

NEWS »

- World
- Canada
- Health
- Arts & Entertainment
- Technology & Science
- Money
- Consumer Life
- Sports
- Diversions
- Weather
- Your Voice

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- E-mail Newsletters
- Video
- Podcasts
- Mobile/PDA
- RSS Feeds
- Free Headlines

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## MENU

- MAIN PAGE
- RAYMOND SOBESKI: THE \$30-MILLION MAN
- LOTTERIES
- LOTTO LONGSHOT
- GAMBLING ADDICTION
- ONLINE GAMBLING
- KAHNAWAKE - GAMBLING ON INTERNET CASINOS
- MEDIA
- CBC STORIES

## EXTERNAL LINKS:

- [Fact-sheet on gambling from Statistics Canada \(pdf format\)](#)
- [Lottery Canada](#)
- [Who regulates gambling in Canada?](#)
- [Gambling in Canada: A Report by the National Council of Welfare \(Winter 1996\)](#)
- [Alberta Alcohol and Drug Abuse Commission](#)
- [Responsible Gambling Council](#)
- [Centre for Addiction and Mental Health](#)
- [eGambling: The Electronic Journal of Gambling Issues](#)

## INDEPTH: GAMBLING Online Gambling

CBC News Online | November 17, 2003

Place your bets now. The odds are uncertain, the game might be illegal, but the prize is well worth it: \$5 billion U.S. This is the game facing companies and consumers deciding whether to deal themselves in to online gambling.

Many people have played blackjack, poker, baccarat, roulette during a night out at the casino or at a charity event. But those aren't the only places you can lose money -- people around the world are playing and betting from the comfort of their own homes, at internet casinos and sports betting sites.

You can log on and, credit card in hand, visit sites around the world to bet on anything from horse racing to cards to football. Some of the sites go to great lengths to try to recreate the feel of a casino. They design their sites with the sights and sounds of an actual casino. Many also provide incentives, live dealers (often scantily clad women), and cameras.

The U.S. General Accounting Office estimates there are at least 1,800 online casino sites worldwide. Most of the sites are based in the Caribbean. The GAO predicts worldwide revenue from those sites will reach \$5 billion in 2003. The GAO says half of that will come from U.S. consumers. Online casinos are illegal in the U.S.

Canadians spent \$11.3 billion on legalized gambling in 2001. Revenue from government-run lotteries, video lottery terminals and casinos was more

than four times higher than a decade earlier. But there are few statistics on how much was spent on online gambling, since the industry is in a legal grey zone in Canada.

The most recent Canadian statistics suggest less than one per cent of the population is doing any online gambling. But a survey from late 2001 in Ontario suggested as many as one in 20 Ontarians had at least tried gambling online.

Part of the problem is trying to collect statistics quickly enough to reflect the growth of the internet.

Researchers say while the numbers are still low, those that are gambling may be more hard-core gamblers than most. Preliminary research done at Harvard suggests that online gamblers are more likely to be problem gamblers.

### **Is it legal?**

Online gambling is the wild west of the gaming world. Unlike provincial or state lotteries, and government-regulated casinos, it is largely unregulated, and in fact illegal in many countries.

In Canada, federal criminal law appears to outlaw setting up a site for online gaming.

Ironically, Canadian companies, particularly Cryptologic, are the major suppliers of internet gaming software in the world.

But gaming itself is the purview of the provinces. So far, none of the provinces has ventured into the online gambling world. The only exception currently is the Khanawake reserve in Quebec, which provides a portal and server space for many international online casinos. Loto Quebec says this may be illegal. The Quebec Police say they are investigating, but after two years of investigation, no charges have been laid.

But the average Canadian consumer may not be breaking the law when they log on. Toronto lawyer Zak Muscovitch says, "What is illegal is to operate a common betting house. It's the proprietor of the casino that is the person breaking the law. There is no actual law that would prevent a consumer from using the site."

But there is a law that makes it illegal to be found in a "common betting house," so it may be that gambling online would apply.

Ever since the internet first came into being, people have found ways to make money from it. The difficulty of regulating what goes on on the web is at once its major asset and its major flaw.

In the U.S., even casino operators operating on foreign soil have been charged and pleaded guilty under the Wire Act.

Some countries have decided to legalize and control online gambling. Holland has, but the sites are written in Dutch, partly to reduce access from people outside the country. Consumers wishing to gamble online must register for a unique code that can then be monitored. If a player is determined to be gambling excessively, they may have counselling recommended, or have their access cut off.

Online gambling used to be legal in Australia, but has since been outlawed, except for sports betting and lotteries. Great Britain plans to license online gaming operators who locate their servers in Britain. Operators will be investigated, and software will be tested. The system should be in place by 2005.

In Canada, running an online gambling service may be illegal, but betting does not appear to be. The RCMP has investigated and raided Canadian companies suspected of running online service, but international companies are difficult to track, and very difficult to hold to account. It is almost

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impossible to know who is logging on to these sites.

In the U.S., several credit card companies, including VISA, American Express and Citibank, and the internet payment system PayPal have said they will cut off access to their services by online casinos.

The other issue is who is going online. Without guards at the door, the casinos don't know if compulsive gamblers, or children, are visiting their sites.

The only thing stopping minors, usually, is a lack of access to a credit card. Professor Jeffrey Derevensky at the International Centre for Youth Gambling Problems and High Risk Behaviours at McGill University says they don't always need a card to get hooked. "What we're concerned about though are the kids who are gambling on the internet sites for fun. If you go on these sites, they often have a practice side, or a free trial side, where you're not really gambling for money. It is easy for kids to log on, even if they can't play for money. In one study, nine per cent of the kids surveyed said they had gone on the internet casino sites to play for fun."

Deverensky says playing for fun may get the kids hooked on gambling. He says there is no way to know what strategies are used on the 'fun' sites that could encourage people to gamble for real.

In 1997 federal MP David Mills submitted a private member's bill to make online gambling legal, and regulated by the federal government. His argument was that the underground gaming economy should be regulated, in the same way that provincial lotteries are. Bringing it aboveground would mean government could take a cut. Some of that money could be redirected to programs to help problem gamblers.

His bill went nowhere. He says without the support of Prime Minister Jean Chretien, the bill was doomed.

### **The pros and cons**

Ironically, supporters and detractors of legalized online casinos often use the same argument: protection of consumers.

Keith Furlong of the Interactive Gaming Council argues that legalizing online gambling would allow for regulation. "[Legal online casinos] would provide a better alternative, and a safer route for consumers," he says.

But Jamie Wiebe of the Responsible Gambling Council of Ontario worries that online casinos aren't the same as land-based ones. "It seems internet gambling is a different sort of activity, in that it's and isolated activity," says Wiebe. That may lead to, or contribute to, gambling addictions.

Furlong argues that with regulated gambling, money can be put toward programs for problem gamblers. That's what happens with the money the provinces make now.

But gambling critic Sol Boxenbaum says that money is being collected off the backs of the victims. "They're creating the problem, and then they're giving two per cent of the revenue to fight the problem that wouldn't be there, if they hadn't created it in the first place."

Boxenbaum says its time to sit back and take a look at the changes in the gambling industry in Canada, particularly since the introduction of casinos. "Right now, it's just a free-for-all," he says, "We have to stop building and start analyzing what's happened."

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