & Overseas Telecommunications Act 1991*

This Act created the Australian and Overseas Telecommunications Corporation (AOTC) by combining Telecom and OTC to form Telstra.

- *The Telecommunications (Interception) Act 1979*

This Act prohibits the interception of telecommunication, except where authorised in special circumstances, or for the purposes of tracing the location of callers in emergencies and for related purposes.

- *The Ombudsman Act 1976*

The *Ombudsman Act* provides for the investigation of complaints in relation to the administrative action of the Commonwealth authorities.

- *The Privacy Act 1988*

This Act establishes the Office of the Privacy Commissioner within the Human Rights and Equal Opportunities Commission. The Privacy Commissioner is empowered to take privacy protection measures in relation to Commonwealth Departments and agencies and tax file number users and to encourage corporations to adopt privacy guidelines. The Act establishes Information Privacy Principles (IPPs) for the collection, retention of, access to, correction, use and disclosure of personal information about individuals. IPPs apply to Commonwealth Departments and agencies.

- *The Corporations Act 1989*

This Act provides that a telecommunications carrier must be a corporation.

- *The Trade Practices Act 1994*

This Act provides the general framework for competition policy and consumer protection.

- *The Disability Discrimination Act 1992* prohibits discrimination on the grounds of disability by telecommunications providers in the provision of telecommunications services, except where there is unjustifiable hardship on the person providing the service.

*Beyond the Duopoly: Australian Telecommunications Policy and Regulation* (1994) was published in September 1994 by the Department of Communications and the Arts and concentrated on the post-1997 telecommunications policy and regulation review. The Commonwealth (Labor) Government had proposed to consider the results of this review during 1996, together with the recommendations of the Telecommunications Advisory Panel. The range of Acts proposed for investigation included: *Telecommunications Act 1991*, *Trade Practices Act 1974*, *Broadcasting Services Act 1992*, *Radiocommunications Act 1992*, *Telstra Corporation Act 1991*, *Telecommunications (Interception) Act 1979*, *Disability Discrimination Act 1992*, *Privacy Act 1988*, *Foreign Acquisitions and Takeovers Act 1975* and the *Copyright Act 1968*.

A direction of the Commonwealth Government, to date, has been to ensure that emerging information industries did not become the subject of monopoly control of major companies or individuals through the regulatory powers to the Australian Competition and Consumer Commission (ACCC), including the power to declare new carriers after 1 July 1997.

The main points of the newly elected Government's communications policy outlined before the March 1996 election are:

**1. Broadcasting:**

- (a) ensures that ATV has a long term future in the Asia-Pacific region;
- (b) recognises the retransmission rights of free-to-air television;
- (c) explores all options in relation to the allocation of the free-to-air television networks;
- (d) retains the existing anti-siphoning rules ensuring that major national sporting and cultural events remain on free-to-air television, and
- (e) makes no distinction between satellite and non-satellite subscription broadcasters and no limit be placed on the numbers after 1 July 1997.

**2. Media Ownership, Standards and Australian content:**

- (a) promotes vigorous competition within individual media markets;
- (b) conducts a comprehensive public review of cross-media ownership;
- (c) maintains a case by case approach to media-related foreign investment decisions;
- (d) ensures that all broadcasters comply with existing codes of practice in regard to excessive portrayal of violence and obscenity;
- (e) adopts a multi-faceted approach to the regulation of content of on-line services;
- (f) develops codes of practice for the on-line industry to be overseen by the ABA within the States and Territories and the on-line industry; and
- (g) coordinates the development of effective consumer education programmes targeted at educational institutions and parents.

**3. Telephony:**

- (a) mandates the availability of Integrated Services Digital Network (ISDN) digital access services;
- (b) provides for the acceleration of digitalisation of all telephone exchanges by 1 July 1997;
- (c) reduces ISDN prices in line with overseas practice;
- (d) maintains the requirement to provide untimed local calls, and
- (e) undertakes a partial privatisation of Telstra (one third share float).

**4. Communications before 1 July 1997:**

- (a) introduces a new Telecommunications Code involving greater consultation with local residents and greater power for local government councils;
- (b) from 1 July 1997, eliminates the current exceptions for communications carriers from planning and environmental laws;
- (c) implements AUSTEL's March 1995 report on the service providers' industry; and
- (d) reviews the Carrier Associate's Direction to determine whether the pro-competitive provisions of the *Telecommunications Act* should be extended to all interactive services.

**5. Communications post 1 July 1997:**

- (a) no limits on the number of carriers or service providers;
- (b) no national coverage requirements imposed on new entrants;
- (c) competition regulation administered by ACCC;
- (d) technical regulation by a single body incorporating AUSTEL and the Spectrum Management Agency (SMA);
- (e) statutory right to interconnection and full carrier functionality for all carriers;
- (f) guaranteed access to significant network and supplementary facilities for all carriers;
- (g) class licence regime for service providers who will be guaranteed access to the telecommunications network and infrastructure;

- (h) subscription television network providers to allow access to the infrastructure from 1 July 1997; and
- (i) brings broadband infrastructure providers within the ambit of industry development requirements.

#### **2.2.4. Major Pay TV Providers**

The major licensed Pay TV providers relevant to this report are as follows:

##### **Optus Vision**

Optus Vision was launched on 20 September 1995 and is co-owned by Optus Communications, Continental Cablevision, and Publishing and Broadcasting Limited (PBL) and the Seven network. Plans to commence operation in the Northern Territory appear to be a low priority.

##### **Foxtel**

Foxtel commenced transmission in Melbourne and Sydney on 23 October 1995 and is a co-venture between News Corporation, Telstra and Australis Media. Foxtel is leasing capacity on the Visionstream (Telstra subsidiary) digital broadband cable network to distribute up to 220 pay television channels.

The Foxtel/Telstra/News Corporation relationship is making maximum use of cross promotions, through Ansett Airlines, News Corporation's Pacific Magazines and Printing Group and Telstra telephone accounts.

##### **Galaxy**

The third Pay TV operator is Australis Media (trading as Galaxy). The holders of the A and B Satellite Broadcast Licences (Continental Century and Australis) have executed a cooperation agreement to jointly market their total of eight channels as Galaxy. Galaxy commenced transmission on 26 January 1995. It has a range of distribution across the continent. Galaxy has concentrated on using MDS for broadcasting and, in areas where MDS is unsuitable (e.g., Darwin), it is using a combination of satellite and cable systems.

##### **Communications Entertainment Television (CETV)**

Until late 1997, the delivery of subscription television services to Northern Territory homes and businesses will be restricted to the provision of a service to the Darwin and Palmerston areas.

Communications and Entertainment Television (CETV) has secured all 19 MDS licences for the Darwin region. The company also acquired 17 of the 18 licences issued for Alice Springs, with Imparja acquiring the remaining licence. Late in 1995, the Alice Springs licences were handed back to the ABA. The licences have since been re-issued, but it is understood that Pay TV is unlikely to be available in Alice Springs until late 1997 at the earliest.

Without access to satellite or relevant Northern Territory MDS licences, non-satellite broadcast licensees, Foxtel and Optus Vision, require access to cable from either of the two specified general carriers, Telstra and Optus Communications.

Neither organisation has indicated an intention to "roll-out" cable in the Northern Territory in the near future for the purposes of delivering Pay TV.

CETV was established to deliver subscription television services throughout regional Australia.

The Company's major investor is United International Holdings (UIH), which is a developer and operator of subscription television systems throughout Europe, Central America and Asia.

The company has a franchise agreement with Australis which permits it to exclusively distribute Galaxy by using MDS and satellite delivery technologies. CETV intends to secure and distribute other sources of programming to Darwin.

CETV launched its first MDS market on the Gold Coast on 16 August 1995 and its second in Cairns on 31 August 1995. So far, the results indicate that there is significant interest in and demand for these subscription television services.

Operations by CETV commenced in Darwin in 1995. The original plan to use microwave transmission (MDS) was prevented by the flat terrain, dense foliage through the northern suburbs and the inability to mount a microwave antenna high enough to access all Palmerston residences. Further, the lack of suitable satellite coverage from the Optus B3 High Power beam satellite, throughout Central and Northern Australia, also severely restricts consumers from receiving the signals through a satellite receiving dish.

Initially, the cable system will be reticulated from the main head receiver, comprising two 6.2 metre satellite dishes, located at Marrara. Satellite transmissions and video programming will be transmitted from this point and be reticulated by fibre and coaxial cable to pre-determined nodes. Each fibre cable will terminate into a fibre receiver which will serve a specific area of the city. From each fibre receiver, the service is transmitted through coaxial cables for distribution to pedestal enclosures for connection to individual residences. These pedestals are located on every second or third lot and are close to property boundaries. Customer services will be provided from these enclosures for connection on demand.

Unlike microwave and satellite technology, which currently limits the number of available video channels to nineteen and twelve respectively, the proposed cable network of 750 Mhz has the capacity to transmit up to 55 PAL video channels. It therefore has ample capacity to carry additional programming information and data throughout the Darwin and Palmerston areas. The introduction of digital compression and transmission will further significantly increase the network's capacities.

CETV concluded its agreement with the Darwin City Council on 25 March 1996. The commencement of construction of the cable system is due in May 1996. Transmission to the first 2000 customers is expected in September 1996. At the time of publication CETV expected to offer at least 12 and possibly 15 channels as part of the initial subscription package.

## **Australian Broadcasting Corporation**

The Australian Broadcasting Corporation (ABC) was issued the "C" licence for direct satellite broadcasting on two Pay TV channels.

The ABC, through Australia Television (ATV), commenced satellite broadcasting from Darwin in February 1993. ATV is an English-language service which provides news, current affairs, education and entertainment through regional broadcasters and cable operators in 18 countries and territories, including the Philippines, Thailand, Vietnam, Singapore, China and Laos. ATV broadcast the 1995 Melbourne Cup day races to Asia which included three crosses to the Darwin's Fannie Bay Racecourse during this coverage.

Just as the ABC is transmitting Pay TV to Asia, parts of Australia are under the footprint of transmissions by foreign based Pay TV providers. For example, Star TV broadcasts B SkyB and Fox channels. Reception in Darwin is available through domestic satellite dishes.

### **2.2.5. Pay TV Value Addition**

Interactive television allows signals to be sent upstream (out) through a set-top box connected to a television set. This enables access to services such as banking, gambling or shopping.

The user can choose what to receive and when and how to receive it. Interactive television is distinct from other on-line services, which can be accessed through a variety of mediums such as computer terminals and the telephone.

A significant reason for the current marketing emphasis on the introduction of pay television into Australia is to gain volume use of both upstream and downstream bandwidth (from 64 to 512 Kbps) available on cable through cable modems and set-top boxes.

It will be the provision of subsequent interactive services including telephony, rather than Pay TV, that will generate the majority of cable profits.

The availability of broadband capacity for INTERNET use via the home computer will open another stream of interactive home gaming which could be an attractive alternative to interactive television, particularly if the price of a simplified computer terminal gateway can be made attractive. This Committee was not requested to consider those possibilities.

Telstra is progressively transforming its cable television network into a full broadband system, carrying both telephone and entertainment services.

Optus has contracted ADC Telecommunications of the United States for the supply of its Home-Worx platform and, more recently, with Motorola for its CableCom platform, to provide the final link to the home. Cable modems will allow two-way transmission of digital data, video and telephony over the new hybrid fibre coaxial (HFC) networks 1000 times faster than analogue telephone modems.

Telstra has recruited United States of America (US) telecommunications services, Southern Bellcorp, to assist in merging its existing copper-wire telephony and fibre optic coaxial cable network into a single system. Mr Frank Blount, Chief Executive Officer of Telstra, stated in February 1996 that:

*The full-service network - designed around the enormous capacity of fibre to carry television data and voice simultaneously is closer than any of us expected.<sup>2</sup>*

Telstra proposes testing broadband applications in tele-medicine (including remote diagnostics), engineering design, distance learning and a range of educational and training services. Telstra's Asymmetrical Digital Subscriber Line (ADSL) trials are being conducted in two phases. Telstra is testing a 2 Mbps trial, while 300 households

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<sup>2</sup> Meredith, Helen. "Telstra Unveils \$4bn Project", AFR .6.2.96. p.3.

in Melbourne are expected to be part of further tests on 6 Mbps through the Wheelers Hill and Clayton exchanges (see also page 28).

Because of the cable and microwave technology employed to distribute the Galaxy satellite broadcast to Darwin, the system is fundamentally a one-way delivery system. When Galaxy and associate broadcasters offer interactive Pay TV, they will initially rely on the public switched telephone network for transmission of the "backward signal".

Trials in interactive television in the US have been scaled down, as companies are using cheaper methods to transmit Pay TV which do not currently have interactive capabilities. There is some debate as to how soon it will be before the cost of the set-top box and other technology required for interactive television falls to an affordable range. Most estimates are that it may take three to five years.

Forecasters from the Ovum interactive television study believe that the Asia-Pacific area will not give returns on investments into interactive television for at least another decade. It forecast that the US and Europe will be the first to have interactive television, but all previous projections are under revision as high speed commercial switching systems have not appeared as quickly as anticipated.

The Hong Kong Government will commence a commercial interactive television venture during 1996. Installation will be more economical due to fibre-optics already being in place and the high density of housing. Hong Kong Telecom plans to launch a video-on-demand service for approximately A\$13.00 per month.

While the CETV cables delivering Pay TV may not be fully utilised in the initial stages, they will provide Darwin with a capacity for limited interactive services, including racing and/or gaming through cable modems.

The report of the Commonwealth's Broadband Services Expert Group referred to on page 12 lists the following profit areas in descending order of potential income:

- home shopping;
- home gambling and betting;
- Pay TV; and
- video on demand.

## **2.2.6. Technology Development**

Home-based interactive wagering is not new, for example, where viewers respond to events on free-to-air television (or radio) by telephone.

More recently, narrowband computer connection across the telephone system has allowed limited interactive gaming capacity, including the screening of real time updates of fluctuations and the transmission of wagers where an account is held, for example, New South Wales TAB Betstream.

It should be noted that use of ISDN (technology for which the newly elected Commonwealth Government has undertaken to reduce costs) will allow cable-like data speeds to be reached on the existing public telephone network.

The spread of broadband cable will allow interactive gaming services with some multimedia capacity into the home. This may be achieved by either of the following:

- where Pay TV is combined with a telephone modem built into the set top box to relay relatively simple responses back to the service provider; or
- where computer connections are made by cable modem.

Current roll-out of cable will provide capacity for full broadband two-way multimedia services through the home television set.

The next related probable development will be the availability of digital television.

Digital technology allows for the transmission of more television channels than the analog system.

Privacy of content will be greatly improved, leading to enhanced public trust in this form of communication. It will be necessary for Pay TV to adopt a digital format as soon possible to facilitate this secure system of interactivity.

The ABA is of the view that interactive digital television will not be available in Australia until the end of the decade, although some industry commentary holds that a target of mid-1998 should be recognised.

Plans for the introduction of digital television appear to be most advanced in United Kingdom (UK) where the Government proposes to issue licences early in 1997.

Competition, as well as the speed of development of new technology, will drive the interactivity timetable.

With multiple carrier services in Australia, the current competition model is between "owner occupiers". Bandwidth being extended by either of the two major carriers would be sufficient for all of the traffic now contemplated in the regions concerned.

Savings for investment elsewhere in the system could be engineered if fibre optic cable was shared. To some extent, sharing will be a right after 1 July 1997. However, Optus and Telstra have adopted a number of different standards and specifications. Consequently, it may become unnecessarily expensive for customers to change carrier or to use multiple carriers in an open competitive fashion.

#### **2.2.7. Australian trials in broadband services**

Telstra is conducting a 12-month trial of ADSL in 300 Melbourne households with an anticipated cost of \$20million. This trial, Mediastream, proposes to include video-on-demand.

Telstra is also investing up to \$30million in technological infrastructure in the new suburb of Gunghalin, ACT, to facilitate a research project conducted by the Interactive Services Consortium (comprising the ACT Government, business and social interest groups). The project is titled *Futures Research in the Televillage: A Longitudinal Study of Gunghalin, ACT*

The strategic purpose of the project is to monitor trends in the usage of broadband services over a two year period. The full five year trial will relate those changes to equity and policy issues in the provision of government and private information services. The services are commencing with advanced telephony and will progress through basic interactive broadband applications early in 1997.

Telstra is seeking "compelling content" for the trial and it is understood that developers of commercial product have been enthusiastic in testing their programmes in this controlled environment. Telstra will supply all specifications, service management and feedback, but content providers will fund their own development and indicate their own charging pattern.

Wagering and gaming service providers may use this opportunity to test products. At the World Gaming Conference in 1995, a spokesman for the ACT TAB advised that it would be interested in participating in the project.

## **2.2.8. Connections to Northern Territory Homes and Businesses**

Existing telephone technology enables information databases to be accessed, video (low resolution) to be transmitted and some interactive services, such as home banking and shopping, to be transacted. Upgrading of existing networks will enable interactivity to be transacted better, easier and faster.

It is clear that, during the next decade, the broadband cable network now being established in major capital cities, together with the existing telecommunications and broadcasting networks will further evolve to present a range of enhanced interactive information and communications services.

It is evident that, during that period the next decade, the Northern Territory will benefit from the further expanded use of communication technologies suited to the varying population density, geography and the types of service to be delivered.

These delivery systems will include:

- microwave;
- satellite;
- various mobile services;
- digital broadcasting systems;
- ASDL (asymmetric digital subscriber lines) for video transmission over existing telephone lines;
- optical fibre;
- coaxial cable; and
- hybrid forms of the above.

Pay TV will initially be made available, in Darwin, by a combination of satellite and cable networks. Further delivery to other areas of the Northern Territory will be dependent on the future expansion of the cable, satellite and microwave networks currently being established.

Eventually, but not imminently, the merging of the cable and telephony networks will facilitate two-way transmission of video and other high-data-rate services to enable "full interactivity".

However, given the large land mass and sparse population of the Northern Territory, it is considered that service providers and carriers would not consider it feasible to commit the commercial investment required to extend broadband capability extensively throughout the Northern Territory in the near future.

Further globalisation of markets and growth in the trading of information products and services are expected to occur during the next decade.

The phenomenon of "convergence" of telecommunications, broadcasting and computing components will affect a wider range of industries supplying consumer services and will result in further strategic alliances, mergers and joint ventures which will bring together skills, services, capital and delivery systems in a multi-media environment.

While the Broadband Services Expert Group (BSEG), in its Report (December 1994), stated that it was adopting a ten year timeframe and expected the establishment of a vibrant interactive services industry in Australia, there were also some qualifications:

*We cannot confidently say that every home, school and business will have a broadband connection by this time, but we do expect that the many elements of a broadband services industry - creation of content packaging of services, consumer equipment, training and education - will have seen sufficient progress to position Australia among the world leaders in creating and using new communications services.*

For the Northern Territory, which has a record of being disadvantaged in terms of technological change, distance, dispersed population and the cost of infrastructure, the challenge is likely to be the requirement to maintain a parity of access to broadband services.

The programme for the introduction of Pay TV into Darwin by CETV is at page 22.

Northern Territory Government agencies are investigating the future needs for data and telephone communications, including the use of broadband technology, which are currently being met by Telstra and the Northern Territory Government. These two layers are broken into the Northern Territory corporate infrastructure which has been put in place by NCOM and includes the network of corporate telephone exchanges and wide-area data network and the public infrastructure of Telstra/Optus Communications.

Currently, there is limited mobile telephone coverage outside of the major population centres in the Northern Territory. It is important that the introduction of advanced technological services is managed so as to address the gap between urban and remote areas.

In 1991, a communications strategy was developed for the Northern Territory Government. This strategy led to further developments in corporate infrastructure and the introduction of systems such as e-mail. A review of the communications strategy was conducted in 1995. It found that there was a need to improve and combine the delivery of services in the areas of health, education, law and order (especially to remote areas) through cooperative use of communications technology and to increase public access to government information and services.

The Strategic Services section of the Northern Territory Treasury is presently investigating the development of technology to meet the needs of the Northern Territory

community and to promote Government and private sector involvement in delivering communications infrastructure to all Territorians. The Strategic Services section is also involved in projects to investigate electronic commerce, security, privacy and public access policies.

## 2.3. The Racing and Gaming Industry

### 2.3.1. International Racing and Gaming Product

#### Racing

At present, there are many international racing channels and related services which use a variety of technologies. Those of particular interest to this Committee are: Satellite Information Services (SIS), British Sky Broadcasting (BSkyB), Trackside, Tanjong, and the Royal Hong Kong Jockey Club.

There are regular telecasts of live racing in the UK. Channel Four has had limited racing coverage since 1984. Ladbrokes estimated in 1994 that a televised race produced on average 17% more turnover than a non-televised race. SIS is a satellite racing service and betting shop group, founded as an initiative of major bookmakers in 1986 to broadcast live racing into betting shops. The system is offered to all bookmakers on an annual rental, based on screen numbers.

A pay television racing channel, Trackside, was launched in New Zealand in November 1992. Trackside is owned and was developed by the national racing industry through the NZ TAB. There is an estimated 80% transmission coverage to the New Zealand population. The programme screens one race per 10 minutes on average, many of which are Australian. Trackside is credited with providing a significant increase in the volume of wagering in New Zealand.

Tanjong, a Malaysian company established in 1988, was listed on the London and Kuala Lumpur stock exchanges in October 1991. It currently operates approximately 350 betting shops. Tanjong has introduced computerised telebetting to Malaysian bettors through personal terminals provided, under an agreement with a subsidiary of the Royal Hong Kong Jockey Club. Future developments include direct links to the stock exchange, banking and the development of software for further interactive programmes.

It is planned that Hong Kong bettors will be able to use keycards through a set-top box. In 1990, the Royal Hong Kong Jockey Club introduced hand-held betting devices which are accessed through free local calls. Hong Kong has a strong wagering industry, with 10% of the population holding a telephone betting account. Between 10-12% of all betting turnover is generated through hand-held, portable personal terminals.

In the United States, Churchill Downs Race Club, Kentucky, has automated tote machines with step-by-step display screens. Cash or credit vouchers can be obtained from cashiers. Any type of wager can be placed by touch-screen technology. In the future, this system will operate with customer smartcards. Churchill Downs has been a pace-setter for the provision of racing information on the INTERNET through INTERNET Sports Inc. Churchill Downs, ODS Technologies, Okalahoma, and TKR Cable, Louisville, have combined to present the first US interactive *pari-mutuel* wagering system into 300-400 homes in Louisville, Kentucky. The system allows players to use a remote control button to obtain updated odds, projected dividends, wagering pools, weather and track conditions, jockey changes and form guides. There is also an ability to wager through an account with Churchill Downs using a personal smartcard and password.

Churchill Downs also operates the Sports Spectrum, a satellite wagering facility in Louisville with over 300 monitors allowing players to place bets on televised races from the tracks in Kentucky, as well as selected tracks around the United States.

## **Casinos**

The "INTERNET Casino" is operating on-line, although playing it is illegal in the United States. Its access page carries a disclaimer that states:

*If the activities on this service are illegal in your country, state, or province, we advise you not to enter as you will be breaking your areas laws. Proceed at your own risk. Notice to Americans: At this time you may not gamble at this casino site. Call and complain to your senators, congressmen, and attorneys-general! Democracy does exist in America. Your first amendment and constitutional rights have been taken away. Take action now!<sup>3</sup>.*

The proposed Global Casino, a wholly owned subsidiary of Sports International which is based in Antigua, has been announced but is yet to open. The GlobalNet Casino is scheduled to commence operations from Nassau in The Bahamas.

Current disadvantages of INTERNET casinos are doubts as to operator integrity, secure payment arrangements and excessive download time for graphics.

## **Lotteries**

The Liechtenstein Government launched the INTERNET's first "major" international lottery, InterLotto, with the first draw held on 7 October 1995. InterLotto is operated by the International Lottery in Liechtenstein Foundation (ILLF) (a charity authorised and licensed by the Government).

There are a number of other lottery agencies operating on the INTERNET. These include:

- (a) the CyberState Lottery, officially launched on 1 October 1995, for United States and Canadian players;
- (b) Australian lotteries available to non-residents through Aussie Lotto;
- (c) TMS Australian Lottery Services which provides electronic mail order service for existing Australian lotteries;
- (d) Lucky Aussie Lotto Shop;
- (e) The INTERNET Lottery; and
- (f) *The Territorian* Lottery is marketed through the INTERNET, though not in an interactive form.

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<sup>3</sup> <http://www.casino.org>.

## **2.3.2. Australian Racing and Gaming Industry**

All forms of gambling are illegal throughout Australia unless specifically authorised by legislation.

Control of racing and gaming in Australia, where gambling may be involved, is a responsibility of the respective State Governments, and the Governments of the Northern Territory and the Australian Capital Territory. Control of racing and gaming within Federal Territories and property is a Commonwealth responsibility.

There is a long history of cooperation in regulatory aspects of racing and gaming by these jurisdictions. Prudential standards and therefore trust in the racing and gaming product, is high.

This part of the report gives a snapshot of the scope, utilisation and availability of racing and gaming product in Australia.

### **2.3.2.1. Gambling Availability**

#### **Racing**

Thoroughbred racing is conducted at many country and city venues in Australia, with the cities and large provincial centres offering a full annual programme of weekly racing. The racing is conducted by private clubs affiliated under Principal Clubs which are responsible for the administration of the Rules of Racing. Most large Australian cities offer regular greyhound racing and some also offer harness racing, as evening attractions under the control of clubs for each code.

Gambling on racing in Australia is widely available, with *pari-mutuel* betting through on-course and off-course totalisators, the latter having telephone betting access. Fixed odds are given by on-course bookmakers directly, or by telephone.

The racing industry is one of the largest industries in Australia in terms of growth, geographic area, assets, employment and cash-flow.

This is despite the fact that, of all spectator sports and leisure pursuits in Australia racing has fared worst in the competition for on-course patronage for almost a generation.

One reason for this situation is that off-course access for the general public to the spectacle of this sport is available only in Totalizator Administration Board (TAB) agency premises and sub-premises, such as clubs and hotels, via satellite race broadcasts and through radio broadcasts of city and major provincial races into homes. This restriction has persisted through the era of ever increasing promotion and public broadcast of other sports. This has resulted in a loss of the audience for and lack of interest in horse racing by those Australians growing into adulthood in the years since the balance of market exposure changed.

Attendances on-course, at least for non-carnival meetings, have been declining over many years, except in some regional growth areas, with a noteworthy decline in the proportion of attendance by younger people.

The growth of the racing industry relies on the share it receives of the turnover by gamblers in this sector. This reliance puts the industry on a fragile footing because, as younger people are attracted to other interests by a lack of exposure to racing, it is left to the remaining dedicated bettors and professional bettors to maintain the size of pool. The industry also relies on the long-term goodwill of government for the distribution of a sufficient share of statutory deductions from off-course wagering turnover.

The Western Australian TAB has installed a new, faster network that will eventually allow service via electronic touch-screens and smartcards.

TABCORP (Victoria), the Western Australian TAB and the Australian Capital Territory (ACT) TAB have INTERNET sites that provide live information on upcoming and previous races including dividends. These TABs also advertise their telephone betting accounts. ACT TAB's INTERNET Betting Service (IBS) has been devised to provide a global marketplace for placing bets on Australian racing.

Tasmania, ACT, WA and SA TABs combine with the Victorian TAB pool under the Super TAB arrangement. The win/place deduction from turnover before dividend calculation in Australia is commonly 14.25% (New South Wales and Northern Territory is 15%).

### **The Northern Territory Racing Industry.**

The Darwin and Alice Springs Turf Clubs maintain regular programmes and events in accordance with the Australian Rules of Racing, pursuant to the Northern Territory *Racing and Betting Act*.

The number of meetings held in recent years are included in the following table:

		<i>1992/93</i>	<i>1993/94</i>	<i>1994/95</i>
Darwin Turf Club	Race Meetings	42	43	43
	Phantom Meetings	20	18	23
Alice Springs Turf Club	Race Meetings	36	35	46
	Phantom Meetings	21	21	16
Darwin Greyhound Association	Race Meetings	52	51	47
	Phantom Meetings	1	1	3

The Darwin Turf Club (DTC) is a Principal Australian Racing Club. Northern Territory horse racing clubs rely heavily on the distribution of funds by the Racing and Gaming Authority from the (TAB derived) Industry Assistance Fund and the Racecourse Development Fund (approximately 50% for Darwin and 75% for Alice Springs).

Since the introduction of the TAB in 1985, the Northern Territory racing industry has developed as an industry in its own right. The annual Cup carnivals in the major centres have achieved improved attendances, more prize money, higher wagering turnover, extra taxation revenue and improved quality of racing, notably through attracting imported horses.

On 25 March 1996 when commenting on the stagnation of racing in South Australia leading trainer Colin Hayes said "... *I think we have to compete... when we give that much money it will encourage more people to race here, better class horses to come here and good horses make good racing. (In Victoria) they have had a plan and put it in place and it is working.*" (ABC 7.30 Report).

The carnivals have become an important complement to the Northern Territory tourism industry. However, during non-carnival periods, the development of the Northern Territory racing industry has remained static and attendances have been disappointing.

The Alice Springs Turf Club (ASTC) is of the view that there is a need for the Northern Territory to develop a suitable racing product which can be incorporated into the regular programme of broadcasting of racing throughout Australia and overseas. The ASTC Committee's long term plans include:

- (a) further development of the Alice Springs Cup Carnival;
- (b) the development of Alice Springs as a centre for agistment and southern winter training;
- (c) pre-training for horses normally located in southern States; and
- (d) the possible development of night racing.

The ASTC is of the opinion that its plans could complement any similar proposals by the DTC. This would form the basis of a Northern Territory combined approach which could deal with specific issues such as expanding stabling facilities and attracting sponsorship.

A submission from owners and trainers to the Committee indicated a requirement for an expanded year-round racing programme to provide a firm basis for the continued development of the industry. To achieve that goal there is a requirement to encourage interest in ownership, to increase horse stocks and to attract sponsorship in a competitive environment.

Some recommendations for industry development included the institution of incentive and bonus schemes similar to the QRIS and VOBIS schemes, extension of freight

subsidies, improvement in training and stabling facilities, including an equine swimming pool, and a reduction of race day expenses for owners and trainers.

As Principal Club, the DTC has a representative on the Australian Racing Industry's Working Group to ensure that the Territory point of view on the future of racing on Pay TV in Australia is accommodated.

In an attempt to increase on-course attendance, the DTC is to introduce and market a range of activities at the racecourse designed to attract family involvement. It also plans to expand the Darwin Cup Carnival and explore the viability of twilight and night racing during the dry season between April and August.

The DTC proposes to extend the dialogue already established and future collaboration with racing clubs in Malaysia, Hong Kong and Singapore and the possibility of becoming involved in the development of the racing industry in Indonesia. As part of the Darwin Cup Carnival, the DTC intends to conduct an Asian Invitation Stakes for visiting jockeys in an attempt to attract owners and trainers from Asia.

The DTC has entered into substantial debt funding commitments as a result of the construction of its new grandstand. While the grandstand and its facilities are valuable assets, the arrangement places the Club in a vulnerable financial position should there be a decline in the industry in the Northern Territory.

The Darwin Greyhound Association operates with a high level of volunteer assistance and with minimal transfer of Government funds.

The Northern Territory TAB began operations, including telephone betting, on 1 July 1985 with a link with the Victorian TAB pool via the ACT TAB. Almost ten years later a breakdown in arrangements between the ACT and Victorian TABs over a Vanuatu-based company had the ancillary effect of severing the connection between Victoria and the Northern Territory TAB. The Northern Territory Government took the opportunity to set up its own betting system and engaged the NSW TAB to assist with the installation of a new computer platform in Darwin. Through this arrangement, the Northern Territory betting pool is now linked into the NSW TAB pool. Telephone betting and cash sales have seen Northern Territory TAB turnover rise from an initial \$18million in the first year, 1985/86 to \$76.7million in 1994/1995.

TAB wagering turnover in the Northern Territory is divided as follows – 85% with the off-course TAB outlets, 10% with the on-course TAB outlets and 5% with TAB telephone betting<sup>4</sup>. This proportion of telephone betting is extraordinarily low by Australian standards. Less than 2% of the amount wagered with the Northern Territory TAB is placed on Territory-based racing.

TAB profit is divided equally between the Northern Territory Government and the racing clubs. Slightly over \$3 million was passed to the racing clubs in capital and recurrent assistance by way of these profits in 1994/95.

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<sup>4</sup> Second Annual Report 1995, Northern Territory Racing and Gaming Authority

The Northern Territory TAB now provides 48 off-course outlets, three on-course outlets together with telephone betting. A dedicated racing radio broadcast station which is fully funded by the Northern Territory TAB, 8TAB, features broadcasts of local gallops and greyhound meetings, as well as all interstate TAB meetings, local and interstate information. The Northern Territory TAB increased its turnover by 14.79% in 1994/95, due in part to the access patrons have to more comprehensive information on this station. This trend has continued into 1995/96. Turnover during the first six months of the current year has been 11.26% over previous year for the same period.

### **Racing Industry Management**

TABs have traditionally been managed by government appointed boards. Victoria has moved away from this statutory public sector model arrangement following the sale of the TAB as part of the private TABCORP structure.

On-course operations are under the management of the respective clubs, whose Directors are almost inevitably stakeholders in the industry as owners and breeders and are primarily responsible to club members.

These long-standing administrative models, both on and off course, put the racing industry at a disadvantage in the competition for discretionary leisure expenditure. Racing currently earns about a 23% share of the gambling dollar, but this share is expected to fall as low as 14% within four years<sup>5</sup>.

### **Casinos**

Casinos are now licensed in all States and Territories, including the Commonwealth Territory of Christmas Island. Queensland, Tasmania and the Northern Territory have each licensed more than one casino. All casinos, with the exception of the ACT Casino, offer poker machines. The common government tax rate is 20% of gross revenue (player loss), although casinos in the Northern Territory and in North Queensland pay approximately half this rate as compensation for their small scale and high cost structures.

Casinos are licensed to operate within closely defined areas. Within any casino, gaming can occur only within those areas under internal and external supervision.

Casinos have already gained 12% of the gaming market and, with the expansion of the Sydney Harbour Casino and the Crown Casino in Melbourne into new premises, it has been estimated that this share may rise to 20% by the year 2000.<sup>6</sup>

This market share is largely due to highly professional casino operators marketing their enterprises as a leisure/entertainment industry. The contrast with the marketing of the racing industry to date is most apparent.

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<sup>5</sup> Ord Minnett; quoted in the *Bulletin* of December 19, 1995.

<sup>6</sup> Second Annual Report 1995, Northern Territory Racing and Gaming Authority.

Eighty percent of Australian casino customers are residents within the respective casino "catchment" area. The other 20% are visitors and include the so-called "high-roller" market, (commonly described as someone prepared to spend more than \$20,000 in a session). Operators vie for this business, offering combinations of free airfares, accommodation, meals, drinks and entertainment for families.

The Crown Casino has a six year exclusivity period for the whole of Victoria with a further six year period for a radius of 150km of Melbourne.

Sydney Harbour Casino opened in September 1995. New South Wales was the last State to open a casino, but it was the first to have legalised gaming machines in community venues. The permanent site is due to open in late 1997. The casino has a 12 year exclusivity period for the whole of New South Wales.

Jupiters Casino was opened on the Gold Coast (Queensland) in 1985. Jupiters has announced a significant drop in profit for the six months to December 1995, following the opening of the casino in Brisbane and interstate "poaching" of its higher stakes customers. The Breakwater Casino operates in Townsville and occupied an exclusive position in North Queensland until authority was given for the Cairns Reef Casino.

Adelaide Casino opened in 1985 and has concentrated on building local loyalty in its customer base, while maintaining the ambience of a European casino.

Wrest Point Casino in Tasmania was opened in 1973 (the first in Australia) and the Launceston Country Club was opened in 1982. Both casinos are operated by Federal Hotels.

The Burswood Casino was opened in Western Australia in 1985 under a 15 year exclusivity agreement, which included electronic gaming machines. The Christmas Island casino concentrates on high stakes gamblers from South East Asia.

Lasseters Casino in Alice Springs opened in 1981. Lasseters has the Northern Territory southern region sole casino rights until 2003. It is currently in receivership and is for sale. The Darwin Casino has been operating since September 1979, having been originally operated by Federal Hotels. It was purchased in March 1995 by MGM Grand Hotels and it is undertaking significant refurbishing. MGM is currently marketing the Casino to attract those Asian players who visit MGM Grand Hotel and Casino in Las Vegas once or twice a year to visit MGM Grand Darwin once a month.

### **Poker Machines**

Poker machines or electronic gaming machines are now available in all States and Territories.

Poker machines have been authorised in club and hotel community venues in the States, with the exception of Western Australia where the Burswood Casino has exclusive rights and Tasmania which plans to commence operations on 1 January 1997.

Except for the community-based poker machines in New South Wales and the ACT, central monitoring of the operation of all such poker machines is a feature of prudential control in each jurisdiction. Club and hotel poker machines are owned by the respective venues in New South Wales, the ACT and South Australia, leased from the Government in Queensland and operated under an agency agreement from competing private firms, Tattersalls and TABCORP, in Victorian licensed clubs and hotels. They will be operated under agency by Federal Hotels in Tasmania. In the Northern Territory, poker machines are owned and provided to licensees by the Government.

Poker machine availability has the capacity to be heavily marketed at the local level, with immediate tangible benefit evident to customers of the venues in terms of standard of premises, meal prices and cheap entertainment. This has been especially so in the case of New South Wales over many years, where the Government allows almost 70% of player loss (after allowing for machine costs) to be retained by the clubs.

Because of the late entry into this field by most States and the Northern Territory, the number of community-based poker machines outside New South Wales and the ACT should grow substantially over the next four years. If so, this will mean that the share of the Australian gambling dollar going to this sector will continue to increase.

### **Sports Betting**

Sports betting, like betting on racing, allows the gambler to place bets by the application of personal judgment following observation and form analysis. Bookmakers have long argued that sports betting has the potential to significantly enhance bookmaking turnover and, in turn, provide higher tax revenue, especially if linked to specific large scale events. The Committee agrees. The Committee reached the view that sports betting has the capacity for a steep growth curve because of the underlying popularity with younger generations of the sports upon which it will rely.

Sports betting is presently authorised throughout Australia, with the exception of New South Wales. There is significant variation in government tax rates levied on licensed sports bookmakers. The turnover tax rate for sports betting in Queensland is 1%, in Western Australia 2.25%, in South Australia 1.75%, in the ACT 1.25%, in Tasmania 1.5%, and in Victoria 2% for metropolitan based bookmakers. In the Northern Territory the rate is 0.5% on bets from Australia and New Zealand and 0.25% on bets from elsewhere.<sup>7</sup>

Australian sports betting was pioneered in the Northern Territory which achieved a turnover of over \$56 million in 1994/95. The three licensed sports bookmakers who now operate are as follows:

- Centrebet operates from the Alice Springs Turf Club premises and was licensed on 1 December 1992. Centrebet has established significant markets overseas, especially in New Zealand. Centrebet currently has established a comprehensive home page on the INTERNET advertising availability of the sports betting product and current odds for major sporting events. (<http://www.centrebet.com.au>)

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<sup>7</sup> Source: Northern Territory Racing and Gaming Authority, March 1996.

- Sportsbet was licensed to operate sports bookmaking on 1 January 1993 and operates from the Darwin Turf Club. There is no minimum bet, but a minimum bet of \$50 applies to telephone betting. Sportsbet has established a national and international client base.
- Darwin Allsports was authorised to commence sports betting operations from 1 January 1996 when it was granted a sports betting licence similar to those held by Sportsbet and Centrebet. It is located permanently at Fannie Bay Race Course.

Betting turnover for sports bookmakers in Victoria was \$19.6 million in 1994/95. TABCORP, operating out of the temporary Crown Casino, currently has the only active sports betting licence in Victoria. Crown Casino also has a licence to operate its own sports betting operation which may be activated when the permanent site is opened.

In New South Wales it is anticipated that necessary legislation to enable sports betting will be presented when State Parliament resumes during April 1996. It is proposed that two auditoriums will operate at Randwick and at the Rosehill Gardens Racecourses where bets will be taken 24 hours a day on-course and by telephone on race meetings and sporting events.

Sydney bookmaker, Mr Colin Tidy, has entered into a partnership with a British betting agency to establish a sports betting operation in Canberra. The ACT Government has granted the licence to operate out of a betting auditorium at Canberra Racecourse in conjunction with the British firm City Index. City Index intend to use Canberra as a base for an international sports betting operation. The turnover tax rate is 1.25% for domestic bets and 0.25% for overseas wagers.

### **Lotto and lotteries**

Lotteries are games of pure chance. Tattersall's first public sweep was run for the 1881 Sydney Cup by George Adams in his Sydney Tattersall's Hotel. TattsLotto products now dominate Australian lotteries.

Tattersalls is authorised to operate in the Northern Territory with TattsLotto, OzLotto, sweeps and instant "scratch" lotteries. Tattersall's products are sold in a number of other jurisdictions, with the Victorian Government collecting revenue and remitting it to the home jurisdiction, under inter-governmental agreements.

In order to maximise the size of prize pools, lottery providers have also formed "blocs" which result in increased product marketability through larger pools. A variety of lotto, Powerball, is due to be launched by Tattersalls on 23 May 1996. The game will be played on a Thursday night in all States and Territories with anticipated jackpots of over \$5million.

On 13 February 1995, the Northern Territory Government and Morris International signed a licence to permit that private firm to conduct what was the Government lottery known as "*The Territorian*".

The facility for trade or business promotional competitions (technically lotteries) to use the 0055 telephone service was introduced in 1988. The service allows an interactive computer-controlled facility to accept calls 24 hours a day. This service provides an instant response as well as collating calls to allow an announcement at the end of a programme. The promoter is able to receive a share of the cost of the call.

### 2.3.2.2. Gambling Propensity

The proportion of household disposable income that Australians are prepared to devote to gambling of all types has been rising for many years, as the following table shows<sup>8,9</sup>:

<i>Location</i>	<i>Percentage of Household Disposable Income</i>		
	<i>1984/85</i>	<i>1993/94</i>	<i>1994/95</i>
New South Wales	2.49	3.07	3.17
Victoria	1.32	2.07	2.83
Queensland	1.18	2.66	2.68
South Australia	1.03	1.65	2.25
Western Australia	0.97	2.48	2.49
Tasmania	1.86	2.00	2.22
Australian Capital Territory	1.51	2.70	2.77
Northern Territory	1.38	2.59	2.63
Australia	1.68	2.53	2.83

Although tourism distorts this dissection to some extent, it is clear that the spread of casinos and the introduction of poker machines into areas previously without these attractions is a strong determinant of the increased propensity to gamble.

With the near-universal distribution of all forms of gaming being completed within the next few years, it appears clear that predictions that the size of the Australian gambling market would stabilise at 3% of household disposable income are correct. It is interesting to note that the expenditure may in fact be slightly larger than that because of the tendency of some problem gamblers to turn to their savings (including reducing capital assets) rather than to demonstrate to partners and others a reduction in their standard of living.<sup>10</sup>

Expansion of the sports betting sector may be a factor leading to some slight increase in overall gambling, but this remains to be seen. Another factor in play is the introduction by Victoria of a private enterprise model for the ownership and promotion of poker machines in clubs and hotels in that State. This is accelerating the propensity to gamble at a rapid rate and is a topical example of how commercialism in gaming provision can expand the product. The degree to which gambling expansion is being funded from savings rather than disposable income in Victoria is an issue of current media attention.

<sup>8</sup> Australian Gambling Statistics 1993/94 issued by the Tasmanian Gaming Commission

<sup>9</sup> Australian Gambling Statistics 1994/95 issued by the Tasmanian Gaming Commission

<sup>10</sup> *Report of the First Year of the Study into the Social and Economic Impact of the Introduction of Poker Machines to Queensland Clubs and Hotels*, Australian Institute for Gambling Research, Brisbane 1994.

With those qualifications, it is a safe assumption that the overall propensity to gamble in Australia will stabilise in the near future and that the annual increase in gambling will be in line with the movement in household disposable income.

The implication of this observation is that there will be increasing competition for the gaming dollar and declines or expansion of various modes of gaming according to the level of popularity achieved.

This competition will include access to particular gaming through on-line delivery, including interactive television. The acceptance of home-based entertainment will bring its own challenges for those who market gaming product, with some lending themselves more readily than others to that medium.

Racing is one of the obvious candidates for interactive television. However, some characteristics of the industry and its participants indicate it will be tested against the more commercially oriented gaming service providers.

The share of the gambling dollar flowing to racing dropped from 36 cents to 23 cents in the eleven years to 1993/94. That share is predicted to fall to 14 cents by the year 2000<sup>11</sup>. In other words, some commercial analysts are now predicting that the racing industry will be incapable of halting the further erosion of its position.

The racing industry in the Northern Territory, including a TAB with a more commercially aggressive approach to the market, will have to work hard to avoid this slippery slope. This trend will be particularly so with the progressive introduction of poker machines into clubs and hotels, competing for the gambling dollar.

Casinos in the Northern Territory will also have to recognise the growth in competition they will face from other gaming and the arrival of modern means of gaming service delivery. They will have to prepare for admission of patrons to their premises by "virtual" means such as interactive and on-line. Competition could be expected from casinos in other parts of Australia, at least.

### **2.3.2.3. Industry Funding and Taxation**

The advent of the Totalizator Agency Boards (TAB) in Australia in the early 1960s (except Tasmania 1975 and the Northern Territory 1985) was a significant development in the Australian betting scene. TABs were established to help eradicate untaxed off-course Starting Price (SP) bookmakers, to introduce automation in the processing of dividends, allowing stable pools and betting to the "jump", to generate funds to support the industry upon which the betting relied and to provide taxation revenue.

In realising these ambitions, they were exceptionally successful.

However, over the past five years, the total TAB turnover in Australia appears to have reached a plateau in line with the relative drop in the popularity of this form of

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<sup>11</sup> Ord Minnett as quoted in the *Bulletin* of 19 December, 1995.

gambling. This has also meant, on average, that a ceiling of sorts may have been reached by the racing clubs in their entitlement to a share of this revenue (there is great variation between the States in how this transfer is calculated).

Clubs in the Northern Territory have been probably the least affected over that period. This is because of the above average growth in turnover achieved by the Northern Territory TAB from a low base as well as the relatively more generous distribution to racing made by the Northern Territory Government at the expense of its own revenues. The following table illustrates the plateau effect.

**State and Territory Race Betting Taxes<sup>12</sup>:**

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95
	\$M	\$M	\$M	\$M	\$M	\$M
New South Wales	285	299	286	310	313	325
Victoria	195	180	192	198	202	144
Queensland	71	77	77	80	86	90
South Australia	38	39	40	39	41	37
Western Australia	33	32	31	34	39	42
Tasmania	8	9	10	11	11	12
ACT	5	6	6	6	6	5
Northern Territory	4	4	5	5	6	6
Total	639	645	646	683	703	662

Some State TABs have sought to become more commercial in their approach to the market by seeking overseas clients.

The most significant development has been the commercialisation of the wagering system in Victoria. TABCORP was floated with 300 million shares on 15 August 1994. TABCORP acquired the Victorian TAB's business and became the largest publicly listed gaming and wagering entity. TABCORP entered into a joint venture with VicRacing, a company established by the racing industry, which entitled VicRacing to a 25% interest in the income generated from TABCORP's conduct of the gambling activities currently undertaken by the TAB.

TABCORP operates the TAB, Sportsbook, and TABaret outlets. TABCORP also enjoys a duopoly position with Tattersalls with each having a 50% share of the club and hotel gaming machine market in Victoria.

Taxation on gambling has become an important source of revenue for governments in Australia, as is indicated in the following table:

<sup>12</sup> Australian Bureau of Statistics *Taxation Revenue 1994-95*, Catalogue No. 5506.0.

### State and Territory Government Taxes on Gambling<sup>13</sup>

	1992/93	1993/94	1994/95
	\$M	\$M	\$M
New South Wales	909	988	1071
Victoria	601	761	908
Queensland	365	434	497
South Australia	136	140	187
Western Australia	131	147	172
Tasmania	43	45	51
ACT	40	47	51
Northern Territory	13	16	20
Total	2236	2578	2958

There is growing competition for gambling business between the State and Territory jurisdictions, with tax rate concessions and reductions being offered as inducements in certain areas to capture, or at least to not lose, business.

The Northern Territory Government faces a relative disadvantage in tapping gambling as a source of revenue. Remoteness increases the cost of employment and price structures generally, reducing the competitive capacity of gaming service providers. The dispersion of the population reduces the propensity to bet by sheer lack of access and by eliminating the impulse factor for many people.

#### 2.3.2.4. Pay TV and the Racing Industry

There are a number of examples of increased turnover resulting from Australian racing being broadcast through a variety of channels. When races can be viewed in the home environment, telephone betting, in particular, reflects an increased interest. Examples include:

- As a result of free-to-air broadcasting of the full programme of Sydney Easter Monday races in 1995, there were no changes in customer numbers in TABs, but there was a 25% increase in telephone betting;
- Victorian Channel 31's coverage of harness racing has recorded increases of up to 30% of turnover on some races;
- South Australia's Easter Oakbank meeting was televised free-to-air in 1995, which resulted in Saturday's telephone betting increasing by 17%, while Monday's turnover was increased by 33%.

The racing industry is aware that it needs to provide a more inclusive racing package, through initiatives such as introducing a racing channel into the home environment (71% of leisure activity is television viewing). It has also identified the requirement to

<sup>13</sup> Australian Bureau of Statistics *Taxation Revenue 1994-95*, Catalogue No. 5506.0.

improve distribution arrangements (including interactive gaming) which will allow for a larger audience.

Bookmakers have stated that they believe that it is imperative they be able to offer a fixed price betting product through pay television betting systems and that there be no minimum betting restrictions placed upon bookmakers and punters. Bookmakers are working towards standardised betting terminals which will allow them to interface with any pay television communication technology and to complement the provision of increased broadcasting of racing on Pay TV.

In June 1995, the Victorian Racing Industry engaged financial, media and legal consultants to conduct a detailed investigation of the options available to Victoria, and to the Australian racing industry generally, in respect of the delivery of racing to pay television. The investigation included all aspects of a pay television racing channel including format, programming and revenue projections. Market surveys were conducted to evaluate the preferences of the potential audience for a racing channel and the impact of subscription rates.

At the same time, TABCORP independently conducted a detailed review of the implications of Pay TV and associated technologies for wagering and the control of wagering revenues. These findings were made available to the racing industry, in conjunction with the TABs from other States and Territories and identified the technological, regulatory and revenue implications of a racing channel on Pay TV with interactive capabilities.

The work, conducted under the supervision of the Australian Racing Industry Pay TV Working Party, detailed a business plan for the Australian racing industry in relation to Pay TV. The Working Party's findings included the following points:

- The racing industry has recently suffered at the expense of casinos and gaming machines and pay television could assist in arresting this decline by increasing exposure;
- Pay television is likely to become an important distribution system for the racing industry with the advent of interactive wagering expected in the future. This prediction is supported by the evidence of markets in New Zealand, Hong Kong, England and Victoria (Channel 31 harness racing) where racing has been televised into the home; and
- A national approach and clear control over the content of pay television racing programmes to be adopted by the racing industry, together with a control over the subscription amount and the development of interactive betting (jointly with TABs).

At the time of writing the racing industry had not concluded an arrangement for national racing coverage on Pay TV and free-to-air television.

The speed of uptake of interactive television betting will depend not just on racing channel content or whether a subscription fee is levied. The migration of Pay TV to digital television to ensure full functionality will involve new costs and could slow the pace of expansion.

### **Sky Channel (Sky)**

Sky Channel (Sky) was established in 1987 by Publishing and Broadcasting Limited (PBL) to broadcast thoroughbred, greyhound and harness racing into hotels and clubs (currently available in 6,500 premises) around Australia. Sky also carries pay-per-view events such as boxing.

The introduction of Sky Channel saw an immediate and significant improvement in the turnover of TABs and increased the number of race meetings upon which bettors could wager.

Sky failed to infiltrate the market in an experiment through MGM Grand Casino sports betting facilities in Las Vegas. The technology used was successful and financial transactions were processed through funds transfer to the New South Wales TAB. A number of factors hindered successful betting on Australian races such as non-acceptance by the bettors due to an unfamiliarity with race calling styles, venues, the pattern of racing, together with a lack of detailed form guides and post-race analysis. Any interest that was established was quickly dispersed after the National Football League season began.

On 31 August 1995, PBL agreed to sell half of Sky to News Corporation. Chief Executive of Sky Channel, Mr Bill North, saw this merger as a positive step for Australian racing as it would allow racing to be broadcast into Asia through Star TV which reaches 60 countries from Asia to Africa. Mr North commented at the time that:

*Sky Channel's international service will be of great benefit to the Australian racing industry, which shares directly in the profits of the international service... Sky will also continue to work with the Australian racing industry locally, in the development of a domestic pay television racing service, for the mutual benefit of Sky Channel, the racing industry and Australian consumers.*<sup>14</sup>

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<sup>14</sup> Bell, Murray. "Pay TV Racing Merger", DTM. 1.9.95. p.back.

## **2.4. Emerging Interactive TV Gaming Opportunities**

### **2.4.1. Gambling**

Lotto draws and telephone betting have been the main forms of legal gambling that have been allowed into the home to date. The technology which will make it possible to bring a full suite of gambling products into the home environment is being developed, with the access of householders to cable services and modems (set-top boxes) which will allow interactive use of the home television, either within commercial packages of television product or on a stand-alone basis.

Interactivity will become progressively more popular as the gateway equipment costs fall with the increase of sales, as data transfer rates accelerate through developments such as digitalisation and as attractive product is produced.

The consultant's report prepared for the Broadband Services Expert Group (BSEG) by Arthur D Little, entitled *Demand for Broadband Services in Australia Entertainment and Information Services and Domestic Transactions* (1994), investigated the extent of broadband services and, specifically, home gambling and betting from both the user's and the provider's perspectives. The report outlined:

- **Information provider to user:** Programmes of gambling and betting activities which the user can take part in. Some activities will be user initiated, while others will be broadcast at specific times.
- **Information/feedback from user to network/service provider:** Selection of desired gambling and betting activity, placement of bet, authorisation and other transaction details.
- **User interface:** Allows the user to "play" the gambling activities and input transaction details.
- **Network interface:** Two way network interface to feed instructions from user to network and video stream from network to user.
- **Likely providers of this service:** Various gambling and gaming authorities, racing associations, bookmakers, &c.
- **Timeframe:** Adoption by users likely to be fast, augmenting existing methods of gambling through newsagents, TAB's and clubs.
- **Technology requirements:** Sophisticated "set-top" box which requires highly secure transaction software with strong audit capabilities.
- **Technology migration path:**
  - Dedicated racing/gambling channels over a satellite/microwave/broadband network with betting by telephone, migrating to placing bets by dedicated data terminal communicating over telephone network.

- Fully featured betting capability via "set-top" box or other network termination of broadband network, placing bets in conjunction with programmes on a specialised racing/betting channel.
- Fully interactive games with betting where a single user plays against service provider (virtual casino) or where users of the network play against each other over the network.

The report also found that home gambling and betting would be utilised through setting programmes either on demand or through scheduled broadcasts using 'set-top' boxes with high security and auditability. The report also estimated that the consumer approval of the new technology would be fast, based on rapid acceptance rate of new gambling methods, coupled with Australia's high per capita expenditure on gambling.

While the Broadband Service Expert Group itself did not deal specifically with gambling opportunities, the report estimated the expected value of the Australian interactive television gaming market at between \$1billion and \$2.5billion in 1999, rising to between \$12billion and \$18billion by the year 2004<sup>15</sup>. (The differential is based on whether there is a high or low take-up rate of new technology).

Forecasts of the gambling industry in general, and home gambling on the broadband network in particular, were based on the following assumptions:

1. In the short term the gambling industry is expected to continue its growth at approximately 10% per annum due to the recently commenced operations of the Melbourne, Sydney, Brisbane and Cairns casinos along with increased interest in and community gaming.
2. The ultimate target rate for home gambling over the broadband network is set at 25% of total gambling turnover, reflecting the potential take-up rates of:
  - lottery, lotto and pools purchases;
  - racing turnover (much of which would be conducted through a broadband network to a TAB or racetrack);
  - bingo and keno could eventually be run entirely on a broadband network; and
  - casinos would be the least likely to provide broadband services as they are predominantly social activities.

On-line services already available in homes include 0055 lottery services, on-line lotteries, INTERNET casinos, INTERNET lotteries, and racing and sports betting services on the INTERNET.

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<sup>15</sup> These amounts are overstatements, possibly by a factor of 2, because it appears that the consultants assumed that gambling turnover was the same as player loss.

The Committee makes the following additional comments on the likely take-up of various racing and gaming products through interactive television in the home.

### **Lottery, Lotto Type products**

As straight single-event games of chance, acquisition of this product will usually involve a single relatively low cost transaction. Games could be incorporated into programmes or during commercial breaks. A dedicated television channel could sell lotto-style games along with displaying results. "Scratch" style tickets would be suited to screen technology where the prizes could be revealed by the player using a touch screen or hand-held "mouse". Multimedia could enhance the process with a winning fanfare and associated graphics.

With the sale of lottery products possibly being extended out of the primary agencies into high density 24 hour shops and service stations, into video stores and supermarkets (not only for convenience but to capture impulse buying), there must be some doubt about the extent of the transfer of sales to the interactive television medium, at least for the time being.

Interactive lottery sales would be of great convenience to people in relatively remote locations, provided the service reaches them.

Because the transactions are small, there may be pressure by lottery service providers to allow interactive sales to be directed on to the customer's account with the telecommunications carrier.

American carrier ITT has pioneered this concept as a means of solving credit card security issues in the development of on-line home shopping. Telstra's alliance with Microsoft's On-Australia would facilitate a similar approach in Australia.

It has long been a fundamental tenet of public social policy in Australia that credit betting is illegal. Government regulators will have to carefully weigh their approach to the sale of interactive television lottery products.

### **Casino products**

Casino-related games could lend themselves to interactive television applications such as televising a live game of roulette and having consumers bet on each spin. However, in Australia and overseas, the adaptation of these casino games is yet to be realised. Similar virtual gaming environments could be developed for playing card games where "viewers" could bet against the dealer along with "live" players or against those "live" players.

### **Poker Machines**

Poker machines are also adaptable to broadband networks, but analysts believe that it is one of the least likely forms of gambling to be successfully placed on-line. Given the solitary nature of this gaming medium, such logic should be questioned.

## **Individual Gaming**

There is always the possibility that individuals will use new technology to gamble with other individuals outside any approved structure. At present gamblers can meet and play other people on the INTERNET at sites that allow characters to interact through graphics and data. It is possible to play cards or other games of chance with someone in any part of the world.

It is already possible for groups of gamblers to gather in a teleconferencing environment in their respective homes for high stakes games, with settlement required on an honour system. As equipment becomes less expensive, there will be greater attraction for such private arrangements.

## **Racing**

The introduction to the report prepared by the Working Party to the Chief Executives Forum of the Australian Gaming Regulators' Conference in September 1995 considers the "information superhighway" (cable television, satellite television, INTERNET and digital compression technology for free-to-air television and radio) as a vehicle for delivering more gambling products. Full interactivity is also anticipated to be an essential road for virtual reality home shopping, video-on-demand and home gambling.

A convergence of the various methods of technology and delivery, will, in the near future, allow the user to look up a comprehensive electronic form guide, watch and listen to specific races from a variety of camera shots on numerous channels and receive dividends from an on-line service through a PC terminal or a television screen.

## **Sports Betting**

The potential for sports betting to become more popular than race wagering on interactive television is obvious. Football in particular is available on free-to-air television and as an element of Pay TV (without extra subscription), and has a following which has been commercially cultivated in the younger generations.

## **TV Gaming on Airlines**

Airways are becoming another area where interactive services are being offered and indications are that they could become a very competitive test bed for such technology.

Microsoft has joined with Hughes-Avicom and Microsoft Interactive Television to provide passengers with a wide range of multimedia services including electronic banking and access to the INTERNET.

Sony is negotiating with airlines to introduce a video and audio system that allows shopping, banking, gambling and information services in-flight.

QANTAS has announced that it may become the first airline in the world to offer in-flight gambling as interactive on-board entertainment. Keno-style gambling along with Pay TV, Nintendo, Sega games and home shopping could be introduced onto QANTAS and British Airways during 1996.

A European regional airline has reportedly contracted with the US firm, Information Flight Technologies, to install a casino-style gaming system on its aircraft from July 1996.

#### **2.4.2. Non-Gambling**

In addition to gambling product, a range of other games will be provided when interactive television becomes available.

Sega, Sony and Nintendo style games are likely to appear, with the possibility of interaction with other players on the cable network.

Virtual reality games will be refined and interactive capacity will allow choice of movement and action.

Because of the nature and duration of this form of gaming there will be a high telephony charges element. This may cause them to be provided outside the pay television packages once open access (at fair price) to the cable systems starts in July 1997.

Interactive television will also allow home participation in television quiz games and competitions.

### **Chapter 3**

## **IMPACT OF BROADBAND SERVICES ON NORTHERN TERRITORY RACING AND GAMING INDUSTRY**

### **3.1 Inter-jurisdictional Issues**

A report prepared by the Working Party for the Chief Executives' Forum of the Australasian Gaming Regulators' Conference, in September 1995, examined the effects of telecommunication based gambling and potential effects on current gambling regulatory methodologies. The report found that the capability of on-line services will limit the ability of each jurisdiction to regulate gambling through licences and for revenue purposes.

The information highway will also limit the ability for jurisdictions acting alone to control advertising of interstate or overseas gambling products. The Working Party made the following assessment of the attitude of Commonwealth Government (departmental) representatives, and concluded that the Commonwealth Government would be reluctant to ban gambling on broadband networks:

- There was a clear emphasis on the principles of maximising access and, unless forced, not regulating content;
- Broadband was not just an extension of currently available services, but a key to access currently untapped foreign and local market segments which should more than make up for any potential pain from localised occurrences;
- Any issues or disputes between States and Territories were of limited interest to the Commonwealth telecommunications regulator and that if any model proposed by the States was seen solely as a matter of States protecting their interests, it would not receive support; and
- If the States and Territories were to formulate a solution for the community concerns raised by gambling on the regulated, future broadband networks (as opposed, for example, to unsanctioned satellite transmissions), then the Commonwealth Government would take advantage of the opportunity to include supporting structures in the licence conditions of the telecommunications carriers and service providers. The Commonwealth would only legislate in this manner if the States and Territories did not jeopardise the principles of maximising access and content.

The Working Party collated a range of legal opinions from the various Australian jurisdictions. In respect of gambling products being offered from outside the jurisdiction, the following consistent opinions were evident:

- For the purpose of exclusivity agreements (based on exclusivity for times and locations), the service would be taken to be occurring where the service was based and not where the player was located;
- The local jurisdiction would have the power to “ban” the service, provided the legislation which did so was not “on the face of it” discriminatory in terms of section 92 of the Constitution. However, it would be impossible to stop the interstate or international service provider offering the service to those local residents who decided to access the service by telephone or over the new broadband networks. In any event, it would be virtually impossible to enforce a “ban” on participation in the home environment;
- Advertising of the service could be prohibited, but this would only be effective against locally-based advertising vehicles, such as newspapers and local television, and would either be unenforceable or ineffective against –
  - nationally provided services, such as cable or satellite television;
  - interstate based newspapers and other publications; and
  - direct mail.
- A tax or duty could be applied to the financial transactions conducted to enable home gambling to occur. However, this could only be levied on locally based bank accounts and could be avoided by transferring the bank account to a branch located interstate or overseas. In any event, the transaction would need to be identifiable as being for gambling. This would be impracticable, as it would require knowledge of the identity of every known interstate and overseas gambling service provider and knowledge that that service provider did not provide any other service which could be the reason for the transaction, such as home shopping.

The report concluded that, in an uncooperative environment, it is inevitable that local and overseas gambling service providers, with assistance from their host jurisdiction, may attempt to increase market share infiltrating other markets. Available means could be reduced taxation or lower operational costs from reduced probity constraints and lower operational standards.

The Working Party submitted that the optimum control methodology would be for a broad-based agreement to be entered into by Commonwealth, State and Territory Governments and New Zealand to formalise a system that allowed on-line gambling to develop in a controlled environment which respected the rights of individual jurisdictions to determine whether a service is offered and, if so, under which terms.

Such an approach could include the following options:

- (a) scope for taxation to return to the state of origin or distributed per capita to participating jurisdictions;

- (b) the operation of a mutual recognition scheme with appropriate national standards and a common code of enforcement;
- (c) standardisation of taxation rates;
- (d) complementary legislation;
- (e) Commonwealth control to ensure overseas services were licensed; or
- (f) establishing a single licensing regime for telecommunications based gaming.

The Working Party commented that if such a cooperative approach was to be taken, the various jurisdictions would need to act promptly and to formulate flexible policies which could be adapted according to the rate of technological advancement.

The above matters of concern are presently on the agenda of a range of national and international forums. At a Ministerial conference held in January 1996, the Northern Territory Minister for Racing and Gaming, the Honourable Barry Coulter, MLA, addressed the need for cooperation and a more open competition in the racing and gaming arena. It is understood that the question of inter-jurisdictional cooperation will be the subject of a joint Ministerial conference to be held in Canberra in May 1996.

### **3.2. Northern Territory TAB and Racing Impact**

Interactive betting through the home television has the power to revolutionise the pattern of wagering and the programme of racing conducted, if not the very future of the sport itself in the Northern Territory.

The medium will be able to provide such a comprehensive interactive information base to home viewers, for example, being able to select views of recent races by all starters that it will, over time, become an essential tool for all but the smallest and the most casual bettors. It would be very convenient and could rekindle racing as a recreational interest.

If there is no interactive racing television service available from a Northern Territory base, wagers originating here may drift to the programme producer's State, particularly if on-screen dividends were different to the locally accessed pool; producing a similar situation to that where a current Northern Territory resident with a Queensland TAB account places a wager in Queensland by telephone. In that case profit on the wager remains with the Queensland TAB.

From the Territory perspective this trend could be debilitating.

If pay television does rekindle interest in the sport of racing, viewer interest will grow in the racing which actually reaches the screen, very much like the interest which television has generated in the teams playing in nationally recognised football competitions. This could generate a case for the funding of these events at the cost of non-televised events to the extent that regional and "bush" racing may require special financial assistance to survive.

Against this background, securing a place for some Territory racing on pay television is looming as a critical issue. That issue is predicated by the need to determine how the consistency, standard and depth of the racing to be televised is to be achieved and then guaranteed.

While these matters are being argued, the pressure will be mounting on Territory racing as an attraction from alternative forms of gaming, particularly those which may be able to go on-line early and gain a priority position in the routines of home recreation.

While Australian racing clubs and TABs have yet to reach agreement on a unified approach to Pay TV and related matters, the future of the racing industry as a whole is losing ground in a harsh competitive environment. The racing industry is an important contributor to the economy of every jurisdiction and its preservation dictates that State and Territory Racing Ministers resolve its problems with authority when they meet in May 1996.

### **3.3. Lotteries and Lotto Impact**

*The Territorian* lottery product is now marketed internationally by Morris International by direct sales and through an agency network. It is also marketed through the INTERNET and as a tourist souvenir, though not in interactive form. In its present format, with the ticket being a souvenir in its own right, it will be difficult to conduct such a lottery without changing its unique character.

Instant result lottery-style products will, when on-line, pose a threat to the traditional periodic draw lottery ticket market.

The major provider of lottery type product in the Northern Territory is Tattersalls, by agreement with the Northern Territory Government. Sales of lotto product are made through agents connected to Tattersalls' dedicated telecommunications network radiating from its Melbourne headquarters. Those retailing agents, predominantly newsagents, sell a wide range of lottery product. The average agent across the Tattersalls network earns approximately \$1,400.00 per week in commissions, together with associated trade.

A representative of Tattersalls expressed the view to the Committee that it would be some time before the direct sale of lottery product via interactive television made any discernible difference to this pattern of business. This is because of the rather slower than expected availability and take-up of cable pay television services in Australia to date.

Nevertheless, the company is preparing for this contingency by developing a computer software package to enable regular lottery customers to make lottery product purchases through their local agent. In this way (that is, by not engaging in direct sales from Melbourne), the faith with the respective State/Territory Government will be maintained and the agent's position secured.

To enable this to occur within the current legislative framework, it may be necessary that those regular customers maintain some sort of cash deposit with the retailers to be drawn upon to ensure that credit betting does not occur. This is an area which requires further consideration.

This conservative assessment of on-line competition within the lottery sector stands in contrast with the predictions of other forecasters. The Northern Territory may represent a special case because of the time horizon for fully interactive cable television, but that competition will come and the sector is vulnerable.

### **3.4. Casino Gaming Impact**

Casino managers are well skilled in promoting leisure activities within their premises and in the knowledge of the psyche of their clientele. Great emphasis is placed on the ambience of the casino resulting in attendance being an occasion in itself.

All indications are that the world-wide impact of on-line gaming on casino games has been minimal. Most games authorised to be played in casinos have been reproduced in interactive on-line format. They are not yet popular, except among the most dedicated gamblers because of the difficulty of exchanging secure on-line financial transactions and because the technology has not allowed sufficient virtual reality to be built into the product to allow it to compete with the experience of visiting a real casino.

However, in the medium term, the two Territory casinos are vulnerable in two ways. Firstly, they may lose share in the gambling market to other forms of gaming becoming popular in the home. Secondly, they are vulnerable to casino-style game providers establishing competitive product on the cable system, particularly after deregulation of cable content after 1 July 1997. It is most unlikely that government regulation can prevent this spread, even in the face of exclusivity agreements.

Casino marketing plans must comprehend the former.

The latter may only be able to be countered by competitive on-line product being developed by Territory casinos and made available into home televisions (potentially world-wide, but certainly in Australia).

Moves to this end will have to involve the Northern Territory Government as regulator because of the need to ensure gaming product integrity and return ratios, to approve of payment systems and to change the provisions of the *Gaming Control Act* to allow redefinition of the approved gaming area and related matters.

### **3.5 Community Based Poker Machines Impact**

It is unlikely that affordable equipment to allow poker machine games to be played on the home television in an interactive way will be available for quite some time.

Consequently, there is little chance that those who obtain recreational enjoyment from attending clubs and hotels to use the machines installed there will be diverted, at least in the medium term. However, as a solitary form of gaming, poker machine playing has the characteristics necessary for ultimate popularity in the home.

The venues with machines will need to recognise the new home-based competition for the gambling dollar within their target market and to respond to this in development and marketing plans.

### **3.6. Sports Betting Impact**

Sports betting in the Northern Territory faces significant challenges, together with opportunities through the availability of interactive pay television betting services.

Those licensed to take sports bets in the Northern Territory have established a strong national and international client base.

Competitive tax rates on sports betting in other States and the ACT have encouraged a number of bookmakers and bookmaking firms to enter the sector (see page 41). Potentially, at least, those operators are in a much stronger position to offer interactive television sports betting in the home, for example in conjunction with television coverage of football, than will the Territory based bookmakers, because fully interactive cable television will be available to them much earlier.

Centrebet, located in Alice Springs, will not be on a local pay television network in the foreseeable future.

The Darwin licensees may not have full local two-way capacity so long as there is a satellite or microwave path in their data link. There may be technological solutions to this functional disadvantage for Northern Territory services and these should be sought.

Though Northern Territory residents may not be able to partake of broadband routed interactive sports betting, the licensees would be able to provide cable content into the southern cable television network via the fibre optic cable now in place into Alice Springs and Darwin (and being upgraded to full HFC standard) and retain their Northern Territory host status.

### **3.7 Net Effect on Northern Territory Revenue**

The Committee supports the practice that jurisdictions retain bets where they are physically accepted, except in the case where it is unanimously agreed that cooperative central processing arrangements should apply to automatically direct the bet to the jurisdiction of the wagerer.

The Committee reached this view because this period of rapid technological development should produce specialisation in the creation and delivery of new gaming product, rather than encourage further homogeneity of product and "Dutch auctions" for Government support and tax rate relief.

The Committee is confident that there will be areas of gaming specialisation attracted to the Northern Territory under the open competition model.

The gradual extension of interactive television gaming in Australia may cause a net leakage of revenue out of the Northern Territory in the medium term. This leakage includes the net effect of both the movement of cash (wagered and invested in lotteries) in favour of some other jurisdiction, and the loss of economic activity that cash would have generated had it been gambled here, and the loss of tax which would have been levied on those transactions.

This likelihood of net loss is occasioned by the advantage the larger States will gain in:

- having earlier access to the fully interactive cable network as it rolls out, enabling gaming product testing, foundation customer loyalty, and the establishment of product status and maturity;
- the location in larger States of the gaming service providers of sufficient size to develop and produce the interactive gaming product; and
- proximity to, and some local influence with, the pay television service providers.

Advantages the Northern Territory does have and upon which it may be able to capitalise, are:

- its capacity to react quickly, legislatively and administratively, to opportunities as they arise;
- that it only has to capture 1% of the Australian interactive gambling market to obtain an equal per capita share of gaming revenues;
- low tax rates are already levied for some gaming, for example, in the casinos, because of the relatively high physical cost of undertaking business in the Northern Territory; and
- Darwin, with Telstra fibre-optic cable connection available into the national cable grid, could be technically as effective a service provision centre as anywhere else

for the emanation of interactive gaming signal. This is so notwithstanding the fact that Northern Territory residents may not have a fully interactive television service in the home for some years after those in the main southern capitals.

Another impact of interactive television gambling on revenue will be the net effect of the change in market share of the various gambling products, each with differing tax regimes, together with the economic effect of the decline of certain sectors relative to others. This change in market share is a complex area for prediction. For example, from a purely taxation revenue aspect, it would be advantageous to the Government if lotteries expanded at the expense of the racing industry, but the effect on the economy from a decline in racing may be severe.

Clearly, models should be developed which can simulate possible economic effects and tax revenue changes, for use during the period of activity of the Task Force formed as a result of the recommendation of this Committee.

### **3.8. Consumer Choice**

Choice of gambling product will multiply and the capacity for enjoyment of such product by consumers will be progressively enhanced as interactive television matures.

Consumers will have ready access to extensive banks of information, including interactive form assessment aids and analysis tools and computer assisted staking programmes to stimulate interest and assist informed choice and timely placement of wagers.

### **3.9 Lifestyle and Social Impacts**

The danger of minors participating in interactive television gambling will have to be recognised by regulators and such participation restricted to the fullest extent.

Regulators will also have to control the capacities of software that could be accessed by anyone other than the parties to interactive transactions to track the patterns and interests of users.

General codes of practice will also have to be applied to the emerging industry to cover other moral and privacy issues.

#### **Problem Gamblers**

For some people gambling reaches a point where it impacts negatively on themselves and their families. Research by the Australian Institute for Gambling Research concludes that approximately 1.2% of the adult population are problem gamblers. Those with the problem are three times more likely to be male than female and are overly represented by people under 30 years of age who are single.

It is suggested that problem gambling is often a deep-seated condition evident in some way from a young age. For that group, it is simply a question of settling on a preferred form of gambling. Generally, problem gamblers who are male gravitate towards wagering and casino game betting, while those who are female gravitate towards poker machines.

Some people who are having or developing a problem with gambling will focus on the opportunities presented in the home through interactive television. For those in family relationships there will be forces against this. However, as common characteristics of problem gamblers include keeping their problem from family members. It could be that family members with the necessary predisposition and who spend a lot of time at home alone could become problem gamblers via the interactive medium or could convert their gambling preferences to this medium. The continual availability of interactive gaming on home television will produce strong impulse buying pressure for everyone, not just problem gamblers.

In the submission to the Committee, Associate Professor Mark Dickerson, Executive Director of the Australian Institute for Gambling Research, stated that there have been no studies which provide substantive information leading to an understanding of the characteristics of gaming and wagering activity on interactive television in the home environment.

It is possible that arcade video game playing by some adolescents may develop into a behaviour that resembles a gambling addiction. If this is so video games on interactive television will increase the base for this behavioural progression. The transition from video game playing to on-screen gambling will be an easy one, but may carry with it the potential for creating an additional group of problem gamblers.

The problem gambler support networks set up and supported in the Northern Territory, through the Community Benefit Levy on poker machines, will also have to cater for those getting into difficulty through home gambling. Use of the Levy for that purpose is strongly supported by the Committee. Educational campaigns may also be required.

The extent to which gambling will become home based and the likelihood of it exacerbating problem gaming, cannot be predicted.

### **Effect on Charities**

There is concern that on-line gaming could see a reduction in funds for charities.

With the gradual stabilisation of the total expenditure on gambling as a proportion of household disposable income, the extent of any impact in this direction may depend on whether home gambling is wholly a substitute for gambling in other places or causes the whole gambling sector share to increase. It is much too early to say, but the situation will require careful monitoring.

An example of an avenue for charities to make positive use of on-line services was evident in 1995 when a Victorian charity successfully used an INTERNET home page to promote a fundraising raffle. Charities are in competition for disposable household income and will have to market themselves in the emerging media if they are to maintain their share.

### **Censorship**

The Committee is not of the view that gambling content on interactive television should be controlled by censorship provisions. Interactive television gambling content will be produced by gaming service operators who are licensed to provide such service under a severe prudential regime somewhere in Australia.

However, the Committee is directed to look at all interactive television gaming. Games which include excessive violence or indecency should not be transmitted.

Following the Report of the Law Reform Commission, entitled *Censorship Procedures* in September 1991, all States and Territories, together with the Commonwealth, have legislated to impose a classification scheme for computer games. The Northern Territory's amending legislation was assented to on 28 December 1995.

The provisions of this legislation are to be reviewed following consideration by the Standing Committee of Attorneys-General of a Commonwealth inquiry into appropriate regulation of computer-related services.

The Senate Select Committee on Community Standards Relevant to the Supply of Services Utilising Electronic Technologies released its report in December 1995. A recommendation contained in the Report was that the use of a computer service to receive, send, show or advertise material classified as R-rated through on-line services should be an offence under the various Criminal Codes of the States, Territories and the Commonwealth.

This Committee agrees that network operators such as Telstra and Optus should bear no responsibility for material that is carried on their respective networks and that self-regulation should be introduced into the on-line industry incorporating an independent complaints agency.

The ABA is investigating the content of on-line computer services as a means of transmitting pornography. The ABA issued a paper in December 1995 which listed community concerns over on-line material included matters relating to decency, privacy, sexual violence, protection of children and racism. A full report is due in August 1996.

### **Social Impacts**

The Northern Territory Government has allocated funding for a study to be undertaken by the Australian Institute for Gambling Research under Dr Jan McMillen as principal researcher. The study emanates from recommendations of the Select Committee on the Effects of Poker Machines in Community Venues (February 1995) which were endorsed by the Government.

The Study will include a baseline study on the extent and effects of all forms of gambling in the Territory, a study of the extent and effects of gambling on individuals and families, and a social and economic impact study on the effects of poker machines once they are operational in the community.

The study will also facilitate the design of a rehabilitation services network, and a community education programme about gambling and sensible family budgeting.

Research is to be carried out to:

- (a) quantify the extent of gambling in the community;
- (b) identify expenditure patterns on different types of gambling;
- (c) provide a base against which to identify the future extent of substitution between different forms of gambling and the factors which affect substitution;
- (d) identify and assess the impact of gambling on lifestyle and income of gamblers and their families and the broader community;
- (e) establish the extent and degree of gambling-related problems in the Northern Territory;
- (f) establish whether such problems are differentially associated with the availability of particular forms of gambling or demographic variables;
- (g) compare the Northern Territory situation to other major reports; and
- (h) identify community attitudes to gambling and expectations in the community regarding the roles and responsibilities of the Government to address gambling problems.

The study will specifically address the following matters:

- (a) a community education programme;
- (b) the impact on fund raising by charitable organisations;
- (c) the effect on Aboriginal communities of poker machine introduction; and
- (d) the extent of current gambling activity in Aboriginal communities.

The study will provide two reports, the first being due at the end of 1996 and the second at the end of 1997.

This research is most timely and is essential preparation for an understanding of what the gambling trends will be when interactive television begins to spread through the Northern Territory.

More generally, the details of the social impact of the extension of interactive television into the home will become available during the duration of the research project which is about to commence in Gunghalin, ACT.

### **Benefits**

The Strategic Services section of the Northern Territory Treasury is investigating the needs of communities, including remote communities, in regard to standardised network infrastructure. Education services providers, social security and police require a series of networks which will make it possible to communicate electronically with their own Territory, State and national agencies. Community service demands such as tele-medicine and tele-conferencing for education, are well ahead of data transmission capability in most areas of the Territory.

The Queensland University of Technology Communications Centre report for the Broadband Services Expert Group included comments and conclusions on broadband services demand in the health sector. Because the health industry is information intensive, there is increased interest in the optimum way in which to utilise computers.

Clinical and financial data is required by health care providers, administrators and providers of funds. It is estimated that there will be demand for the broadband applications in records, diagnostics, general practice, training and communications networks. In particular, it found that tele-medicine has the ability to improve rural and remote area health services.

Territory Health Services is currently investigating strategic options regarding the increased application of broadband services in relation to health services. To date, this has involved a video conferencing arrangement between medical specialists at Royal Darwin Hospital and the Royal Adelaide Hospital.

It is anticipated that further developments will be aimed at the education and management support needs of health professionals between major hospital locations and will extend to rural and remote access as infrastructure permits.

As arrangements progress for the training of medical students in the Northern Territory through the agreement with Flinders University Medical School, the requirement to provide distance education through broadband services is expected to also arise. Territory Health Services has undertaken preliminary discussions on this matter and has identified considerable potential through expanded education and training opportunities. A major limitation is the current infrastructure both within Territory Health Services and the wider community. However, current infrastructure developments within Territory Health Services will overcome a large portion of internal limitations within the next twelve months.

A high priority is placed on appropriate education and training support through the introduction of new information technologies, especially as such applications invariably involve a re-engineering of existing work practices. To this end, Territory Health Services is also considering the ethical and legal implications arising from the use of new information technologies. The issues of privacy and confidentiality of client records and the practice of medical treatment or diagnosis through broadband services need to be considered and to date, preliminary investigations have been conducted on these matters.

In terms of basic access and equity, the benefits of broadband television services should not be restricted in the Northern Territory to the residents of Darwin. The growing demand for interactive television gaming will add extra weight to a critical mass commercial package of broadband services justifying investment in extending networks. This investment will also depend upon the cooperative capacity of government and private sector service providers. There is also the prospect of remote services technology developed for use in the Northern Territory being sold elsewhere.

Previously uncoordinated work into remote communities, including existing (and in some cases extensive) broadcasting networks such as the Tanami Network, could become part of a much larger, more professional structure. If the Northern Territory Government was to establish the remote broadband network by itself or through some "take and pay" commitment to broadband service cost, it would not mean that the Government would necessarily control the actual equipment. A series of service agreements could be put in place to ensure the continuing integrity of the system.

The Northern Territory is not the only Territory or State looking at totally reorganising network infrastructure. Western Australia and Queensland have also shown interest in this approach, for similar reasons.

## Chapter 4

# RISK MANAGEMENT AND OPPORTUNITY ENHANCEMENT

### 4.1. Efficiency and Access

The commercial reality is that fibre optic cable allowing fully interactive television for a range of purposes, including gaming, will be available in the Northern Territory, only in Darwin in the medium term. Even limited interaction, where Pay TV is accompanied by phone-back technology, will be denied to most Northern Territory residents for some time.

A similar situation is developing with this new technology, as a vital contributor to the conduct of government, commerce and leisure in the 21st century, as occurred in respect of telephony during the 20th century. It has taken well over a hundred years for telephones to become available to some communities in the Northern Territory and then only after agitation for the fulfilment of the Universal Service Obligations placed on Telstra under telecommunications legislation.

The disadvantage may be overcome if potential users, including Northern Territory Government agencies, the Commonwealth Government and private agencies, can consolidate their data transmission requirements and work closely with the potential carriers in cable roll-out.

**Recommendation 1** It is recommended that the Northern Territory Government take an active lead in developing, presenting and negotiating the case for cable installation and provision of capacity for interactive programming involving all significant population centres in the Territory.

## **4.2. Commonwealth Government Regulation**

### **Cable Services**

As public communications policy is a Commonwealth responsibility, it is necessary for representations to be made to that Government in order to manage impacts on the Territory industry caused by the practices and programmes of licensed carriers.

**Recommendation 2** It is recommended that the Northern Territory Government make representation to the Commonwealth Government to ensure that smooth interactive capacity be available to Territorians through an adequate broadband service into and across the Territory, particularly in respect of the:

- (a) rights to seamless interconnectivity between the Telstra cable network and CETV terrestrial broadband system in Darwin;
- (b) system-wide uniformity of protocols for interactive television product, development of codes of practice, and open access to cables and transponders; and
- (c) extension of the concept of Universal Service Obligations into the cable carrier legislation.

### **Gaming Regulation**

Interactive television gaming, like its forerunner INTERNET interactive gaming, will know no jurisdictional boundaries. The Northern Territory Government has no power to prevent the free flow of commerce across its boundary, and the Commonwealth Government has stated that it will not differentiate traffic flowing across the States and Territories unless there is agreement on a case-by-case basis by all of the Governments concerned.

The leakage of money on gambling product outside Australia, through interactive television gaming product originating overseas, and the consequent depletion of disposable income available for gaming industry income generation in Australia, as well as the loss of taxation revenue, will need to be minimised. It can only be minimised by intervention by the Commonwealth Government.

Prudential standards (if any) applying to gambling service providers in overseas countries will be difficult to determine. At the same time, discouraging overseas gaming from entering Australia would have the effect of retaliatory action which could see Australia's lead as a product developer in this field destroyed.

Although rendering such gaming illegal will be virtually unenforceable, the Committee believes that the step should still be taken as a matter of principle on prudential grounds,

as has been the case in the United States. The illegality may cause some providers to warn Australian customers, and will deter some on-line betting by providing uncertainty as to collection rights to winnings. Education campaigns may also be useful to this end, and it could be that, due to the finite size of the Australian gaming market, such campaigns should be jointly orchestrated by the Australian based licensed gaming service providers concerned.

Exemptions from illegal status could be granted where prudential safeguards are proven. An obvious exemption would be gaming services originating with licensed gaming providers in New Zealand.

There have been recent moves to take the risk out of on-line payments by use of carrier billing accounts. While designed to facilitate on-line shopping, carrier billing could also be used to buy lottery product or even allow the conduct of wagering without the prior establishment of a deposit account upon which to draw.

Use of billing in this way can be regarded as provision of credit, where the gaming service provider factors the debt to the carrier who then assumes the creditor position. Credit betting is anathema to properly regulated gaming and unless the possibility of its use is eliminated, it could have a severe social impact.

**Recommendation 3** It is recommended that the Northern Territory Government make representation to the Commonwealth Government to:

- (a) render betting by Australian residents on interactive electronic gaming product originating from other countries illegal unless an exemption applies; and
- (b) prevent telecommunications carriers from including gambling product charges on customer accounts.

### **4.3 State Level Cooperation**

While competition in the supply of gaming product between the States and Territories is inevitable and healthy, as interactive television gaming becomes more widespread, there are some areas where system integrity will demand that common principles apply. These principles include:

- rejection of credit betting for on-line gambling to avoid real social concerns;
- effective quality control of authorised gaming service providers and of their supervision, to ensure the good name of the racing and gaming industry;
- communications service providers should be restricted from holding gaming licences to prevent conflicts of interest;
- no cross border flow-back of tax on bets to the jurisdiction of origin except in the case of the agreed operation of centralised pools of wagers; and
- freedom to advertise authorised gaming product, with the provision that any gaming advertisements should comply with the Advertising Code of Ethics produced by the Media Council of Australia.

**Recommendation 4** It is recommended that State and Territory Governments adopt a common set of immutable principles, based on sound prudential control and open competition, to support the expansion of competitive gaming product.

#### 4.4. Social Impact Baseline Study

The Australian Institute for Gambling Research is conducting a baseline study into the introduction of poker machines into community venues in the Territory and to determine the extent and characteristics of gambling in the Northern Territory.

**Recommendation 5** It is recommended that a specific reference encompassing the topic of interactive home-based gambling be added to the baseline study being undertaken by the Australian Institute for Gambling Research in the Northern Territory, as well as subsequent longitudinal studies.

## **4.5 Risks to TABs**

The racing industry in each Australian State and Territory depends on a relatively predictable cash distribution as a proportion of off-course betting turnover.

For more than a generation this distribution has been achieved through retail outlets operated by the respective TAB networks. Some TABs are linked with each other to ensure larger and more stable pools for dividend purposes.

Dividends from each pool are declared on the basis of final calculations at the close of each race at the "jump". Fixed odds betting is not available through TABs, but is available by telephone call to on-course bookmakers who hold customer accounts.

The most significant development in this orderly system in recent times has been the privatisation of the TAB in Victoria by effective amalgamation into TABCORP.

Its significance lies beyond the re-ordering of relationships in the industry in Victoria to the benefit of major racing clubs in that State. In an emerging environment of electronic commerce it introduces a unique level of commercialism into racing, betting and industry promotion, as a potential platform for the extension of services beyond the State or national boundaries.

There is no doubt that new and highly competitive packages of racing product will become available through such a relatively unfettered public company. This will include interactive on-screen betting. The remaining TAB systems will find it difficult to retain their market share.

In some respects, the precedent is not unlike the situation of gaming in Australia when the first casino opened in Hobart. The drive for revenue raising capacity equivalence dictated that every jurisdiction had to follow.

The Committee is of the view that all TABs will have to be privatised in the medium term, with those delaying the longest being the most commercially disadvantaged.

Participation in the respective combined betting pools by State and Territory TABs is a relatively fragile arrangement and of continuing concern for the smaller TABs. As a succession of TABs become privatised, there will be new commercial forces operating to create new cooperative arrangements.

The risks for the Northern Territory TAB in drifting into this uncertain environment are significant.

In accordance with the open competitive model favoured by this Committee, the TAB should be able to expand the range of gaming services it offers, subject only to any contractual exclusivity agreements which may bind the Northern Territory Government in particular spheres of gambling. This move will add to the value and attractiveness of the TAB.

In reaching the following key recommendation, the Committee assumes that the Northern Territory Government will ensure a continuation of the flow of recurrent and capital funds to the racing industry under pre-existing TAB arrangements. This might be achieved by granting the industry a share of the capital sum obtained from the TAB sale, by involving the industry as shareholders in the privatised entity, or by making a standing appropriation out of the Consolidated Fund on some formula basis, or a combination of such devices.

**Recommendation 6** It is recommended that the powers of the Northern Territory TAB to offer gambling product other than racing-based product be expanded and that the organisation be privatised.

## **4.6. Future of Racing**

Northern Territory-based racing has growth potential, provided it can attract more patrons and capture an increasing share of the off-course betting returns, including those generated by interactive pay television when available. Each proviso relies to a large extent on the general availability of race telecasts, both to increase the propensity to bet and to gain more local, national and international customer interest in the sport relative to its competitors.

A central issue is therefore the regular televising of racing programmes in the Territory and the achievement of a slot for such race coverage in carrier race channel packages.

This exposure cannot be achieved without substantial investment in equipment and unless there is the highest degree of professionalism, in the conduct of frequent meetings with consistent depth and quality.

Whether this can occur at all in the Territory needs to be dispassionately assessed.

With the growth of commercialism in the delivery and funding of racing products, occurring as it will at the same time as the Australia-wide implementation of Hilmer principles in the provision of all Government services, there may be pressure to eliminate the subsidisation of regional racing provided as a monopoly in each State and the Northern Territory through the respective TAB profit distribution formulae.

The impetus in this direction will become stronger as competitive forces mount between the Australian jurisdictions. The option of distribution of all available surplus funds to the central racing clubs capable of providing highly professional competitive racing product, perhaps through separate commercial entities as in Victoria, will have to be seriously considered, even if social and recreational values associated with regional industry operations are seen as local priorities.

If governments wish to maintain a racing presence in smaller centres in Australia as a recreational and leisure industry pursuit, then the individual centres may have to establish their claim to general industry development funds, arguing economic benefit for the locality, rather than gain automatic participation in tax pools available for racing industry distribution.

The racing industry is expensive to maintain and unless it achieves market reposition and a tight and effective focus of the application of all available funds then it will continue its relative decline. In the Northern Territory, adoption of a more commercial approach by all racing industry participants, in expanding into the national and Asian markets if that is an appropriate vision, will be vital.

Once the TAB is privatised, and a new long-term funding mechanism for the racing industry is in place, the racing industry should be considered as a commercial enterprise in competition with other entities in the gaming sector. It should have the right to apply for industry development assistance from the Government in the same way as any other enterprise. For example, Government contribution to the costs of telecasting may be

appropriate on economic development grounds. The case would, of course, have to be properly demonstrated.

Both major racing clubs in the Territory have recently completed facility development plans based on their own perspectives of the direction of racing in the respective centres.

The Darwin Turf Club has developed a proposal for improved racing facilities at Fannie Bay, in order that the standard of racing be improved to the point where the commercial telecast of twilight or night meetings into the Australia market and into Asia is possible. The proposal includes a requirement for significant supplementary funds.

Alice Springs Turf Club has also developed its own strategic development plan.

This work is most timely, but, given the climate of uncertainty in which the whole industry is seeking to reposition itself, it cannot be considered in isolation.

While race clubs are expected to be the major participants in the administration of racing, other stakeholders and industry participants, including the TAB, agents, bookmakers, owners and trainers, other licensed persons and consumer representatives, should be involved in consultations with industry experts who can assist in bringing all these elements together as part of a review of the industry.

**Recommendation 7** It is recommended that a complete review of the Northern Territory racing industry, involving Government, racing club and industry representatives, under the guidance of commercial strategists of high repute, be undertaken immediately. The objective of the review should be the preparation of an action plan under which the prospects for racing industry growth in the Territory are maximised.

#### **4.7. Ongoing Monitoring.**

A great number of crucial developments relative to this Reference will occur progressively over the next twelve months. Many of them will affect both the risk and the opportunities facing the racing and gaming industry in the Northern Territory.

If the recommendations of this Committee are accepted the privatisation of the Northern Territory TAB will proceed, new radical directions for the local racing industry will emerge and responses should be received from the Commonwealth Government in respect of the representations made.

There will also be:

- clarification of the future delivery of racing on Pay TV,
- progress with the analysis of the sale model, including enlargement of powers, for the TAB,
- consolidation of policy areas upon which Racing and Gaming Ministers of the various jurisdictions can agree,
- results of work to extend broadband services out of Darwin,
- research into customer interest in Pay TV generally in Australia, and from interactivity trials in Australia and abroad,
- technological development both in respect of narrowband and broadband communications,
- widespread use of smartcards,
- research into the legislative aspects of providing interactive television gambling from host sites in the Northern Territory,
- availability of initial results from the social impact and gambling market study now being conducted by the Australian Institute of Gambling Research,
- the results of the partial sale of Telstra and the future and extent of Universal Service Obligations,
- clarification of the telecommunications policy of the new Commonwealth Government and the emergence of new legislation,
- clarification of whether government barriers to a competitive gaming services market within a jurisdiction are upheld (Hilmer principles),
- a more robust alignment of Pay TV service providers, in particular a view of whether the market will support three such operators,
- some evidence of the result of interactive television trials.

All these developments must be understood and digested in a coordinated manner by the Government in order that risk management and opportunity enhancement can occur. The following recommendation of the Committee is designed to ensure that this is achieved.

**Recommendation 8** It is recommended that a standing Task Force be established to advise the Northern Territory Government on legislative issues, revenue implications, opportunities and impacts relating to ongoing developments in electronic wagering and gaming. Membership should include representatives of the private gambling sector, all Northern Territory Government agencies likely to be affected by those developments and independent experts in this field. The Task Force should be required to meet and report regularly and then report substantively within 12 months to the executive arm of the Northern Territory Government. It should then maintain a regular reporting and advisory role.

*Report on the Impact of Broadband Communication Services  
on the Northern Territory's Racing and Gaming Industry*

Recommendation 5. It is recommended that a working task force be established to review the Northern Territory's regulatory framework for racing and gaming opportunities and to identify ways in which the industry can be better regulated. The task force should be established by the Northern Territory Government and should report to the Executive Council of the Northern Territory Government. The task force should be required to meet and report regularly and their report should be submitted to the Executive Council of the Northern Territory Government. The task force should also be required to report to the Executive Council of the Northern Territory Government on a regular basis.

**NEWSPAPER ADVERTISEMENT**



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

***SELECT COMMITTEE ON INTERACTIVE TELEVISION GAMING***

**CALL FOR SUBMISSIONS**

On 17 August 1995, the Legislative Assembly of the Northern Territory established a Select Committee on Interactive Television Gaming to inquire into and report on the impact of broadband communication services on the Northern Territory's racing and gaming industry. In particular, the Committee was directed to inquire into:

1. The future delivery of broadband service to the Northern Territory and the timing of connections to homes and businesses.
2. The likely developments through interactive pay television for direct consumer gaming opportunities.
3. The likely impact of those opportunities on existing racing and gaming operations in the Northern Territory, especially the operations of the Northern Territory TAB.
4. The likely impact on Northern Territory revenue.
5. The potential benefits which might accrue to the racing and gaming industry and to the consumer.
6. The possible impact of interactive gaming opportunities on the lifestyle and social structure of Territorians.
7. Any changes considered necessary to update Northern Territory legislation in the face of broadband communications technology developments.

Written submissions are invited from interested persons and organisations on the above term of reference.

The Committee expects to hold public hearings in due course and may invite persons or organisations who have presented written submissions to give further evidence.

Submissions should be forwarded to:

The Chairman  
Select Committee on Interactive Television Gaming  
GPO Box 3721  
DARWIN NT 0801

For further information, please contact the Secretary to the Committee, Mr Ian McNeill, telephone 461450/facsimile 412567.

The closing date for Submissions is Friday 20 October 1995.

T D BALDWIN, MLA  
Chairman

**LIST OF WITNESSES AND SUBMISSIONS**

*NT Government*

The Honourable Barry Coulter, MLA, Minister for Racing and Gaming

*NCOM*

Mr Ray Allwright, General Manager

Mr Brad Irvine, Business Unit Manager Data Communications

Mr Paul Chenoweth, Communications Consultant

Mr Clive Mackrow, INTERNET Manager

*Communications and Entertainment Television (CETV)*

Ms Maree Maguire, Manager - Darwin

Mr Dave Butler, General Manager Cairns and North Queensland areas

*Telstra*

Ms Robin Culph, Manager Corporate Affairs NT

Mr Kym Hume, Engineering Consultant

Ms Michelle McGrath, Business Development Manager

Mr Bruce Mouatt, Executive for NT

Ms Miranda Lindtner, Business Development Co-ordinator

Mr Peter Bakunowicz, National General Manager Market Development

Mr Graham B Smith, National General Manager Government Finance & Service Sales

*Darwin All Sports*

Mr Mark Read, Principal

*Northern Territory Totalisator Agency Board (NT TAB)*

Mrs Maria Onn, Chairman

Mr Bob Douglas, General Manager

*Consolidated Press Holdings*

Mr Michael Karagiannis

*Darwin City Council*

Mr Bob Morgan, Technical Services Manager

*Sky Channel*

Mr Bill North, Chief Executive Officer

Mr John Maras, Programme Manager

Mr Jim Murphy, Director

*Carpediem Pty Ltd*

Mr Greg Bettridge, Creative & Marketing Director

*Foxtel*

Mr Warren Lee, Director Broadband Services

*Optus Vision*

Mr Brendan Yell, Business Strategist, Online Services

*New South Wales Totalisator Agency Board (NSW TAB)*

Mr Alan Windross, Chief Executive Officer

Mr Liam Aylmer, General Manager Operations

*TABCORP*

Mr Michael Piggot, Executive General Manager Wagering

*Centaurus*

Mr Tim Antonie, Executive

*Tattersalls*

Mr Peter Gillooly, Chief Executive Officer

Mr Alister Drysdale, Strategic Development Manager

Mr Nick Hodgman, Marketing Manager Tattersall's Direct

*Macquarie Corporate Finance Limited*

Mr Michael Burn, Associate Director

*Multiple Sclerosis Society*

Mrs Elaine Rosenberg

*Northern Territory Attorney-General's Department – Policy Division*

Ms Vanessa Lethlean

*Communications Law Centre, UNSW*

Mr Jock Givens

*NT Racing and Gaming Authority*

Mrs Maria Onn, Chairman

Malcolm Richardson, Executive Officer Racing

Mr Kieth Boakes, Finance Administration Manager TAB

Mr Alan Pedley, Executive Officer Systems

Mr Graeme Munro, Legislation Officer

*Darwin Turf Club*

Mr Graeme Lewis, Director

Mr Wayne Pollock, Chief Executive Officer

Mr John Reeves, QC, Committee Member

*Darwin District Owners and Trainers Association*

Mr John Forrest, Chairman

Mrs Judy Gibson

Mr Geoff Parnell

Mr Alastair Shields

Mr Tony Paroli

*Communication Law Centre, Melbourne*

Mr Paul Chadwick, Victorian Coordinator

*MGM Grand, Las Vegas, USA*

Mr Alex Yemenidjian, President, and Chief Operating Officer

Mr Gene Kivi, Vice-President, Race & Sports Book/Poker/Keno

Mr Edward J Jenkins, Vice-President

Mr J Terrence Lanni, Chairman of the Board and Chief Executive Officer

*MGM Grand, Darwin*

Ms Patricia Johnson, General Manager and Chief Financial Officer

Mr Gordon McIntosh, Senior Vice President, Casino Operations, Australia

Mr David Ohlson, Electronic Gaming Manager

*Tanjong, Kuala Lumpur, Malaysia*

Mr Woo Sien Chuen

*Centrebet*

Mr Terry Lillis

Mr Gerard Daffy

Mr Tom Blackley

Mr David Blake

*Toowoomba Racing Club*

Mr Alan Volz, Secretary

*Sportsbet*

Mr Bryan Clark

*NTD8 Darwin*

Mr Andrew Bruyn, General Manager

*Alice Springs Turf Club*

Mr John Fitzgerald, Chief Executive Officer

Mr Steve Smedley, Committee Member

Mr Kevin Hickmont, Treasurer

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Ms Agnes Warren

Mr Prakash Mirchandani

Ms Lesley Whittaker

*Imparja*

Mr Richard Kelly, Director

*NT Commissioner of Taxes*

Mr David Read

*Report on the Impact of Broadband Communication Services  
on the Northern Territory's Racing and Gaming Industry*

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*Australian Institute for Gambling Research*

Associate Professor Mark Dickerson, Executive Director

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*AOA PTY LTD*

Mr Bradley McCosker, Director

*Lasseters Casino*

Mr Peter Bridge, Manager

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**INTERNET ADDRESSES RELEVANT TO INTERACTIVE ONLINE GAMING  
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**Australian Labor Party Platform, Rules and Resolutions:**

<http://www.alp.org.au/policy/communic.html>

**Foxtel:** <http://www.geko.com.au/foxtel/>

**Liberal and National Parties' Policy:** <http://203.8.182.153/policy/comm/coment.html>

**Microsoft:** <http://www.windows.microsoft.com/>

**Online Business Newsletter:** <http://www.ozemail.com.au/~pavir/onbusl.html>

**Optus Vision:** <http://www.optusvison.com.au>

**Telstra:** <http://www.telstra.com.au/>

**Telstra INTERNET:** <http://www.aarnet.edu.au:80/telstra/>

**EFT:**

**BankNet:** <http://193.118.187.102/help/bank/info>

**Commerce on the INTERNET:** <http://www.sims.net/links/net-commerce.html>

**CyberCash:** <http://www.cybercas.com/>

**Digicash:** <http://www.digicash.com/>

**Electronic Commerce and E-Cash :**

<http://gopher.econ.lsa.umich.edu/EconINTERNET/Commerce.html>

**The First Bank of the INTERNET:** <http://ganges.cs.tcd.ie/.../Press/fboi.html>

**First Virtual:** <http://www.fv.com/>

**Mastercard:** <http://www.mastercard.com/>

**Mondex:** <http://www.mondex.com/mondex/home.htm>

**Net 1:** <http://netchex.com/>

**Oki Value-Checker (Smartcard information):** <http://www.oki.com/products/UC.html>

**Smart Cards, Credit Cards, Payment Systems (has links to many sites, under construction):** <http://www.dice.ucl.ac.be/~dhem/card.html>

**Smartcard Home Page:** <http://burgoyne.com/pages/kjbarnes/scsg.html>

**Wells Fargo:** <http://www.wellsfargo.com/>

**Visa:** <http://www.visa.com/visa/>

**LOTTERIES:**

**CyberState Lottery:** <http://www.versanet.com/lottery/>

**InterLotto (Liechtenstein):** <http://www.interlotto.li>

**INTERNET Lottery:** <http://www.lechateau.com/lottery/>

**Lucky Lotto Shop Melbourne Cup Sweep (Tatts):**

<http://www.aone.net.au/auslotto/luckhome.htm>

**The Territorian:** <http://www.taunet.net.au/ntlottory/>

**TMS Australian Lottery Service:** <http://www.ozemail.com.au/~tms/>

**Winners Web:** <http://www.winnersweb.co.au/>

**Winners International Network:** <http://orion.nt.com.au/winners/>

**PAY TV:**

**Cable TV:** <http://www.cable-tv>

**Pay-TV:** <http://www.tvnet.com>

**Pay-TV Australia:** <http://www.netscape.net.au/~liron/cable-pay-tv/index.html>

**Video Satellite:** <http://www.rec.video.satellite.dbs>

**THE RACING INDUSTRY:**

**AusRace:** <http://www.psy.uwa.edu.au/user.doug/aus/ausrace.html>

**The Australian Thoroughbred Racing Page:**

<http://www.healey.com.au/users/swoop/racing.html>

**Centrebet:** <http://www.centrebet.com.au>

**Churchill Downs:** <http://www.win.net/derby/>

**INTERNET Casino Sportsbook:** <http://www.casino.org/sports.html>

**Racing Service Bureau:** <http://www.webnet.com.au/vrc/rsb.html>

**Rolling Good Times Online:** <http://www.rgtonline.com>.

**Sports International (Online Sports Wagering, International Sports Book, Global Casino) :** <http://intersphere.com/bet/>

**Sydney Turf Club:** <http://www.stc.com.au>

**TABCORP:** <http://www.TABCORP.com.au>

**Wagernet:** <http://www.vegas.com/wagernet/waghome.html>

**Virtual Reality for Interactive Television:**

<http://minerva.npac.syr.edu/NPAC1/PUB/wojtek/hpsin/vrtv.html>



